

NAB AUSTRALIAN WELLBEING SURVEY Q3 2020

PART 2: AUSTRALIA'S FINANCIAL WELLBEING - HOUSEHOLD FINANCIAL ANXIETY



November 2020

NAB Behavioural & Industry Economics

Despite ongoing economic challenges, the **NAB Financial Anxiety Index** fell 1.6 points in Q3 to 56.1 points. It is now at its lowest level in 2 years. The index looks at the role our finances play in our wellbeing and is based on concerns over future spending and savings arising from a household's current financial position. It appears many Australians are feeling more financially secure as outbreaks of the virus remain low and COVID restrictions ease across much of the country. Australians also made further inroads into reducing their debt levels which may have also contributed to lower financial anxiety.

Financing retirement remains the biggest contributor to anxiety, but is now at its lowest level since 2017. For the first time we looked at financial anxiety of Australians who had lost their main source of income due to COVID-19. Not surprisingly, this group had the highest anxiety (69.8) and were noticeably more anxious about meeting minimum credit card repayments, having enough for food & basic necessities, paying bills and meeting repayments on personal loans. They were also much more likely to have leaned on family and friends or used a payday lender, to manage their financial stress than other Australians.

By state, anxiety is highest in NSW (58.8), just ahead of VIC (57.2) and well ahead of all other states (ranging from 49.3 in TAS to 53.7 in QLD). Financial anxiety remains somewhat higher for women (57.9) than men (54.3). Anxiety fell in most age groups during the quarter, led by the over 65s (down 6.1 to 45.4). It remains highest for those aged 18-29 (60.4). The financial anxiety gap between Australians in the lowest and highest income groups narrowed a little in Q3, but remains significant at 11.3 points.

In this report we also asked Australians to rate their confidence in some key aspects of their finances. Overall, confidence is highest around the ability to meet bill payments on time, with over 1 in 2 Australians "highly confident". Australians were also quite confident about covering expenses without drawing down their retirement savings or borrowing, that their current debt levels were manageable, their spending relative to their income, and planning ahead financially. Confidence was lowest around having adequate insurance cover. Again, those that had lost their income due to COVID, presented a much less optimistic profile.

Australians made further inroads into reducing debt levels, with expectations of more reductions over the next 12 months. In contrast, Australians who had lost their main source of income to COVID, on balance saw their debt levels increase over the past 3 months. Credit card debt remains the most common form of debt but continues to cause the least financial anxiety overall (albeit concern is much higher among younger people and those that had lost income due to COVID-19). Payday loans continue to cause Australians the most financial anxiety. Around 8% of all Australians reported having loans from a pay day lender, rising to 16% of people who had lost their income due to COVID and 14% in the 18-29 age group.

NAB FINANCIAL ANXIETY INDEX (100 = extremely concerned)

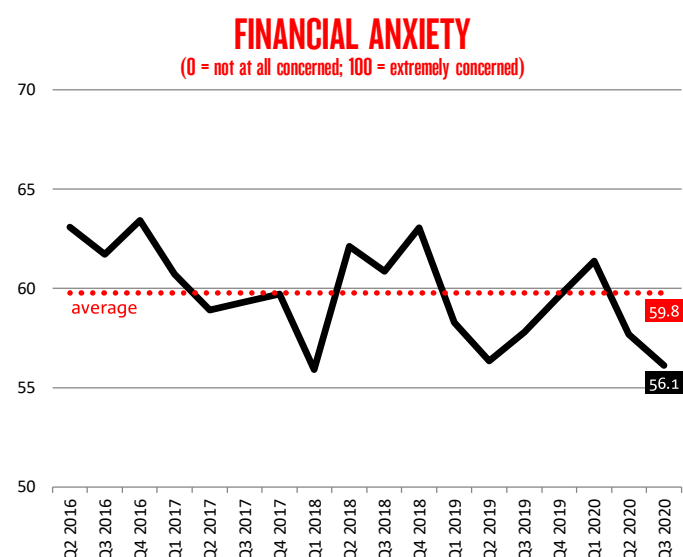
	Q3 2019	Q2 2020	Q3 2020
NAB Financial Anxiety Index	57.8	57.7	56.1
- Women	59.6	59.1	57.9
- Men	55.9	56.2	54.3
- Age 18-29	60.8	61.5	60.4
- Age 30-49	62.3	60.2	60.2
- Age 50-64	62.0	55.8	55.9
- Age 65+	49.6	51.5	45.4
- Low income (<\$35,000 p.a.)	65.5	63.6	62.5
- High income (\$100,000+ p.a.)	54.4	52.2	51.2
- Lost main income due to COVID	n.a.	n.a.	69.8

People can feel financially anxious without experiencing financial hardship. Despite the challenges of COVID-19, the number of Australians reporting some form of financial hardship in the past 3 months fell to a survey low 30%. The number of people experiencing hardship fell in most key demographic groups in Q3. Hardship in the lowest income group and among the unemployed was unchanged at 42% and 49% respectively, rising to 59% for people who lost their main source of income due to COVID.

Not having enough money for an emergency is still the most common cause of hardship, but was a much bigger problem for people who lost their income post COVID (30%), the unemployed (29%) and low-income earners (22%). Being unable to pay a bill was the next biggest cause, followed by not having enough for food or basic necessities - impacting 1 in 4 people who lost their income because of COVID or unemployed. Medical bills (20%) and being unable to pay rent on time (19%) also weighed much more heavily on people who lost their main income. They were also around 3 times more likely to have been impacted by being unable to pay their mortgage (15%), meet minimum credit card repayments (14%) and pay off personal loans (13%) than the average Australian.

People who had faced financial hardship were asked which (if any) debt options they choose to manage this financial stress. Around 3 in 10 borrowed from family and friends (29%) or used their credit card (28%) – down a little from 31% and 33% respectively in Q2. There was also a fall in the number of people relying on all other debt options, except payday lenders, where the number of Australians resorting to this measure increased to 14% in Q3 (10% in Q2).

FINANCIAL ANXIETY



Anxiety is the biggest detractor from our overall wellbeing, and financial concern is a key contributing cause. The NAB Financial Anxiety Index looks at the role our finances have on our wellbeing. The index is based on the level of concern Australians have over their future spending and savings plans arising from their current financial position.

Despite ongoing challenges to the economy, the index fell 1.6 points over the quarter to 56.1 points - its lowest level in 2 years. The index remains well below the survey average (59.8 points).

By state, anxiety was again highest in NSW (up 0.4 points to 58.8 points), just ahead of VIC (down 0.8 points to 57.2). Financial anxiety was somewhat lower in all other states (ranging from 49.3 points in TAS to 53.7 points in QLD) - see charts in Appendix 1.

Financial anxiety fell in most key groups over the quarter. Financial anxiety remains somewhat higher for women (down 1.2 points to 57.9) than men (down 1.6 points to 54.3). The gender “anxiety gap” also widened for the second straight quarter to 3.6 points (2.9 points in Q2).

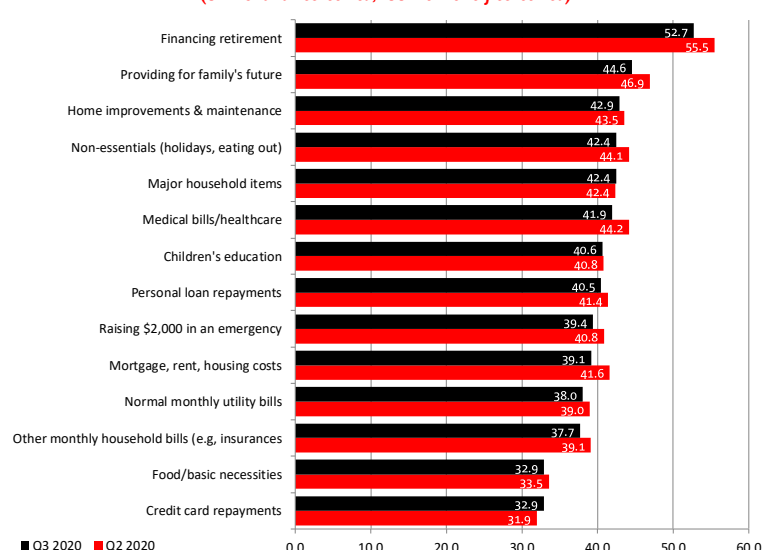
Financial anxiety falls as we age - and significantly. In Q3, financial anxiety fell progressively from 60.4 points in the 18-29 age group to 45.4 points in the over 65 age group. Anxiety fell in most age groups during the quarter, led by the over 65s (down 6.1 points to 45.4). The 50-64 group was the exception (up 0.1 points to 55.9).

The “anxiety gap” between Australians in the lowest and highest income groups narrowed a little in Q3, but it remains significant at 11.3 points (11.5 points in Q2). For the first time we also looked at financial anxiety of Australians who lost their main source of income due to COVID. Not surprisingly, anxiety in this group was the highest of any demographic (69.8 points).

FINANCIAL ANXIETY IN KEY GROUPS

	Overall	Women	Men	18-29	30-49	50-64	65+	Lowest income group	Highest income group	Lost main income due to COVID
Q3 2019	57.8	59.6	55.9	60.8	62.3	62.0	49.6	65.5	54.4	n.a.
Q2 2020	57.7	59.1	56.2	61.5	60.2	55.8	51.5	63.6	52.2	n.a.
Q3 2020	56.1	57.9	54.3	60.4	60.2	55.9	45.4	62.5	51.2	69.8

KEY DRIVERS OF FINANCIAL ANXIETY (0 = not at all concerned; 100 = extremely concerned)



All drivers of financial anxiety contributed less to overall stress levels in Q3, except credit card repayments (up 1.0 point to 32.9) - but still of least concern - and major household items (unchanged at 42.4 points).

Financing retirement is still by far the biggest contributor to financial anxiety, although the level of concern eased noticeably in Q3 (down 2.8 points to 52.7), falling to its lowest level since Q3 2017.

Other key drivers were being unable to provide for our family's future (down 2.4 points to 44.6), home improvements & maintenance (down 0.6 points to 42.9), non-essentials such as eating out or holidays (down 1.7 points to 42.4) and being unable to meet the costs of medical bills and healthcare (down 2.2 points to 41.9).

The table below shows the drivers of financial anxiety in key demographic groups, and it highlights some key differences in their concerns. Women rated all drivers of anxiety higher than men, particularly non-essentials (45.4 points vs. 39.5 points), medical bills & healthcare (44.7 points vs. 39.4 points), major household items (45.0 points vs. 39.8 points) and home improvements & maintenance (45.4 vs. 40.4 points).

By age, Australians in the 30-49 and 50-64 groups rated their anxiety around retirement financing higher than other age groups. Australians in the 18-29 age group were however the most concerned about all other drivers, particularly being able to pay for their children's education, credit card repayments, being able to raise \$2,000 in an emergency, home improvements & maintenance, and food & basic necessities.

The lowest income earners were significantly more worried about all drivers of financial anxiety than the highest income group, particularly being able to raise \$2,000 in an emergency, paying other monthly household bills such as car running costs and insurances, normal monthly utility bills, food & basic necessities, major household items and their mortgage, rents or housing costs.

The impact of having lost their main source of income from COVID on anxiety drivers was clearly apparent in the Q3 survey, with this group reporting well above average levels of concern for all drivers. Areas where they were noticeably more worried were meeting their minimum credit card repayments, having enough for food & basic necessities, being unable to their monthly utility and other bills, and not having enough money to pay off personal loans.

DRIVERS OF FINANCIAL ANXIETY IN KEY GROUPS

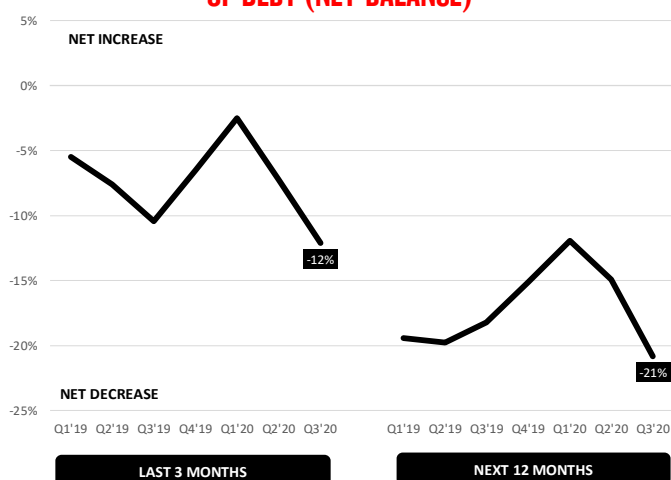
	All	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Lost income due to COVID
Financing retirement	52.7	54.5	50.9	54.0	56.8	56.4	39.8	59.3	54.2	67.1
Providing for family's future	44.6	45.5	43.7	53.7	50.3	38.7	26.5	51.6	44.6	63.1
Home imp. & maintenance	42.9	45.4	40.4	50.7	46.8	41.9	29.1	49.7	43.8	58.5
Non-essentials	42.4	45.4	39.5	50.9	47.6	38.8	28.1	49.0	42.4	60.2
Major household items	42.4	45.0	39.8	49.2	47.6	40.7	28.3	51.9	43.8	59.6
Medical bills/healthcare	41.9	44.7	39.1	48.7	46.3	41.3	27.8	48.9	42.7	59.0
Children's education	40.6	41.6	39.8	51.2	44.7	24.6	12.1	45.5	44.1	57.8
Personal loan repayments	40.5	42.1	39.1	47.7	46.4	32.6	18.4	48.8	38.9	61.4
Raising \$2,000 in emergency	39.4	41.5	37.2	49.6	45.4	36.4	21.7	50.6	38.3	57.9
Mortgage, rent, housing costs	39.1	41.6	36.7	48.0	44.6	30.4	20.1	47.8	40.7	57.5
Normal h/hold utility bills	38.0	40.3	35.8	47.2	44.1	34.4	22.1	47.2	37.4	58.0
Other monthly h/hold bills	37.7	39.9	35.4	45.6	43.7	33.9	23.2	46.4	38.0	58.6
Food/basic necessities	32.9	34.2	31.6	42.9	39.3	26.8	18.2	41.4	31.3	54.0
Credit card repayments	32.9	34.0	31.9	45.1	38.7	25.8	15.8	38.1	32.2	54.7

THE IMPACT OF DEBT

Debt can not only impact financial wellbeing, it can also impact emotional and mental wellbeing and even our physical health. Encouragingly, Australians appear to have made further inroads into reducing debt levels during Q3. When asked how their overall level of debt had changed over the past 3 months, more Australians in net terms (-12%) said it decreased (i.e. the number who said it decreased exceed the number who said it increased). This was up from -7% in Q2. Moreover, when also asked what they expected will happen to their level of debt in the next 12 months, more Australians also expect it to fall (-21% compared to -15% in Q2).

By gender, more men (-14%) reduced their debt levels than women (-5%) over the last 3 months, but expectations for the next 12 months are broadly aligned. Whereas debt reduction was highest in the over 65 age group (-16%) in the last 3 months, the 50-64 group is expected to lead the way in 12 months' time (-26%). In contrast, more Australians who lost their main source of income to COVID saw their debt levels increase in the last 3 months (+6%), but the number who expect their debt levels to decrease in the next 12 months outweigh those expecting it to increase (-11%) - see table below.

WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF DEBT (NET BALANCE)



WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF DEBT (NET BALANCE)

	Last 3 months	Next 12 months
Overall	-12%	-21%
Women	-5%	-22%
Men	-14%	-20%
Age 18-29	-9%	-14%
Age 30-49	-13%	-21%
Age 50-64	-10%	-26%
Age 65+	-16%	-22%
Lost income due to COVID	+6%	-11%

What types of debt do Australians currently have and how concerned are they about these debts? Credit card debt is still the most commonly held debt - although the number of Australians holding this debt fell to 42% (45% in Q2). It remains the most commonly held debt in most key groups, led by 50-64 year olds (55%).

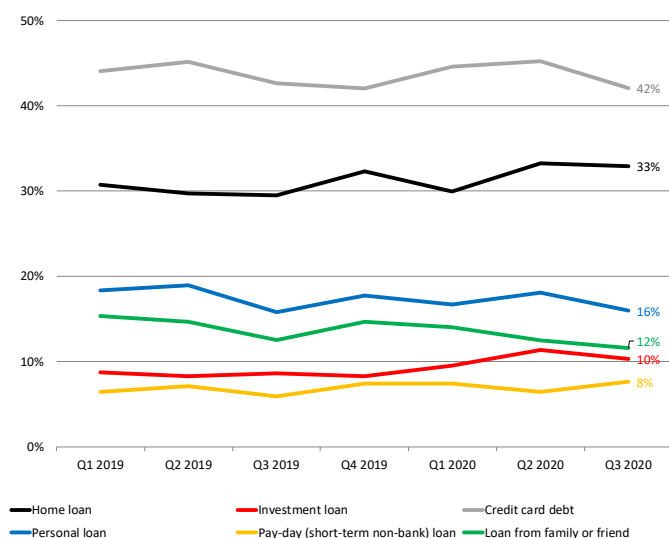
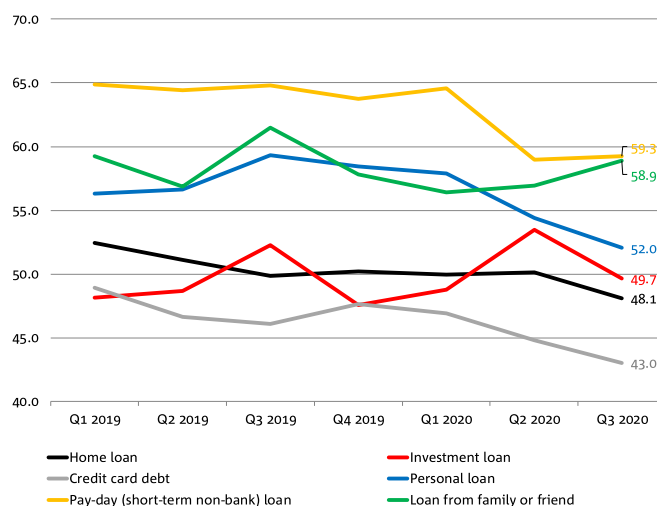
Around 1 in 3 (33%) Australians overall currently have a home loan, with this the most commonly held debt in the highest income group (56%) and for Australians aged 30-49 (47%).

Around 16% had a personal loan, but this was significantly higher for people who had lost their main source of income due to COVID (26%). More than twice as many people who lost their income also had loans from family and friends (25%) than did the average Australian. Around 8% of all Australians had loans from a pay day lender, but that number was again much higher among Australians who lost their income due to COVID (16%) and in the 18-29 age group (14%).

Although credit card debt is the most common form of debt, it causes the least anxiety. When asked to rate their concern, on average people scored 43.0 points out of 100 - the lowest since we first asked this question in Q1 2019. Stress arising from credit card debt was however much higher in the 18-29 age group (55.6 points) and for Australians who lost their income because of COVID (63.2 points). Australians rated their level of concern highest for payday loans (59.3 points), particularly those who lost their main source of income due to COVID (72.2 points).

Among other take outs, women worried much more about credit card debt and men payday and investment loans. Australians in the 18-29 age group were by far the most concerned about investment loans and credit card debt, and 30-49 year olds by loans from family and friends. High income earners also worried much more about payday and investment loans, and the lowest income earners credit card debt - see table below.

TYPES OF DEBT CURRENTLY HELD

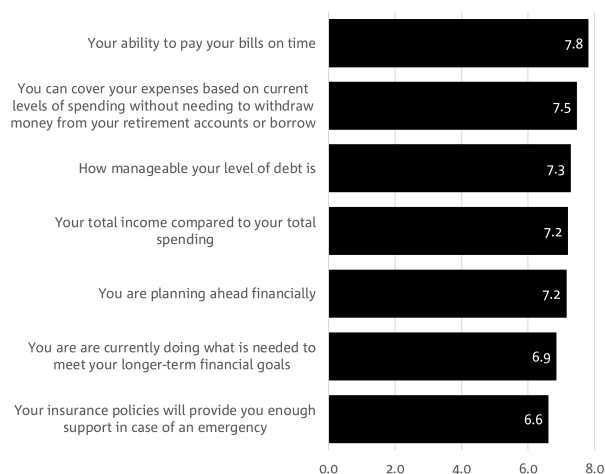
LEVEL OF CONCERN OVER DEBTS HELD HELD
(100 = extreme)

LEVEL OF CONCERN OVER DEBTS HELD BY KEY GROUPS (100 = "extreme")

	All	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Lost income due to COVID
Pay-day loan	59.3	55.9	62.1	59.8	63.1	43.6	48.6	55.9	62.1	72.2
Loan from family or friend	58.9	59.2	58.6	53.5	64.3	58.7	61.5	59.2	58.6	64.7
Personal loan	52.0	53.2	51.1	57.0	55.0	41.6	25.1	53.2	51.1	67.9
Investment loan	49.7	46.2	52.0	62.9	50.6	37.3	27.2	46.2	52.0	68.4
Home loan	48.1	47.1	49.1	55.6	51.7	40.0	34.4	47.1	49.1	66.7
Credit card debt	43.0	45.5	40.6	57.1	49.9	38.7	26.5	45.5	40.6	63.2

CONFIDENCE IN YOUR FINANCES

For the first time, we asked Australians to rate their confidence in some key aspects of their finances - debt manageability, working toward meeting their longer-term financial goals, income relative to spending, insurance cover, financial planning, ability to pay bills on time, and being able to cover current spending without dipping into their retirement accounts or going into debt

CONFIDENCE IN FOLLOWING ASPECTS OF YOUR FINANCES
(0 = not at all; 10 = completely)

Overall, they are most confident about being able to meet their bills on time, scoring on average 7.8 points out of 10 (where 10 is completely confident). Moreover, 55% rated their confidence 'high' (score of 8-10) and only 9% 'low' (score of 0-4).

Australians were also quite confident about being able to cover expenses based on current income without dipping into retirement savings or taking on debt (7.5 points). Over 6 in 10 (61%) rated their confidence 'high' and only 6% 'low'.

They are also quite confident that current debt levels are manageable (7.3 points), their level of spending relative to income (7.2 points), and planning ahead financially (7.2 points). Moreover, almost 5 in 10 Australians rated their confidence in these 3 areas 'high', and just under 1 in 10 'low'.

Confidence was lowest around adequate insurance cover (6.6 points), with only 38% expressing 'high' confidence and 16% 'low' confidence.

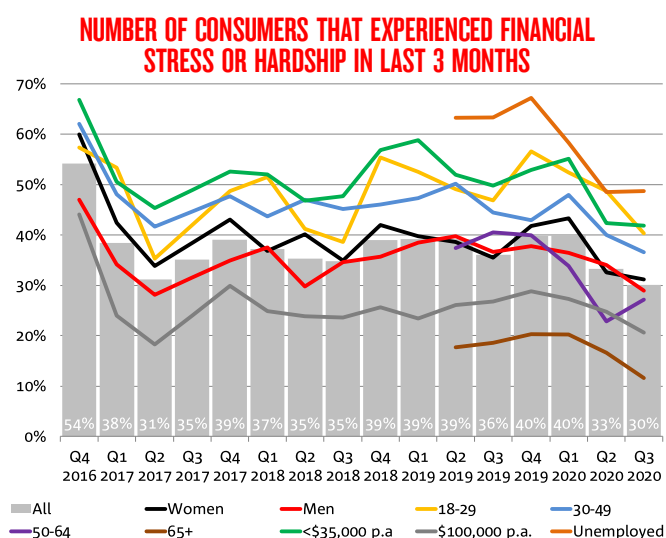
CONFIDENCE IN FOLLOWING ASPECTS OF YOUR FINANCES

	Overall	Men	Women	18-29	30-49	50-64	65+	Lost income due to COVID
Ability to pay your bills on time	7.8	7.8	7.8	7.8	7.7	8.4	8.2	7.0
Cover expenses based on current levels of spending without withdrawing money from retirement accounts or borrowing	7.5	7.6	7.3	7.5	7.3	7.8	7.9	6.6
Manageable level of debt	7.3	7.4	7.1	7.3	7.1	7.8	8.3	6.7
Total income compared to total spending	7.2	7.4	7.0	7.3	7.1	7.2	8.1	6.3
Planning ahead financially	7.2	7.3	7.0	7.3	6.9	7.5	8.3	6.5
Currently doing what's needed to meet longer-term financial goals	6.9	7.1	6.5	6.9	6.7	6.9	7.8	6.2
Insurance policies will provide enough support in case of emergency	6.6	6.9	6.3	6.7	6.4	6.9	7.9	6.3

Confidence levels did however vary by gender and age. Men were more confident than women about doing what is needed to meet their longer-term financial goals (7.1 points vs. 6.5 points) and having adequate insurance coverage for emergencies (6.9 points vs. 6.3 points), while Australians in the 30-49 age group were much less confident about planning ahead financially (6.9 points) than any other age group.

The confidence hit on the finances of people who lost their main source of income from COVID was most noticeable when compared to the average Australian around covering their expenses without drawing down their retirement savings or borrowing, total income compared to total spending, and their ability to pay bills on time.

HOUSEHOLD FINANCIAL HARDSHIP



Despite the challenges of COVID, the number of Australians who experienced some form of financial stress or hardship in the past 3 months fell to a survey low 30%. The number of people experiencing hardship fell in most key demographic groups in Q3.

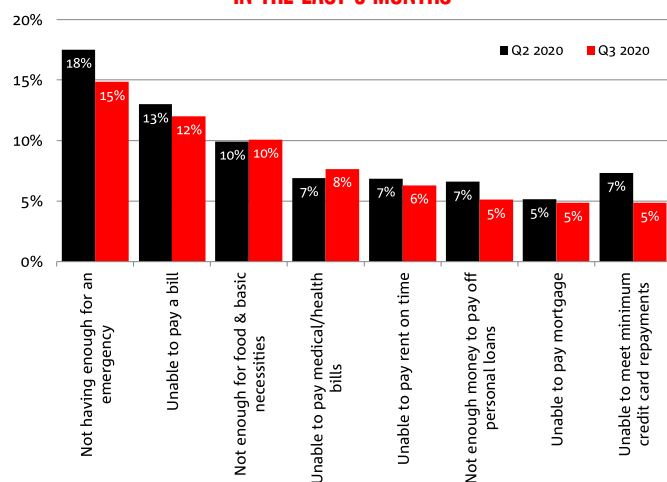
The number of women experiencing hardship fell slightly to 31% (33% in Q2), but the number of men fell somewhat more to 29% (34% in Q2).

The number of 18-29 year olds who experienced hardship fell to its lowest level in 2 years (40%). In 30-49 group, it fell to a survey low 37%. Hardship was also lower in the over 65 group (12%) but increased slightly in the 50-64 group to 27% (23% in Q2).

Hardship in the lowest income group was unchanged at 42% and was much more prevalent than in the highest income group where it fell to 21% (26% in Q2).

The number of unemployed people impacted by some form of financial stress or hardship was unchanged at 49%. But the overall number impacted was highest (by some margin) for people who lost their main source of income due to COVID at 59%.

TYPE OF FINANCIAL STRESS OR HARDSHIP EXPERIENCED IN THE LAST 3 MONTHS



Not having enough money for an emergency is still the most common cause of stress or hardship, but the overall number impacted fell to 15% (18% in Q2). It was however a bigger problem for people who lost their income due to COVID (30%), the unemployed (29%) and in the lowest income group (22%).

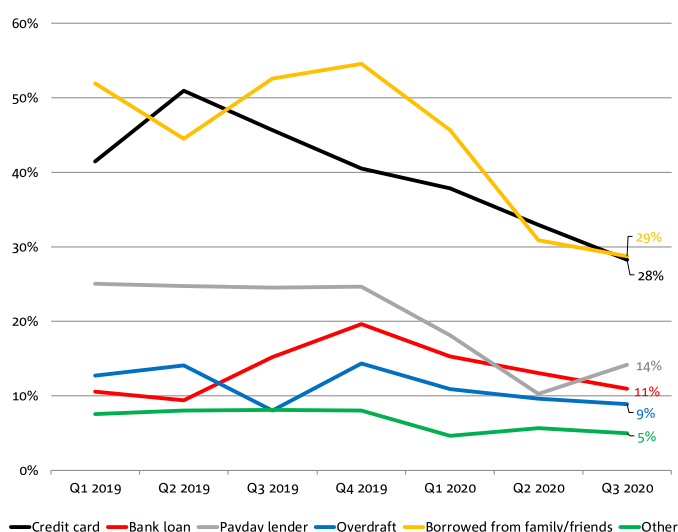
Being unable to pay a bill was the next biggest cause, affecting 12% of all people (13% in Q2), followed by not having enough for food or basic necessities (10%). However, around 1 in 4 people who lost their income because of COVID or were unemployed were impacted by these things.

In other key findings, medical bills (20%) and being unable to pay rent on time (19%) weighed much more heavily on people who lost their main income due to COVID. They were also around 3 times more likely to have been impacted by being unable to pay their mortgage (15%), meet minimum credit card repayments (14%) and pay off personal loans (13%) than the average Australian.

TYPE OF FINANCIAL STRESS OR HARDSHIP EXPERIENCED IN LAST 3 MONTHS BY KEY GROUPS

	All	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Lost income due to COVID
Not having enough emergency	15%	15%	15%	17%	17%	18%	7%	22%	10%	30%
Unable to pay a bill	12%	12%	12%	14%	15%	13%	4%	19%	8%	27%
Not enough for food & basics	10%	10%	10%	17%	11%	10%	2%	18%	7%	24%
Unable to pay medical/health bills	8%	8%	8%	11%	9%	6%	3%	9%	5%	13%
Unable to pay rent on time	6%	5%	7%	11%	8%	5%	0%	10%	4%	11%
Not enough to pay personal loans	5%	5%	5%	7%	8%	3%	1%	6%	4%	12%
Unable to pay mortgage	5%	4%	6%	8%	7%	3%	1%	4%	6%	7%
Minimum credit card repayments	5%	5%	5%	7%	6%	4%	2%	6%	5%	11%

TYPE OF DEBT USED



People who had faced financial hardship in the past 3 months were asked which (if any) debt options did they choose to manage this financial stress.

Around 3 in 10 borrowed from family and friends (29%) or chose to use their credit card (28%) to manage it. This was however down from 31% and 33% respectively in Q2.

There was also a fall in the number of people relying on all other debt options, except payday lenders, where the number of Australians resorting to this measure increased to 14% in Q3 (10% in Q2).

The table below highlights some key differences in options used by Australians to manage their financial stress by gender and age, and the options used by people who lost their income due to COVID.

Men were much more likely to have used a payday lender, taken out a bank loan or overdraft than women.

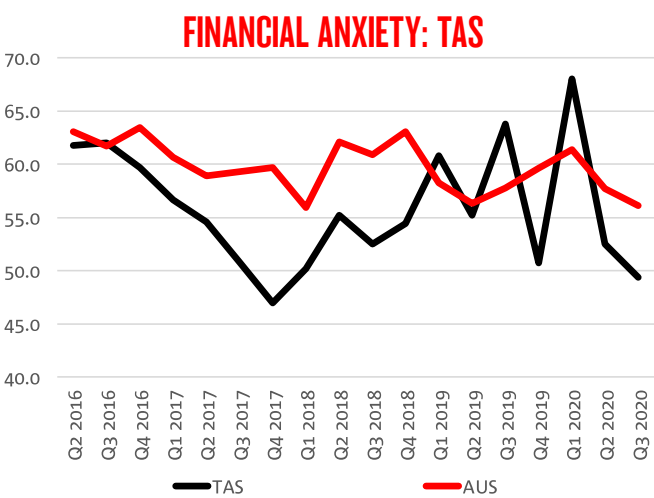
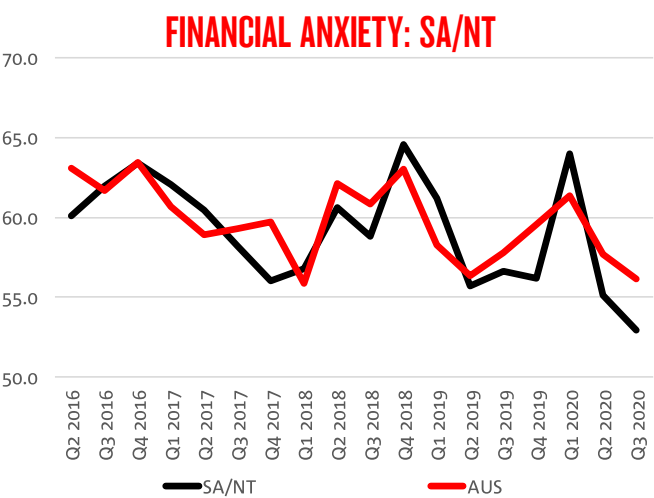
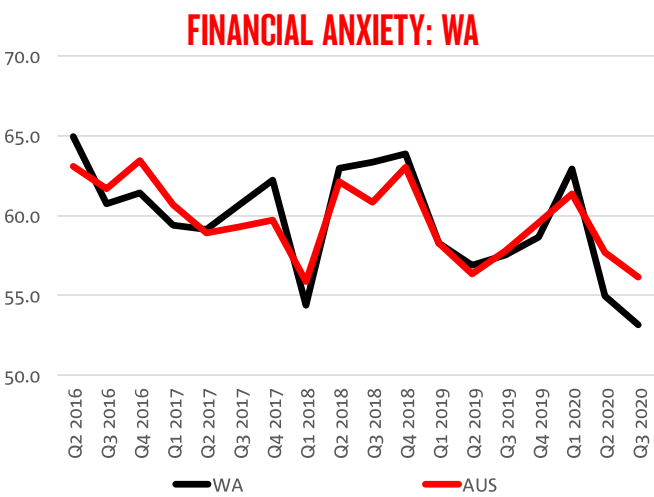
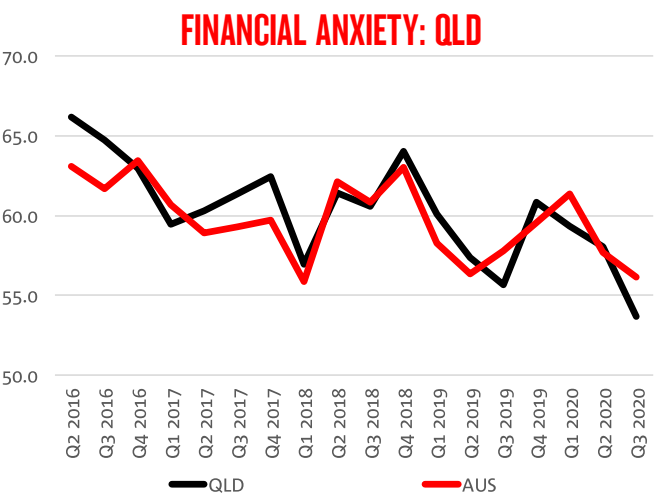
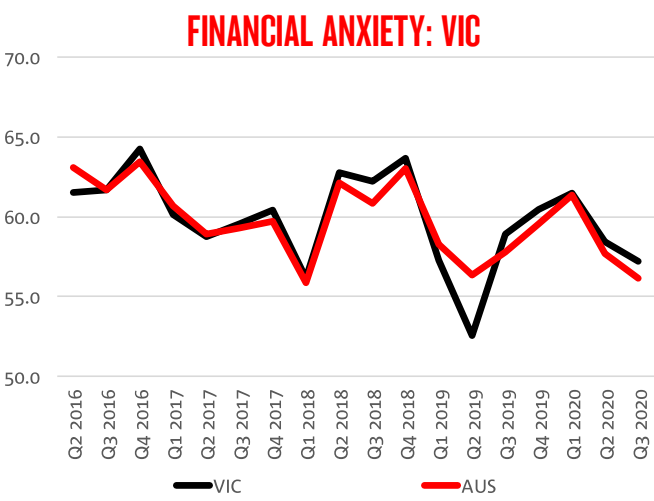
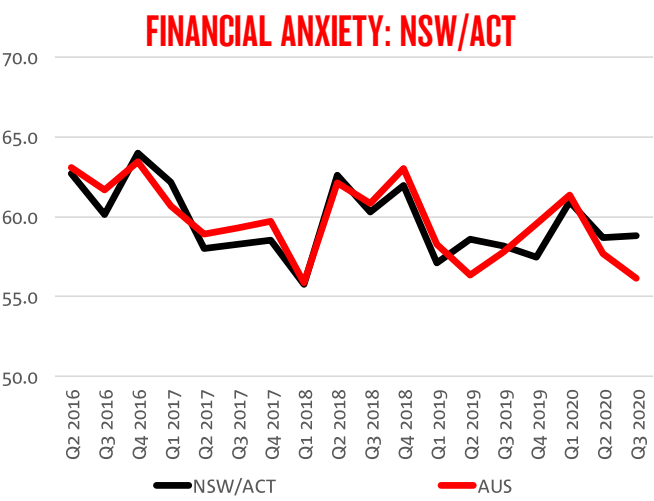
People in the 30-49 and 50-64 age group were most likely to have borrowed from family and friends or have taken out a bank loan, and those over the age of 65 used their credit card. People aged 18-29 were most likely to have used a payday lender or taken a bank loan.

More people in the lowest income group turned to family and friends, but noticeably more high-income earners used their credit card, a bank loan or an overdraft to manage financial stress. People who lost their main source of income because of COVID were more likely to have leaned on family and friends, or used a payday lender to manage their financial stress than the average Australian.

TYPE OF DEBT USED TO MANAGE FINANCIAL HARDSHIP IN PAST 3 MONTHS BY KEY GROUPS

	All	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Lost income due to COVID
Borrowed from family/friends	29%	30%	28%	27%	33%	32%	6%	31%	27%	34%
Credit card	28%	28%	28%	22%	34%	23%	38%	20%	43%	34%
Payday lender	14%	11%	17%	18%	16%	10%	2%	13%	14%	18%
Bank loan	11%	8%	13%	18%	12%	2%	0%	8%	21%	16%
Overdraft	9%	5%	13%	12%	11%	2%	3%	6%	12%	11%
Other	5%	7%	3%	3%	4%	9%	8%	7%	4%	5%

APPENDIX 1: FINANCIAL ANXIETY BY STATE



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