

ING  **DIRECT**

**ING DIRECT
FINANCIAL WELLBEING INDEX
Q3 2013**

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Spend your life well



Financial wellbeing surges to record high

Low interest rates and sensible money management see households enjoy improved financial confidence... just in time for Christmas

It's extraordinary to think the ING DIRECT Household Financial Wellbeing Index has been tracking the financial health of Australians for close to four years now. It's been quite a journey, and along with unparalleled insights into the financial health of a nation, the Index has also provided opportunities to gauge how changes to the economy – and other macro issues, directly influence the lives of ordinary Australians.

In the third quarter (Q3) of 2013, it's clear that historically low interest rates have had a tremendous impact on the financial wellbeing of many households.

For the first time since tracking began in Q1 2010, the ING DIRECT Financial Wellbeing Index has risen above the 110.0 benchmark – reaching 111.5, up from 107.8 in Q2.

It means households are experiencing their highest level of financial wellbeing in almost four years. Levels of comfort are especially strong among key financial obligations like mortgage and credit card debt. Confidence in household savings and ability to meet regular bills is improving too.

These are all important findings. But the real litmus test for many households will be the way their finances cope with the upcoming festive season – traditionally a time of year when budgets are thinly stretched.

Here too the Index provides valuable insights.

As Australians gear up for Christmas, many households are continuing to look for value and convenience using digital channels as a means of saving time and money. It may not be welcome news for traditional bricks and mortar retailers however it is a sign of the way our world is changing – and along with it, the way households manage their money.

I invite you to take a look through the ING DIRECT Household Financial Wellbeing Index for Q3 2013 to discover how Australians are faring on the financial front as we head towards the end of the year.

Vaughn Richter
CEO, ING DIRECT Australia

Financial wellbeing reaches new peak

Index passes the 110.0 benchmark for the first time since tracking began

The ING DIRECT Financial Wellbeing Index indicates Australian households are experiencing their highest level of financial wellbeing since tracking began in Q1 2010. The Index score for Q3 2013 rose to 111.5 up from 107.8 in Q2 - the first time the Index has exceeded 110.0.

Australian households are continuing to take advantage of low interest by maintaining their focus on deleveraging. Comfort levels with long term debt (mortgages) rose from a score of 5.73 (out of a possible 7) in Q2 to 5.81 in Q3. Comfort with short term debt (credit cards) also made gains, rising from 5.24 in Q2 to 5.42 in Q3. Comfort levels with household debt continue to be higher than for any other aspect of financial wellbeing. Comfort levels nationally rose across all remaining key indicators. In particular, comfort with saving rose to 3.74 in Q3 up from 3.56 in Q2, and comfort with long term investments – historically the weak spot in financial confidence, climbed to 3.61 in Q3 up from 3.48 in Q2.

Credit card/short term debt

Households are making headway with credit card debt but there are variations across states. Nationally, the average number of cards per household has held steady at 1.7 in Q3 and NSW is the only state to increase its number of cards per household averaging 1.9 in Q3 – up from 1.6 in Q2. One in three households (36%) say they have no significant card debt and 60% say they are 'very comfortable' with their credit card debt (up from 55% in Q2).

Mortgage/long term debt

Comfort with home loans continues to improve and remains the area where Australians are most comfortable about their finances with a comfort score of 5.81 in Q3, up from 5.73 in Q2. Seven out of ten households (69%) say they are 'very comfortable' with their mortgage (up from 65% in Q2). Nationally, 38% of households with a mortgage are ahead with their loan.

Household income

Confidence with income enjoyed an uptick during Q3 with the comfort level nationally rising from 3.89 in Q2 to 4.08 in Q3. Fewer than one in five households (17%) are 'very' uncomfortable with income levels – down from 20% in Q2.

Ability to pay regular bills

Household comfort with ability to pay regular bills has also improved, rising from 3.93 in Q2 to 4.12 in Q3. The proportion of households who say they are 'very uncomfortable' meeting regular bills has fallen from 20% in Q2 to 16% in Q3.

Personal savings

Levels of comfort with savings have risen over the quarter, with the national score rising from 3.56 in Q2 to 3.74 in Q3. While 25% of households report being uncomfortable with personal savings, this has fallen from 29% in Q2.

Investments/long term assets

Long term assets continue to be the area of financial wellbeing where Australians feel least comfortable. While the comfort score for Q3 rose to 3.61 up from 3.48 in Q2, only 15% of households say they are 'very comfortable' with their long term assets – the lowest proportion across all six indicators.

The ING DIRECT Household Financial Wellbeing Index

Measuring the pulse of the nation's financial health.

The ING Direct Financial Wellbeing Index rates household comfort levels across 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

- August - the Reserve Bank of Australia cuts the official cash rate from 2.75% to a new record low of 2.50%.
- September – Federal elections see the Labor government replaced by the Tony Abbott-led Coalition government.

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2010	2010	2010	2010	2011	2011	2011	2011
	Index	Index	Index	Index	Index	Index	Index	Index
Overall	107.5	109	107.2	106.5	104.8	105.8	105.9	105.6
Short term debt (credit cards)	126	129	127	126	127	126	130	130
Long term debt (mortgages)	139	142	137	136	136	138	137	139
Household income	99	102	101	100	97	99	100	98
Short term credit (savings)	88	87	86	88	83	86	84	84
Long term assets (investments)	91	93	92	91	88	88	88	86
Household bills	102	102	100	100	98	97	96	97

	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2012	2012	2012	2012	2013	2013	2013
	Index	Index	Index	Index	Index	Index	Index
Overall	106	105.6	109	107.5	108.2	107.8	111.5
Short term debt (credit cards)	129	126	130	127	130	131	136
Long term debt (mortgages)	140	139	141	141	143	143	145
Household income	100	97	102	99	100	97	101
Short term credit (savings)	86	85	91	89	89	89	93
Long term assets (investments)	88	90	89	90	88	87	90
Household bills	98	96	102	99	101	98	103

Seven out of ten Australians plan to shop online this Christmas

70% of Australians will head online for festive season purchases and Gen Y (aged 18-34) and families are leading the way with one in four (23%) planning to do more online shopping this festive season than last.

Highlighting the way Australian households are embracing online shopping, only 18% of Australians say they won't shop online this Christmas though this rises to 28% of baby boomer households (aged 50-64).

Key drivers for shopping online this Christmas are:

- 51% - to save money; it's cheaper online. This rises to 60% among households who are uncomfortable with personal savings.
- 36% - to save time; rising to 44% among Gen Y
- 33% - to avoid the rush at the shops
- 32% - to buy specific gifts not available in stores
- 20% - to buy gifts from overseas; rising to 29% among Gen Y.

Top five online purchases this Christmas

- 27% Toys/games
- 27% Clothes/accessories
- 26% Gift vouchers/ experiences
- 23% Consumer electronics
- 18% Homewares

Online shopping doesn't always delight

Two out of five (37%) of those households who plan to do their festive shopping online have experienced disappointment with online shopping in the past, rising to 48% among Gen Y households. Key problem areas were the product not being the same as advertised or failing to meet expectations (47%), poor quality products (43%) and the item arriving late (29%). One in ten (10%) online shoppers cited losing their money to scams when making purchases online.

The overwhelming majority (65%) of online purchases will be paid for using Paypal and other internet portals, followed by credit cards (39%) and debit cards (24%).

Financial wellbeing around the nation

New South Wales

NSW households experienced an uptick in financial wellbeing in Q3 2013, with the Index score rising from 105.8 in Q2 to 113.2 in Q3. Comfort levels improved across all six key financial indicators.

Almost three quarters (74%) of the state's households are planning to shop online this Christmas despite 42% of online shoppers saying they have previously experienced disappointment with online purchases. The key driver for internet buying among NSW households this festive season is to save money cited by 51% of those planning to shop online.

Victoria

The Household Financial Wellbeing Index for Victoria rose to 113.2 in Q3 up from 110.4 in Q2 - together with NSW, this is the nation's highest reading. Over one in three (34%) of Victorian households are ahead with their home loan.

The majority (69%) of Victorian households plan to shop online this Christmas. Despite being the most enthusiast online shoppers, 58% of the state's Gen Y households report disappointment with online shopping in the past.

Queensland

The Index confirms ongoing improvements to financial wellbeing in Queensland with the state's score rising from 105.3 in Q2 to 110.5 in Q3 – though below the national Index reading of 111.5.

Over six out of ten (64%) Qld households plan to shop online this Christmas though 15% haven't yet decided how they'll shop, and 35% of baby boomers have no plans to shop online at all over the festive season.

South Australia

The third quarter (Q3) of 2013 saw household comfort levels in SA improve across five out of six key indicators however a decline in comfort with long term investments resulted in an overall drop in the state's Index reading, down from 103.5 in Q2 to 103.0 in Q3 – the lowest score nationally.

Seven out of ten (69%) SA households plan to shop online this Christmas with saving money being the key driver for 57% of online shoppers rising to 65% of baby boomer households. Over one in ten (15%) SA households planning to do their festive shopping online have lost money to online scams – a figure that rises to 19% of Gen X shoppers (aged 35-49). This is above the national figure of 10%.

Western Australia

Western Australia experienced a decline in financial wellbeing in Q3 with the state's Index score falling from 114.0 in Q2 to 111.0 for Q3.

Over seven out of ten (71%) WA households intend to shop online this Christmas with saving money being the main motivator for 56% of online shoppers. Over one in ten (14%) of WA households planning to do their festive shopping online have lost money to online scams. Baby boomers are most vulnerable, with 26% of the state's boomers saying they have lost money to online scams when shopping over the internet

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)	5.42	5.38	5.41	5.47	5.46	5.44
Ave no of credit cards per household	1.7	1.9	1.7	1.6	1.4	1.7
<u>Long term debt incl mortgages</u>						
Comfort level	5.81	5.79	5.91	5.84	5.67	5.62
Paying extra on mortgage	38%	32%	34%	36%	56%	47%
<u>Household income</u>						
Comfort level	4.08	4.21	4.18	3.93	3.69	4.01
<u>Savings</u>						
Comfort level	3.74	3.90	3.84	3.67	3.11	3.62
<u>Investments</u>						
Comfort level	3.61	3.67	3.65	3.57	3.10	3.78
<u>Managing household bills</u>						
Comfort level	4.12	4.20	4.18	4.06	3.69	4.17
<u>Overall comfort level</u>						
- across all measures	4.46	4.53	4.53	4.42	4.12	4.44
<u>Index score</u>						
	111.5	113.2	113.2	110.5	103.0	111.0

Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,050 households between 4 October and 8 October 2013. 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 pioneered branchless banking in Australia by offering the first online, high interest, fee free savings account. Our low cost operating model allows us to pass these savings on to the customer in the form of great value products and services. Today, ING DIRECT has more than 1.4 million customers with \$30 billion in deposits and \$38 billion in mortgages and a range of products including transaction accounts and superannuation. **Please note ING DIRECT is never abbreviated to ING.**