



Australian Financial Savviness

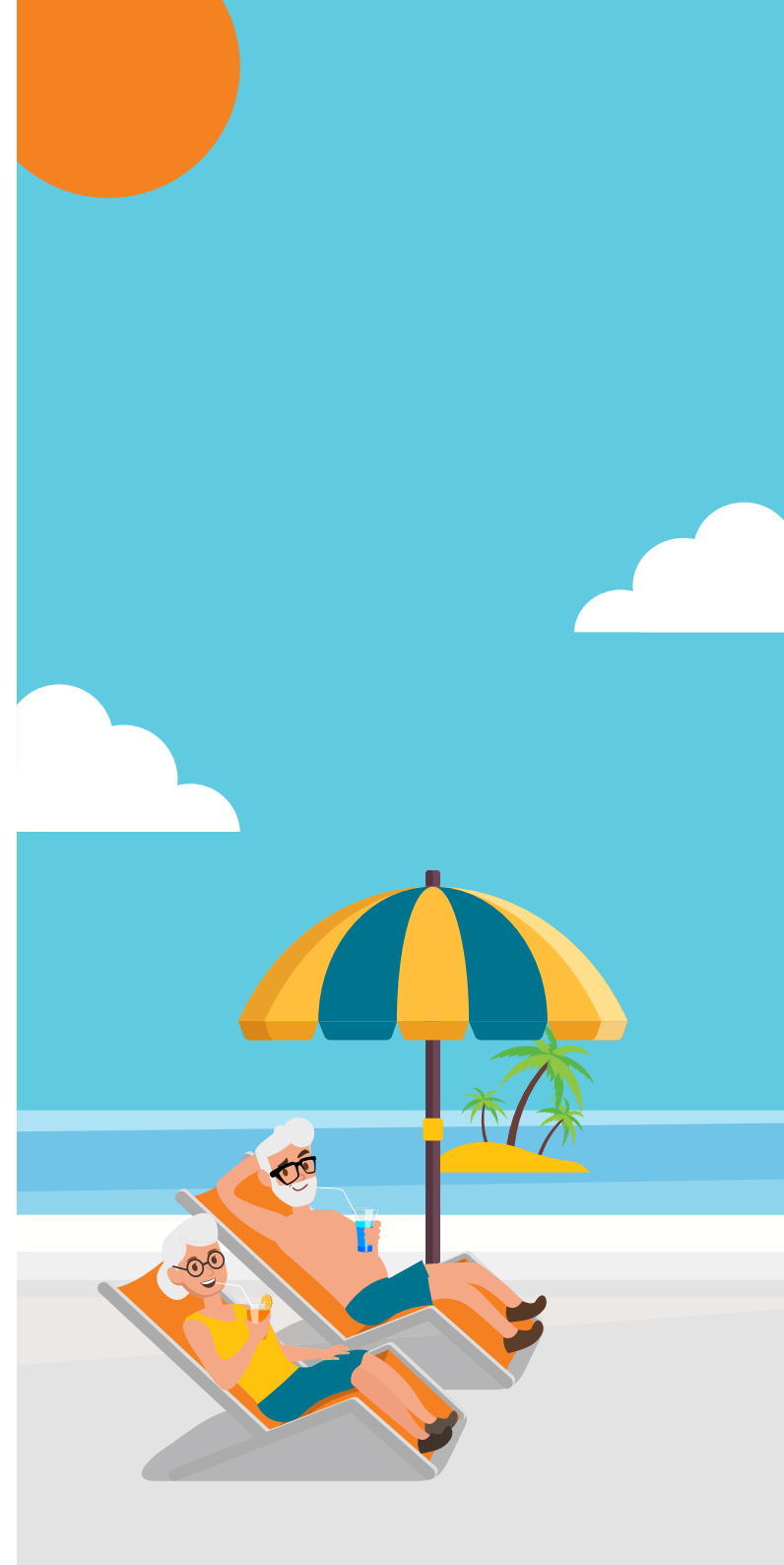
2017 Whitepaper

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A portrait of John Flavell, CEO of Mortgage Choice, is positioned on the left side of the page. He is a middle-aged man with short, light brown hair, wearing a dark suit, white shirt, and a patterned tie. He is smiling slightly and looking towards the camera. The background behind him is a blurred office setting with blue lighting.

Foreword

The majority of Australians believe they are ‘money smart’. They believe they make sound financial decisions – decisions that help them to make the most of their money.

In fact, 94.1% of respondents believe their money works hard for them (rather than the other way around). On the whole, Australians consider themselves to be ‘financially savvy’, with 83.3% arguing that they are confident in every financial decision they make.

If we separate the data and look at what those of different ages say about themselves, the results are even more interesting.

Almost 90% (86.9%) of those over the age of 60 consider themselves to be financially savvy. When you consider that these Australians have been around for a while, lived through various economic cycles and have, in most instances, soundly managed their money over the years, then it is fair to see why they might consider themselves to be ‘money smart’.

At the other end of the spectrum, 3 out of every 4 Australians under the age of 29 would happily label themselves as being ‘financially savvy’.

But more than being financially savvy, the majority of those under the age of 29 also consider themselves to be smarter than their peers when it comes to making financial decisions.

To be precise, 55.5% of Australians under the age of 29 consider themselves to be financially smarter than their peers. Interestingly, the story is very different for those over the age of 60. When we

asked this demographic whether or not they believed they were smarter than their peers, the majority said ‘no’.

Are they just playing coy or do they truly believe they are not as wise as their fellow Australians?

While that particular question is hard to answer, the data does make some other points very clear, including:

- Australians who are truly financially savvy will behave in certain ways. They will exercise certain savings habits and are more likely to take an active approach towards their finances;
- Australians who do take an active approach towards their finances are twice as likely to achieve their finance ambitions and enjoy a better quality of life in retirement than those who take a set and forget attitude towards their finances; and
- While the majority of Australians consider themselves to be financially savvy, many don’t behave in a financially savvy manner.

All of these concepts will be explored in greater depth throughout the Whitepaper.

John Flavell

CEO

Mortgage Choice

While the majority of Australians think they are great with their money, 58.4% of people would also rate their financial knowledge as either average or poor.



Executive Summary

Would you consider yourself to be good with money? How about financially savvy?

If the answer is yes, you are not alone. According to the latest data from Mortgage Choice and Core Data, the vast majority of Australians consider themselves to be 'money smart'. 77.2% of Australians to be exact.

Drilling further into the data, it is clear that the Australians who believe they are the 'smartest' are those over the age of 60 and those under the age of 29. Interestingly, while the majority of Australians think they are great with their money, 58.4% of people would also rate their financial knowledge as either 'average' or 'poor'.

Well over 85% of Australians aged 60 years and over consider themselves to be 'financially savvy', while almost 80% of those under the age of 29 consider themselves to be 'money smart'. This raises an interesting question: "what does it mean to be 'money smart'?"

Well, according to surveyed respondents, to be 'money smart', you need to be 'street smart'. You need to be able to make good financial decisions with the money you have.

You don't need to know everything and you don't need to be wealthy in order to be financially savvy. In other words, you don't need to be wealthy to be wise. Of course, there are hurdles associated with being and becoming 'financially savvy'.

In the first instance, most Australians consider 'choice' and the abundance of it to be a real deterrent in becoming 'money smart'.

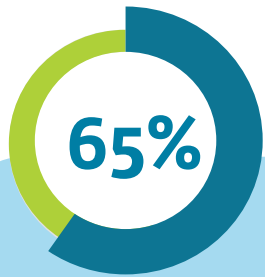
To be 'money smart', you have to be able to make good financial decisions. And, as the logic stands: if there are too many options to pick from, making reasonable financial choices becomes more difficult. But, this begs the question: is the real hurdle associated with becoming 'financially savvy' too much choice or a lack of financial knowledge?

In this Whitepaper, we explore what level of financial knowledge Australians actually have and what tips, tricks and savings habits the true 'money smart' Australians employ.

Financially Savvy Strategies

It is not enough for Australians to just say they are financially savvy, they have to prove it.

So what do money smart Australians do with their money?



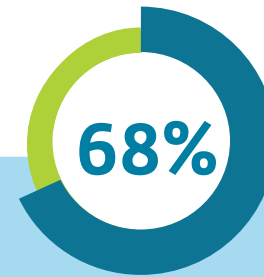
monitor their finances closely, reviewing their accounts and debts at least once weekly



consider themselves to be 'proactive' when it comes to managing their finances



employ a raft of savings tricks and habits



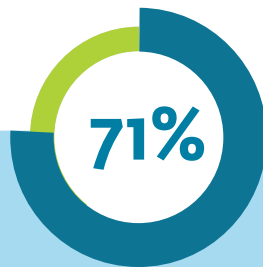
will research their financial options online before committing to a particular product or service



use a budget to successfully manage their finances



will put more than 10% of their income away for 'rainy day' expenses

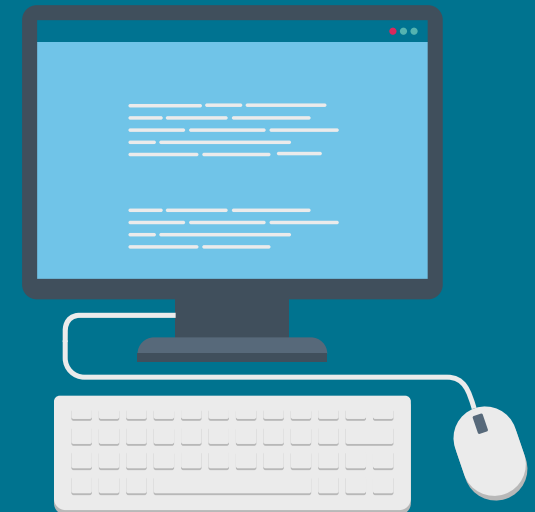


will pay off their credit cards in full each and every month



And while these are the favoured strategies amongst all Australians, the data found that different generations also have their own unique set of tactics that they like to employ.

The advent of the internet and social media has certainly changed the way some Australians get their financial tips, tricks and advice.



There are three key reasons why Australians will push themselves to expand their financial knowledge:

They want to enjoy financial independence (95.9%)



They want peace of mind when it comes to their finances (95.7%)



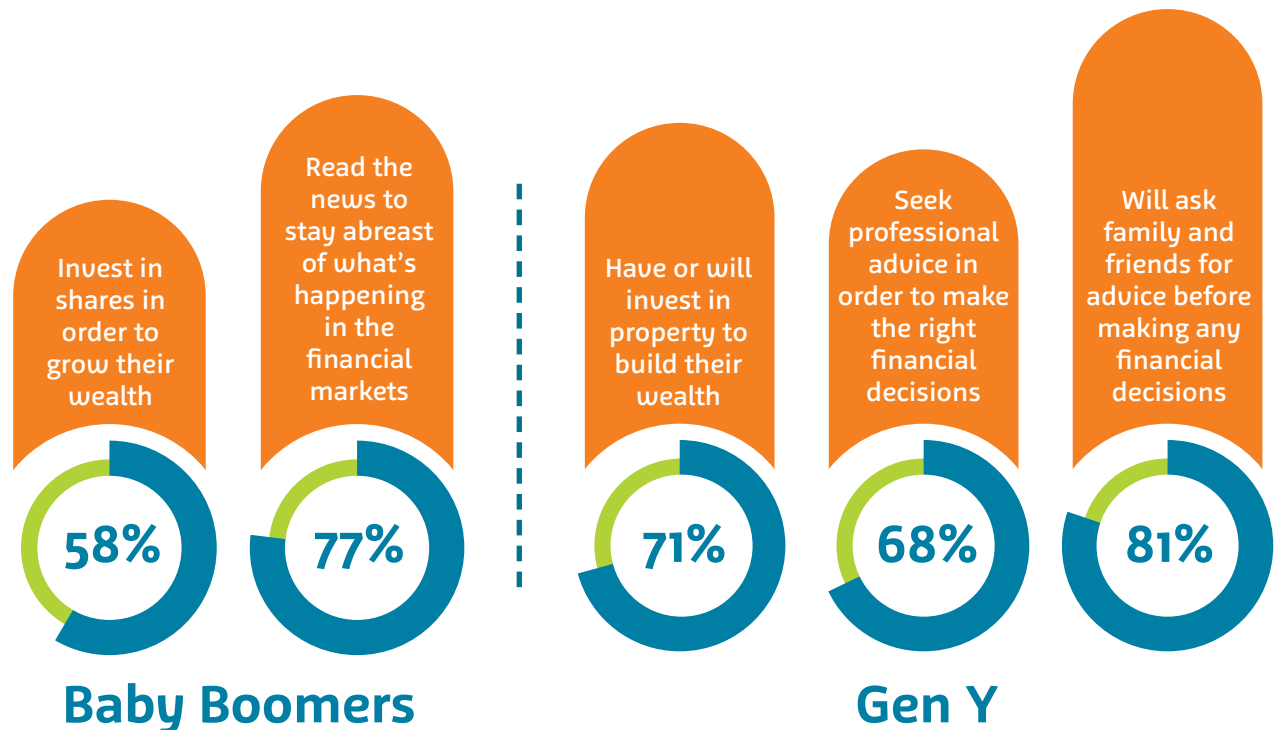
They want the freedom to do what they want in life (95.7%)



Financially Savvy Strategies

As expected, younger Australians tend to do a lot of their research online and will seek out feedback from friends and family, while older Australians use the media as their main source of financial information.

The following are the preferred financial tactics employed by both Baby Boomers and Gen Ys.



While it is clear that different Australians will employ different tactics in order to become financially savvy, they all have one thing in common: the desire to improve their financial wisdom.

85.1% of Australians said they would like to be more 'money smart'.

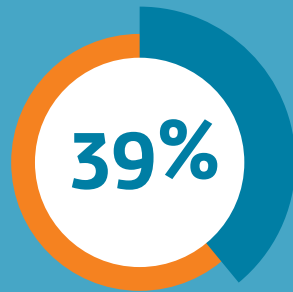
The Hurdles To Becoming 'Financially Savvy'

Given that 85.1% of Australians would like to be better with their money, we thought it prudent to find out what challenges/hurdles they face in achieving this goal.

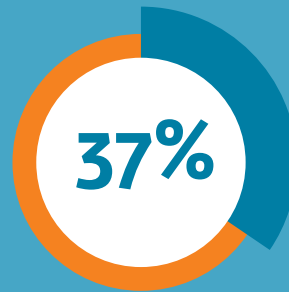
Interestingly, the biggest challenge Australians face in becoming money wise is choice.

While more financial players in the market has resulted in greater competition and greater consumer offerings, it has also resulted in more choice. And it is this overwhelming level of choice that is preventing many Australians from making sound financial decisions.

As per the data:



Australians said they struggle to understand all of the options available to them, and as a result, do not feel as though they can make a good financial decision.



Of Australians said it is deciding between all of the available options that messes them around.



Choice has long been considered a 'must have' within financial services.

In fact, we put the concept of 'choice' on a pedestal. It is often argued that an industry with an abundance of choice is strong.

Yet, our data makes it clear that Australians are currently overwhelmed by too much choice.

This is where finance professionals come into play. Mortgage brokers and financial advisers play an important role in helping Australians to understand the choices available to them.

Interestingly, 1 in 3 Australians feel as though their circumstances do not warrant seeing a financial adviser, while more than 80% said they would prefer to try and make decisions on their own.

**John Flavell, CEO
Mortgage Choice**

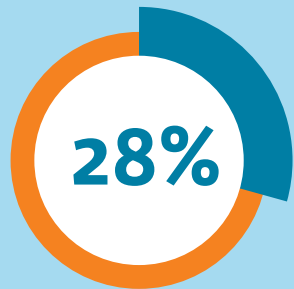
Assets, Investments of Choice

When building an investment portfolio, the vast majority of Australians want to build a balanced portfolio filled with diversified assets.

However, when asked to identify where they would invest their money in order to build a highly profitable investment portfolio, Australian property reigned supreme.



Australians would invest their money in residential or commercial real estate



Australians would invest in Australian shares



Australians would invest in international shares

Amongst Australian investors, it would seem property is king. And for good reason. Over the last 5 years, Australian property has performed incredibly well in terms of delivering a strong return on investment.

Over the five years to June 30 2017, Australian property has provided investors with a 15.9% p.a return on investment.

By comparison, Australian shares have provided investors with an 11.1% p.a return on investment.

Of course, if we expand the time frame and look at how Australian shares have delivered over the last 10 years by comparison to Australian property, the story is a little different.

The majority of Australians are optimistic about the future of property investment



Australians believe property will continue to perform the same or better than it did in the last 12 months



Australians believe shares will continue to perform the same or better than this year

What They Said

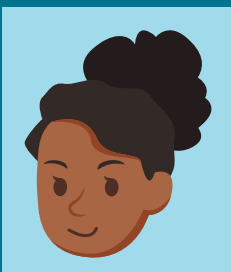


"To be money smart, you have to be able to make your own financial decisions, be able to successfully budget and live within your means. You have to understand credit and how the various financial institutions work."

Dawn, ACT (63 years old)

"If you want to be financially savvy, you have to be aware of your money and what you are doing with it. It also means having a plan or budget in place that can successfully help you manage your debt obligations and live within your means."

Trevor, QLD (59 years old)



"To be truly financially savvy, you need to be in control of your finances. You need to do your research on everything and try and maximise every dollar. Make your money work for you and get the most out of every investment – whether it be property investment or your weekly grocery shop. Think long term and not just in net terms." **Jen, VIC (26 years old)**

"To be money smart you have to be in control of your finances. You need to be able to set up bank accounts with high interest rates and then separate your money into different areas/categories, like: travel, savings, spending and daily expenses. You should also be able to invest in shares where appropriate. Get rid of any unnecessary debts and, if you have a credit card, make sure you pay it off in full each month."

Sarah, VIC (24 years old)



So what are the benefits of being 'financially savvy' and why should Australians strive to achieve this objective? Well, according to the data, there are many benefits associated with being financially savvy.

Most specifically, financially savvy Australians are:



2 x more likely to live a comfortable retirement



1.5 x more likely to have emergency funds saved



2 x more likely to have salary continuance insurance

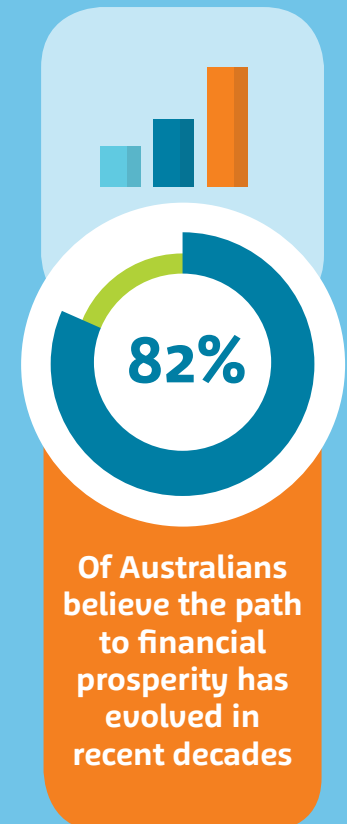
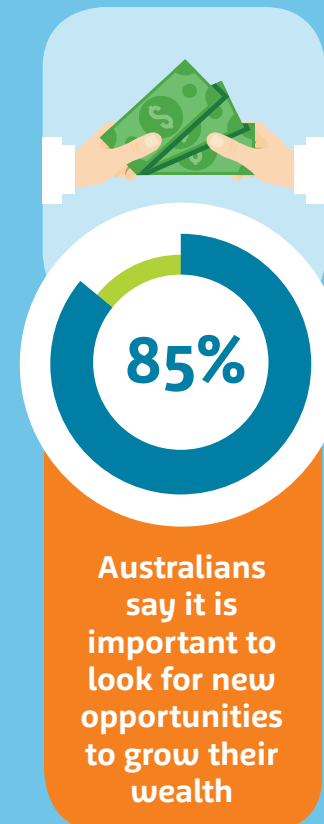


Would be more likely to cope with not being able to work for an extended period of time

Looking Ahead

Looking ahead, it is clear that Australians have a burning desire to be financially savvy, purely so that they can make wise financial decisions that will benefit them today, tomorrow and well into the future.

Furthermore, it is clear that Australians will continue to look for ways to upskill themselves and their financial knowledge, be it through online reading materials, seminars, speaking with friends and family, or seeking out the assistance of a finance professional.



About the Whitepaper

Mortgage Choice's *Australian Financial Savviness Whitepaper* surveyed 1,043 Australians about their experiences with money.

Respondents to the survey were aged 18 and upwards and were questioned about their financial choices and the broad-based concept of being 'money smart'. Respondents were not only asked whether they considered themselves to be 'money smart', but whether they believed they were more or less 'smart' than their peers.

In addition, respondents were asked to answer a number of questions to gauge their level of financial sophistication. Respondents were then asked to share their best financial hacks and describe the biggest financial hurdles they faced in their everyday lives. The Whitepaper sought to investigate whether Australians are, in fact, 'money smart' and what it takes to ensure that we act in a financially savvy manner.

The *Australian Financial Savviness Whitepaper* provides invaluable insights into the financial psyche of Australians, their attitude towards money, and how this attitude is shaped by external factors, including age, wealth status, and the markets in which they reside.

Notably, the Whitepaper highlights that while most Australians consider themselves to be financially savvy, they aren't necessarily behaving in a manner that would speak to being 'money smart'.

Most Australians would rate their 'financial knowledge as either 'average' or 'poor', and are doing little to rectify this ongoing issue. Further, almost 40% of Australians admit to being paralysed by choice but feel as though they are too smart to warrant seeking help from a finance professional.

Mortgage Choice aims to help Australians overcome their self-imposed 'choice' hurdle and provide them with the knowledge and resources needed to make better choices for a better life.

