

February 2014

MLC Quarterly Australian Wealth Sentiment Survey

The quarterly MLC Australian Wealth Sentiment Survey shows consumer balance sheets remain conservative – with a heavy emphasis on deposits and paying off debt. However, the December quarter continued the trend of a growing appetite for direct shares. Those earning \$75,000 to \$100,000 showed the greatest increase (quarter on quarter) in directly held shares and highest change in intentions over the next three months. Of the states, Victorians showed a considerable increase in shares (27% vs. 17.6% Q3) as part of their portfolio mix, while Western Australia and South Australia showed a drop in debt repayment. A marked decline is evidenced in the 30 to 49 age group identifying cash (24.9% vs. 31.7% Q3) as part of their portfolio mix, shifting into superannuation. In a special report on retirement also released today, we examine key drivers concerning financial adequacy for retirement. Respondents note that key barriers to sufficient saving include physical health, employment status, and a lack of a saving/ investment plan.

A look at wealth sentiment in more detail reveals:

Investment strategy – current

- While investors maintain a conservative risk stance with superannuation, debt repayment, and cash the preferred investment options, an increased number identified a portfolio mix with more direct shares.
- Victorian residents and males are now most diversified across asset types, especially shares.
- Higher income earners typically hold a higher portfolio mix, especially shares and property.
- By marital status, married couples tend to hold a greater mix of cash, shares, and property.

Investment strategy – next three months

- Debt repayment and deposits are still the main focus, albeit interest in super and shares are increasing.
- Females intend to increase holdings in investment property and are more intent on reducing debt.
- WA residents have the strongest intention to divest shares, bonds, and balanced funds, investing more into super.
- Higher income earners favour super and property, lower income earners still prefer cash.
- Married couples, along with defactos, aim to move into property and pay down debt, while widows and singles are looking to divest shares and increase cash.

- By age, 30 to 49 year olds are particularly interested in paying off debt and moving into investment property, with those aged 50+ intent on more super, cash, and shares.
- By household size, larger households display a strong intention to deleverage and acquire property.

Concerns about superannuation and investments

- The key concern is a failure to provide sufficient funds for retirement, with concerns over changes to superannuation rules ranked second, especially for those aged 50+.
- WA is most concerned about providing for retirement, losing money, high fees, and missing investment opportunities.
- Females are typically more concerned than males across all categories, except missing investment opportunities.
- Divorced people are most concerned about inadequate retirement, losing money, inflation, and rule changes to super.

Life insurance

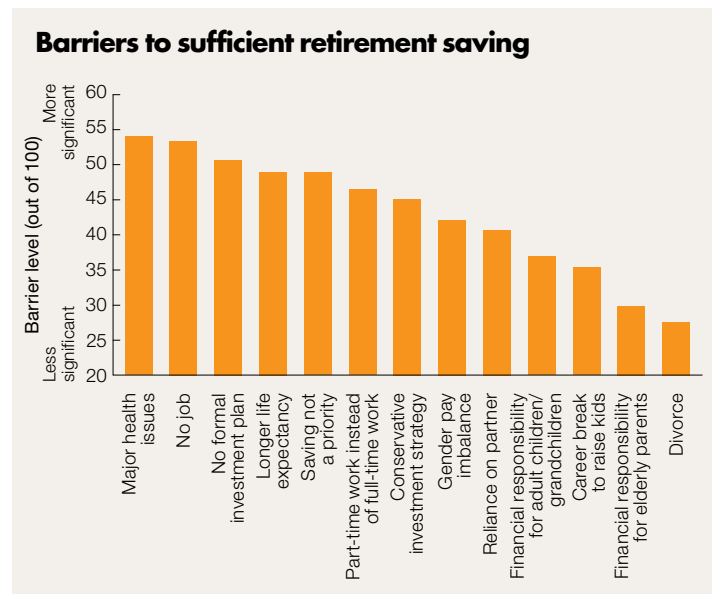
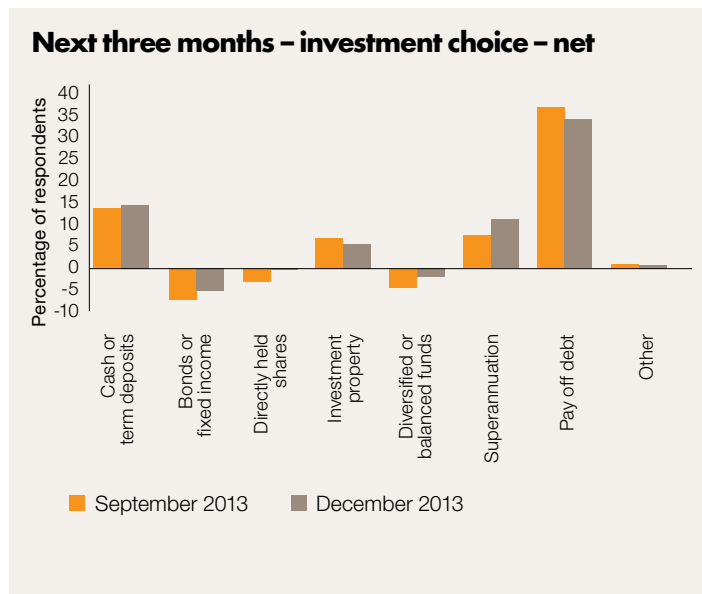
- Demand for life insurance is strongest among larger households and married people.

Time to retirement

- Those with greater than five years to retirement have the strongest intention to invest for growth. This intention also typifies males, high income earners, rural towns, people under 50, and those with kids.

More interest in super, as shares improve to neutral status. Debt repayment and deposits remain the current investment focus.

Physical health, employment and savings/investment plans key barriers to sufficient saving in retirement.

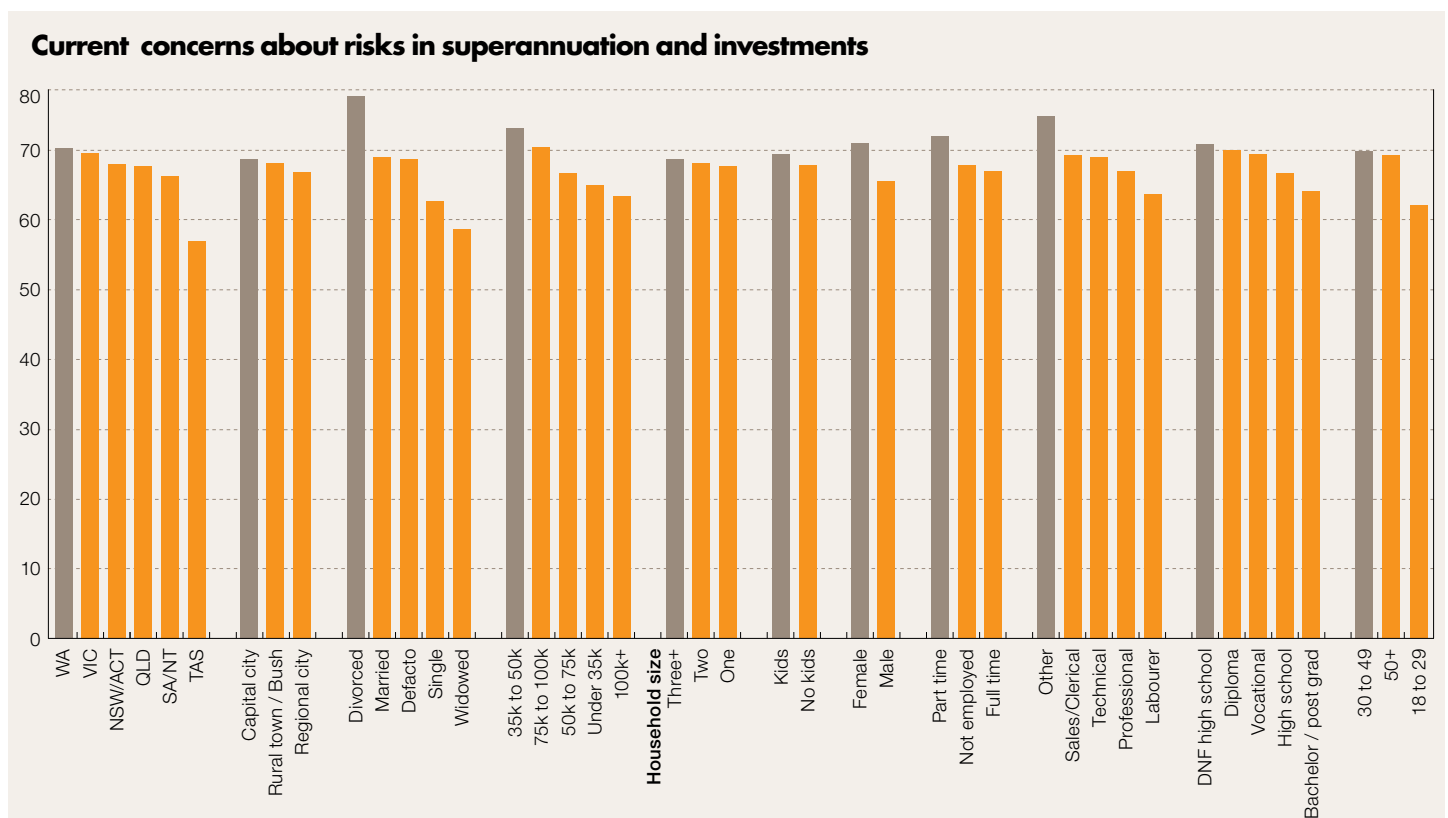


Concerns about superannuation and investments

Inadequate funds for retirement ranked by category

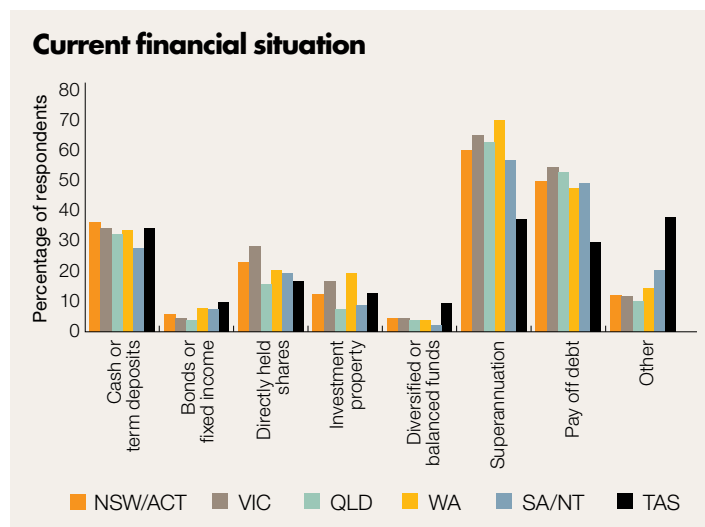
In our regular MLC Australian Wealth Sentiment Survey, one question we ask is what concerns respondents have about risks in superannuation and retirement. The following chart shows the concern that continually ranks highest—inadequate funds for retirement—by category.

In order to understand why respondents are concerned about the prospects of being inadequately prepared for retirement, our special report also released this quarter, takes an in-depth look at key potential drivers of this concern.

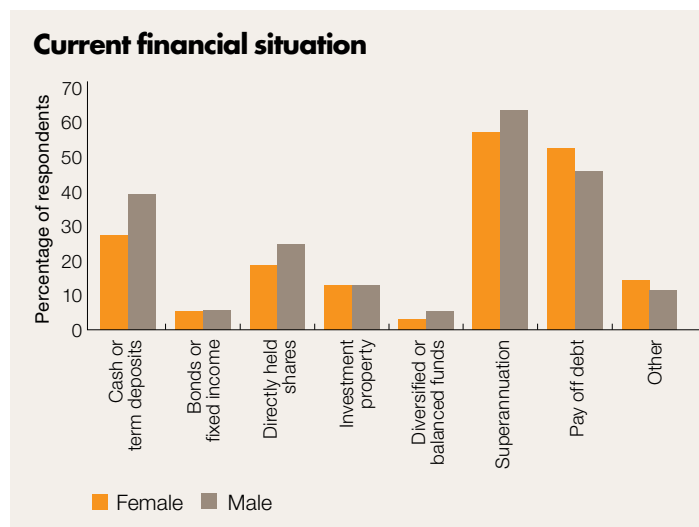


Current financial situation

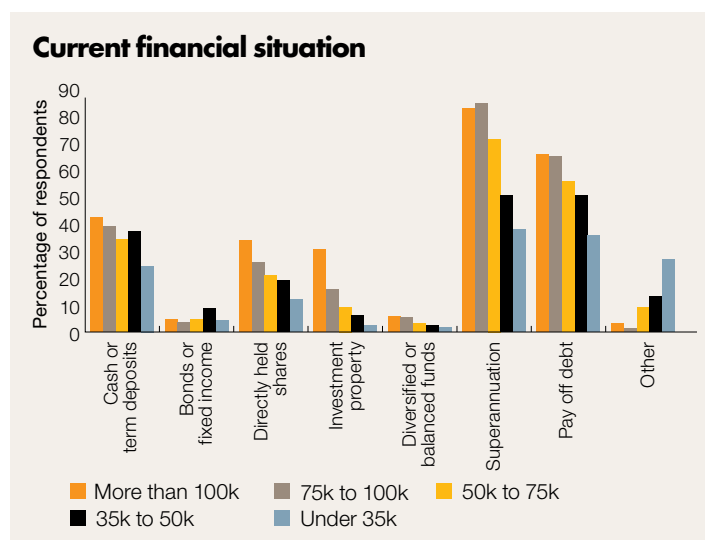
By state: VIC more share oriented. WA holds more super and property.



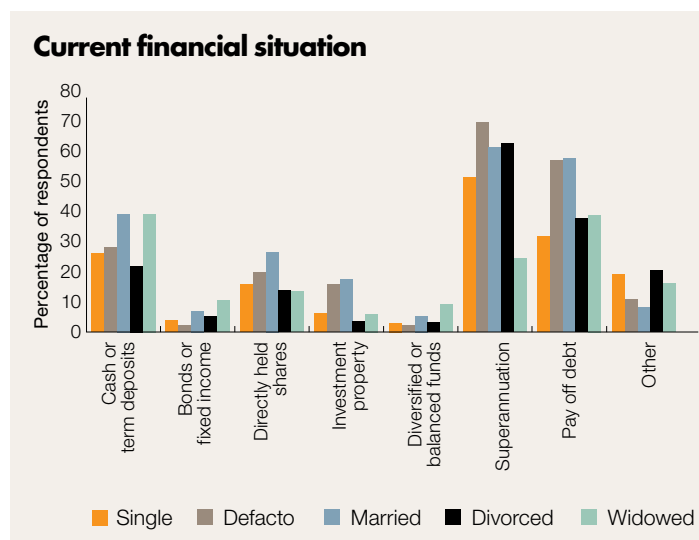
By gender: Males identified with more diverse portfolio structures.



By income: People with higher incomes have a higher portfolio mix, especially shares and investment property.

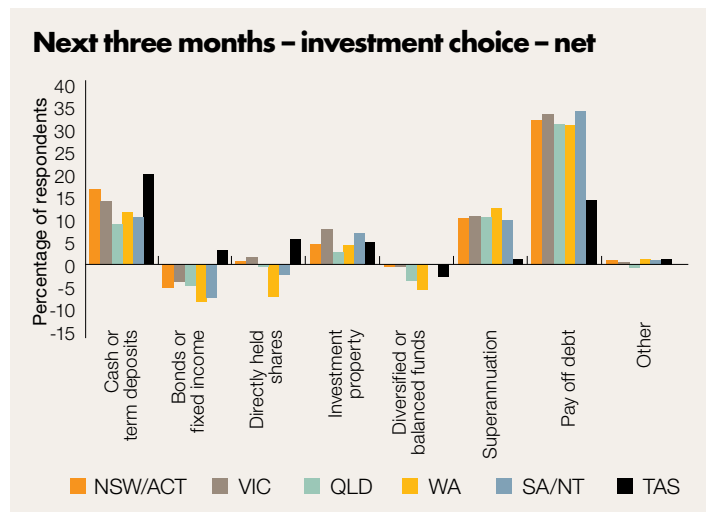


Marital status: Widowed hold cash, although down on September quarter, married hold shares and property, defactos hold increased investment property compared to Q3.

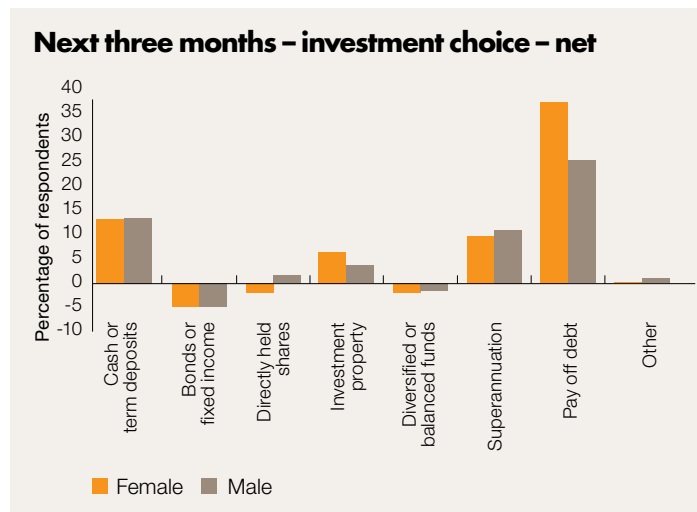


Investment strategy – net change over the next three months

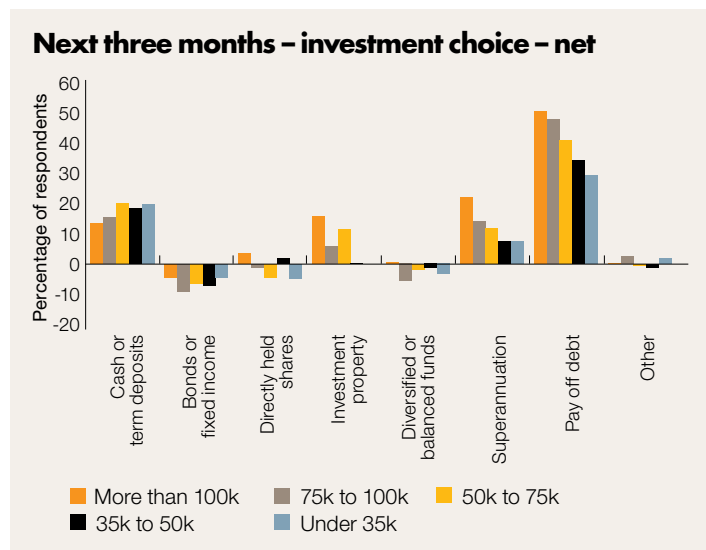
By state: VIC and TAS boost shares with VIC highest in investment property. WA divestments mostly in bonds, shares, and funds.



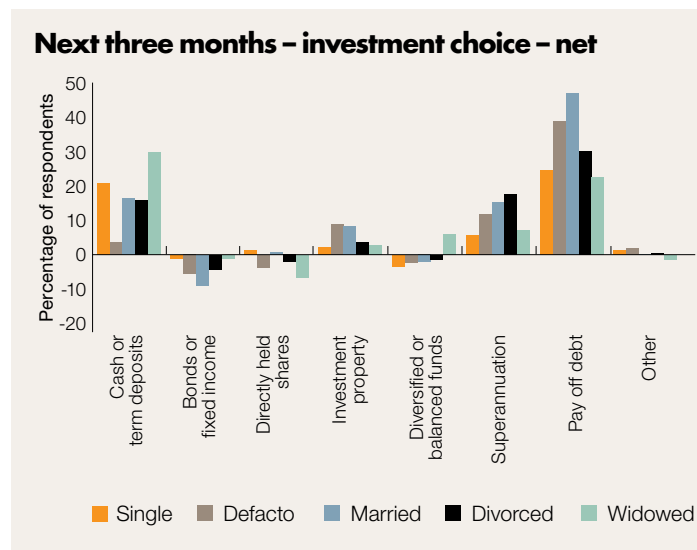
By gender: Males keen to add shares and super, while females intend to pay off debt and invest in property.



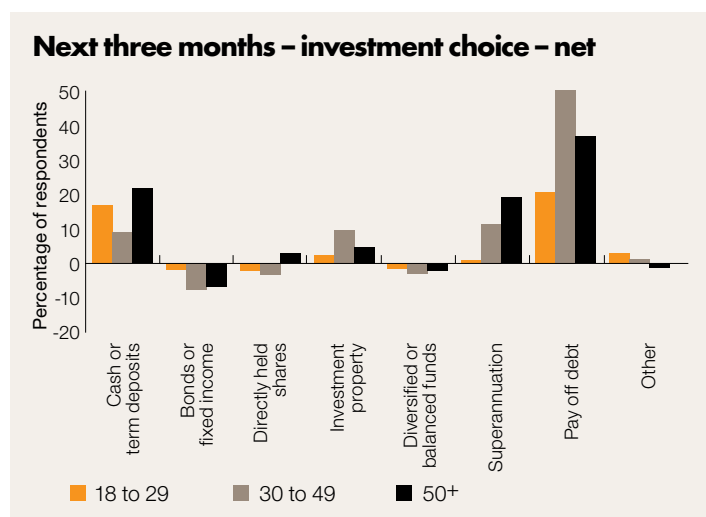
By income: Higher earners seek super and property, lower earners seek cash. Debt repayment reduces with income.



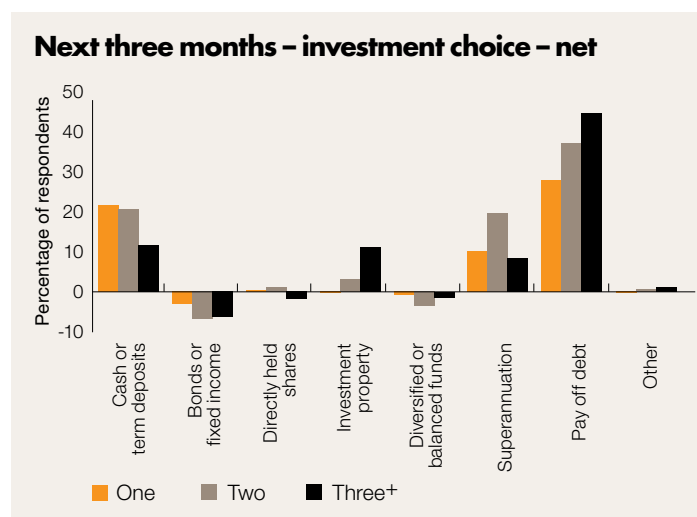
By marital status: Defactos favour property investment, while married are more keen to pay down debt.



By age: 30 to 49 year olds more interested in paying off debt and investment property, but more conservative on bonds or fixed income and shares.



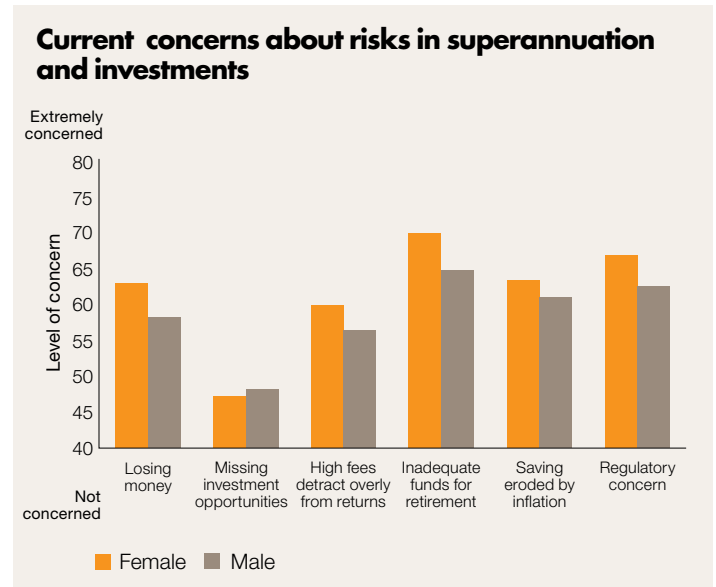
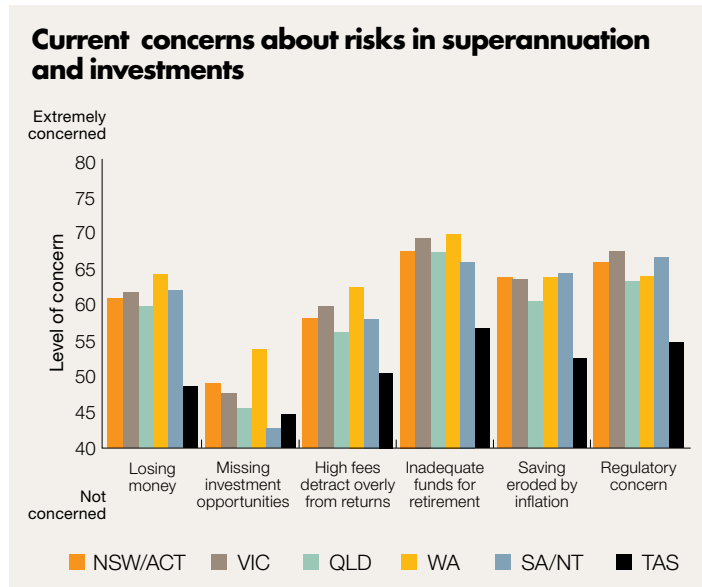
By household size: Larger households seek investment property and to deleverage.



Concerns about superannuation and investments

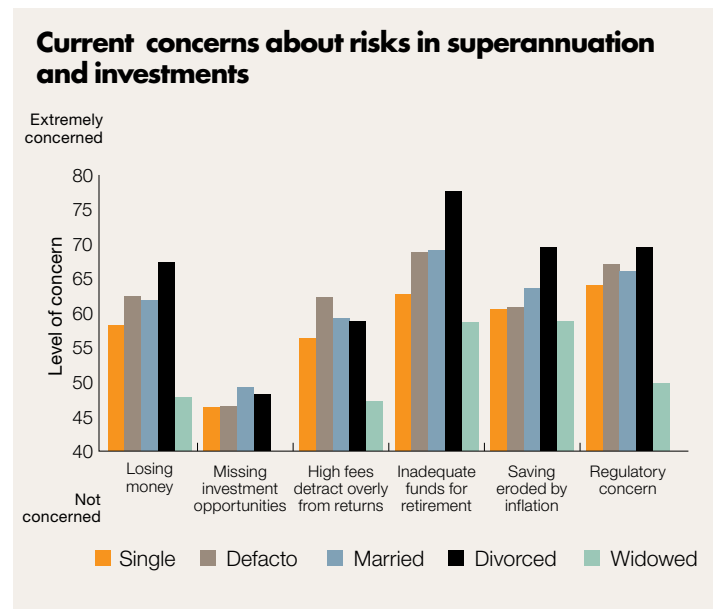
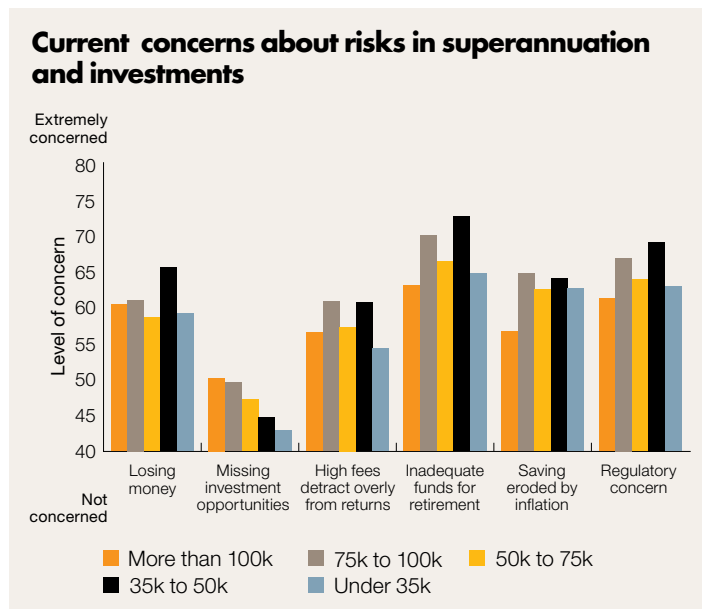
By state: WA the most concerned about retirement risks, especially missing investment opportunities, TAS typically less concerned.

By gender: Females generally more concerned than males about superannuation prospects.



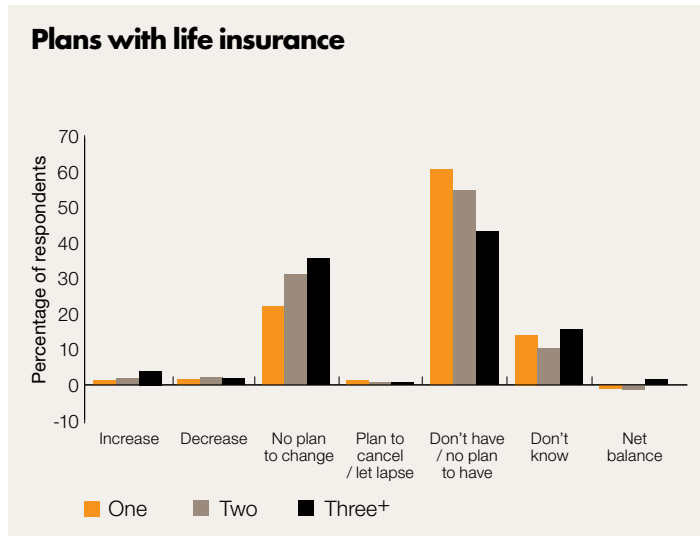
By income: Those earning \$35,000 to \$50,000 most concerned about inadequate retirement, losing money, and regulation. For higher earners, it's missed opportunities.

By marital status: Divorced by far the most concerned about superannuation prospects, widows least concerned.

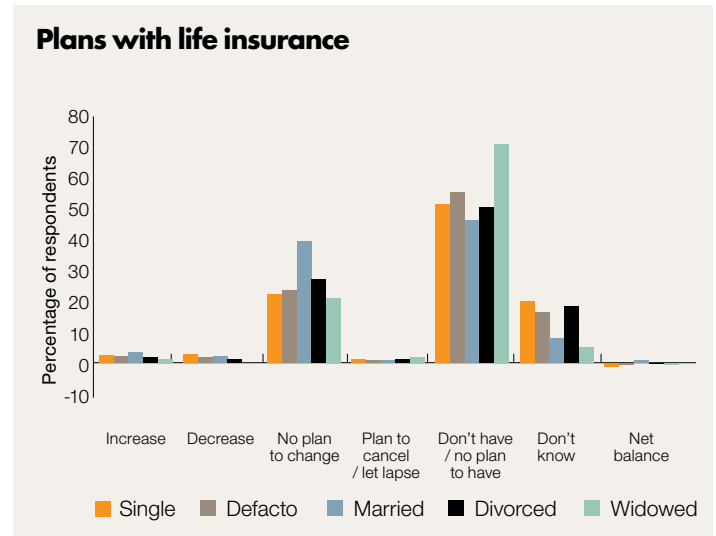


Life insurance plans

Household size: correlates with life insurance plans.

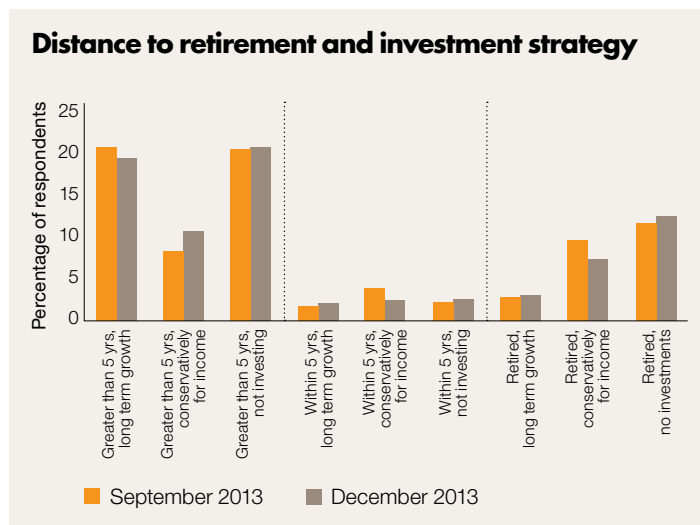


Widowed least likely to hold life insurance, married most likely.

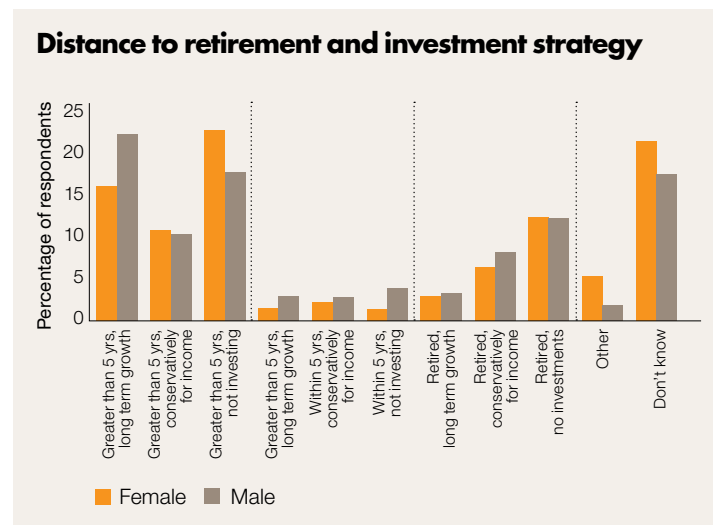


Time to retirement

The closer to retirement the more conservative the strategy.



Males are more aggressive in long term retirement intentions.



Appendix 1: About the survey

The MLC Quarterly Australian Wealth Sentiment Survey aims to assess the investment environment including investor intentions.

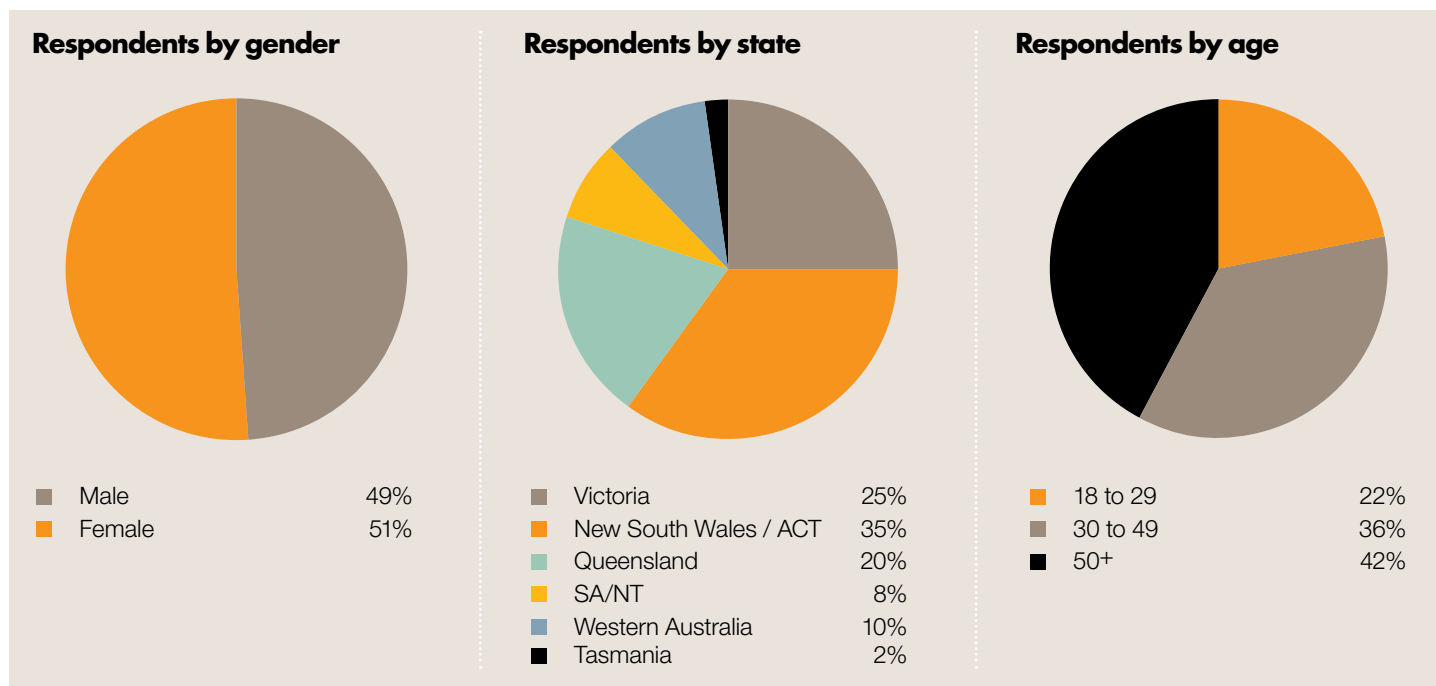
The wealth survey is based on survey participants' responses to seven questions related to:

- Current financial situation – asking respondents to indicate current holdings in each asset class.

- Investment intentions – asking the respondent whether they are likely to invest more or less. This is based on respondent's intentions to change their portfolio mix. Net values shown are the difference in intentions.
- Level of concern related to superannuation and other investments.
- Likely change in life insurance.
- Distance to retirement and investment strategy.

2,087 respondents participated in the December survey, with weights applied to age, location, and gender to ensure the survey reasonably reflects the Australian population. The survey was conducted over the period 9 November to 21 November 2013.

The breakdown of our survey respondents—by age, location, and gender—is shown in the charts below.



Macroeconomic, Industry, and Markets Research

Australia

Alan Oster

Group Chief Economist
+(61 3) 8634 2927

Jacqui Brand

Personal Assistant
+(61 3) 8634 2181

Rob Brooker

Head of Australian Economics
& Commodities
+(61 3) 8634 1663

James Glenn

Economist – Australia
& Commodities
+(61 3) 9208 8129

Vyanne Lai

Economist – Agribusiness
+(61 3) 8634 0198

Dean Pearson

Head of Industry Analysis
+(61 3) 8634 1563

Amy Li

Economist – Industry Analysis
+(61 3) 8634 4611

Robert De Iure

Economist – Property
+(61 3) 8634 4611

Brien McDonald

Economist – Industry Analysis
& Risk Metrics
+(61 3) 8634 3837

Tom Taylor

Head of International Economics
+(61 3) 8634 1883

John Sharma

Economist – Sovereign Risk
+(61 3) 8634 4514

Tony Kelly

Economist – International
+(61 3) 9208 5049

Gerard Burg

Economist – Asia
+(61 3) 8634 2788

Global Markets Research

Peter Jolly

Global Head of Research
+(61 2) 9237 1406

Robert Henderson

Chief Economist Markets – Australia
+(61 2) 9237 1836

Spiros Papadopoulos

Senior Economist – Markets
+(61 3) 8641 0978

David de Garis

Senior Economist – Markets
+(61 3) 8641 3045

New Zealand

Tony Alexander

Chief Economist – BNZ
+(64 4) 474 6744

Stephen Toplis

Head of Research – NZ
+(64 4) 474 6905

Craig Ebert

Senior Economist – NZ
+(64 4) 474 6799

Doug Steel

Markets Economist – NZ
+(64 4) 474 6923

London

Nick Parsons

Head of Research – UK / Europe &
Global Head of FX Strategy
+(44 20) 7710 2993

Tom Vosa

Head of Market Economics
– UK / Europe
+(44 20) 7710 1573

Gavin Friend

Markets Strategist – UK / Europe
+(44 20) 7710 2155

Foreign Exchange

Sydney

+800 9295 1100

Melbourne

+800 842 3301

Wellington

+800 64 642 222

London

+800 747 4615

New York

+1 800 125 602

Singapore

+(65) 338 0019

Fixed Interest / Derivatives

Sydney

+(61 2) 9295 1166

Melbourne

+(61 3) 9277 3321

Wellington

+800 64 644 464

London

+(44 20) 7796 4761

New York

+1877 377 5480

Singapore

+(65) 338 1789

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