

# NAB CONSUMER INSIGHT REPORT

## HOW, WHEN & WHY DO WE USE CASH TODAY?



*NAB Behavioural & Industry Economics*

October 2018

The use of cash in Australia is changing rapidly as consumers (and businesses) embrace cashless payments. In this special Consumer Insight Report, we explore what role cash plays in the lives of Australian consumers today - how much we carry, why we still use it and how we typically pay for things across a range of price brackets. The findings suggest that cash still plays an important role, particularly for older Australians.

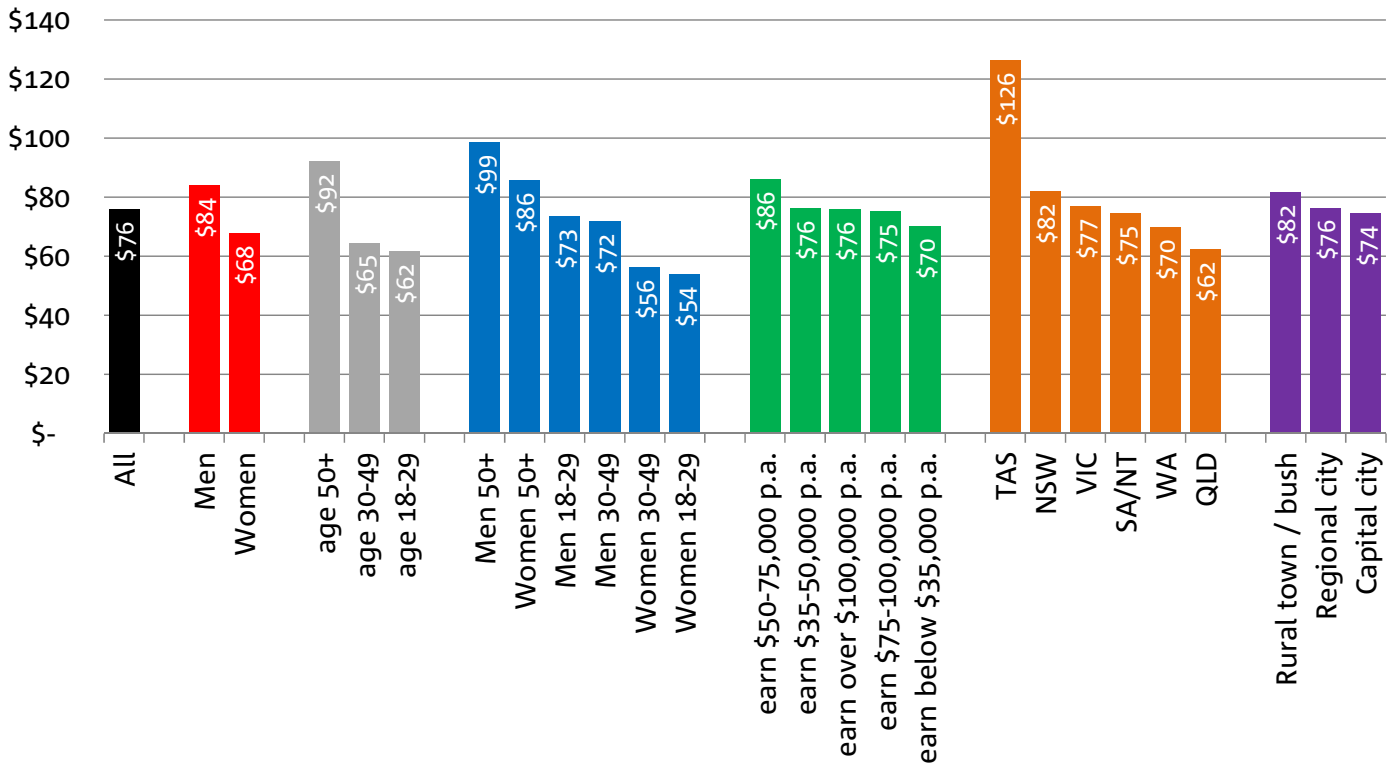
The average Australian carries \$76 in cash in their wallets in a typical week. Low income earners carry the least, but still around \$70. Men carry more than women and young people (particularly women) much less than older people (particularly men). When spending less than \$5 dollars, 9 in 10 of us aged over 50 would still use cash, compared to just 1 in 2 aged 18-29. Only 1 in 20 people would pay cash for something over \$500, with little difference by age. When using credit cards, the reverse is true. Only around 1 in 20 people use credit cards for purchases of less than \$5, compared to 1 in 2 when spending over \$500. Older Australians are most likely to carry cash for small transactions, younger people for emergencies. But, the lure of cash remains strong. If we were to receive \$1,000, most of us would still prefer to receive it as cash!

### KEY FINDINGS

- **How much cash are we carrying?** The average Australian carried \$76 in cash in their purses or wallets over a week. Men (\$84) carried more than women (\$68) and in all age groups. Men over the age of 50 carried the most cash (\$99) and women aged 18-29 the least (\$54).
- How much we earn doesn't appear to greatly influence how much cash we carry. Australians earning between \$75-100,000 p.a. carried the most (\$86), low income earners (less than \$35,000 p.a.) the least - \$70. Overall, the difference between those carrying the most and least cash was just \$16 across all income groups. Tasmanians carried the most cash (\$126) but from a smaller sample size. NSW (\$82) and VIC (\$77) were next, with QLD the lowest (\$62). By location, consumers in rural towns and the bush (\$82) carried more cash than those in regional cities (\$76) and capital cities (\$74) where electronic payment penetration is much higher.
- **Why do we carry cash?** Just over 1 in 2 Australians carry cash because they prefer to use it for small transactions. Around 41% carry it for emergencies and 1 in 4 for it's speed/convenience, habit or because some merchants only accept cash. There are some differences by age. For example, around 2 in 3 over 50s and 1 in 2 30-49 year olds, said the main reason they carry cash is for small transactions. In contrast, just 1 in 3 18-29 year olds carry cash for this reason. The main reason 18-29 year olds carry cash is for emergencies.
- **When do we pay with cash?** There's a clear relationship between when we use cash to pay for goods and services and how much they cost. When spending less than \$5, around 3 in 4 Australians use cash but this falls to around 1 in 20 for purchases over \$500. When using credit cards, the reverse is true. Only around 1 in 20 use credit cards for purchases of less than \$5, while around 1 in 2 when spending over \$500. Interestingly, the number of people using debit cards climbs from 15% for purchases below \$5 and peaks at 46% for purchases between \$50 to less than \$100. It then falls to 37% for purchases over \$500.
- **Does how we pay vary according to age?** When spending less than \$5 dollars, 9 in 10 over 50s use cash compared to just 1 in 2 18-29 year olds do. Almost twice as many over 50s also use cash when spending less than \$100 than 18-29 year olds. But for items over \$100, the number is about the same. Noticeably more middle aged and older Australians also use credit cards to pay for goods and services than 18-29 year olds in all price brackets (except spending less than \$5). In contrast, a lot more 18-29 year olds use debit cards to buy goods and services in all price brackets than do 30-49 year olds and over 50s, particularly when spending more than \$500.
- **How would we prefer to receive \$1,000 if offered?** Most Australians would choose to receive it as cash - irrespective of gender and age. More specifically, 58% said they would take it as cash, 24% as a debit card and 16% as a payment off their credit card. More men (61%) would chose cash than women (55%), but more women (27%) would take a debit card than men (20%). By age, those preferring cash ranged from 50% for 18-29 year olds to 65% for over 50s. Young people were most likely to take it as a debit card and more 30-49 year olds as a payment off their credit card.

# MAIN REPORT

## AVERAGE AMOUNT OF CASH CARRIED IN WALLET/PURSE IN THE PAST WEEK



There is an abundance of research showing we're moving ever closer to a 'cashless' society. In their 2017 'How Australians Pay' Survey, the Reserve Bank of Australia found Australian consumers were continuing to switch from paper-based ways of making payments such as cash and cheques, towards digital payment methods (particularly debit and credit cards). In fact, cards were the most frequently used means of payment in the 2016 survey, overtaking cash for the first time.

When we asked Australian consumers how much cash they carried in their purses or wallets over the past week, on average they told us they had \$76. But this amount did vary by age, gender, how much we earn and where we live.

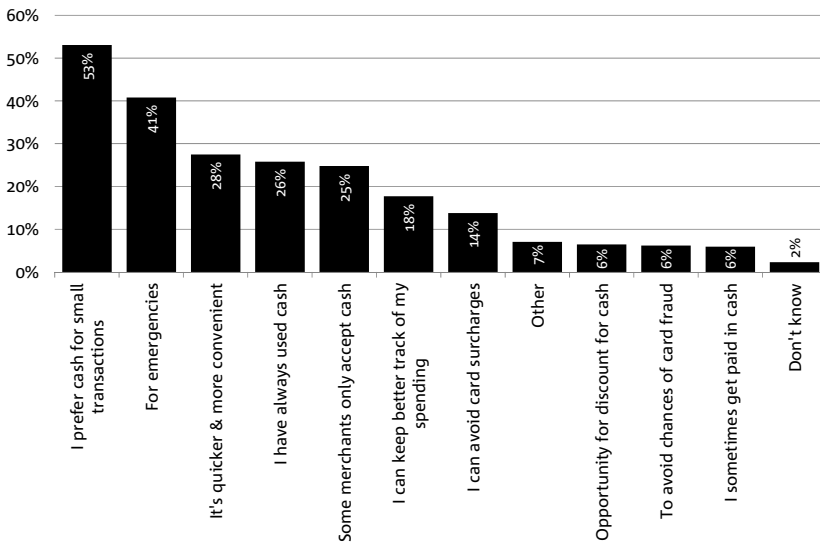
Overall, men (\$84) carried more than women (\$68) and across all age groups. Men over the age of 50 carried \$99 and women over the age of 50 carried \$86. Men aged 30-49 (\$72) had more than middle aged women (\$56) and men aged 18-29 (\$73) more than young women (\$54).

Clearly, there is a strong age component at play here (for both men and women) with older Australians carrying more cash in their wallets than younger Australians. These findings are in line with numerous other studies (both local and international) which show younger people are less cash dependent than older people and more likely to have adopted electronic cashless options.

But how much we earn doesn't appear to influence how much cash we carry in our wallets. In fact, there's very little discrepancy irrespective of our annual incomes. Australians earning between \$75-100,000 p.a. said they carried the most cash (\$86), and the lowest income group (less than \$35,000 p.a.) the least (\$70). The highest income earners (over \$100,000 p.a.) carried just \$76. Overall, the difference between those carrying the most and the least was just \$16.

What about where we live? Tasmanians carried the most cash (\$126) - although this result is likely to have been influenced by a smaller sample size. They were followed by NSW (\$82) and VIC (\$77), with Australians living in QLD carrying the least (\$62). By location, it's perhaps not surprising that Australians living in rural towns and the bush (\$82) carried more cash than those living in regional cities (\$76) and capital cities (\$74) where electronic payment penetration is much higher.

## MAIN REASONS FOR CARRYING CASH (%)

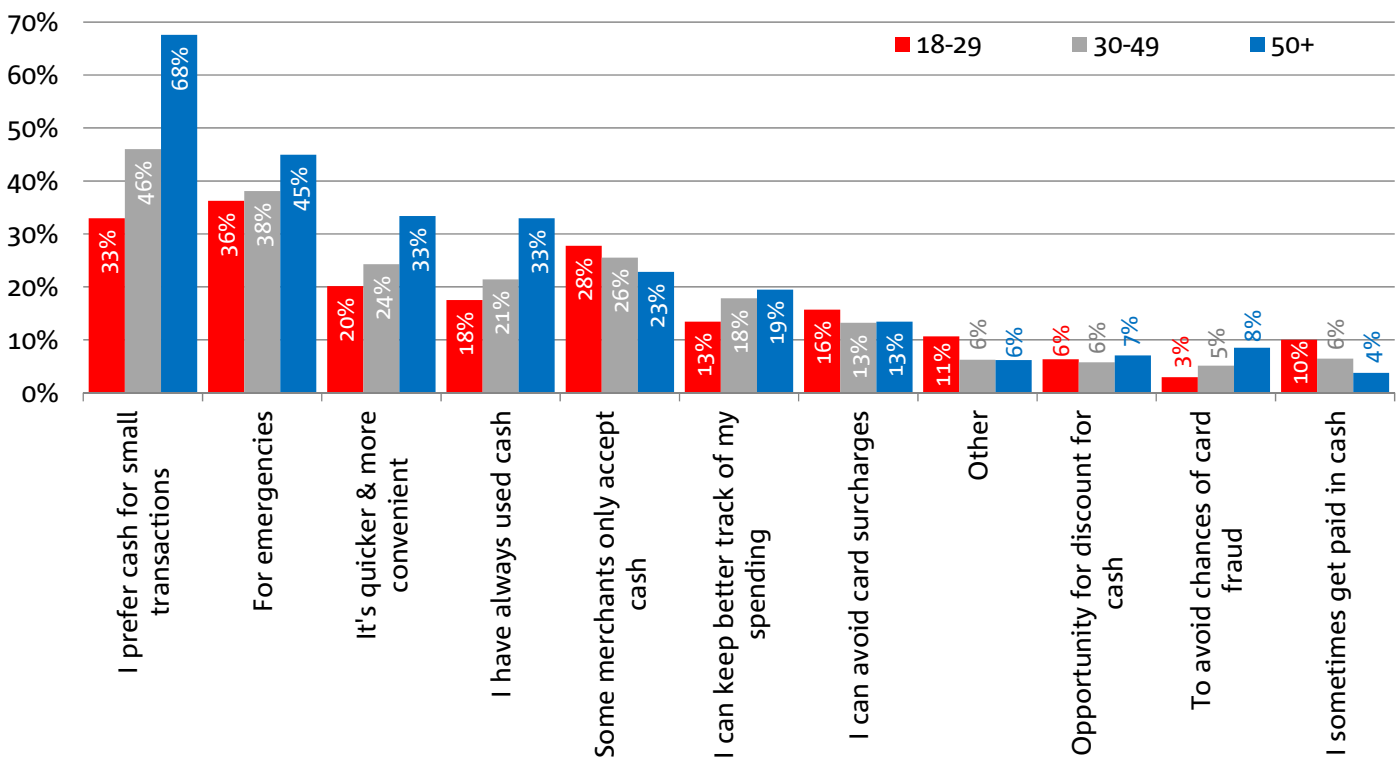


Just over 1 in 2 (53%) Australians carry cash because they prefer to use it for small transactions. Around 41% carry cash for emergencies, and around 1 in 4 do so because it's quicker and more convenient (28%), they've always used cash (26%) or because some merchants only accept cash (25%).

Very few Australians - around 1 in 20 overall - carry cash because they're sometimes paid in cash (6%), to avoid the chances of credit card fraud (6%) or because of opportunities for discounts if they use cash (6%).

But again, the overall result masks some very big differences why we use cash by age group.

## MAIN REASONS FOR CARRYING CASH - AGE (%)

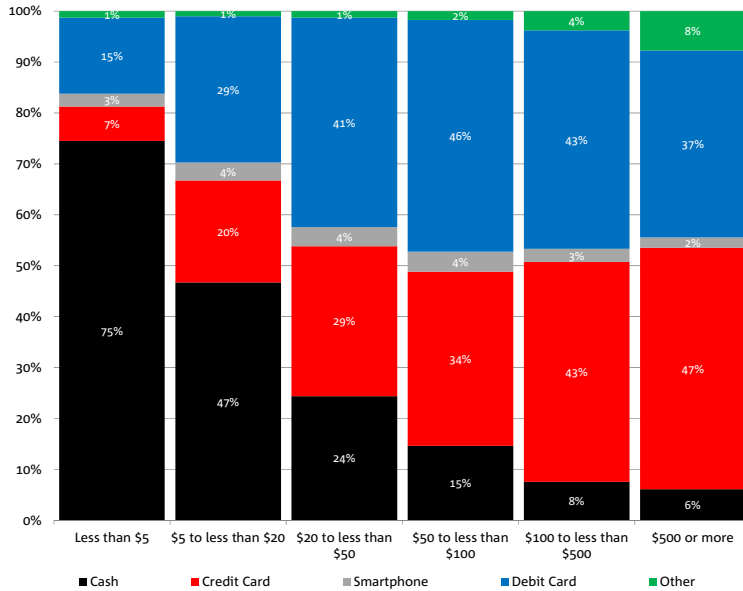


Around 68% of Australians over the age of 50 and 48% of 30-49 year olds prefer to carry cash for small transactions. It was also the number one reason consumers in these age groups carried cash. In contrast, only 33% of 18-29 year olds carried cash for this reason and it was not the main reason they carried cash. Instead, they mainly carried cash for emergencies (36%).

It was also apparent that a lot more over 50s also carried cash for emergencies (45%), because it's quick and convenient (33%) or because they've always used cash (33%) than any other age group. Over 50s were also marginally more inclined to carry cash so they could keep track of their spending (19%), to avoid chances of card fraud (8%) and for cash discount opportunities (7%) than other age groups.

Conversely, 18-29 year olds were the most likely age group to carry cash because some merchants only accept cash (28%), to avoid card surcharges (16%), because they sometimes get paid in cash (10%) or for other reasons (11%).

## HOW WE PAY FOR GOODS & SERVICES IN VARIOUS PRICE BRACKETS



There's a very clear relationship between the way we pay for goods and services with cash and the cost of the goods and services we buy.

When spending less than \$5, around 3 in 4 (75%) Australians said they use cash. That number falls progressively to 47% when spending \$5 to less than \$20, to 24% when spending \$20 to less than \$50, to 15% between \$50 to less than \$100, to 8% for purchases between \$100 to less than \$500 and to 6% for purchase of \$500 or more.

The reverse pattern is seen when using credit cards. In this case, only 7% use their credit card for purchases of less than \$5. This climbs progressively to a peak of 47% when making purchases in excess of \$500.

Interestingly, the number of people using debit cards also climbs from just 15% for purchases below \$5 and peaks at 46% for purchases of between \$50 to less than \$100, before falling again progressively to 37% for purchases over \$500.

There are interesting differences in how we pay for goods and services in varying price brackets according to how old we are.

When spending less than \$5 dollars, almost 9 in 10 (88%) over 50s use cash, whereas just over 1 in 2 (54%) 18-29 year olds do so. Almost twice as many over 50s also used cash for purchases under \$100 than did 18-29 year olds. But for goods over \$100, the number was about the same.

Noticeably more middle aged and older Australians also said they would usually use their credit cards to pay for goods and services than 18-29 year olds in all price brackets, except when spending less than \$5.

In contrast, significantly more 18-29 year olds said they would usually use a debit card to purchase goods and services in all price brackets than did 30-49 year olds and over 50s, most noticeably when spending more than \$500.

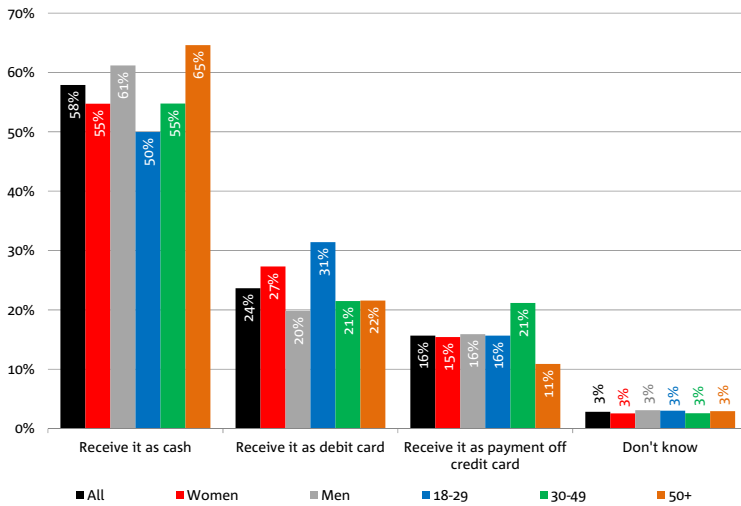
More young Australians also use their smartphones to pay for goods and services than any other age group in all price brackets - although this ranged from just 10% for purchases between \$50 to less than \$100 to just 4% for purchases over \$500. Very few 30-49 year olds and over 50s appear to have adopted this technology for paying for goods and services irrespective of price.

**TABLE 1: HOW WE PAY FOR GOODS & SERVICES IN VARIOUS PRICE BRACKETS: BY AGE**

	CASH			CREDIT CARD			SMARTPHONE			DEBIT CARD		
	18-29	30-49	50+	18-29	30-49	50+	18-29	30-49	50+	18-29	30-49	50+
Less than \$5	54%	71%	88%	10%	9%	4%	6%	3%	1%	23%	16%	6%
\$5 to less than \$20	32%	39%	61%	16%	25%	18%	8%	3%	1%	43%	32%	19%
\$20 to less than \$50	16%	21%	32%	20%	32%	32%	9%	4%	1%	54%	42%	34%
\$50 to less than \$100	10%	13%	18%	22%	36%	39%	10%	4%	1%	56%	46%	40%
\$100 to less than \$500	6%	8%	8%	31%	46%	47%	6%	3%	1%	54%	31%	39%
Over \$500	5%	7%	6%	35%	50%	51%	4%	2%	1%	50%	34%	32%



## WHAT CHOICE WOULD I MAKE IF OFFERED \$1,000



Our attitudes to carrying cash and how we use it vary widely.

But when asked how we would prefer to receive \$1,000 if it were offered to us, most would choose cash - regardless of gender or age. This suggests that cash still has an important role to play for consumers.

More specifically, almost 3 in 5 (58%) Australians said they would choose cash if they were offered \$1,000. Around 24% want to receive it as a debit card and 16% as a payment off their credit card.

Preferences did however vary by gender and age. More men (61%) preferred cash than women (55%), and more women (27%) said they would choose a debit card than men (20%). A broadly similar number (15-16%) would opt to take it as payment off their credit card.

By age, 65% of over 50s said they would take it as cash, compared to 50% of 18-29 year olds and 55% of 30-49 year olds. More young people were inclined to take it as a debit card (31%), than Australians aged 30-49 and over 50 (21%). But 21% of 30-49 year olds would prefer to receive it as a payment off their credit card, compared to just 16% of 18-29 year olds and 11% of over 50s.

Finally, when asked what we would do with \$1000, the most common response by far was to spend it on a holiday. Other popular suggestions were: save it; pay bills; pay off debts; invest it; and spend it on the family.

## CONTACT THE AUTHORS

Alan Oster  
Group Chief Economist  
[Alan.Oster@nab.com.au](mailto:Alan.Oster@nab.com.au)  
+613 8634 2927

Dean Pearson  
Head of Economics  
[Dean.Pearson@nab.com.au](mailto:Dean.Pearson@nab.com.au)  
+(613) 8634 2331

Robert De lure  
Associate Director Economics  
[Robert.De.lure@nab.com.au](mailto:Robert.De.lure@nab.com.au)  
+(613) 8634 4611

Brien McDonald  
Associate Director Economics  
[Brien.McDonald@nab.com.au](mailto:Brien.McDonald@nab.com.au)  
+(613) 8634 3837

Steven Wu  
Senior Associate Economics  
[Steven.A.Wu@nab.com.au](mailto:Steven.A.Wu@nab.com.au)  
+(613) 9208 2929

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