

NAB Special Report: Financial Freedom

Minimum amount of money needed to significantly improve life going forward

by NAB Group Economics

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Many Australians dream of a financial windfall that would significantly improve their lives forever, but how much is enough? On average, around \$760,000 is the magic number, but this hides some big differences depending on where you live, your age, gender, income and other factors.

This “life changing” amount of money ranges from around \$850,000 for those living in NSW/ACT to just over \$170,000 for people in Tasmania. The range was also great in dollar terms depending on income. Very high income earners, perhaps accustomed to greater spending, require almost \$1.5 million, while lower income earners need considerably less. A similar trend was also evident among professionals and those with higher levels of education.

More surprising, given the cost of raising a family, the amount needed by those with children (\$757,000) was very similar than for those without (\$796,000). Also interesting, Australians in regional cities needed around the same as households in capital cities despite having lower debt levels.

By state, Australians living in NSW/ACT (around \$850,000) and WA (\$828,000) need the most to significantly change their lives forever and Tasmania the least (around \$170,000). Households in NSW and WA are also the most leveraged. While Tasmanians typically have relatively high levels of mortgage debt, their overall debt position is lower.

Interestingly, despite households in capital cities generally having higher debt levels than those in regional areas, Australians living in regional cities (\$835,000) needed about the same as those in capital cities (\$794,000), but much more than those in rural towns and the bush (\$530,000).

Men (\$814,000) require more than women (\$703,000). By age, Australians aged 30-49 (\$815,000) need the most to improve their lives, but particularly men (\$1 million compared to just \$640,000 for 30-49 year old women). Middle-aged men usually also have the highest debt to income levels and the highest levels of mortgage debt.

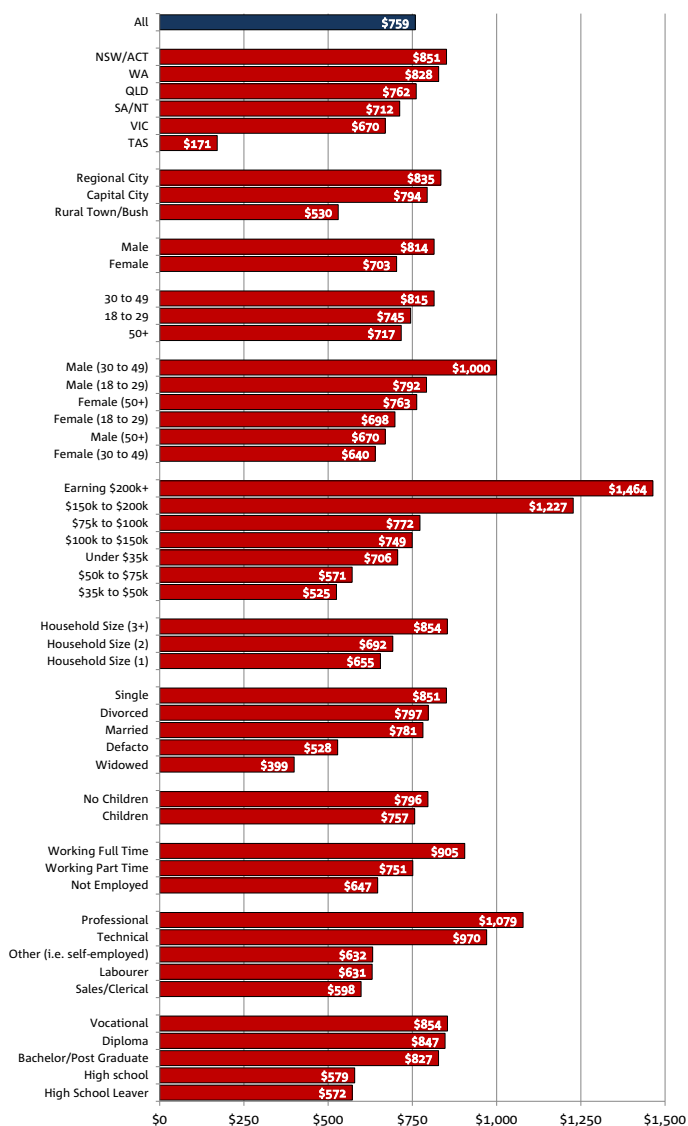
Among women, it is the over 50s that need the most (\$763,000 compared to \$670,000 for older men). This reinforces the findings from MLC’s Wealth Sentiment Survey which shows that the inability to fund their retirement is a particular concern for older women.

High income earners (over \$200,000) need considerably more (around \$1.5 million) to change their lives than those on lower incomes. While higher income earners often have higher debt levels they are also generally accustomed to greater spending.

By relationship status, single people need most (\$851,000) and widows least (\$399,000). Surprisingly, the amount needed by those with children (\$757,000) was very similar than for those without (\$796,000). That said singles and divorced people with children are often among those under most financial stress.

Full time employees (\$995,000) require more than those without jobs (\$647,000). Professionals (typically also higher income earners) require significantly more (around \$1.1 million) than sales and clerical workers (\$598,000). Similarly, those with higher educational qualifications also require more.

Minimum amount that would significantly improve quality of life going forward (\$'000s)*



*Based on survey responses from over 2,000 Australians

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