

**ING DIRECT
FINANCIAL WELLBEING INDEX
Q2 2011**

ING  DIRECT

It's your money



Australians build savings amid concerns for the economy

Households boost savings by an average of \$313 each month.

Australian households are tucking away remarkable amounts of spare cash, as concerns about lifestyle, the economy and in some cases bigger incomes, prompt us to save an average of \$313 each month or around \$78 each week. But for 41% of the nation it's a different picture as rising bills force households to dip into rather than grow savings.

ING DIRECT'S latest quarterly Household Financial Wellbeing Index provides a unique insight into how Australian households are faring across six key issues of personal money management.

The focus areas include short and long term debt, personal savings, investments, income and ability to meet regular bills, to create a holistic view of whether Australians are strengthening their financial wellbeing, experiencing deteriorating conditions or simply treading water.

With quarterly Index measures now available for the last 18 months, the ING DIRECT Household Financial Wellbeing Index offers a powerful view of how Australians are coping with uncertain economic times.

Don Koch
CEO, ING DIRECT

Index recovers slightly overall

The ING DIRECT quarterly Household Financial Wellbeing Index rebounded slightly in Q2 2011, rising to 105.8, up from 104.8 in Q1 - the lowest level since the inception of the Index in March 2010.

Big changes occur in comfort with savings and bills.

The upswing is largely the result of our new passion for saving. Comfort with household savings rose from an Index score of 83 in Q1 to 86 in Q2.

The extent to which households have embraced saving, and the reasons behind this, are the focus of our Q2 report.

But the good news on savings is overshadowed by mounting concerns about households' ability to pay regular bills. Comfort with bills fell to an Index score of 97 – the lowest level since the Index commenced in Q1 2010. One in five (20%) Australians now say they are 'very uncomfortable' about their ability to pay bills when they fall due.

As basic living costs including fuel, food and utilities continue to rise, households are bunkering down financially - uncertain about what lies ahead.

The ING DIRECT Household Financial Wellbeing Index

Measuring 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.

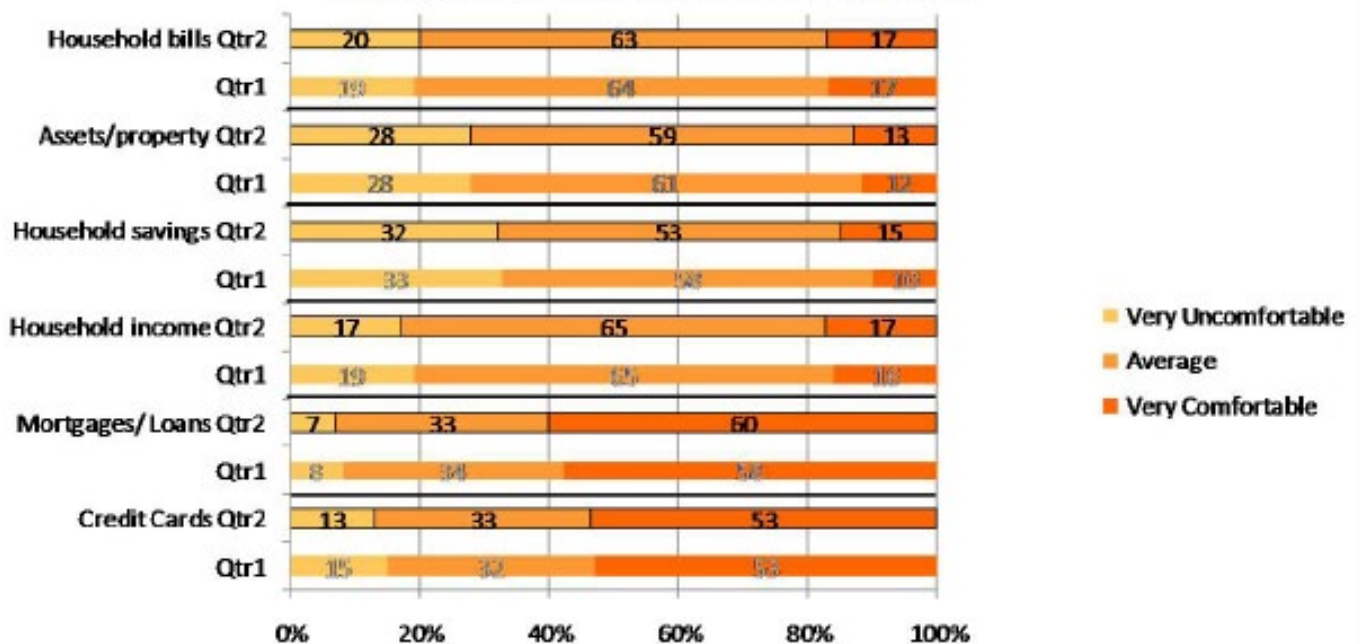
Our respondents rated their personal comfort level for each of these aspects on a scale from 1 ('very uncomfortable') to 7 ('very comfortable').

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

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.

Household Level of Comfort Across Six Financial Dimensions



Key findings

Over the last three months, financial wellbeing in Australia has enjoyed a minor upswing, rising from the lowest point ever of 104.8 in Q1 to 105.8 in Q2.

25% are saving more...

- One in four Australian households (25%) is saving more than they were 12 months ago; 34% have maintained savings at the same level.
- On average, Australian households are saving \$313 per month – about \$78 each week.
- Victorian households are the nation's top savers, tucking away an average of \$373 each month. South Australians are saving the least, just \$222 per month.
- 15% of households are now 'very comfortable' with their level of savings.

...but 41% are finding it harder to save

- 41% of households are saving less.
- Among these households 59% blame the rising cost of living.
- One in four (23%) households don't save any money at all each month.

Events that helped shape sentiment

In the second quarter of 2011:

- The Reserve Bank of Australia (RBA) leaves the cash rate unchanged in April, May, June 2011.
- At its 5 July Board meeting, the RBA indicates interest rates may not need to rise in remainder of 2011.
- The Gillard government makes it clear that a new Carbon Tax will be introduced on 1 July 2012.
- On 2 May 2011 the Australian dollar reached a new high of \$1.0939 against the Greenback.

Why is saving the new spending?

The majority of Australians (59%) have a firm focus on saving, with 25% saving more today than last year and 34% holding their savings steady.

There are two broad drivers behind our increase in savings – fears that things could get worse, and on the flipside, an improvement in incomes:

- 53% of households are saving amid fears that the economy will worsen.
- 32% are saving more because they are earning more.

Other reasons for saving*

- 26% are saving now for a holiday
- 22% are saving for a property
- 19% are saving for retirement
- 17% say the higher cost of living has forced them to save for unexpected but necessary costs
- 12% are more concerned about job security
- 8% are expecting interest rates to rise
- 7% have paid off credit cards recently so can save more now
- 6% say recent natural disasters have led them to want more savings as security for the unexpected

**Percentages do not tally 100% as respondents gave more than one reason for saving.*

So who is saving?

On a state by state basis, Victorians lead the savings stakes tucking away \$373 per month, the highest across mainland Australia.

Households building savings tend to be those who are 'very comfortable' with their income (40% are saving more) and younger households. Gen Y (aged 18-34) is dishing up big surprises, setting aside an average of \$445 each month – above the national average of \$313.

By contrast baby boomers are managing monthly savings of just \$250. Low income earners (earning less than \$70,000 annually) are finding it increasingly difficult to find spare cash. The proportion of these households with no savings has jumped from 29% in Q1 to 39% in Q2.

Average monthly savings around the nation

	National	QLD	NSW/ACT	VIC	SA	WA
Average monthly savings	\$313	\$266	\$305	\$373	\$222	\$343
Average weekly saving	\$78	\$67	\$76	\$93	\$56	\$86

Three savings strategies

Australians are almost equally divided on the approach they use to build savings - 25% save any money they don't spend, and 22% save a set amount each week/month. A further 22% admit they don't save at all.

But not everyone has cash to spare

We've seen that 41% of households are saving less today than 12 months ago. For the majority of these people (59%) the higher cost of living has meant dipping into – rather than building, savings. In addition, almost one in three (34%) say they are earning less money now.

Overall, rising costs are a major theme behind the struggle many households face to build savings:

- 34% citing the cost of household expenses like utilities and power
- 22% say their wages are not keeping pace with costs
- 14% struggle with the cost of living
- 8% are suffering from mortgage stress or increased rental costs

Other households are using their spare cash to deleverage, as 20% focus on paying off credit card debt, and 15% knuckle down to pay off a home loan. Only 7% say they've given up saving for a home.

For some households, the strength of the Australian dollar is encouraging spending. Almost one in ten (9%) have recently spent their savings on a holiday and 6% are using the high Aussie dollar to buy the things they want in preference to savings.

Financial wellbeing around the nation

NSW

NSW households are saving an average of \$305 each month – below the national monthly average of \$313.

One in four (25%) NSW households have increased personal savings over the last 12 months, and 31% have been able to do this because of higher personal income.

However plenty of belt-tightening reflects economic concerns. Fears that the economy could deteriorate (48%) are the key motivators for saving in NSW. A further 15% are concerned about job security.

Surprisingly 10% of NSW households say recent natural disasters have highlighted the importance of building financial security through saving (an issue cited by only 5% of Queenslanders, who were more likely to be impacted by the disasters).

VIC

Although 26% of Victorians are saving more today than they were 12 months ago, it is Gen Y residents (aged 18 -34) who are making the greatest progress as 37% increase their savings. The baby boomers in Victoria are finding it hardest to save – just 18% are saving more, and 41% are dipping into their savings.

Across the state, households are saving an average of \$373 each month, \$60 more than the national monthly average of \$313.

The most common driver of savings relates to economic concerns however 29% say they are saving more because they are earning more. A further 25% are saving to buy a property.

South Australia

Residents of Adelaide are finding it far easier to save than their country SA counterparts. Over one in four (27%) Adelaide households is saving more today than 12 months ago compared to just 13% of regional households.

Among regional residents, 62% say they are saving less (38% "a lot less") compared to 39% of Adelaide households.

The big savers in South Australia are the state's young people, with 32% of those aged 18 to 39 saving more today than a year ago. Seniors aged 55-69 are the worst savers, with just 15% saving more.

A high proportion of SA households (39%) are saving more because they are earning more.

Queensland

Despite the spate of devastating natural disasters across the state in early 2011, 24% of Queenslanders are managing to save more today than they were 12 months ago, and households are tucking away an average of \$266 each month.

Among those who are saving more, 33% say their income has risen but for 52%, worries about the state of the economy are behind the boost in savings.

Not everyone is building savings, with 41% of Queensland households saving less – 66% cite higher living costs, and 37% say their income has dropped.

Generation X respondents – aged 40 to 54, are finding it especially hard to save, with 51% tucking away less spare cash than they were 12 months ago.

Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,064 households recorded in June and July 2011 (Q2). 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.

Aspect of Financial Wellbeing	National	NSW/ACT	VIC	QLD	SA	WA
Credit card debt Comfort level (out of 7) Av number of credit cards per household Median card balance Pay off card in full each month	5.1 1.9	5.1 2.0	5.1 2.0	5.0 1.8	5.1 1.7	5.0 1.8
Long term debt inc mortgages Comfort level Paying extra on mortgage median mortgage balance	5.5 40%	5.6 37%	5.5 39%	5.3 45%	5.7 42%	5.3 42%
Household income Comfort level Average income	4.0 \$82,310	3.8 \$86,762	4.2 \$81,010	3.9 \$77,074	3.9 \$68,646	4.1 \$91,974
Savings Comfort level Household savings below \$1,674	3.4 31%	3.4 31%	3.6 26%	3.2 35%	3.4 37%	3.5 30%
Investments Comfort level Rental property ownership Share ownership Median value of investments	3.5 17%	3.4 17%	3.7 15%	3.3 14%	3.5 19%	3.7 23%
Managing Household bills Comfort level	28% \$172,839	27% \$162,120	32% \$192,777	26% \$117,893	20% \$152,281	29% \$327,094
Overall comfort level	3.9	3.7	4.2	3.8	3.9	4.0
Index score	4.23	4.17	4.39	4.07	4.23	4.27
	105.8	104.4	109.8	101.7	105.7	106.8

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 \$24 billion in deposits, more than \$37 billion in loans and around 1.4 million customers.

Please note ING DIRECT is never abbreviated to ING.