

MLC Quarterly Australian Wealth Sentiment Survey

Q3 2014

Wealth sentiment, including the ability to fund retirement, lifted in Q3. This may reflect a realignment of expectations as initial reactions to the Federal Budget subside. But there is little evidence to date of behavioural change as investors maintain conservative positions.

The expected spending patterns of Australians in retirement reveal the growing choices available and need for health services. Conversely, retirees are set to cut back their spending on major household items, home improvements and their children. While only 1 in 10 Australians currently intend to sell the family home to fund their retirement, many more (42%) are unsure if they will do so in future.

Superannuation and debt consolidation still the primary areas of investment focus

Men show a greater preference for cash and shares than women; who focus more on debt reduction.

Those aged 30–49 are most inclined to build up their super and reduce debt; while those aged 50+ most engaged in cash and shares.

Investors plan to be more conservative in their investment allocations over the next 3 months

Investors plan to allocate more funds to paying off debt and accumulating cash/term deposits, while reducing exposures to investment property and shares.

A positive net balance of men plan to add to share portfolios (negative for women); women are positive in relation to investment property (men negative).

Australians less concerned about their super and investments across all risk factors

Women (especially those aged 30–49) worry more than men over all aspects of their super and investments (notably inadequate retirement funds and inflation).

Low income earners rate level of risk in super and investments highest across most areas; with concern lowest for high income earners across all risks.

Investors more positive about ability to fund retirement as reaction to budget subsidies

Fewer men and women think they have “far from enough” to retire, but it is still concerning that almost 1 in 3 women still feel they have “far from enough”.

Around 68% of Australians do not factor in major future financial setbacks in their expectations on how much money they will have in retirement.

Some 76% of women (30–49) give “very low” or “low” levels of consideration to potential future financial setbacks. This compares with 61% for men (18–29).

Almost 1 in 4 Australians more than 5 years from retirement are now investing for long-term growth; but around 1 in 6 are not investing at all

More women than men in this group are investing for long-term growth; men are typically more conservative across all other categories.

Women (30–49) more than 5 years from retirement are most aggressive in chasing growth; young women (18–29) are most likely to be not investing at all.

Spending behaviours upon retirement reveal the cost of ageing and preference shifts

Australians on average expect to spend more on medical costs and, to a much lesser extent, insurance and less on major household items, home improvements, children and personal goods.

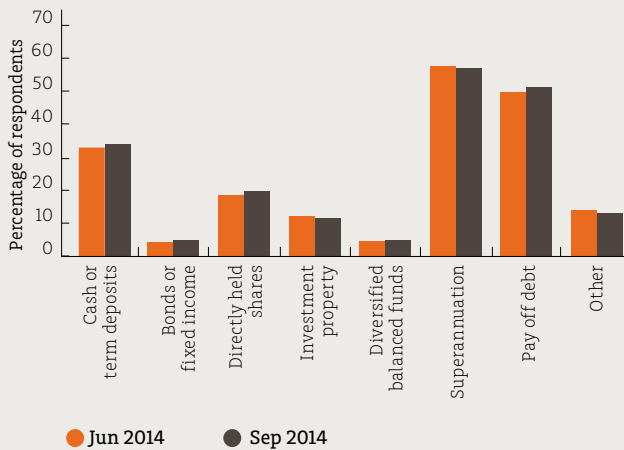
Around 11% of Australians intend to sell the family home to fund their retirement, but majority are unsure

Some 8% plan to draw down equity in their home. Almost 40% have no plans to sell their homes and 42% are unsure.

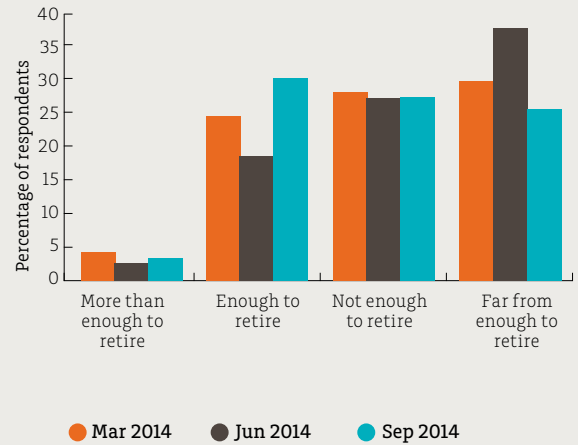
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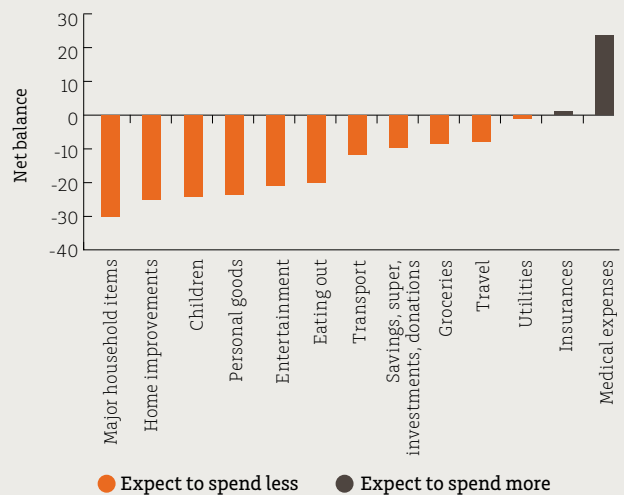
Current financial situation



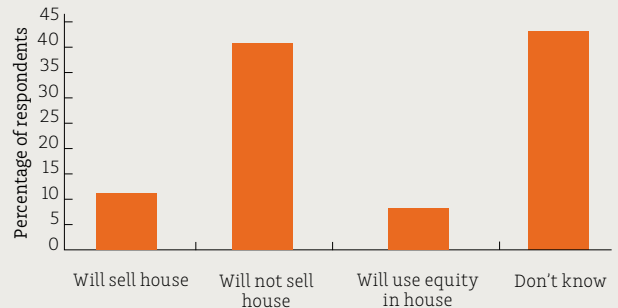
Expected financial sufficiency at retirement



Changes in spending behaviour post retirement

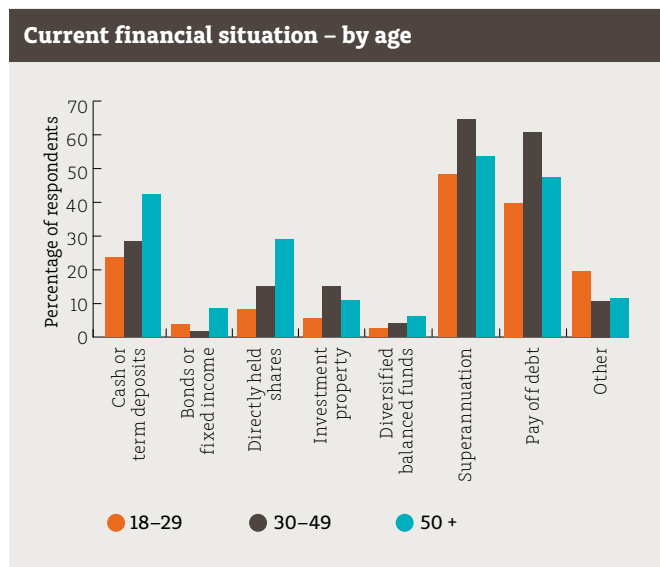


Family home in relation to retirement funding

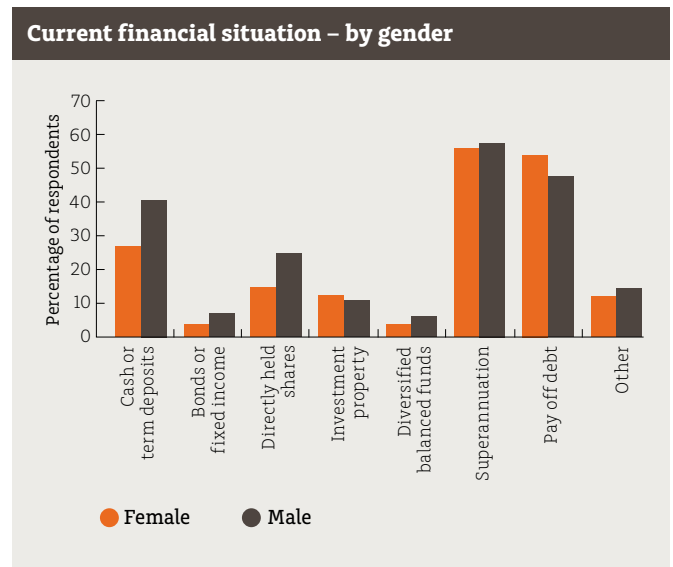


Current financial situation

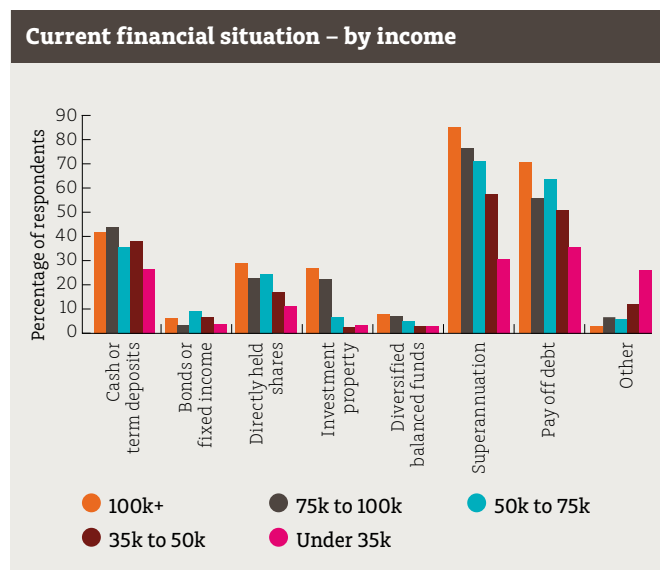
By age: All age groups are most inclined to build their superannuation and pay off debt (especially 30–49 year olds). Those aged 50+ are most engaged in cash and shares, while 30–49 year olds are most active in property.



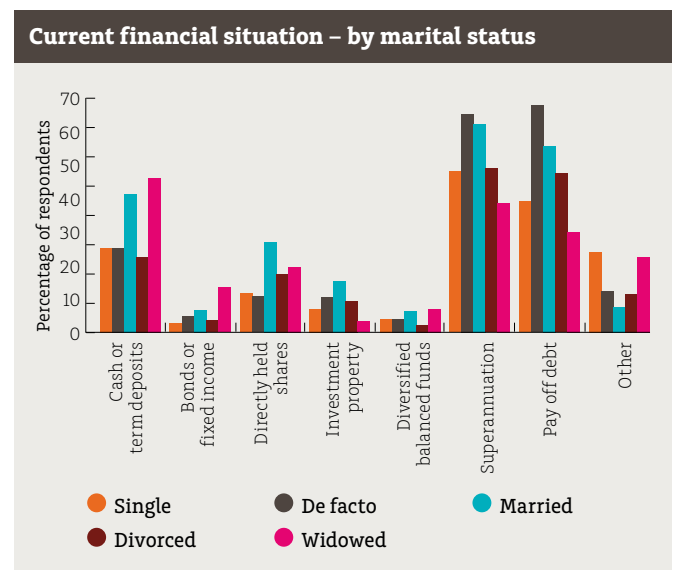
By gender: Males reported a bigger share of their investments held in cash and shares than in Q2. Women focussed more on paying down debt (and to a lesser extent investment property) than men.



By income: Portfolio diversification continues to be greatest for high income earners across nearly all investment categories. Low income earners are much less diversified, and focussed most on paying off debt and superannuation.



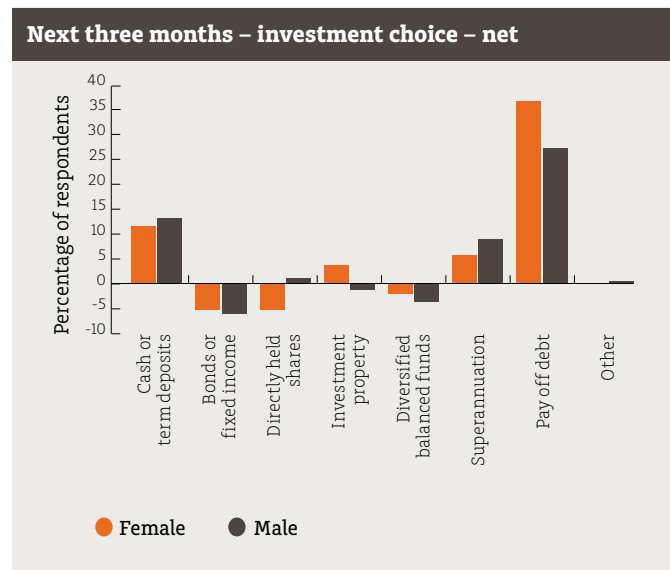
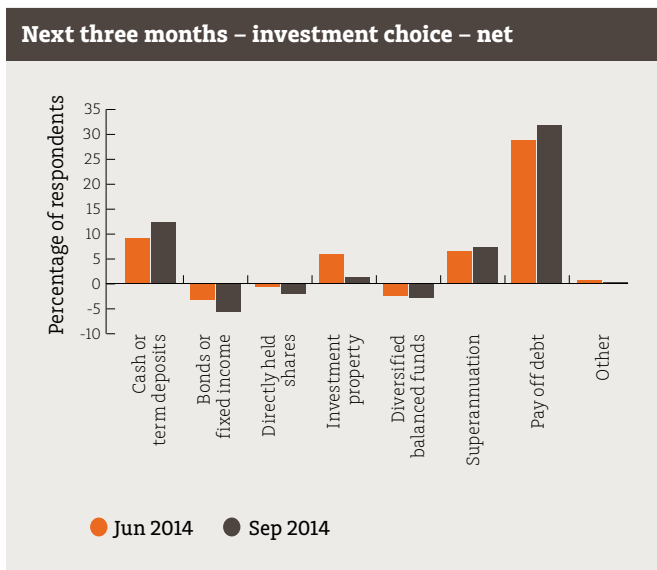
Marital status: Married couples currently hold the most diversified investment positions. Defactos are the least diversified group, while widows show a clear preference for holding cash and term deposits against all other options.



Investment strategy – net change over the next three months

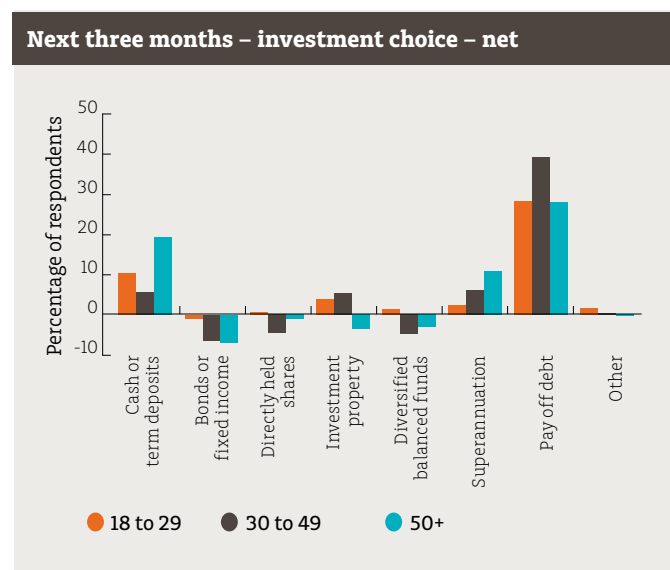
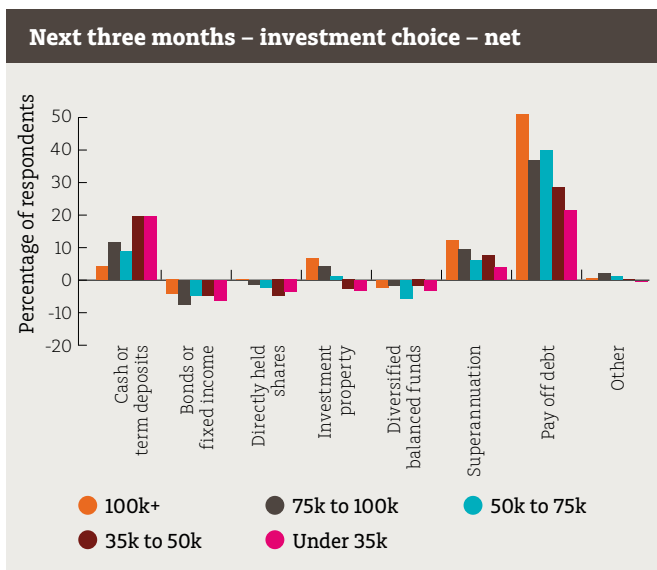
Investment choice over next three months: Investors are planning to become more conservative in their investment allocations in the next three months. They plan to allocate more funds to paying off debt and accumulating cash/term deposits, while further reducing exposures to bonds/fixed income and shares, as well as investment property.

By gender: Whereas women and men plan to reduce their exposures to bonds/fixed income and diversified funds, men plan to allocate more investment funds towards cash/term deposits than women. A positive net balance of men also plan to add to their share portfolios, but women are more optimistic than men in relation to investment property.



By income: The majority of respondents in all income groups are planning to reduce debt levels over the next 3 months. High income earners are also most focussed on building their superannuation balances, while low income earners are more inclined to improve cash positions. Interestingly, high income earners are also most active in terms of debt reduction.

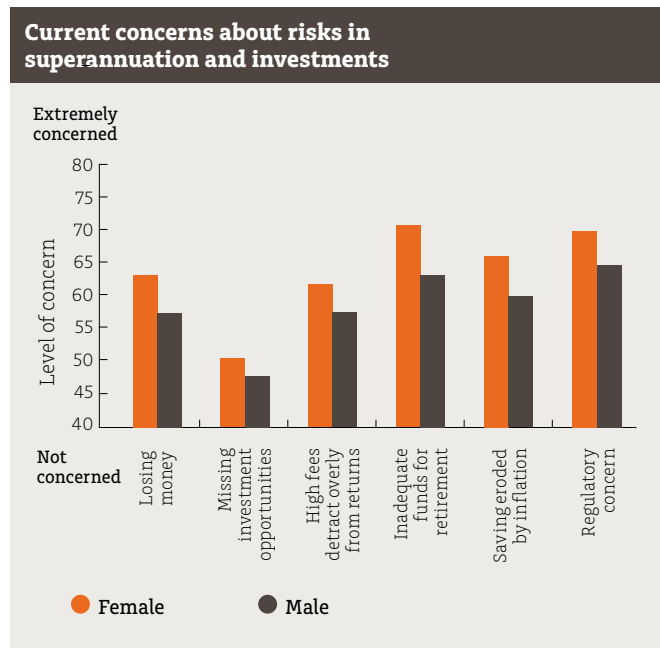
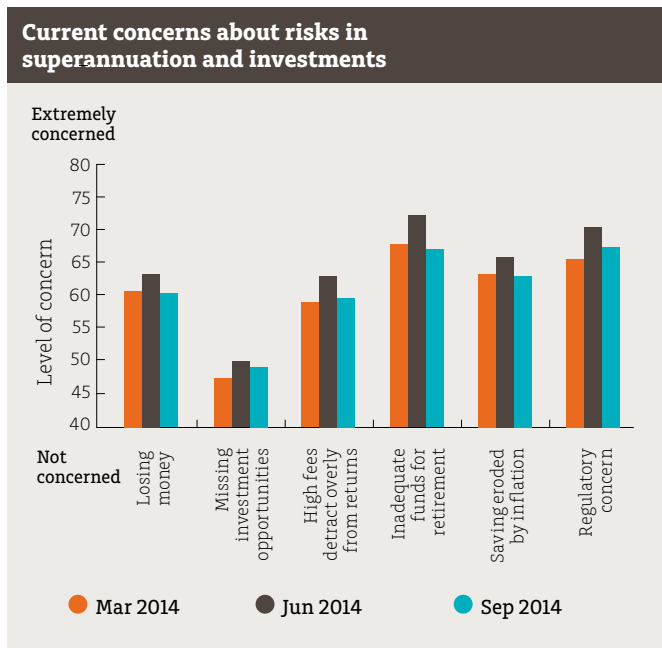
By age: All age groups are most focussed on reducing their debt, especially 30–49 year olds. All groups are also increasing their allocations to superannuation and cash (especially those aged 50+). The net balance of those under 50 planning to invest in property is still positive, but less so than in Q2.



Concerns about superannuation and investments

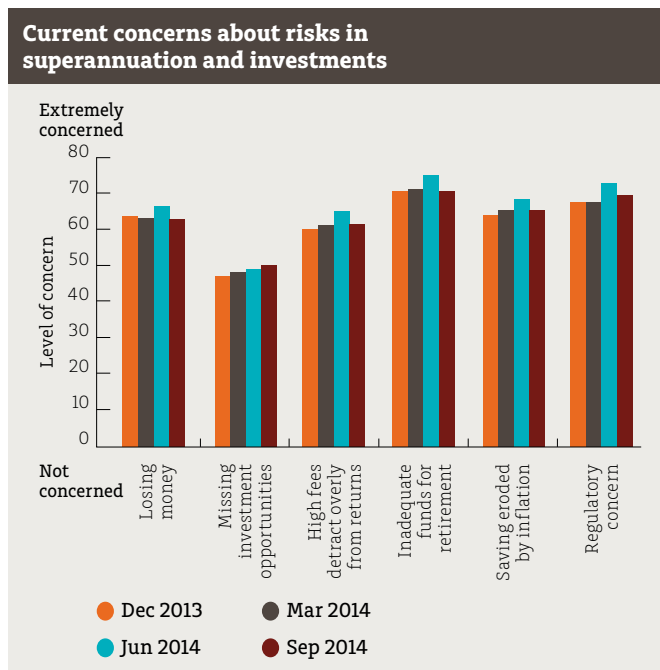
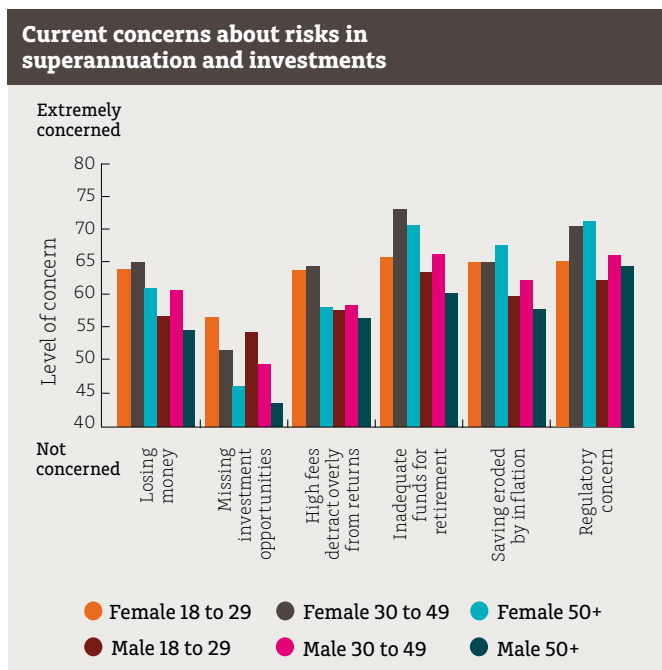
By concern: Australians expressed less concern about their superannuation and investments (across all areas) than in Q2, possibly as the initial reactions to the government's budget subsided.

By gender: Women worried more than men over all aspects of their superannuation and investments, especially in relation to inadequate retirement funds, the impact of inflation on their savings and regulatory concerns.



By gender and age: Australian women aged 30–49 were the most worried about their superannuation and investments across all areas, except inflation and regulatory issues, where 50+ women worried most. Overall, men aged 50+ worried least about all aspects of their investments.

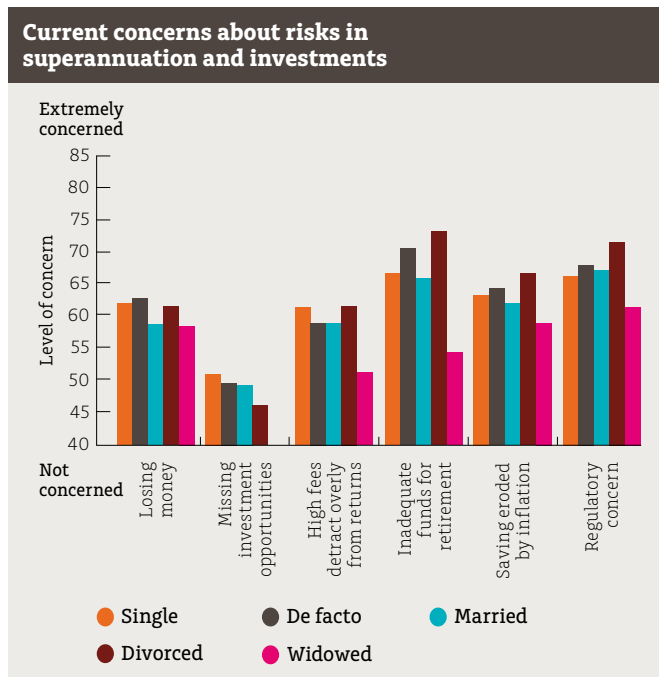
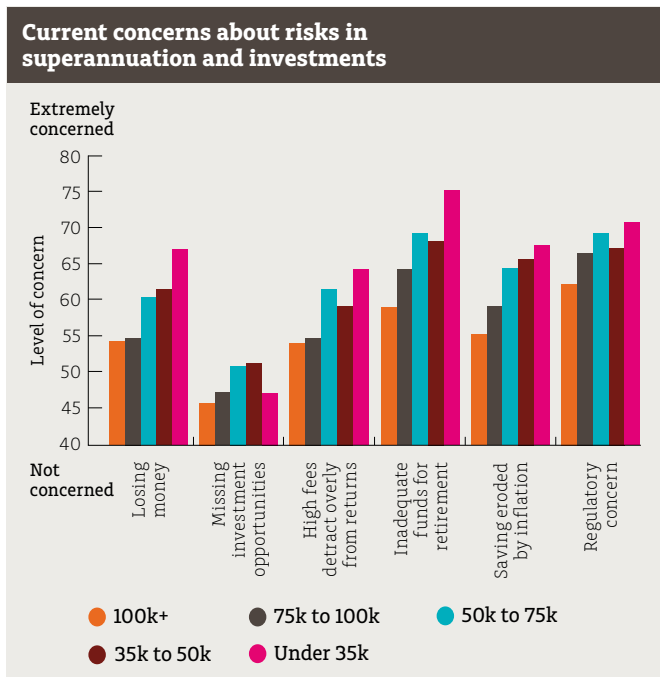
Females' concerns by time: Women were slightly less concerned about the risks facing their superannuation and investments relative to Q2 across most areas. They were however slightly more concerned about having missed investment opportunities.



Concerns about superannuation and investments

By income: Low income earners (<\$35k) rated their level of concern in relation to their superannuation and investments highest across all areas, except in missing investment opportunities. The level of concern was lowest for high income earners across all areas of risk.

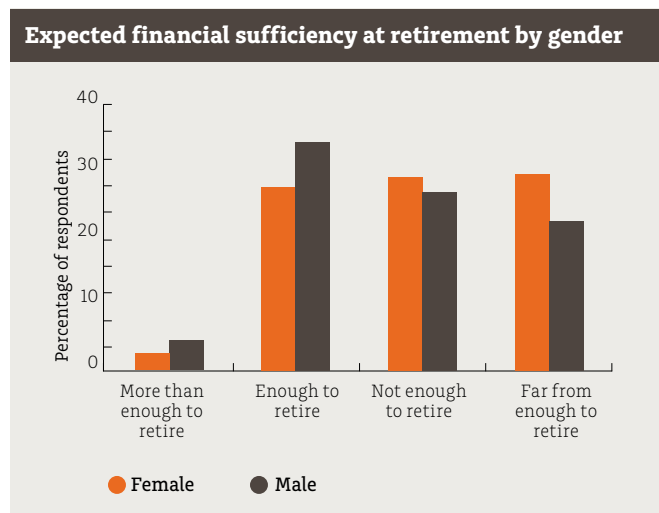
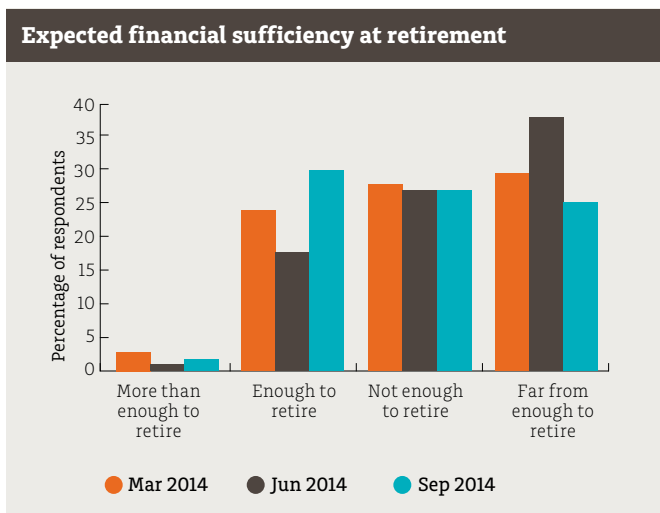
By marital status: Divorcees and defactos expressed the highest level of concern over their super and investments in Q3, especially in relation to having inadequate funds for retirement and regulation. Widows remain the least concerned about their investments across all key risks.



Barriers and setbacks to financial sufficiency at retirement

Expected financial sufficiency over time: Although asset allocation remained largely unchanged in Q3, Australian investors were much more positive about their ability to fund their retirement. This may have reflected a re-alignment of expectations as initial reactions to the federal budget subsided.

By gender: Fewer men and women reported that they had “far from enough” to retire in Q3. However, it is still of some concern that almost 1 in 3 women still feel they have “far from enough to retire” (while down, those reporting they had “not enough to retire” did rise to 29% in Q3 up from 24% in Q2).

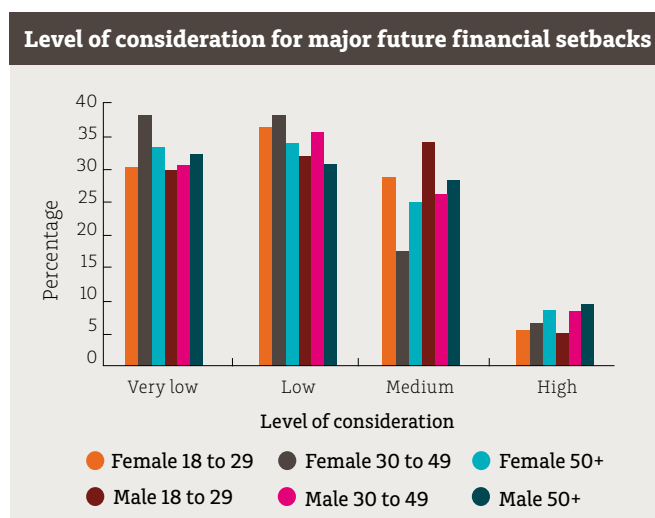
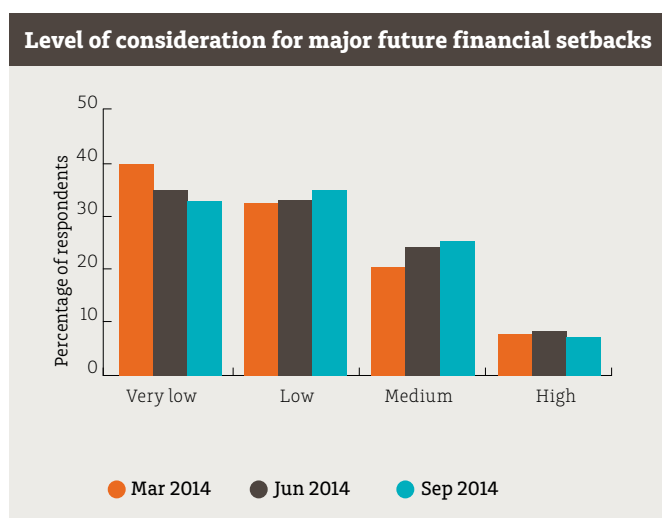


Barriers and setbacks to financial sufficiency at retirement

Consideration of major setbacks to retirement plans:

The majority of Australians (around 68%) do not give much consideration to the impact of major future financial setbacks—such as major health issues or job loss—on their retirement funds. In addition, less than 1 in 10 people rated the possibility of a major financial setback as “high”.

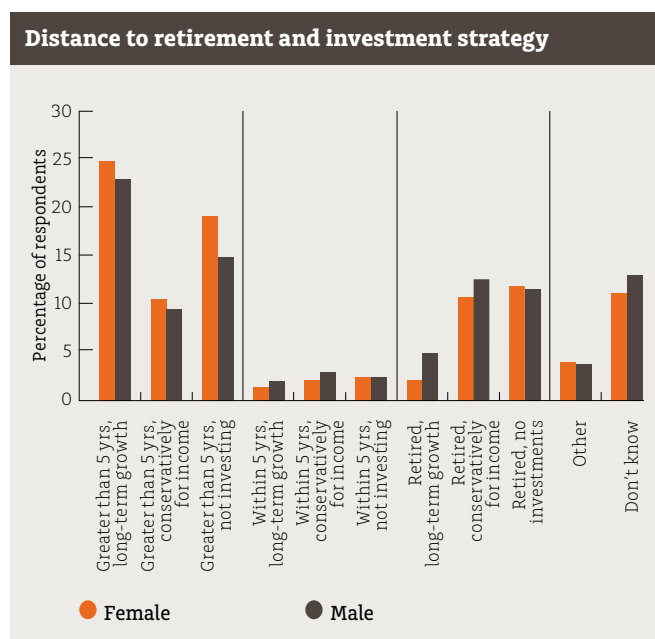
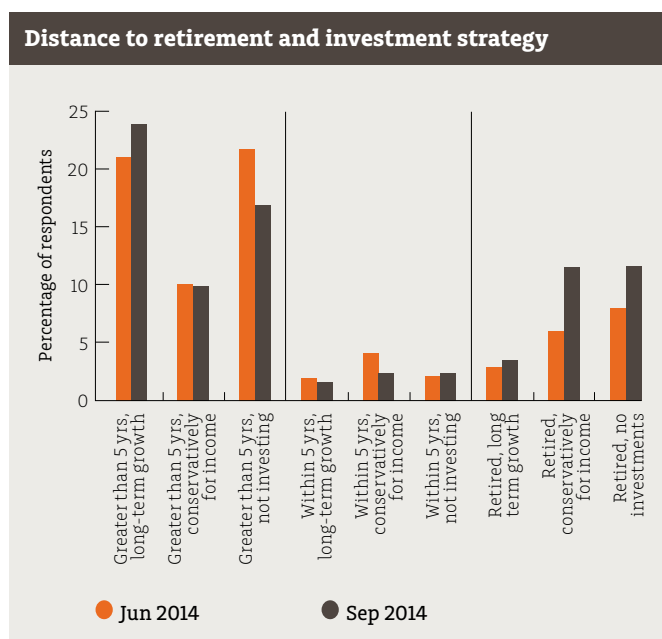
By gender: A very large percentage of Australian women aged between 30–49 (76%) gave “very low” or “low” levels of consideration to potential future financial setbacks on their retirement savings. Young men were the most conservative, with only 61%, giving “very low” or “low” levels of consideration to potential setbacks.



Time to retirement and investment strategy

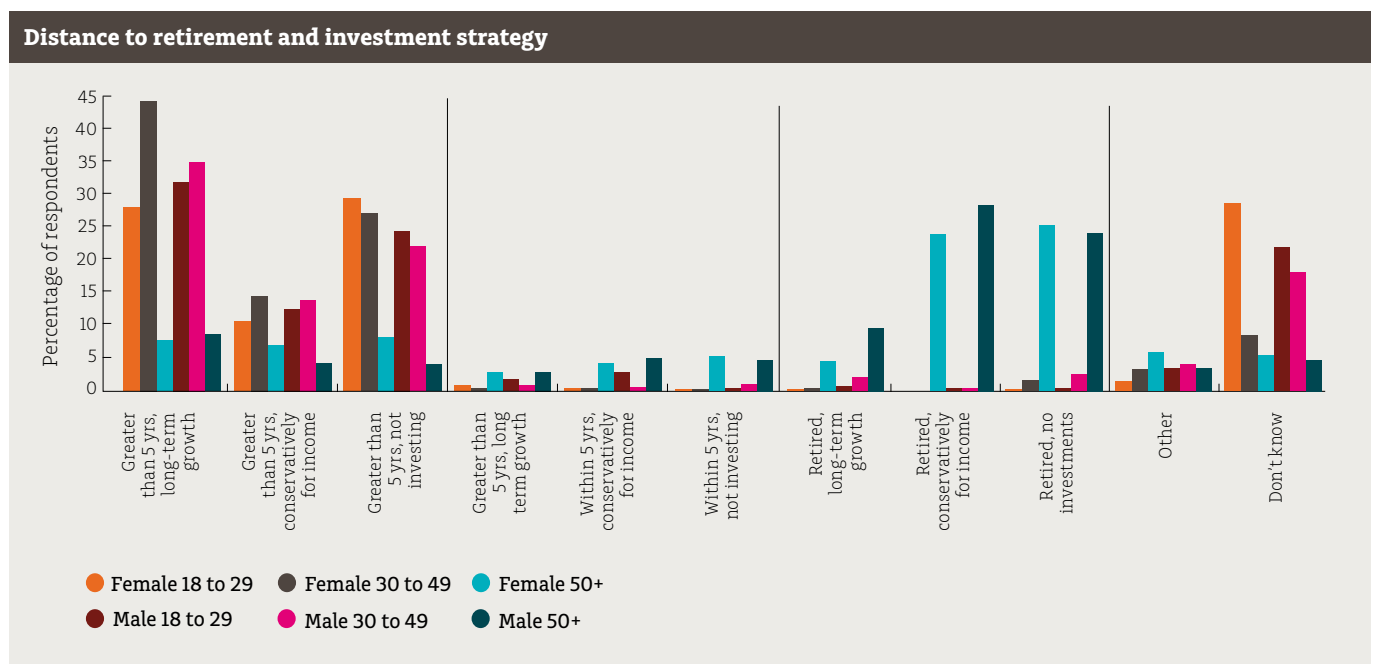
Time versus investment strategy: The percentage of Australians more than 5 years from retirement and investing for long-term growth rose to 24% in Q3 (21% in Q2), while those not investing at all fell to 17%. It was also notable that while more retirees were investing for income, the number of retirees with no investments also rose.

By gender: Slightly more women than men who are more than 5 years away from retirement are investing for long-term growth. At the same time however, more women in this group are also not investing at all. Men were typically more conservative than women across all other categories in the Q3 survey.



Time to retirement and investment strategy

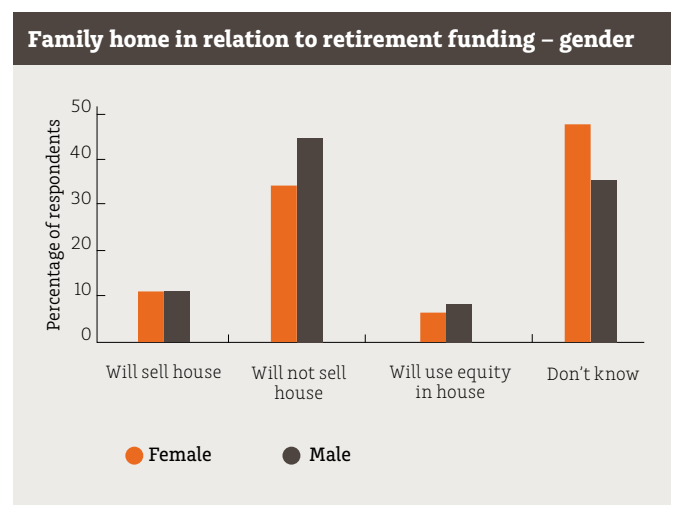
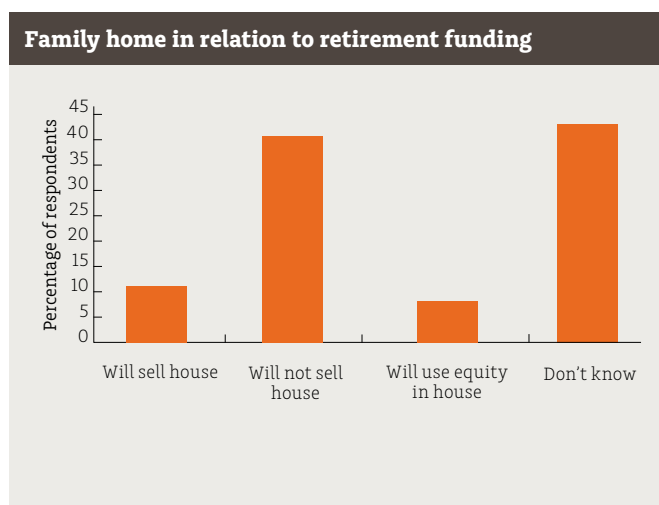
By gender and age: It was very evident that Australian women aged between 30–49 and still some distance from retirement were the most aggressive in chasing long-term investment growth, and well ahead of similarly aged men, the next most active group. In contrast, young women aged 18–29 were most likely to be not investing at all.



Family home and retirement

Family home and retirement: Around 11% of Australians intend to sell their family home to fund their retirement, while 8% plan to draw down on equity in their home. Almost 40% have no plans to sell their homes, however 42% were unsure if they will need to sell the family home to fund retirement.

By gender: On average, men (45%) are much less inclined than women (34%) to sell the family home to fund their retirement. Men are also much clearer about their intentions (with significantly fewer answering “don't know”).



Appendix 1: About the survey

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

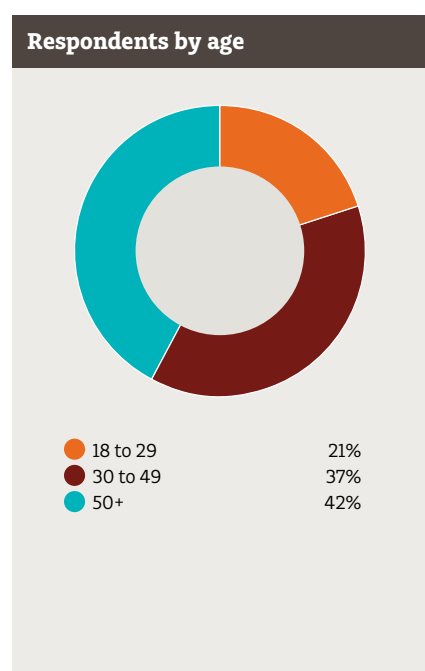
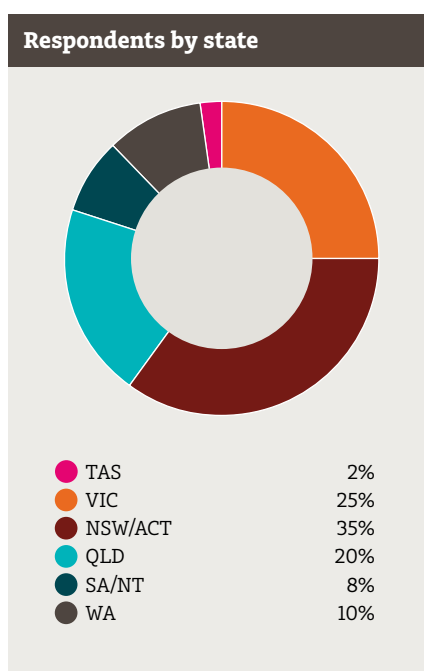
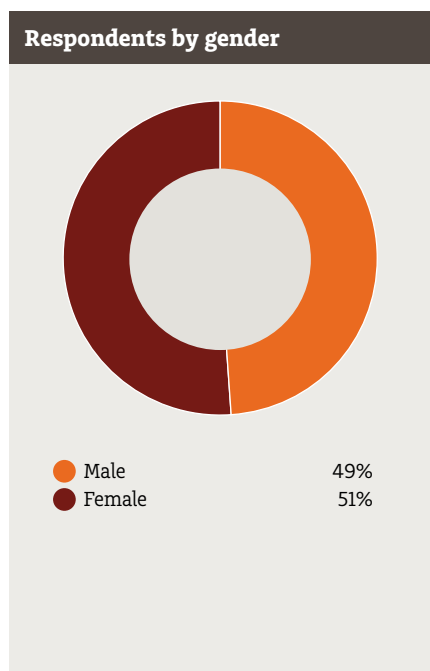
The wealth survey is based on survey participants' responses to seven questions related to:

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

Over 2,100 respondents participated in the September Wealth Sentiment Survey, with weights applied to age, location and gender to ensure that the survey reasonably reflects the Australian population.

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



For more information

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