

ING  **DIRECT**

**ING DIRECT
FINANCIAL WELLBEING INDEX
Q1 2014**

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Spend your life well



Household cash flow can be stretched

Australians maintain a sensible approach to money management though challenges remain

The first quarter of the year can be financially challenging for households. It's a time when the true cost of festive season bonhomie can become clear as credit card statements start to roll in, and for many Australians these bills often coincide with the inevitable round of education expenses as the new school year gets underway.

Viewed in this context, it's not entirely surprising that the ING DIRECT Household Financial Wellbeing Index took a slight dip in the first quarter (Q1) of 2014, falling to 109.2 down from 110.8 in Q3 2013.

With Index readings that now stretch back to Q1 2010, our experience confirms that household financial wellbeing tends to ebb and flow often on a seasonal basis, and minor variations – both up and down, are to be expected.

In Q1 2014, we looked at how well Australians are coping with regular household bills, and the responses we received were astonishing.

Over six out of ten households (63%) report having been strapped for cash between pay days at some stage. Around one in three of these households have resorted to credit cards to tide them over. A slightly higher proportion - 35%, have dipped into personal savings to bridge the cash gap.

More remarkable, almost one in two households surveyed (46%) said it would take at least an extra \$300 per week to be comfortable with take-home pay.

What is encouraging is that the results again highlight Australian households' commitment to better financial management – with the continuing trend to pay down debt and save more despite feeling the pinch at a household level. Highlighted with the fact that if households were to receive a 5% pay rise, the vast majority of households (82%) would shun the temptation of retail therapy and put the extra cash to good use by reducing debt and growing savings.

This last finding is a powerful reminder that Australian households continue their unwavering commitment to better money management. This offers reassurance that the nation's financial wellbeing will continue to show the long term upward trend that our Index results have recorded to date.

John Arnott
Executive Director, Customers
ING DIRECT

Financial wellbeing declines slightly

Index dips below 110.0 benchmark

The ING DIRECT Financial Wellbeing Index took a slight dip in the first quarter of 2014, falling to 109.2 down from 110.8 in Q4 2013. Despite this minor slide, the Index remains above the previous low point of 107.4 recorded in Q4 2012.

At a glance

Credit card/short term debt

Households across Australia have on average 1.8 credit cards (including bank cards and store cards) down from 2.0 in Q 1 2011. More than one in ten households (14%) have no credit card at all. Among all households, the average comfort rating of credit card debt remains at high levels, rating 5.26 (out of a possible 7). Only 3% of households say their credit card debt is 'out of control' down from 4% in Q4 2013.

Mortgage/long term debt

Over one in four (26%) Australian households are mortgage-free, while 39% own their home with a mortgage and almost one in three households (31%) are renting their home. Among households with a mortgage almost a half (42%) are paying down ahead of time (down from 49% in Q4 2013). Just 4% say they are getting behind in their mortgage (up from 2% in Q4 2013).

Household income

The average rating of comfort with household income nationally is 4.04. Only 6% of households say their income is not enough to cover immediate bills and debts though a larger proportion - 35%, report being 'uncomfortable' with household income.

Ability to pay regular bills

Across all households, the average comfort rating for ability to pay bills is 4.1 out of 7. Seven per cent say that it is 'almost impossible' to pay all the monthly bills on time – a figure that rises to 9% of low income households.

Personal savings

Across all Australian households the median savings level is \$14,702 however 15% of households have no saving at all. The average comfort rating of household savings is 3.58 – a slight decrease on the Q4 2013 rating of 3.65.

Investments/long term assets

Household investments score a comfort rating of 3.57, and along with savings this remains a weak spot of financial wellbeing. One in four households (19%) say that they don't have any investments/assets at all though this is down from 23% in Q4 2013.

The ING DIRECT Financial Wellbeing Index

Measuring the pulse of the nation's financial health.

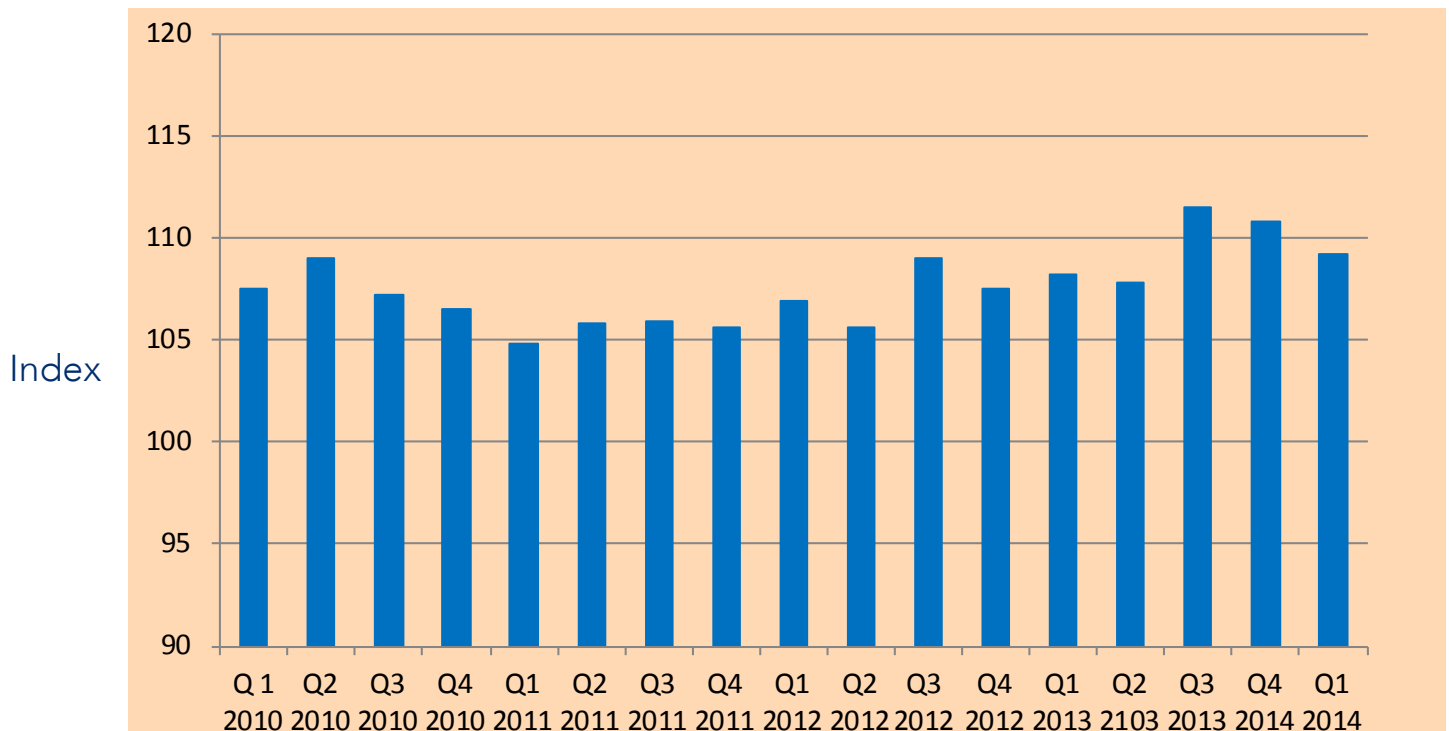
The ING Direct Financial Wellbeing Index rates household comfort levels across the six key aspects of personal financial wellbeing (as noted below).

Our respondents rated their personal comfort level for each of these aspects on a scale from 1 ('very uncomfortable') to 7 ('very comfortable'). The average of these scores is indexed to the scale midpoint, so that a score of 4 has an Index value of 100. By comparing the Index scores between quarters we can see how household financial wellbeing is changing over both short and longer timeframes.

Events that helped shape sentiment in Q1

- RBA keeps rates on hold throughout quarter four at 2.5%.
- Elections were held in SA and Tasmania in March 2014

Financial Wellbeing Index by quarter



Two out of three households struggle between pay days

Almost two thirds of Australian households (63%) say they have been strapped for cash between pay days at some stage and one in three have used a credit card to tide them over.

Almost half (46%) say it would take at least an extra \$300 per week to be comfortable with take-home pay.

The ING DIRECT Household Financial Wellbeing Index for Q1 2014 confirms the harsh reality that amid prosperity, many Australians are still struggling to make ends meet and build a decent pool of personal savings.

Most notably, our Index research indicated:

- Only 9% of Australians are entirely comfortable with their take-home salary.
- 46% say they would need at least an extra \$300 per week to feel comfortable with their take-home pay.
- While 63% of households have been stretched between pay days at some stage, 15% say they are 'always' stretched between pay cheques

Making ends meet – almost 60% don't go out

Of those households that have struggled between pay cheques, 57% make ends meet by staying at home rather than going out; half (49%) cook cheaper meals. One in three (35%) dip into savings and 33% rely on their credit card to carry over until payday – 25% of these people say they are already 'very uncomfortable' with their card debt.

Only 10% of households that have experienced a cash shortage between pay cheques have borrowed money from family members to get by.

82% would save a 5% pay rise

Offered the prospect of a more achievable 5% pay rise, only 11% of households would spend the extra cash.

Over eight out of ten (82%) would put the extra cash to work by:

- 36% building a buffer of savings
- 24% paying down credit card debts or other bills
- 18% putting the money towards mortgage repayments
- 5% make an extra superannuation payment

Financial wellbeing around the nation

New South Wales

In NSW, the Household Financial Wellbeing Index dropped from 111.2 in Q4 2013 to 107.1 in Q1 2014. Over one in three (37%) NSW households are uncomfortable with their income, and more than half the state's residents (51%) say it would take at least an extra \$300 per week to be comfortable with take-home pay – the highest proportion across Australia.

Victoria

In Victoria the Index remained stable at 112.3 across Q4 2013 and Q1 2014. Although 32% of Vic households are uncomfortable with their income, this is the lowest state-based figure across Australia, and below the national level of 35%. If given a 5% pay rise, 81% of Vic households would save the money or pay down debt compared to 82% nationally. Over one in ten (13%) Vic residents would spend the extra money – the highest proportion across Australia.

South Australia

South Australia's Index reading climbed from 103.1 in Q4 2013 to 109.8 in Q1 2014 however six out of ten SA households (60%) have been strapped for cash between pay days at some stage, and 39% report being 'uncomfortable' about their ability to pay regular bills. While 37% of SA residents say it would take at least an extra \$300 per week to be comfortable with take-home pay, this is the lowest proportion across Australia and below the national figure of 46%.

Western Australia

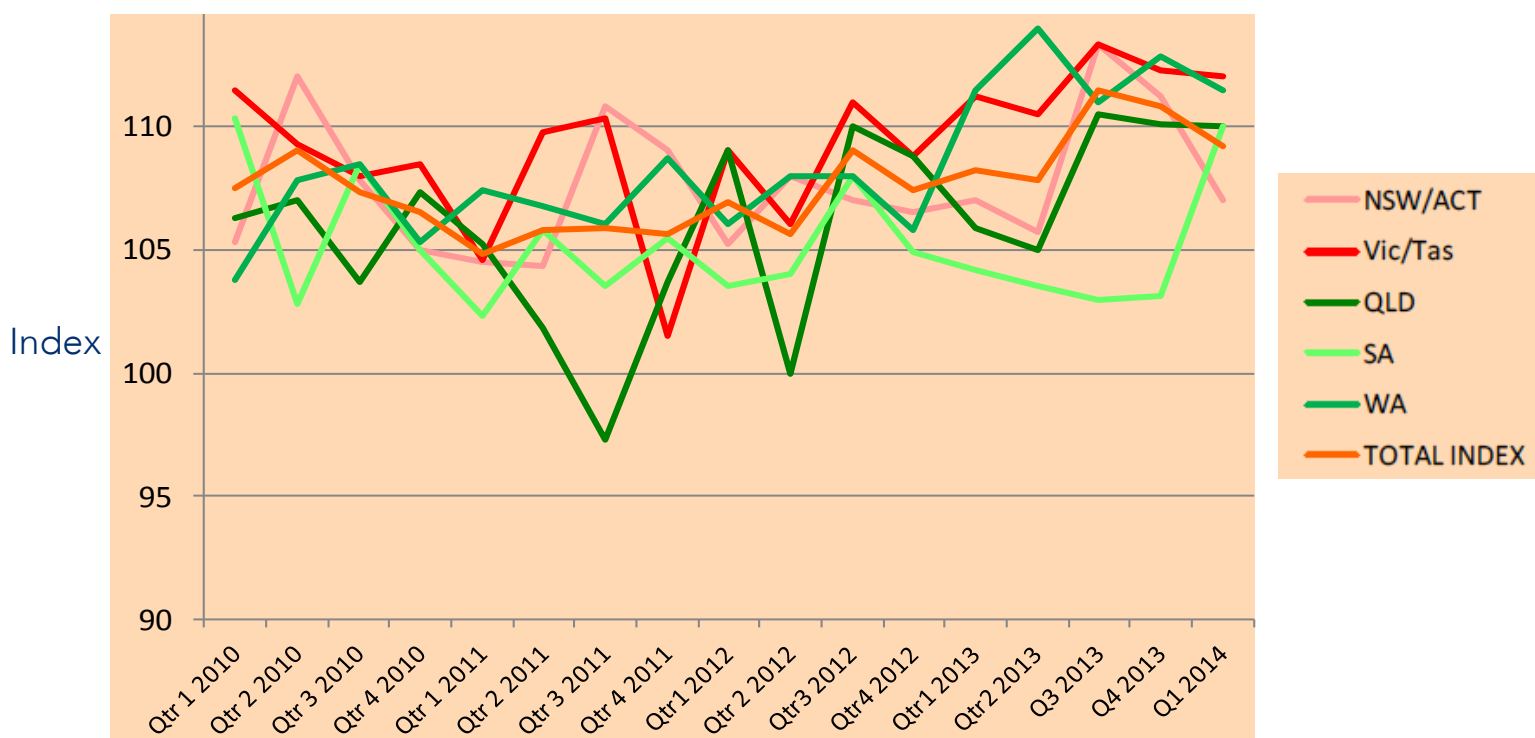
In WA, the Index dropped from 112.8 in Q4 2013 to 111.5 in Q1 2014. Six out of ten WA households have been stretched between pay days at some stage and 35% of the state's households are uncomfortable about their ability to pay regular bills. If given a 5% pay rise, 86% of WA households would save the money or pay down debt compared to 82% nationally. Over one in ten (11%) of the state's residents would spend the money.

Queensland

In QLD the Index fell slightly from 110.1 in Q4 2013 to 109.8 in Q1 2014. More than one in three (37%) QLD households are uncomfortable with their income – above the national level of 35%, and 65% of the state's residents report having been stretched between pay days at some stage – the nation's highest state-based reading (shared with NSW), and above the national level of 63%. Given a 5% pay rise, only 9% of QLD residents would spend the extra money – the lowest proportion nationally.

Financial Wellbeing – state by state snapshot

Aspect of financial wellbeing	National	NSW & ACT	Vic	Qld	SA	WA
<u>Credit card debt</u>						
Comfort level (out of 7)	5.26	5.09	5.46	5.05	5.47	5.42
Ave no of credit cards per household	1.8	2.0	1.8	1.7	1.6	1.8
<u>Long term debt incl mortgages</u>						
Comfort level	5.75	5.66	5.68	5.94	5.97	5.79
Paying extra on mortgage	42%	46%	46%	44%	43%	44%
<u>Household income</u>						
Comfort level	4.04	4.01	4.11	4.01	3.96	4.12
<u>Savings</u>						
Comfort level	3.58	3.58	3.68	3.49	3.46	3.57
<u>Investments</u>						
Comfort level	3.57	3.43	3.75	3.52	3.47	3.68
<u>Managing household bills</u>						
Comfort level	4.11	3.96	4.26	4.13	4.04	4.23
Overall comfort level	4.39	4.28	4.49	4.39	4.39	4.46
Index score	109.2	107.1	112.3	109.8	109.8	111.5



Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,050 households between 7 April and 11 April 2014. The data was weighted by region and household size to reflect the Australian household population based on the 2006 census. The level of savings reported in the study is also calibrated to APRA national bank total deposits (households) to ensure accuracy of household savings levels.

About ING DIRECT

ING DIRECT changed the way Australians bank 15 years ago by launching the country's first high interest, fee free online savings account. Since then, we've brought this low fee value to home loans, transactional banking and superannuation. With over 1.5 million customers – and \$30 billion in savings and \$38 billion in mortgages – ING DIRECT has the highest reputation of any other bank in Australia (RepTrak, Oct 2013), as well as the highest Net Promoter Score (NFSM, December 2013).