

**ING DIRECT
FINANCIAL WELLBEING INDEX
Q3 2014**

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Spend your life well



Navigating the festive season

Last minute rush sees one in four households re-gift presents at Christmas

As we head down the home straight of 2014, the ING DIRECT Household Financial Wellbeing Index continues to deliver key insights into the financial health of Australian households.

Introduced in early 2010, the Index has acted as a barometer for household finances for almost five years, and in the third quarter (Q3) of 2014 there are signs of a clear upswing in the Index – just in time for the end of year holiday season.

In the third quarter (Q3) of 2014, improvements were noted across all six financial indicators. In particular, comfort with mortgages/long term debt is at all-time high with almost seven out of ten households saying they are 'very comfortable' with their home loan. Comfort levels with credit card debt are also healthy, currently rating 5.48 (out of a possible 7) - the highest level since 2010.

However when it comes to festive season shopping, many households face the inevitable pressure to dip into their wallets more than usual, and in our busy lives this can see the best laid plans go awry.

The ING DIRECT Household Financial Wellbeing Index confirms that 27% of households are likely to still be shopping for gifts on Christmas Eve. A similar proportion (23%) are likely to ease their festive budget by re-gifting unwanted presents, and 29% will find it all too hard to choose the perfect gift and opt to give a lottery ticket or gift voucher instead.

On a lighter note, 16% of Australians will buy the family pet a Christmas gift while only 4% plan to give their employer a present.

The key for many households this Christmas will be to take a planned approach to gift buying and other Christmas spending. It's a strategy that can mean avoiding last minute panic buying, or putting purchases on high interest credit cards. With this approach, households are better placed to consolidate the gains made in financial wellbeing through 2014 and enjoy a financially healthy start to the New Year.

John Arnott
Executive Director of Customers
ING DIRECT

Financial wellbeing improves in time for Christmas

The ING DIRECT Financial Wellbeing Index in Q3 2014 rose to 110.9 up from 108.8 in Q2 2014.

In the third quarter (Q3) of 2014, improvements were noted across all six financial indicators. Comfort with mortgages/long term debt is at all-time high with 68% of households saying they are 'very comfortable' with their home loan and almost one in three households (31%) being mortgage free. Comfort levels with short term debt (credit cards) have improved also, currently rating 5.48 (out of a possible 7) - the highest level since 2010.

At a glance

Credit card/short term debt

Households across Australia have on average 1.8 credit cards (including bank cards and store cards) – a level that has held steady since Q1 2014. Across all households, the average comfort rating of credit card debt remains at high levels, with an uptick over the quarter from 5.38 in Q2 2014 to 5.48 in Q3.

Mortgage/long term debt

The proportion of households that are enjoying mortgage-free living continues to climb, rising from 26% in Q1 2014 to 31% in Q3. The proportion of households that are paying extra on their loan is also climbing, up to 44% in Q3, from 41% in Q2. Notably, 10% of households in NSW say they are falling behind with their home loan – above the national figure of 6%.

Household income

The average rating of comfort with household income nationally is 3.96, and while this represents an improvement from the Q2 results of 3.88 it is still below the level of 4.04 recorded in Q1 2014.

Ability to pay regular bills

Across all households, the average comfort rating for ability to pay bills is 4.15 - a rise from 4.01 noted in Q2. Almost one in ten (8%) households say their income is insufficient to consistently pay bills on time.

Personal savings

Across all Australian households the median savings level is \$18, 612 and the comfort rating for savings has risen to 3.68 – up from 3.51 in Q2. Nonetheless, over one in ten households (13%) say they have no savings at all.

Investments/long term assets

Household investments/long term assets continue to score the lowest in terms of comfort ratings across all key indicators, though the Q3 2014 comfort level of 3.52 represents an improvement from the Q2 score of 3.48. Consistent with Q2, one in four households (24%) say that they don't have any investments/assets at all.

The ING DIRECT Household Financial Wellbeing Index

A unique barometer of the nation's financial health

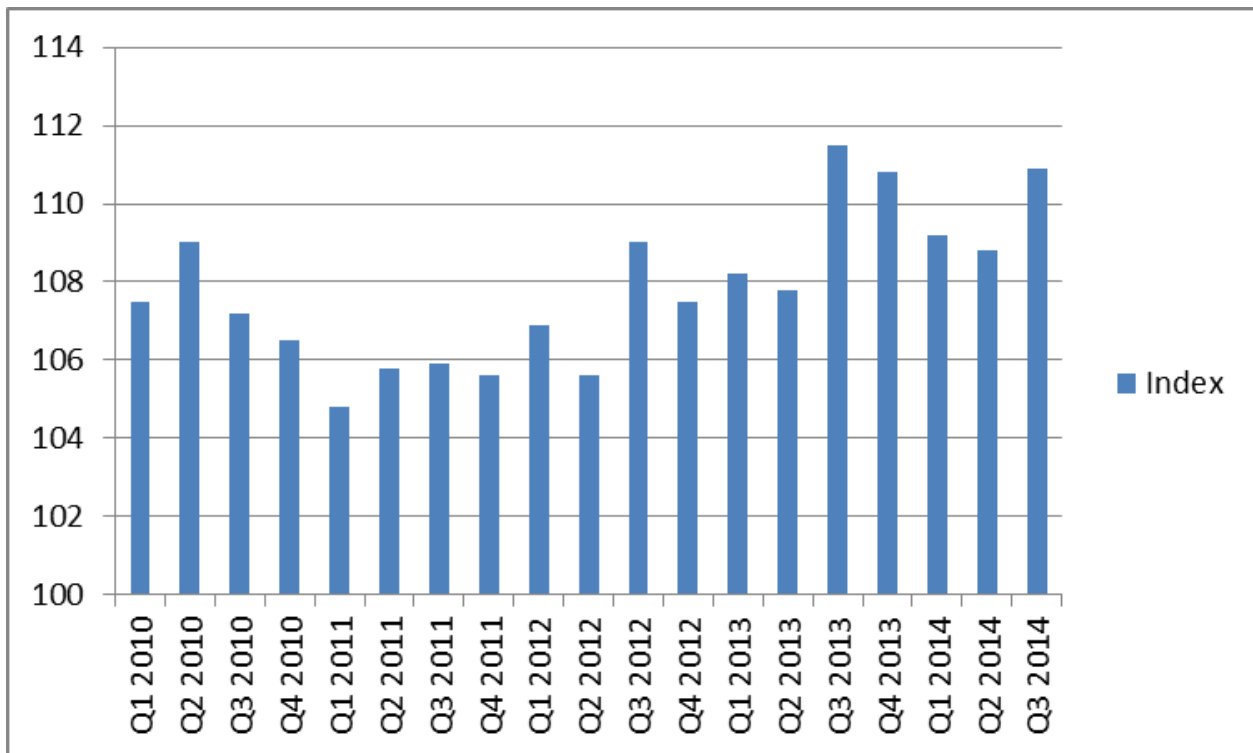
The ING DIRECT Financial Wellbeing Index rates household comfort levels across the six key aspects of personal financial wellbeing (as noted below).

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 Q3 2014

- *RBA keeps rates on hold throughout Quarter Three at 2.5%*

Financial Wellbeing Index by quarter



Last minute rush sees one in four households re-gift presents at Christmas

Family pets more likely to receive a gift than the boss

The ING DIRECT Household Financial Wellbeing Index confirms that 23% of households are likely to re-gift unwanted presents this Christmas. Almost the same proportion (27%) are likely to still be shopping for gifts on Christmas Eve, and 16% of Australians will buy the family pet a festive gift while only 4% plan to give their employer a present.

Key findings for Q3 2014:

- One quarter of Australians (27%) have delayed gift buying until Christmas Eve meaning a last-minute Christmas rush.
- Almost one in three (29%) have opted to give a lottery ticket or gift voucher.
- 16% of households have forgotten to buy someone a Christmas present altogether.
- Almost one in four households (23%) re-gift unwanted presents.
- One in ten men say they never shop for Christmas presents.
- 32% of women have given a Christmas present to themselves.
- Nine out of ten women (89%) would pretend to like an unwanted gift rather than hurt the giver's feelings; one in four men (24%) would ask for an exchange.

The family pet rates higher than neighbours, teachers or the boss on gift lists

Household gift budgets will be spread across a wide range of recipients with family, friends and the family pooch or moggie rating above neighbours or employers.

Gift recipient	Percentage of households
Immediate family – parents, children, grandparents	43%
Friends	35%
Family pet	16%
Provide gifts to charity	8%
Provide cash donation to charity	8%
Neighbours	7%
School teachers	4%
Boss at work	4%
The postie	2%

VIC households least organised for gift buying

Victorians are most likely to make a last minute rush for festive gifts with 30% admitting to buying presents on Christmas Eve. South Australians are most organised, with just one in five (22%) saying they have left gift buying until the day before Christmas.

Couples are especially time-poor - 14% have been asked by their spouse/ partner to buy their own gift, rising to 24% of those with children.

Re-gifting biggest among Gen Y and families

One in four adults (23%) re-gift unwanted presents, rising to 29% of families with children and Gen Y households (aged 18-34 years). Over one in four households (27%) that are 'very comfortable' with regular bills re-gift presents.

On a state basis, NSW households are more likely to embrace re-gifting (27%) compared to 17% of Queensland households.

Eight out of ten fake gift appreciation

Four out of five Australians (82%) will pretend to love an unwanted gift to avoid hurt feelings. One in four men (24%) will say they don't like a gift and ask if it can be exchanged compared to 11% of women.

Financial wellbeing around the nation

New South Wales

The Financial Wellbeing Index for NSW rose to 115.5 in Q3 2014, up from 108.3 in Q2 – the highest reading across Australia and above the national Index score of 110.9. NSW households have enjoyed significant gains in financial wellbeing in Q3 2014. Comfort with mortgages stands at 6.07 (out of a possible 7), above the national reading of 5.83. Almost one in two NSW households (46%) is ahead with their home loan.

Victoria

In Victoria, the Financial Wellbeing Index rose to 111.0 in Q3 2014, up from 109.4 in Q2. Victoria ranks third across Australia in terms of financial wellbeing, behind NSW (Index score of 115.5) and Western Australia (111.9). Comfort levels with credit card debt have risen to a score of 5.42 up from 5.30 in Q2 - the average number of credit cards per household has dropped from 2.0 to 1.8. Comfort with long term investments declined during the quarter from a score of 3.74 in Q2 to 3.49 in Q3.

Queensland

The Index reading for Queensland fell to 104.7 in Q3 2014, down from 107.5 in Q2. Household comfort levels have deteriorated across a number of indicators in Q3 including comfort with mortgages, household income, savings, and ability to manage regular bills. Queensland now has the nation's lowest level of financial wellbeing (104.7) compared to frontrunners NSW (highest Index reading nationally of 115.5) and Western Australia (111.9).

South Australia

In South Australia the ING DIRECT Financial Wellbeing Index fell to 106.2 in Q3 2014, down from 108.3 in Q2, and below the national Index reading of 110.9. Household comfort levels in SA declined across a number of indicators in Q3. Just over one third of SA households (38%) are ahead with their home loan compared to 44% nationally. Despite having the lowest number of credit cards nationally – an average of 1.5 per household, comfort levels with credit cards fell to 5.26 in Q3 down from 5.63 in Q2.

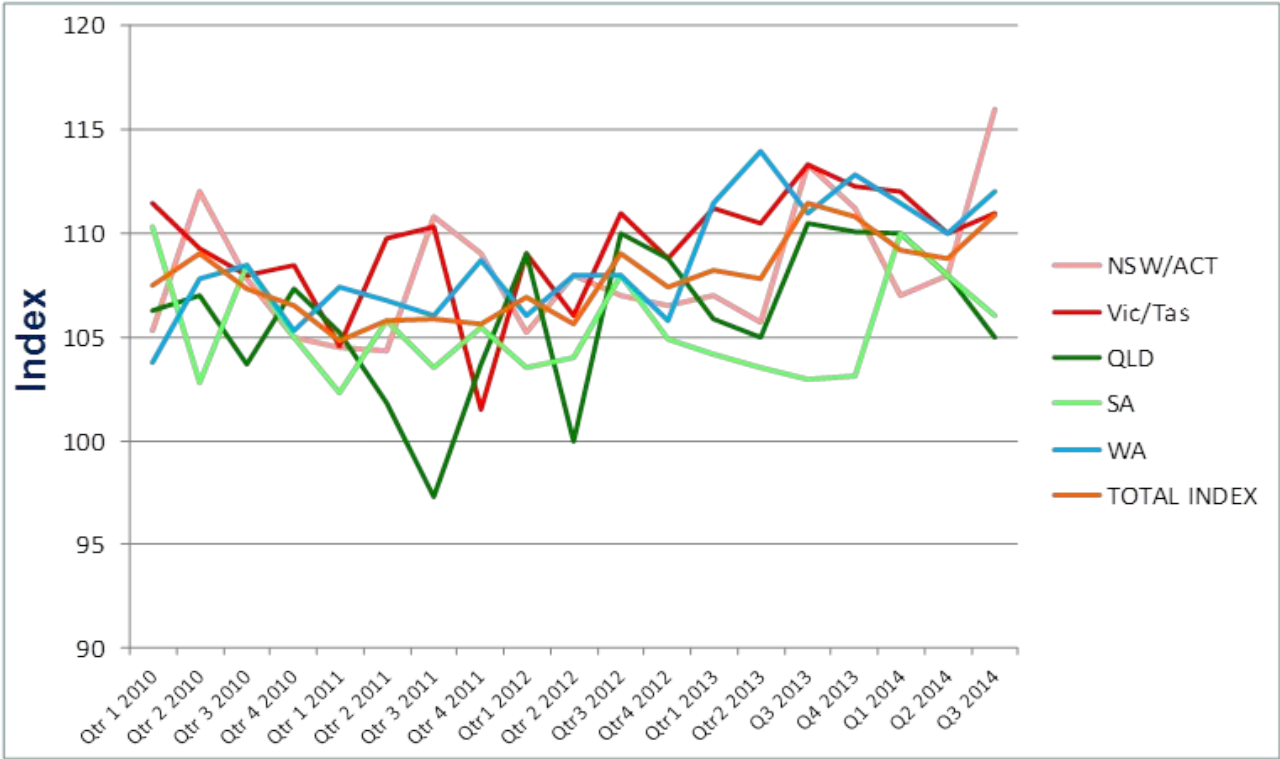
Western Australia

The ING DIRECT Financial Wellbeing Index for WA rose to 111.9 in Q3 2014, up from 110.0 in Q2. This is the second highest reading across Australia, behind NSW (115.5) and above the national Index score of 110.9. During Q3 WA households experienced a rise in comfort with their ability to manage regular bills. Almost one in two WA households (48%) are ahead with their home loan – above the national figure of 44%.

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)	5.48	5.71	5.42	5.30	5.26	5.45
Ave no of credit cards per household	1.8	1.8	1.8	1.7	1.5	1.8
<u>Long term debt/mortgages</u>						
Comfort level	5.83	6.07	5.71	5.77	5.70	5.59
Paying extra on mortgage	44%	46%	43%	43%	38%	48%
<u>Household income</u>						
Comfort level	3.96	4.05	4.03	3.68	3.82	4.09
<u>Savings</u>						
Comfort level	3.68	3.95	3.70	3.35	3.40	3.66
<u>Investments</u>						
Comfort level	3.52	3.59	3.49	3.23	3.61	3.86
<u>Managing household bills</u>						
Comfort level	4.15	4.35	4.29	3.80	3.70	4.19
Overall comfort level	4.44	4.62	4.44	4.19	4.25	4.47
Index score	110.9	115.5	111.0	104.7	106.2	111.9

Financial Wellbeing – state by state snapshot



Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,015 households between 3 November and 6 November 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, it's brought this low fee value to home loans, transactional banking and superannuation with over 1.5 million customers, \$30 billion in savings and \$38 billion in mortgages.