



# MLC Quarterly Australian Wealth Sentiment Survey

## Q2 2014

*Concerns around wealth and retirement spike post the May Federal Budget, with women more anxious than men.*

### Overall, Australians maintain a conservative investment position in Q2.

Superannuation, debt repayment and cash remain the preferred investments. Higher income earners maintain more diversified portfolios, with exposure to all asset classes including shares, investment property and balanced funds. Lower income earners focus on deposits, super and paying off debt, with only a small proportion holding shares.

### But, people are looking to be a little more aggressive in their near-term investment strategies.

While paying off debt remains the focus, it has declined in importance compared with Q1, investment in cash and deposits has also declined. There is less aversion towards fixed income investments, shares, investment property and balanced funds, indicating improved investor demand.

### Men in particular are becoming less risk averse in their approach to investment.

Men are looking to invest more in shares and superannuation, while females are focusing on paying off debt and property investment. Higher income earners are also looking to add more into shares and property. Younger people (18 to 29) show the strongest interest in property investment, while those aged over 50 want to invest more in superannuation.

### General concerns around superannuation and investments have increased.

Concerns rose across the board in Q2 (having been steady in the previous two quarters). Concerns are highest in regards to having inadequate funds for retirement, but regulatory concerns are gaining. Other key concerns include: savings being eroded by inflation, high fees and losing money. Heightened concerns may in part reflect fears about changes announced in the Federal Budget.

### Almost seven out of every 10 Australians do not expect to have enough to retire on.

This quarter saw a significant jump (8%) in people having "far from enough" to retire on. Over half of all participants indicated they expect not to have enough money to retire on, with more than one third (38%) expecting a large financial shortfall. Fewer than five per cent think they will have "more than enough" to retire.

### Women are notably more anxious about superannuation and investments relative to men.

Women worry most about having insufficient funds for retirement, not just those aged over 50, but also younger women. The only area where men are more anxious than women is "missing investment opportunities".

### Career break to raise kids is the key barrier for women having sufficient retirement savings.

Career breaks ranked significantly higher for women than any other barrier this quarter and much higher than "gender pay imbalance". Among men, "career break to raise kids" still ranked third overall, after major health issues and unemployment.

### Less than one in 10 people have a well considered plan in the event of a major financial setback.

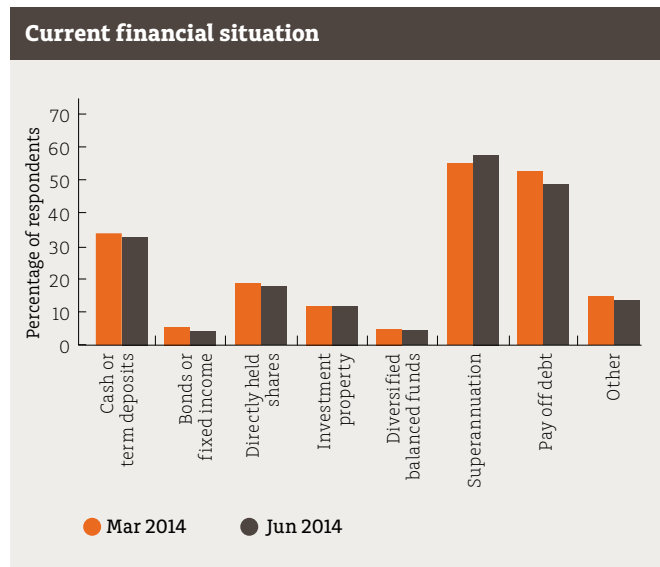
The majority of survey participants (68%) have given little consideration to a major future financial setback. In keeping with these results, most households do not have life insurance.

### A relatively large proportion of women are simply not investing at all.

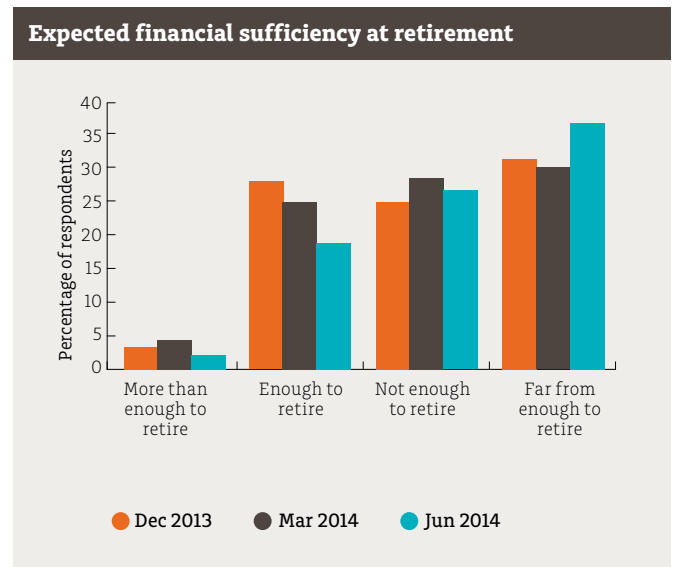
While women are more concerned than men in regards to having sufficient funds for retirement, around one in four women who are more than five years from retirement are not investing at all.

**Source:** 'MLC Wealth Sentiment survey', May 2014, conducted by Gundabluey Research with analysis by NAB Group Economics, 2,200 respondents, weights applied to age, location, and gender.

Investors remain cautious but with slightly more focus on superannuation and less on paying down debt.

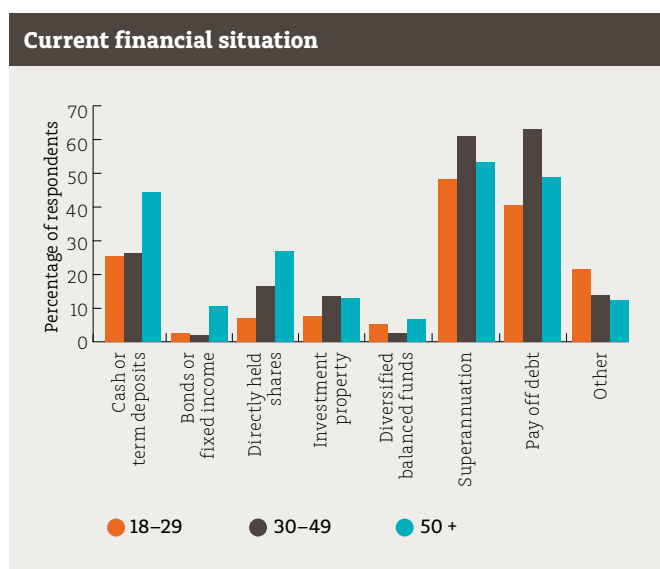


There was a significant increase in those expecting to have insufficient retirement savings post the May Budget.

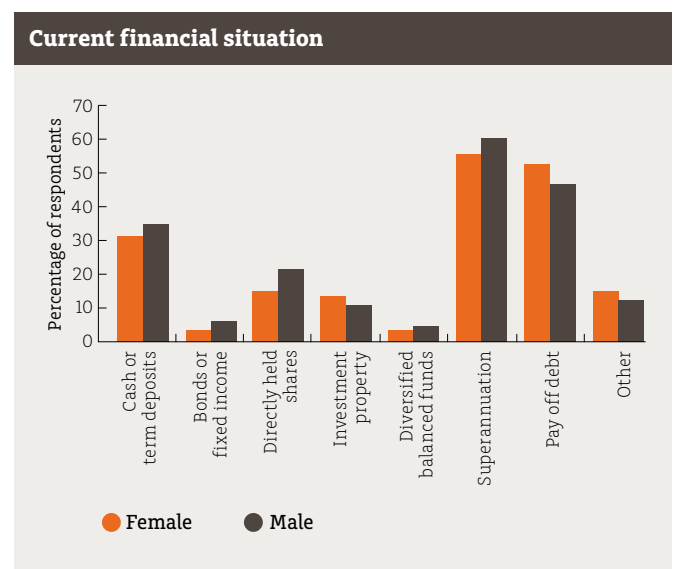


## Current financial situation

**By age:** Older Australians have built diversified portfolios with exposure to all asset classes, while young people are focusing on paying off debt and starting to build up superannuation.

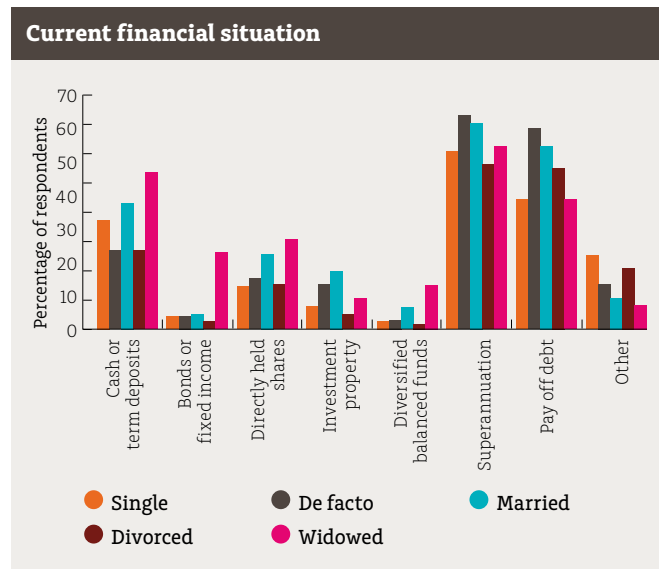
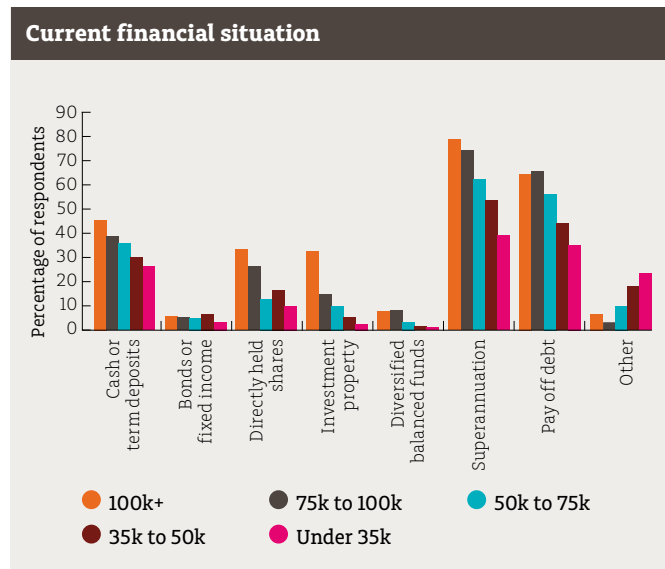


**By gender:** Females are focused more on property investment and paying off debt compared to males.



**By income:** Higher income earners have more diversified portfolios. Generally, lower income earners hold deposits and super while paying off debt.

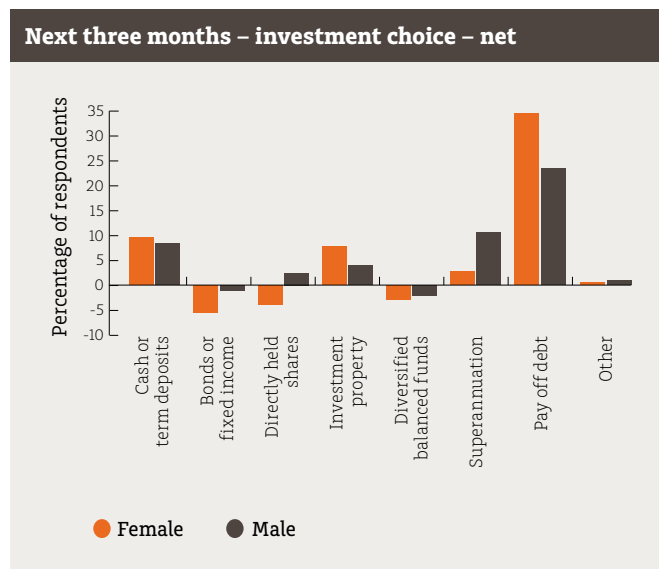
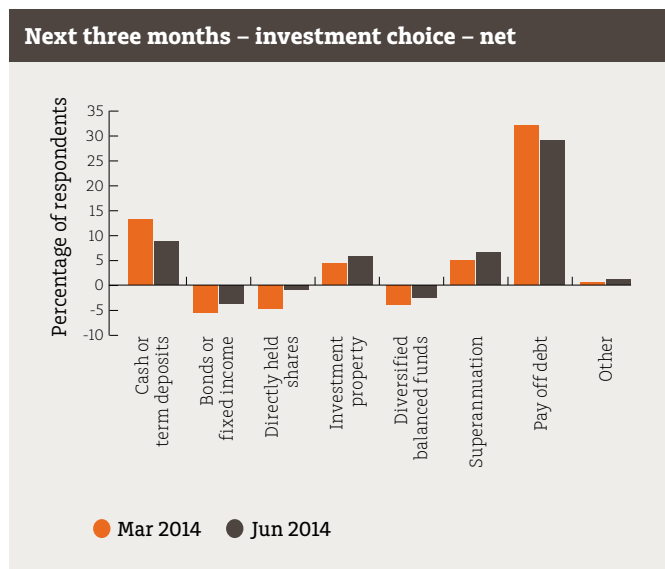
**Marital status:** Widows hold the most diversified portfolios while those in de facto relationships are the least diversified.



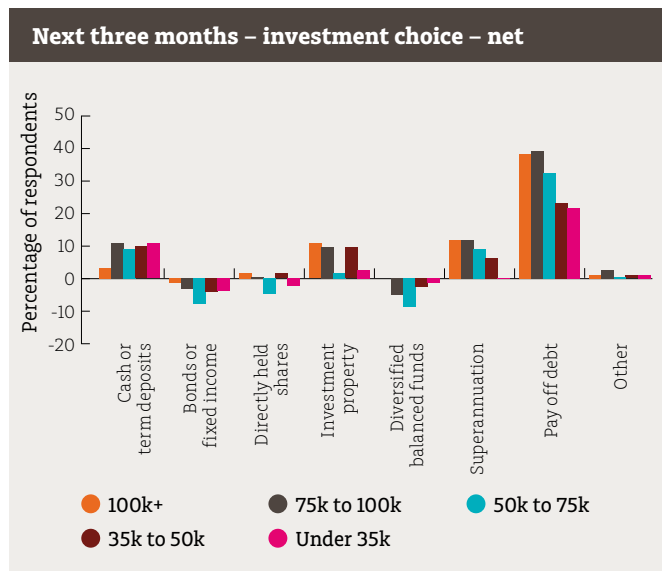
### Investment strategy – net change over the next three months

**Investment choice compared with last quarter:** Australians are becoming a little more aggressive in their near-term investment strategies. While paying off debt remains the focus, it has declined in importance compared with Q1, cash and deposits have also declined. There is less aversion towards fixed income investments, shares, investment property and balanced funds.

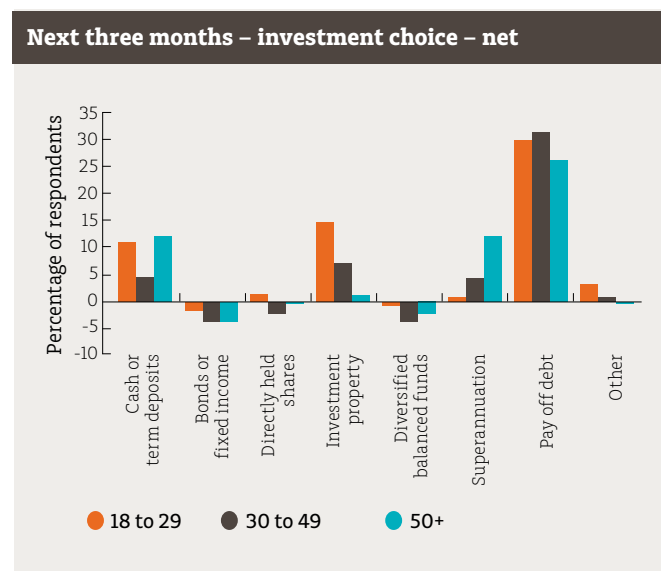
**By gender:** Both genders are keen to pay off debt (particularly females), while males are also interested in investing in superannuation.



**By income:** Higher income earners plan to add an investment property, increase superannuation and pay off debt. Lower income earners also plan to pay off debt (some by divesting).

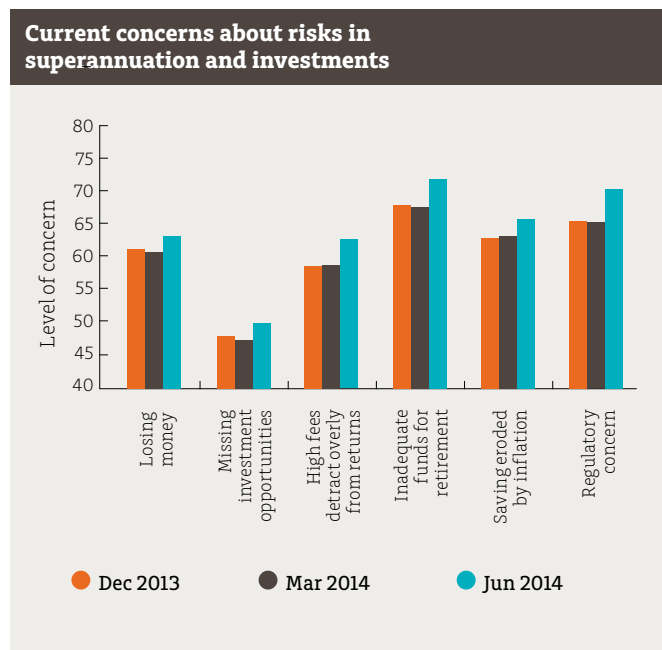


**By age:** 18 to 29 year olds show strong interest in investment properties while those aged over 50 want more in superannuation.

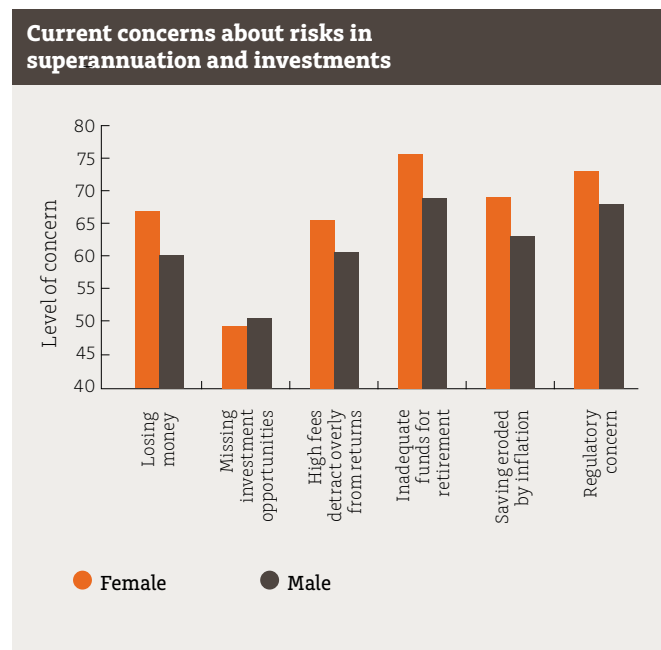


### Concerns about superannuation and investments

**Concern over time:** People became more concerned across all categories in Q2, possibly due to fears about Federal Budget changes.

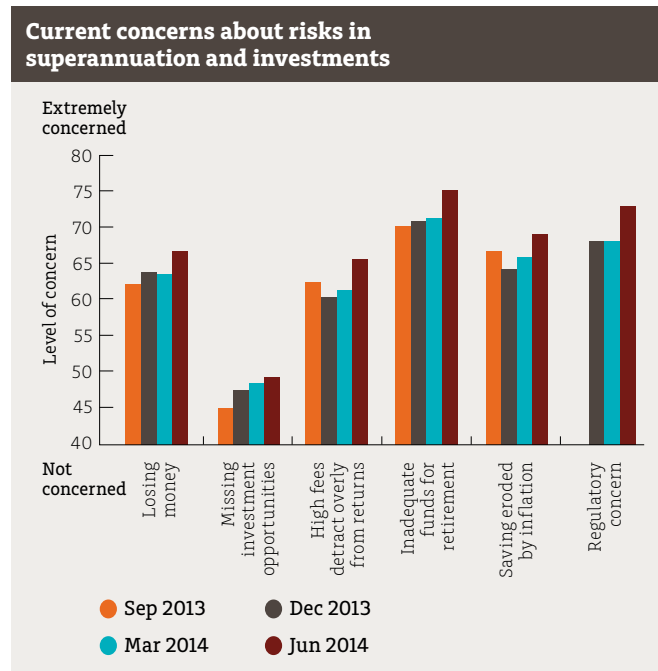
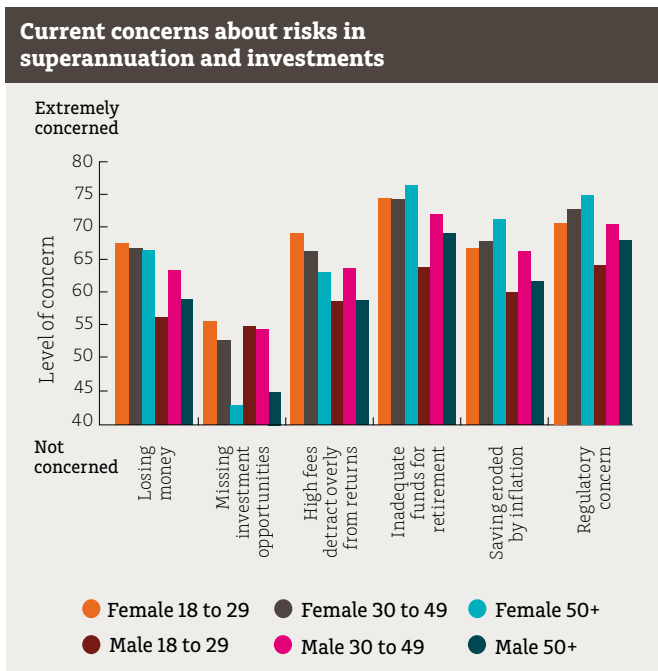


**By gender:** Females are generally more concerned than males about risks in superannuation and investments.



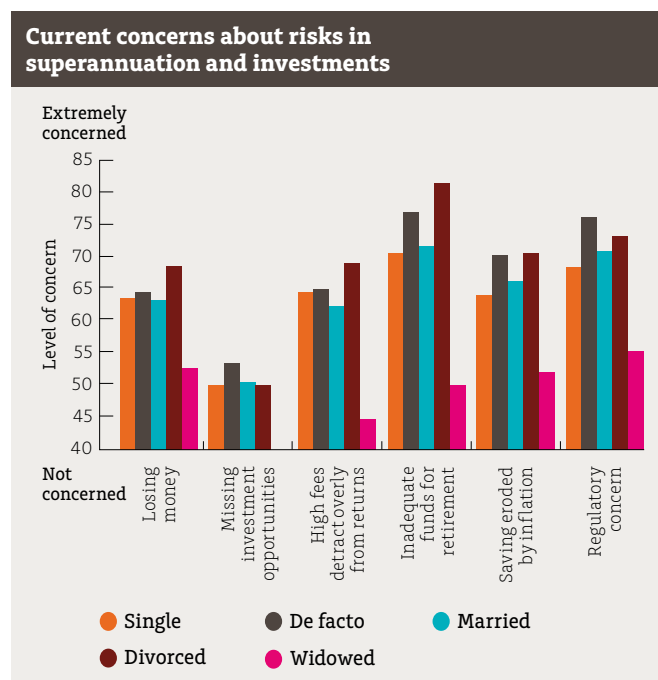
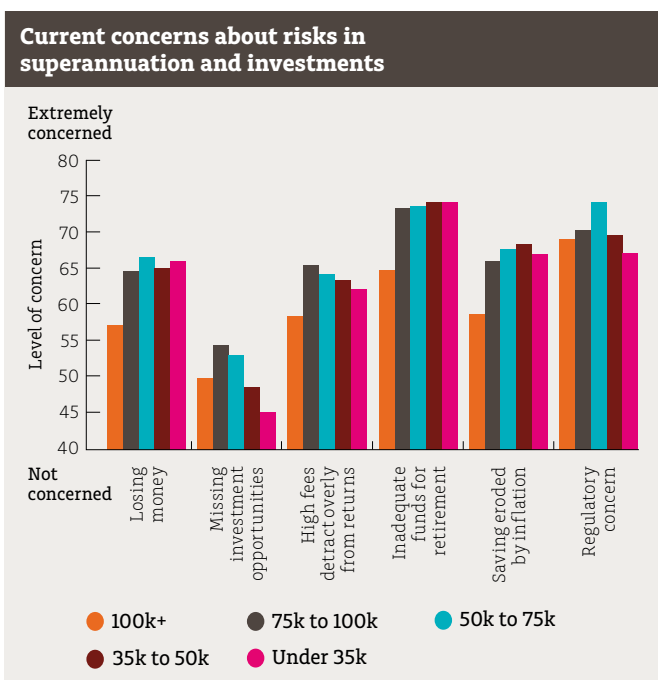
**By gender and age:** Females aged over 50 are particularly concerned about having inadequate funds for retirement and regulatory issues. Young males are notably less concerned across most categories.

**Females' concern over time:** Females' concern on risks in superannuation and investments has increased across all categories this quarter.



**By income:** Most people are concerned about inadequate retirement funds. High-income earners have less concern overall, but more concern about regulations.

**By marital status:** Widows are the least concerned across all categories. Divorced people are the most concerned about super and investment risks, followed by people in de facto relationships.

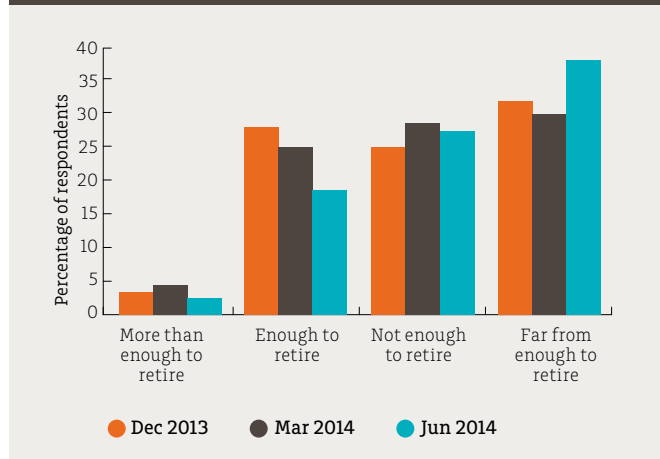


### Barriers and setbacks to financial sufficiency at retirement

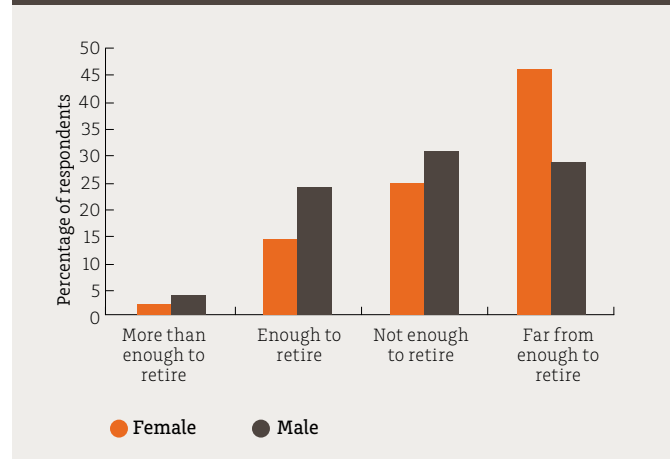
**Expected financial sufficiency over time:** There was a significant jump in those having “far from enough” to retire, possibly reflecting concerns over cutbacks announced in the May Federal Budget. Over half of all participants do not expect to have enough money to retire on. More than one third (38%) expect a large financial shortfall at retirement, and over a quarter (28%) expect a shortfall to lesser extent. Of those who expect financial sufficiency at retirement, less than five per cent think they will have more than enough to retire.

**By gender:** While there was an increase in both genders expecting not to have enough to retire on, the proportion of female respondents who expected to have “far from enough to retire” was significantly higher than males (47% compared with 29%).

Expected financial sufficiency at retirement



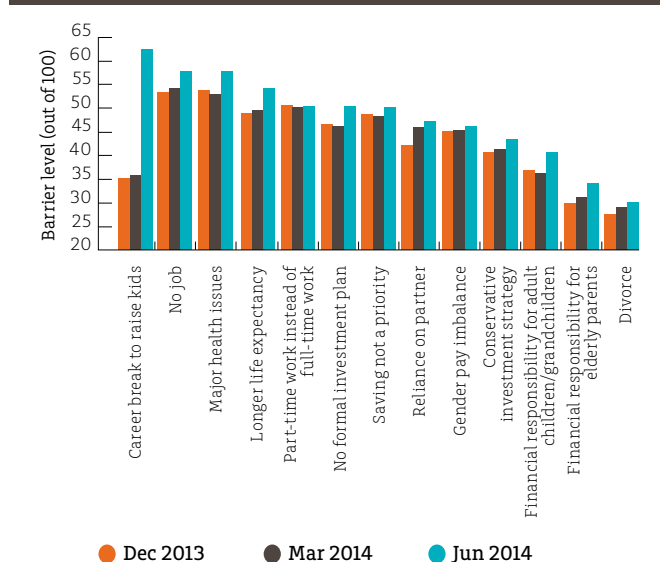
Expected financial sufficiency at retirement



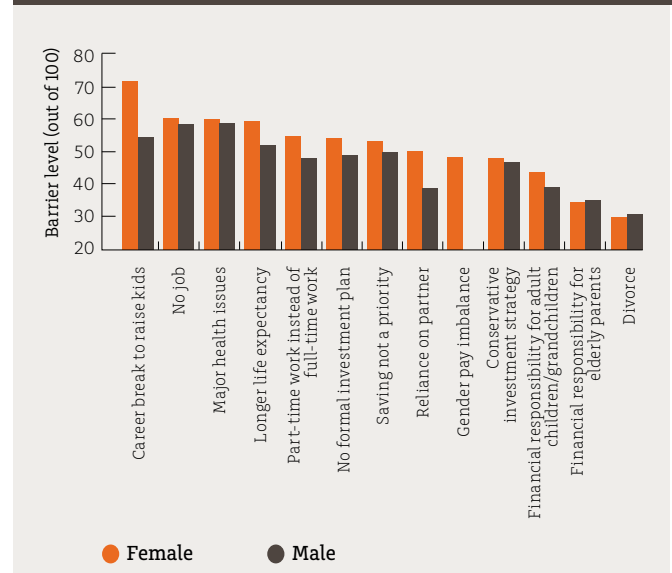
**Barriers to sufficient retirement saving over time:** While unemployment and major health issues have consistently ranked highly as the main barriers to sufficient retirement saving, “career break to raise kids” jumped this quarter to be the number one barrier.

**By gender:** “Career break to raise kids” ranked significantly higher for women than other barriers this quarter, and much higher than gender pay imbalance. Among men, “career break to raise kids” still ranked third, after major health issues and unemployment. Both genders ranked divorce and financial responsibility for elderly parents as less significant.

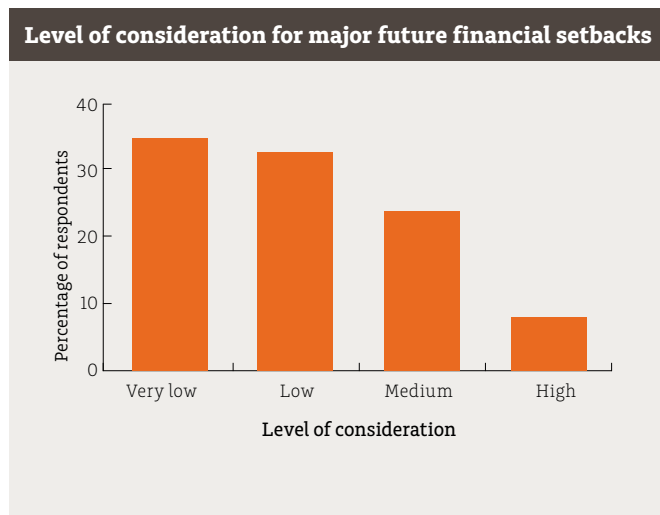
Barriers to sufficient retirement saving



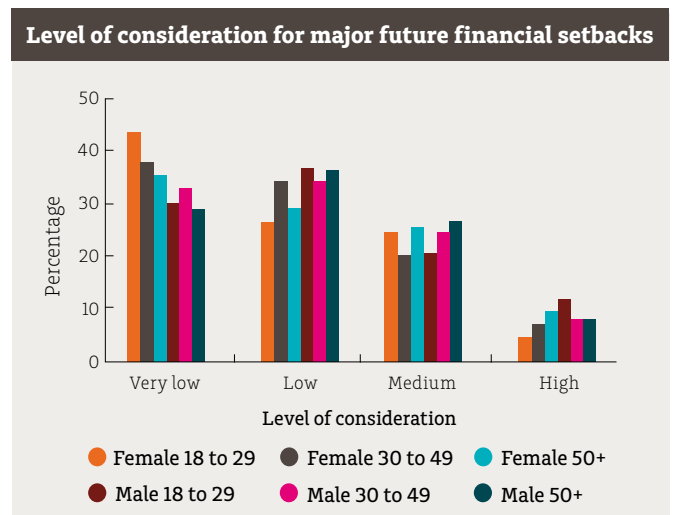
Barriers to sufficient retirement saving



**Level of consideration for major future financial setbacks to retirement plans:** The majority of people (68%) do not give much consideration to major future financial setbacks such as major health issues or unemployment. Fewer than one in 10 people give the possibility of a major financial setback a "high" level of consideration.

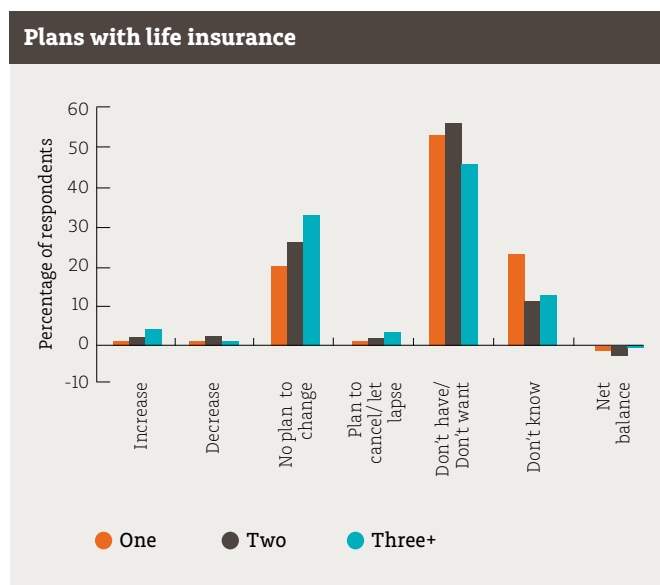


**By gender and age:** More than 40% of females aged 18 to 29 give a "very low" level of consideration to potential future financial setbacks.

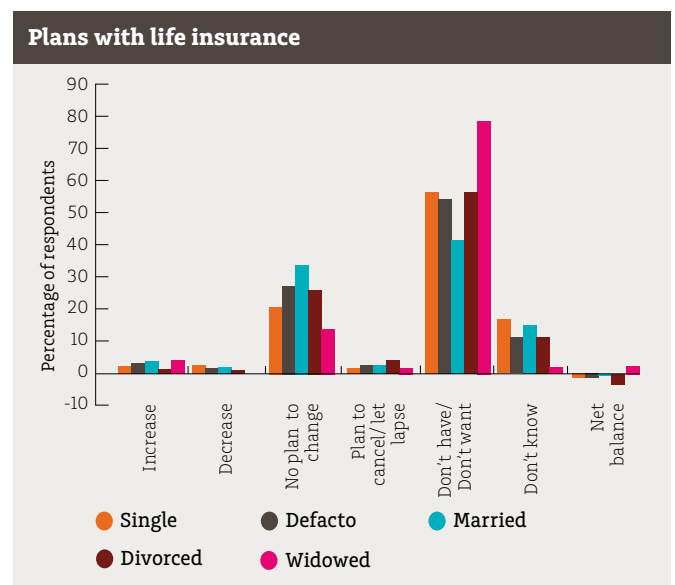


## Life insurance plans

**Household size:** Most households do not have or want life insurance.



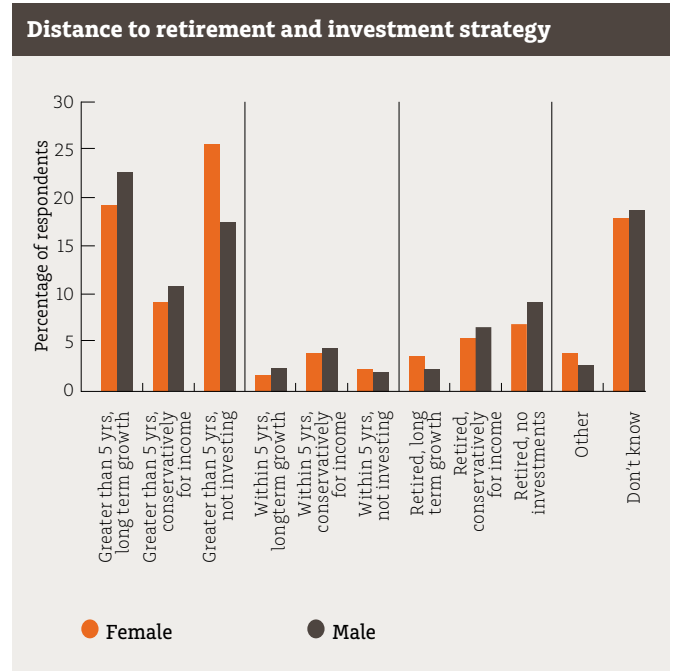
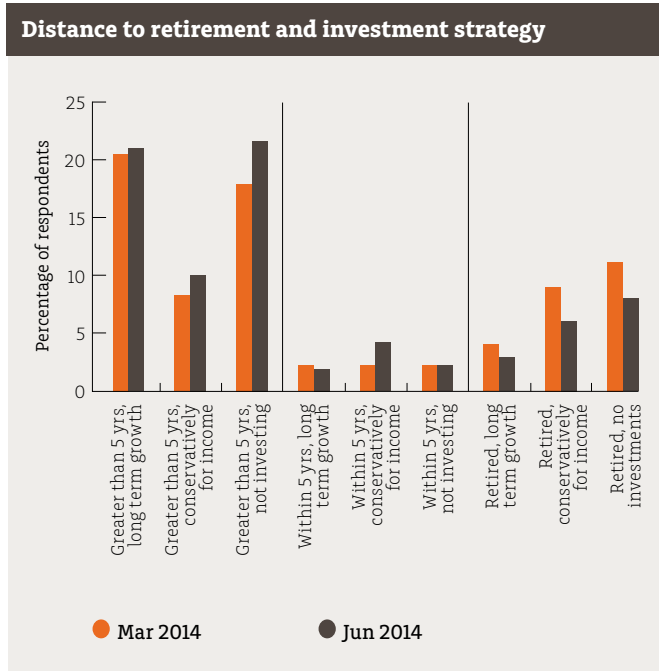
**By marital status:** More married people have or want life insurance compared with other groups.



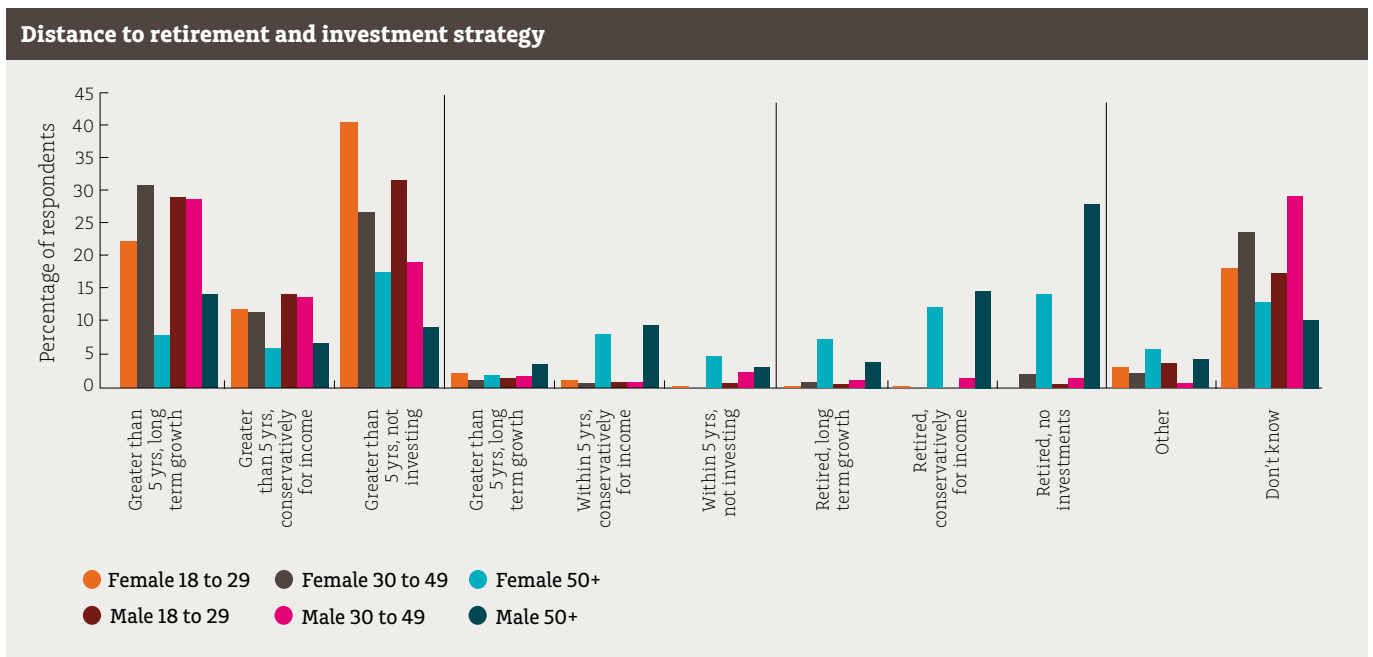
### Time to retirement and investment strategy

**Investment strategy compared with last quarter:** There was a clear shift towards growth for those further from retirement.

**By gender:** When compared with their male counterparts, females are less likely to invest.



**By gender and age:** Women are less likely to invest than men across most age categories. Even for those aged over 50, this gender gap is apparent.





### Appendix 1: About the survey

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

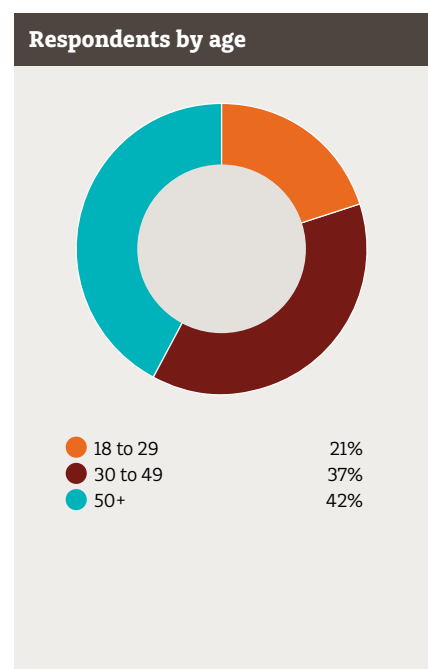
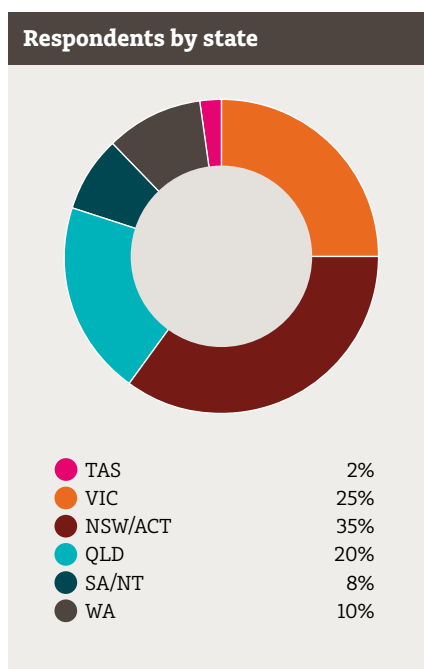
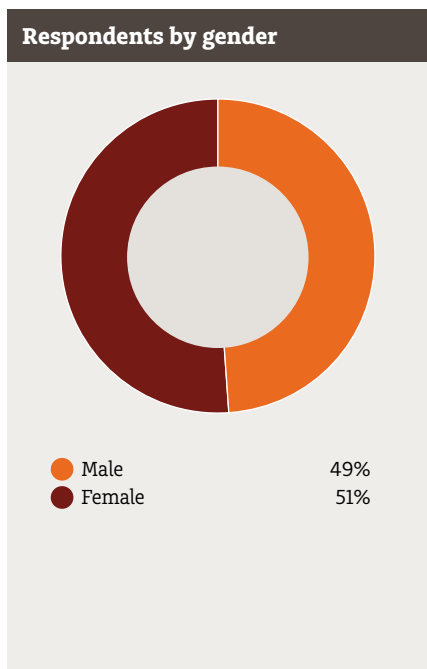
This survey is based on survey participants' responses to seven questions related to:

- Current financial situation – asking respondents to indicate current holdings in each asset class.
- Investment intentions – asking respondents whether they are likely to invest more or less. This is based on respondents' 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.

Approximately 2,200 respondents participated in the survey, with weights applied to age, location and gender to ensure the survey reasonably reflects the Australian population. The survey was conducted over the four weeks immediately following the May 13 Federal Budget.

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



# MLC Quarterly Australian Wealth Sentiment Survey

Q2 2014

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