



Mortgage Choice Financial Fitness

2019 Whitepaper

Better choices for a better life



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Foreword

What does “*financial fitness*” mean to you?

Is it having enough money to do exactly what you want to do, when you want to do it? Is it having enough saved to protect yourself from life’s unforeseen crises? Or is it simply having enough to cover the day-to-day costs of living?

Whichever way you answer the question, it is clear from research undertaken by Mortgage Choice in partnership with CoreData that becoming *financially fit* has never been more important, nor more challenging, than it is today.

When that’s the case, it becomes especially important to learn how to manage your finances and eliminate the money habits that can hold us all back. One of those habits is a reluctance to talk openly and freely about financial issues, and a reluctance to seek advice to help make better decisions, even when there is strong evidence that most people who seek advice are better off as a result.

A survey of more than 1000 Australians uncovered some troubling issues when it comes to how financially fit many people are. Almost a quarter of us are simply not sure what we could rely on if we were to be unexpectedly unable to work for more than three months; and more than a quarter either save nothing each pay cycle or, worse, spend more than we earn.

Our 2019 Whitepaper highlights the fact that the challenges faced by women in becoming financially fit can often be greater than those facing men. Just over a third of women are confident they’re on-track to achieve financial success, while well over half of all men say the same thing. Women are more likely than men to say they feel financially stressed. And women are less confident they will be able to retire when they want to.

By identifying the issues that prevent more people from becoming financially fit, this Whitepaper also identifies many of the solutions. The steps to achieving financial fitness are well known and well-trodden, and include budgeting, eliminating “bad” debt, saving and investing, being appropriately and adequately insured, maximising superannuation opportunities, and seeking expert advice.

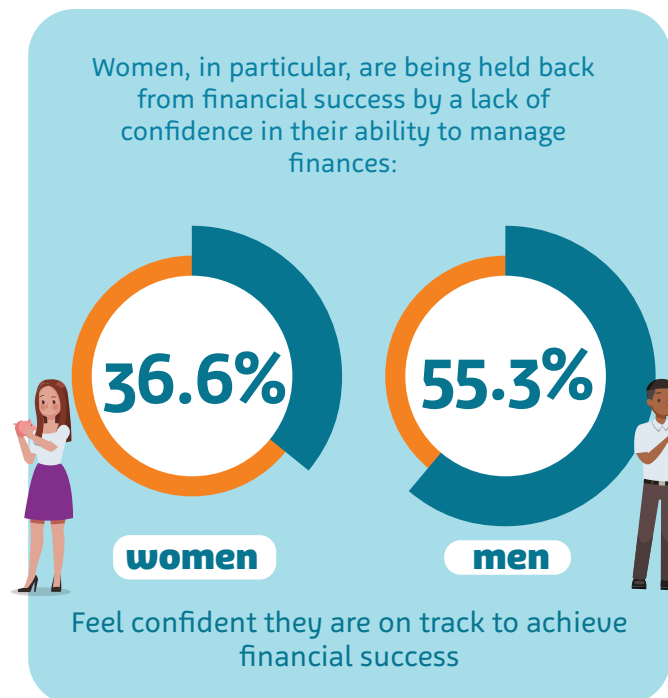
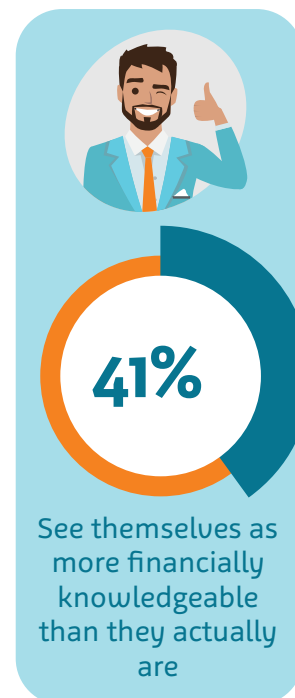
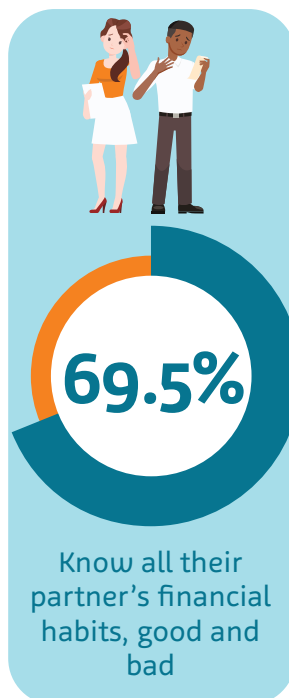
Unfortunately, usage of financial advisers remains subdued, based on a lack of trust in advisers, and a misperception that advice is too expensive.

When it is delivered by competent, qualified professionals, advice can transform financial fitness: around 60 per cent of people believe an adviser can help them grow their wealth and invest their money; and more than 85 per cent of people who sought advice report that their financial position has improved as a result.



Close to 3 in 5 Australians are worried about their current financial situation and almost **85%** say financial stress affects their wellbeing negatively.

Key take outs



Key take outs

Australians are looking for a 'hero brand' to offer them real choice and to truly understand their unique needs



Want a 'hero' brand that offers them real choice

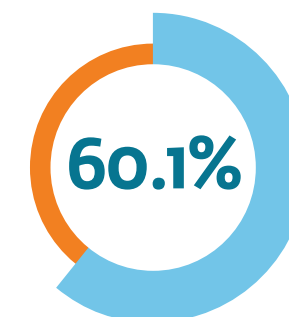


Want a brand that truly understands their unique needs

Around **3 in 5** Australians think a financial adviser can help them:



Grow their wealth



Invest their money

Australians feel financially stressed

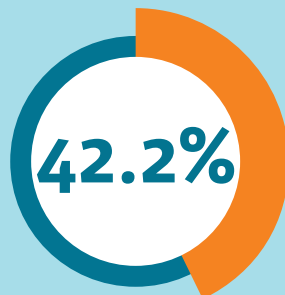
The **vast majority of Australians** who say they feel financially stressed say it negatively impacts their overall wellbeing.



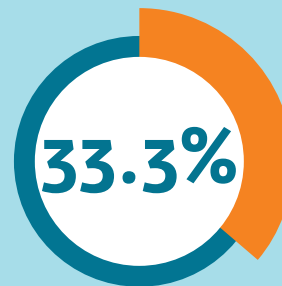
3 in 10 say they can cover their personal debt comfortably, and **a similar proportion** admit they struggle to cover it, at least sometimes

Among those who have personal debt:

More than 2 in 5 admit they are embarrassed by their personal debt



1 in 3 tend to hide the fact that they are in debt



Almost a quarter say they do not know who or what they would rely on if they unexpectedly could not work or were unemployed for three months.



The overwhelming majority of Australians who are married/in a relationship have common financial goals with their partner. But that doesn't tell the full story.

Some Australians are keeping their partners in the dark financially



Not everyone shares all of their financial habits – good or bad – with their partner



43.4%

More than **2 in 5** say their goals are only somewhat aligned

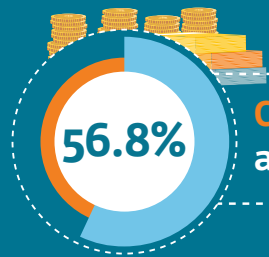


30.5%

and **over 30%** do not even share all their good and bad financial habits

The rising cost of living is beginning to bite

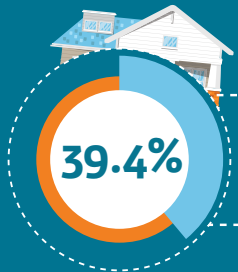
Australians are worried about their current financial situation, due to the rising cost of goods and services and wage growth barely keeping pace.



Close to 3 in 5 Australians are worried about their current financial situation



More than half say the rising costs of goods and services is one of their financial concerns



The single greatest concern for the next 12 months is the rising cost of living



Wage growth has been largely subdued, growing 2.3% throughout 2018*



More than 1 in 4 do not save anything or spend more than they earn each pay cycle

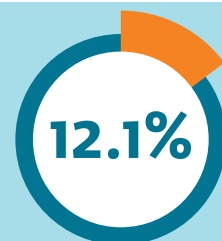


Living expense categories

1. Clothing and Personal Care
2. Recreation and Entertainment
3. Groceries
4. Telephone, Internet, Pay TV and Media Streaming
5. Medical and Health
6. Insurances
7. Transport
8. Owner occupier property Utilities, Rates and Related Costs
9. Education
10. Childcare costs
11. Investment Property Utilities, Rates and Related Costs
12. other

ARE YOU WATCHING WHERE YOUR MONEY GOES?

Some Australians aren't watching where their money goes



Say they often do not get around to managing their money and finances



Do not regularly check their credit cards for unknown payments

It is important to know how you are spending your money as part of your overall financial fitness plan. This is especially important if you plan to apply for a home loan as lenders assess applicants' living expenses in **at least 12 categories**.



Are not classifying their living expenses in enough detail



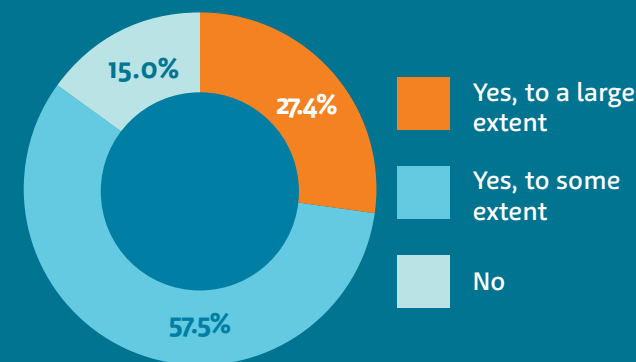
There is a fairly good understanding of what a financial adviser does, but usage is low

The **vast majority** of people who sought financial advice report that their financial situation **has improved**.

Around **3 in 5** Australians think a financial adviser can help them:



Most think that their financial situation has **improved** since they first sought financial advice.



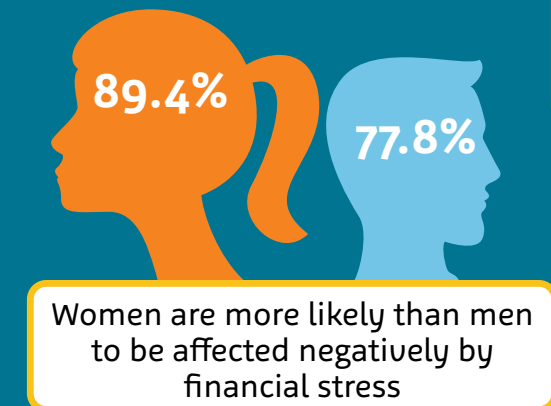
Women's lack of confidence is holding them back from achieving financial success



Women are more likely than men to be worried about their current financial situation



Women are more likely than men to feel financially stressed



Women are more likely to feel worried about their financial situation than men, and more likely to be affected negatively by financial stress. And they are getting left behind.

Women's lack of confidence is holding them back from achieving financial success

Women are getting left behind in achieving long-term financial success. Here's why:

73.1%

79.6%

Less likely to track how they are going against their financial goals

55.3%

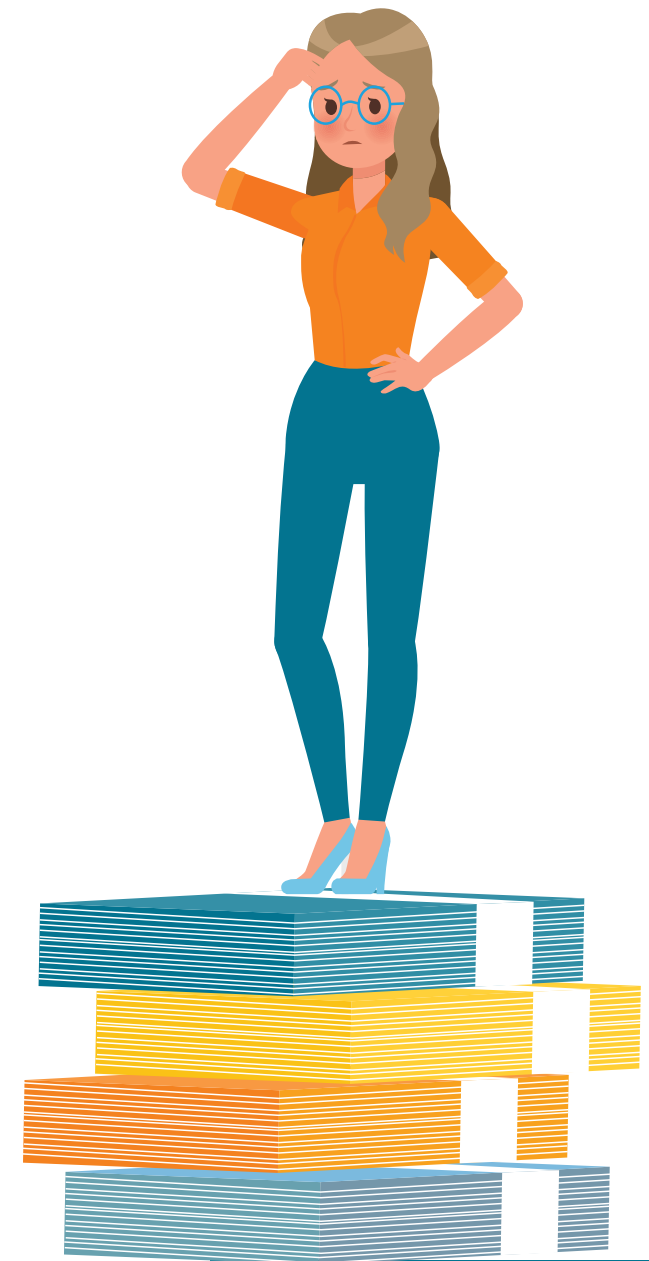
36.6%

More likely to feel not confident they are on track to achieve financial success

41.2%

30.0%

More likely to feel not confident they will be able to fully retire when they want



Case study

How financial advice relieves financial stress

Like so many who separate, **Jenny**, a social worker in Cairns, found the financial impact of splitting up from her partner very difficult. She had to move out of the couple's home and, following a number of big bills, found herself living payday to payday, using her credit card for bills and essentials like petrol and food.

At age 55, Jenny wasn't sure how to get back to a secure financial footing. It was when Jenny owed \$20,000 on two credit cards that Jenny's **Mortgage Choice** mortgage broker of many years **Lindon** referred her to **Shay**, a Mortgage Choice financial adviser.

"I must admit I burst into tears of relief after our first meeting because Shay gave me back my financial freedom," says Jenny.

"I really liked Shay's approach to providing goals-based advice. He took the time to understand me, my interests, and how these could be useful in building my wealth," says Jenny.

"Thanks to Shay's advice I cleared my debts reasonably quickly and was able to focus on building my wealth through a mix of working in my chosen career and property renovation," says Jenny.

"Financial advice is well worth the cost and changed the course of my life forever. Despite the popular misconception, financial advice is not for the rich. It is a recipe for everyday Australians who want to create a specific lifestyle by making the most out of their income and assets."

At 62, Jenny now wants to focus on ensuring her retirement is well provisioned and is planning to put more money into her superannuation fund.

After experiencing the advice journey from debt to financial security, Jenny says she encourages other women to get financially fit by speaking to a financial adviser and by putting more of their free time to learning how to budget, save and invest.



Top tips for financial fitness

TOP TIPS



There's no big trick to getting financially fit. Like going to the gym to get physically fit, it takes commitment to become financially fit. There's no single exercise that will get you fit all on its own; it's a number of different exercises in combination that will ultimately get you there. And just like when you've been to the gym for a while and you start to see the physical changes, once you've followed a financial exercise regime for a while you'll start to see the benefits.

● Exercise 1: Consider the life you want to live

This may sound like a daunting task but start by putting pen to paper and write down what you wish to accomplish, whether that be buying a house in the short term, putting your children through school, caring for your elderly parents and loved ones, or living comfortably in retirement.

● Exercise 2: Gain a clear understanding of your living expenses

This means not only knowing how much money you are spending, but which areas you are spending it. A good place to start is by printing out your bank account and credit card statements and identifying what spending you can reduce or eliminate.

● Exercise 3: Create a budget and stick to it

Once you know your living expenses, you will be able to create a budget. This will allow you to allocate money to spend on the things you need, money to grow your wealth, and money to live the life you want to live.

● Exercise 4: Pay off your credit card each month

Credit cards are an easy way for your debt to get out of hand. Stay in control of your debt by paying off the balance owing on your credit card each month.



Top tips for financial fitness

TOP TIPS



● Exercise 5: Save

Put aside a proportion of your salary each payday in a separate bank account, so you can resist the temptation to spend it. Not only will this teach you discipline and sound financial habits, it will exercise your will power.

● Exercise 6: Segregate your spending

Often it is the shock factor of having several large bills turn up at the same time that gives people the impression that life is getting more expensive. If you segregate your spending for expenses you know are a few months away, you can build a safety net and avoid bill shock in the future.

● Exercise 7: Know your level of risk

It is important to know how much risk you are prepared to take when investing your money. This is why speaking to a qualified financial adviser is key to working out an appropriate strategy, as simply leaving your savings in the bank may not give you the return you are seeking.

● Exercise 8: Speak to an expert

Think of a financial adviser as a personal trainer for your finances. An adviser can help you get financially fit, giving you greater confidence and control by creating a strategic financial plan tailored to your unique goals and needs. This will help you protect yourself and your assets through insurance, plan for retirement, give you superannuation advice, investment advice, wealth creation advice and more.



Looking out for a hero

Among those who do not feel there are any hero brands, around **4 in 5** wish they could find a hero brand that:



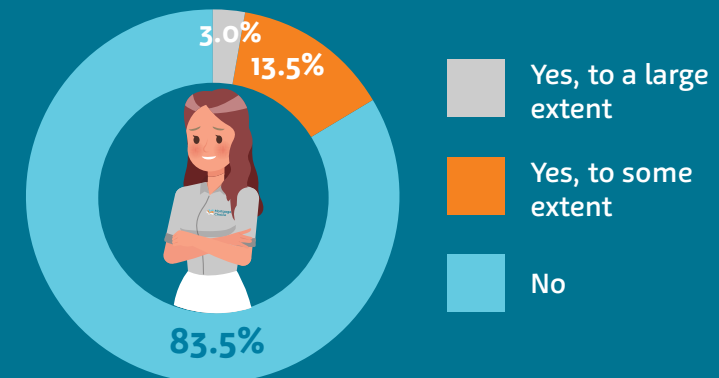
The **large majority** also wish they could find a hero brand that:



Mortgage Choice has a network of financial advisers across Australia, who can help you create a strategic financial plan, make better choices with your money and live the life you want to live.

The **vast majority** of Australians believe there is no “hero brand” in financial services that they can trust and which stands out from the pack authentically seeking to improve their lives and overcome adversity.

Do you feel there are any hero brands in financial services that you can trust (i.e. that stand out from the pack authentically seeking to improve your life and overcome adversity)?



About the Whitepaper

Mortgage Choice's 'Financial Fitness' Whitepaper surveyed more than 1,000 Australians in November 2018 about their financial experiences, and their attitudes towards budgeting, saving, investing and seeking financial advice.

Respondents to the survey were aged 21 to 60, and several demographic subgroups have been analysed including, homeowners, owner-occupiers and investors. We also identified generational cohorts from Millennials, Gen-Y, Generation X and Baby Boomers. Data was also analysed by other variables such as gender, income and geographical location.

The Whitepaper sought to investigate what the term 'financial wellbeing' meant to Australians, and what the major factors are in preventing more people from becoming financially fit.

It uncovered insights into people's ability and propensity to save and to seek professional advice to create better money habits to achieve financial goals.

The Financial Fitness Whitepaper provides invaluable insights into the different challenges facing men and women, and the gulf in confidence that exists between the genders when it comes to reaching financial goals, staying on track financially, and retiring at a time of their own choosing.

The Whitepaper has found that achieving financial fitness is being hampered by the lack of a "hero brand" in financial services that consumers can trust.

In addition, the Whitepaper sought to identify some of the impediments to more people seeking financial advice to help them achieve their financial goals. It uncovered a level of mistrust in advisers as a major sticking point.

However, it also clearly identified the benefits of advice, with more than 8 in 10 reporting that seeking financial advice had led to an improvement in their financial situation.

The Whitepaper also sets out the basic steps to becoming financially fit, starting with effective budgeting, covering saving and investing being adequately insured, and the benefits of seeking assistance from professional advisers - all in keeping with Mortgage Choice's aim of supporting more Australians achieve their financial goals by helping them make better choices for a better life.

