



ING DIRECT
FINANCIAL WELLBEING INDEX
Q1 2012

ING  **DIRECT**

It's your money



Financial wellbeing rises though 1 in 4 households see income drop

Australians reveal resourcefulness when it comes to boosting household income.

The ING DIRECT Household Financial Wellbeing Index now spans nine consecutive quarters, providing insights into how Australians are coping with ongoing development in changes in the local and global economies.

Our latest Index - the first for 2012, confirms that financial wellbeing has improved slightly over the last quarter. However when we dig deeper into our data, it becomes clear that for some Australian households, making ends meet has become a lot more challenging over the past 12 months.

One in four Australians are living on less today than they were a year ago – and it's our seniors who are hardest hit, with almost one in three of the over-55s scraping by on less.

But Australians are also proving to be remarkably resourceful when it comes to managing financial wellbeing. Our research shows that households have undertaken a wide range of steps to boost their hip pocket with almost one in ten cashing in personal items to raise extra cash, and 7% planning to start an online business in the year ahead.

This edition of the ING DIRECT Household Financial Wellbeing Index looks at which households are enjoying higher incomes – and why; and pinpoints what we're doing across the board to bolster personal income in the face of rising living costs.

Don Koch
CEO, ING DIRECT Australia

Financial wellbeing rises – though still below high of Q1 2010

Index continues upswing

The Household Financial Wellbeing Index reached 106.9 in the first quarter of 2012 (Q1), up from 105.6 in Q4 2011. Although this is below the reading of 107.5 achieved on inception of the Index in Q1 2010, it confirms an ongoing uptrend in financial wellbeing since the Index plunged in Q1 2011.

In Q1 2012, improvements were noted in every aspect of financial wellbeing with the exception of credit card/short term debt where the Index is marginally lower (down to 129 from 130 in Q4 2011).

Snapshot across six key measures

Ability to pay regular bills

One in five (20%) households remain 'very uncomfortable' about their ability to pay bills on time, unchanged from Q4 2011.

Credit card/short term debt

The majority of households (56%) say they are 'very comfortable' with their credit card balance – the highest level ever recorded, highlighting that the majority of Australians are regaining control of card debt. Moreover, 62% of card holders pay off their card balance in full each month, rising to 69% in Victoria.

Mortgage/long term debt

The vast majority (93%) of households are comfortable with their home loan; 63% are 'very comfortable' - the highest level recorded since Q3 2010. Four out of ten (40%) mortgage holders are paying off their loan ahead of schedule.

Household income

Q1 2012 has seen a slight rise in the proportion of households who are 'very uncomfortable' with household income – currently 19% up from 18% in Q4 2011. Nationally, average household income has climbed modestly to \$79,856 up from \$79,491 in Q4.

Personal savings

Almost seven out of ten (68%) households are comfortable with savings – slightly up from 67% in Q4. However 30% of households remain exposed to emergency bills, with less than \$1,674 available in personal savings.

Investments/long term assets

Long term assets remains a weak spot of financial wellbeing with 28% of households saying they are 'very uncomfortable' with their level of investments and long term assets. This is a fall from 31% in Q4. Nationally however there has been a slight increase in the numbers of households owning long term investments – 17% own a rental property up from 15% in Q4; and 31% hold sharemarket investments, an increase from 24% in Q4.

The ING DIRECT Financial Wellbeing Index

Measuring the financial pulse of Australian households

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').

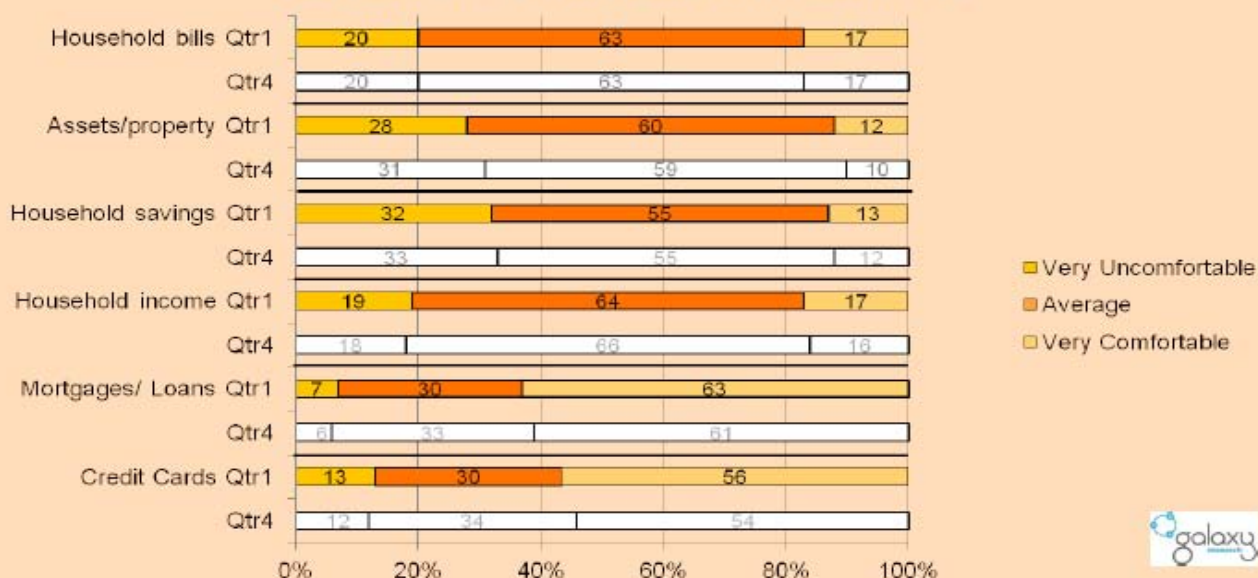
Six key focus areas	Qtr 4 2011	Qtr 1 2012
	Index	
Short term debt – in particular credit cards	130	129
Long term debt – mortgages and personal loans	139	140
Household income	98	100
Short term credit – savings and term deposits	84	86
Long term assets – net home equity and other investments	86	88
Comfort meeting household bills	97	98

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 if household financial wellbeing is improving or deteriorating.

Events that helped shape sentiment

In the first quarter of 2012, the Liberal/National coalition enjoyed a landslide victory in the Queensland state elections.

Household Level of Comfort Across Six Financial Dimensions



One in four living on less

The ING DIRECT Financial Wellbeing Index reports that one in four (24%) households are experiencing reduced household incomes. The fall in income over the last 12 months is chiefly due to cuts to working hours (cited by 35% of those experiencing lower incomes), and lower salaries (26%).

NSW and Victoria both fared especially poorly in terms of income growth, with 27% of households in both states learning to live on less.

Nationally, older Australians have been hardest hit as 29% of those aged 55-69 have seen their income decline over the past 12 months.

Western Australia has bucked the trend, with 55% of households earning more than they were 12 months ago compared to a national average of 46%.

Young Australians have also tended to enjoy higher incomes, with 56% of Gen Y households (age 18-34) enjoying a boost to income over the past year.

The drive to turn trash into cash

It could be the decline in income experienced by 24% of households over the past year, or simply the prospect of rising living costs, but whatever the cause, Australians are cashing-in on unwanted belongings.

One in ten (9%) households have sold personal possessions over the past year in a bid to raise extra cash – a trend expected to rise to 11% in the year ahead.

In fact, households across the board are taking a range of steps to boost income – with more action planned for the year ahead.

How households boost income

	Over last 12 months	Next 12 months
Sold/sell goods to supplement income	9%	11%
Undertaken odd jobs for cash	8%	12%
Work more hours part-time	8%	8%
Take on an extra part-time job	6%	10%
Invest/trade shares	6%	7%
Undertake education to up-skill	5%	6%
Re-enter workforce	3%	7%
Start a business	2%	6%
Start an online business	1%	7%

Financial wellbeing around the nation

NSW

Financial wellbeing declined in NSW over the last quarter, falling from 109.1 in Q4 2011 to 105.2 in Q1 2012, and below the National reading of 106.9.

Fewer than half all NSW households (47%) have experienced rising incomes over the last 12 months. However it is NSW women that are proving especially resourceful at bringing in extra cash:

- 15% have sold personal belongings to raise cash (compared to 10% of men)
- 11% have worked odd jobs for cash (6% of men)
- 9% are extending their part time work hours (6% of men)

These efforts have seen 53% of NSW women enjoying higher incomes over the past year compared to 41% of the state's men.

Victoria

Victorian households enjoyed a boost to financial wellbeing in the first quarter of 2012, achieving an Index score of 109.0, up from 101.4 in Q4.

Nonetheless, 27% of Victorian households have seen their income fall over the last 12 months, above the National average of 24%. Only 42% of Victorians experienced rising incomes over the past year – the lowest level across any mainland state.

Western Australia

More than one in two (55%) WA households have seen their income rise over the past year – the highest level of any mainland state. But 10% of these households are working longer hours, and 12% plan to take on even more work over the year ahead.

Like many of the nation's households, WA residents have plans in place to supplement their income in the year ahead. Over one in ten (12%) plan to do odd jobs for cash; a further 12% will work an extra part-time job and 10% will increase their part-time work hours.

South Australia

One in five (22%) SA households are getting by on reduced incomes as a result of lower working hours (cited by 35% on a lower income) and salary cuts (22%).

The state's Gen X households (aged 35-49) have been hardest hit with 35% forced to survive on a reduced income.

Many SA households are also working harder for their money; 13% have taken on an extra job, and 12% are putting in longer hours at work.

Faced with higher living costs, 7% of SA households sold personal possessions to bring in extra cash; 6% took on an extra part time job, and 10% increased their part time work hours.

Queensland

Queensland is bouncing back as almost one in two (45%) of the state's households enjoyed higher incomes over the past year. Only 18% of households experienced a decline in income – the lowest of any mainland state.

The worst effects of the 2011 floods may be receding as Queensland, together with Victoria, achieved the nation's highest financial wellbeing score for the first quarter of 2012 - 109.0, above the national average of 106.9. For Queensland this represents a welcome rise from the Q4 2011 Index score of 103.8.

The rise in incomes experienced by 45% of Queenslanders is equally shared by both Brisbane and regional households suggesting the uptick in financial wellbeing is being felt across the board.

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)	5.2	5.0	5.2	4.4	5.2	4.9
Ave no of credit cards per household	1.9	2.1	1.9	1.7	1.5	1.9
Median card balance	\$1,854	\$2,609	\$1,467	\$1,262	\$1,864	\$1,828
Pay off card in full each month	62%	56%	69%	65%	53%	60%
<u>Long term debt incl mortgages</u>						
Comfort level	5.6	5.6	5.8	5.6	5.4	5.6
Paying extra on mortgage	40%	39%	34%	46%	37%	46%
Median mortgage balance	\$182,581	\$206,179	\$165,338	\$204,995	\$155,865	\$251,333
<u>Household income</u>						
Comfort level	3.9	4.0	3.4	4.1	3.8	3.9
Average income	\$79,856	\$84,114	\$81,167	\$74,273	\$62,789	\$87,223
<u>Savings</u>						
Comfort level	3.4	3.4	3.6	3.4	3.1	3.4
Household savings below \$1,674	30%	32%	26%	31%	41%	24%
<u>Investments</u>						
Comfort level	3.5	3.5	3.6	3.6	3.4	3.6
Rental property ownership	17%	17%	19%	11%	14%	25%
Share ownership	31%	35%	29%	31%	21%	30%
<u>Managing household bills</u>						
Comfort level	3.9	3.9	4.0	4.0	3.8	4.0
Overall comfort level						
	4.3	4.2	4.5	4.4	4.1	4.2
Index score						
	106.0	105.2	109.0	109.0	103.5	106.0

Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,015 households between 27 March and 2 April 2012 (Q1). 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 began operating in Australia in 1999. By doing business online, over the phone and through intermediaries, ING DIRECT keeps its overheads low and passes the savings onto customers in the form of competitive rates. Today, it has grown to become Australia's fifth largest retail bank, with \$26 billion in deposits, more than \$38 billion in loans and around 1.4 million customers. Please note, ING DIRECT is never abbreviated to ING.

Important Information: Information is current as at 16 April 2012 and is subject to change. The ING DIRECT Financial Wellbeing Index is compiled by Galaxy Research and is updated on a quarterly basis. ING DIRECT does not guarantee, and accepts no legal liability whatsoever arising from, or connected to, the use of any material contained in this Financial Wellbeing Index. ING DIRECT is a division of ING Bank (Australia) Limited ABN 24 000 893 292. ING DIRECT's colour orange is a trade mark of ING DIRECT and the ING Group of companies.