

Media Release: Wednesday, 25 January 2012

Financial wellbeing slumps in Victoria as households battle soaring living costs

Victorian households experienced a significant fall in financial wellbeing in the final quarter of 2011. Over one in three (36%) say their finances deteriorated in 2011, and 77% blame increases in the cost of household essentials.

The latest ING DIRECT Financial Wellbeing Index reveals Victorians are falling behind financially. In 2011 only 27% of Victorians gained ground with their personal finances – 36% fell behind, and one in four (25%) expect their personal finances to deteriorate further in 2012.

Key findings for Q4 of 2011 (surveyed in January 2012)

- Q4 2011 saw a significant plunge in Victoria's household financial wellbeing. The state's Index score dropped from 110.1 in Q3 2011 to 101.4 in Q4, below the national Index score of 105.6.
- Victorian households reported the nation's lowest 'comfort' ratings across five key indicators including comfort with long term debt, savings, ability to pay bills, income and investments.
- 36% of Victorians say their personal finances took a backward step in 2011 – a figure that rises to 59% of low income earners. Key factors were reduced employment income (58%) and rising living costs (55%).
- Higher taxes/levies and rising living costs are the chief financial concerns for 2012 cited by 32% of Victorians, followed by fears of job losses (20%).

The quarterly Financial Wellbeing Index rates household comfort levels across six key aspects of personal financial wellbeing including credit card and mortgage debt, savings, investments, household income and ability to pay bills. Respondents rated their personal comfort level across each area on a scale from 1 ('very uncomfortable') to 7 ('very comfortable').

The overall Household Financial Wellbeing Index for Victoria fell to 101.4 in Q4 2011 down from 110.1 in Q3 and below the national Index of 105.6.

2011 – A tough year for Victorians

More than one in three (36%) Victorians say their financial wellbeing declined in 2011, and 77% of these households blame rising living costs. However reduced employment income was also a key factor for 42% of households.

Among the 62% of Victorians who saw their financial wellbeing improve or remain unchanged in 2011, 43% say starting a new job shored up their finances - with 33% citing better household budgeting.

More upbeat for 2012

Although 40% of Victorians expect the economy to deteriorate in 2012, households are more upbeat about their personal finances. One in four (25%) see their financial wellbeing declining this year, but a majority (73%) expect an improvement or no change to their financial wellbeing.

The key concern for 2012 shared by 32% of Victorians is rising fixed costs including higher taxes/levies and living expenses (food, power, transport), and job uncertainty (20%).

Mr Don Koch, CEO of ING DIRECT, says "While Victorians have suffered in 2011, they have taken sensible steps to build a buffer - including growing their savings and maintaining careful budgeting - to be far more confident heading into 2012."

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Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,013 households between Thursday 5 January and Tuesday 10 January 2012 (Q4). 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 \$26 billion in deposits and \$38 billion in mortgages and a range of innovative banking products.

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