

NAB AUSTRALIAN WELLBEING SURVEY Q4 2020

PART 2: INSIGHTS INTO FINANCIAL ANXIETY & THE ROLE OUR HOUSEHOLD FINANCES PLAY IN OUR WELLBEING



NAB Behavioural & Industry Economics

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Our finances can have a big impact on how we feel. Around 1 in 3 Australians are in strong agreement that their finances control their lives and 1 in 4 struggle to enjoy life because of the way they are managing money. To better understand this issue, NAB is launching a new more comprehensive measure of financial anxiety. It is derived from a number of key potential household pressures (including meeting the costs of healthcare, mortgage repayments, rent, credit cards, education, food & basic necessities, utility bills, insurances, holidays, entertainment, unexpected expenses, financing retirement, major household items, home improvements & maintenance). The NAB Financial Anxiety Index measures both perceptions of overall financial stress and what is driving anxiety. The index has been re-engineered based on historical survey data dating back to Q3 2014.

Australians are feeling less worried about COVID-19 and less concerned about the economy. Against this backdrop, the NAB Financial Anxiety Index fell in Q4 2020 and is well down on the same time last year. But, while anxiety fell widely, it rose among younger people aged 18-29, driven by concerns over credit card repayments, the ability to raise \$2,000 in an emergency and monthly household bills. Women continue to report higher financial anxiety across all drivers and men also remain more optimistic about their incomes and savings. Women also have higher investment anxiety than men. Credit card debt remains the most widely held form of debt but is causing the least anxiety for most Australians. Around 1 in 2 Australians believe now is a good time to buy a home and 1 in 3 an investment property. But, with prices rising we are less positive over the next year. While financial anxiety fell, the number of Australians who experienced some form of financial hardship rose slightly in Q4, but is still well down on a year ago. As with financial anxiety, younger Australians report noticeably higher levels of hardship. Interestingly, there was a noticeable drop in those who relied on payday lenders to help manage their financial stress.

SUMMARY

The **NAB Financial Anxiety Index** fell to 39.3 pts in Q4, down slightly from 40.6 in the previous quarter, and well down on the same quarter of the previous year (44.6 pts). Financial anxiety fell in most key groups. The index continues to show a very strong correlation between financial anxiety and age - it falls significantly as we grow older. In Q4, financial anxiety increased in the 18-29 age group, but fell in all other age groups. The gap between financial anxiety among lower and higher income groups also widened further. By state, NSW residents were the most financially anxious, replacing Victorians.

Women had higher financial anxiety across all drivers compared to men, particularly for home improvements & maintenance, financing retirement and non-essentials such as holidays, entertainment and eating out. By age, 18-29-year olds were more financially anxious than any other age category and for all drivers, except retirement financing (which was highest for those aged 30-49). And, with financial anxiety in the 65+ group falling, the gap between the younger and older Australians widened. Financial anxiety among younger people was particularly elevated for credit card repayments, raising \$2,000 for an emergency and monthly household bills. Lower income earners also worried more compared to higher income earners, especially for raising \$2,000 in an emergency, mortgages and rent, other monthly household expenses (such as cars, insurances, public transport) and household utility bills.

NAB FINANCIAL ANXIETY INDEX (100 = extremely concerned)

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
NAB Financial Anxiety Index	44.6	46.2	41.8	40.6	39.3
- Women	46.3	48.6	41.9	42.6	41.5
- Men	42.8	43.9	41.6	38.6	37.1
- Age 18-29	51.4	50.7	49.4	48.9	49.6
- Age 30-49	51.3	52.1	45.6	45.9	43.2
- Age 50-64	41.1	43.2	37.2	35.9	34.8
- Age 65+	25.8	31.3	28.9	23.7	22.5
- Lower income (<\$35,000 p.a.)	55.6	55.0	47.5	48.3	48.2
- Higher income (\$100,000+ p.a.)	37.6	39.6	36.9	35.7	34.0

With the economy out-performing expectations and the labour market improving, fewer Australians on balance reported a decrease in their incomes over the past 3 months and more expect incomes to rise over the next year (a significant improvement on Q3). Men however, remain more optimistic than women. Almost 8 in 10 Australians (77%) are trying to save, but many are still struggling to do so. On balance, a greater number reported a decrease in savings over the past quarter. Lower savings was much more prevalent among women. Australians are more optimistic about their ability to save over the next year, but again men are noticeably more confident than women.

On balance, more Australians were able to reduce their household debts during Q4, with expectations for further debt reductions over the next year. Credit card debt remains the most widely held (42% of Australians as of Q4, unchanged from Q3) but is causing the least financial anxiety (42.9 pts out of 100 vs. 43.0 pts in Q3). This is now the lowest level of anxiety around credit card debt since NAB started tracking this measure in Q1 2019. Stress arising from credit card debt was however higher in the 18-29 group (61.0 pts vs. 55.6 pts in Q3) and for women (44.6 pts).

Around 1 in 3 (32%) Australians reported having a home loan in Q4, 17% a personal loan, and 16% a loan from family or friends (rising to 3 in 10 or 29% of people aged 18-29). Nearly 1 in 10 (9%) Australians had an investment loan and 7% a loan from a pay day lender (12% in the 18-29 age group). Anxiety remains highest for payday loans (60.0 pts vs. 59.5 pts in Q3) and across all age groups - especially 18-29 (63.7 pts). The next biggest stress came from loans from family & friends (58.6pts vs. 58.9 pts in Q3), particularly in the 65+ group (68.4 pts). Australians 18-29 were much more concerned about personal loans (59.3 pts), investment loans (62.9 pts) and home loans (54.8 pts).

Around 6 in 10 Australians own their home (28% outright, 32% with a mortgage), 14% are currently renting and saving to buy and 4% living at home and saving. Only 1 in 5 Australians don't plan to buy a property (16% renting, 3% at home). Almost 1 in 2 Australians (45%) believe now is a good time to buy a home (broadly unchanged from Q3) and 1 in 3 (34%) an investment property (31% in Q3). By state, WA remains the most positive state for buying a home (53%) right now and QLD for investment properties (40%). Going forward, fewer Australians intend to buy over the next year (13% a home and 8% an investment property). However, intentions vary widely by state - sentiment is strongest for homes in the ACT (20%) and weakest in WA (11%), and strongest in NSW (10%) and weakest in WA (1%) for investment properties.

Australians' most widely held investment is superannuation - around 6 in 10 (59%) people - followed by cash (term deposits, cash management trusts, etc.) - held by 1 in 3 (32%) Australians. Around 1 in 4 (25%) people hold Australian shares, 15% investment houses, 12% managed funds, 8% investment apartments, 7% international shares and 3% fixed interest (e.g. government bonds and hybrid securities). Around 1 in 5 (20%) Australians did not have investment holdings in any of these classes. By gender, men are more investment active than women and across all classes, particularly local shares (31% men vs. 19% women) and cash (37% men vs. 27% women). Around 1 in 4 women (24%) do not hold any of these assets, compared to only 15% of men.

As with debt, different types of investments cause different levels of financial anxiety. With government bonds at record lows, Australians were most concerned about the value of their fixed interest holdings (50.9 pts) - more than for any other investment class. Concern over most other investments was broadly similar (ranging from 44.2 pts for investment houses to 41.7 pts for cash). Anxiety stemming for local shares (39.8 pts) and managed funds (39.2 pts) was however a little lower. When averaged across all investments to derive an 'Investment Anxiety Index', Australians scored 43.0 pts in Q4.

Overall, women (44.3 pts) have higher investment anxiety than men (42.0 pts), particularly over managed funds (47.7 pts women vs. 39.6 pts men), cash (44.2 pts women vs. 39.8 pts men) and international shares (41.9 pts women vs. 37.5 pts men). Men were however a little more worried about property investments, both for houses (43.2 pts men vs. 41.5 pts women) and apartments (42.6 pts vs. 41.8 pts). Once again, there is an inverse relationship between investment anxiety and age (50.3 pts for 18-29-year olds vs. 34.5 pts for the over 65s). Younger Australians typically report higher anxiety over the value of most investments, except managed funds.

In addition to measuring financial anxiety, NAB's Financial Wellbeing Survey also explores **Financial Hardship** i.e. Australians who actually experienced one of the following hardship indicators over the past three months: not having enough money for an emergency; not being able to pay a bill; not having enough for food or basic necessities; being unable to pay a personal loan, minimum credit card or mortgage repayment; or being unable to pay rent.

While financial anxiety fell, the number of Australians who experienced some form of financial hardship rose slightly in Q4 to 32% (up from a survey low 30% in Q3), but it was still well down on 12 months ago (40%). Hardship grew to 34% for women (31% in Q3) and to 30% for men (29% in Q3). By age, it rose in the 18-29 (47% vs. 40% in Q3) and 30-49 (39% vs. 37% in Q3) age groups, fell in the 50-64 group (to 25% vs. 27% in Q3) and was unchanged in the 65+ group (12%). By income, it rose to 24% in the higher income group (21% in Q3) but fell a little to 41% in the lower income group (42% in Q3). Hardship remained highest among the unemployed at 52% (up from 49% in Q3).

Not having enough money for an emergency is still the most common cause of hardship, impacting 16% of all Australians (15% in Q3 & 23% in Q4 2019). It was however a bigger problem for women (18%), among those in the 30-49 age group (20%), low income earners (23%) and the unemployed (32%). Being unable to pay a bill was the next most common cause, affecting 14% of all people (12% in Q3, 19% Q4 2019), followed by not having enough for food or necessities (12% vs. 10% in Q3 & 16% Q4 2019). Again, however the number of people impacted by this type of hardship was much higher for young Australians, in low income groups and the unemployed (where around 3 in 10 were impacted). Being unable to pay rent on time impacted twice as many people in the 18-29 group (14%) than in the 30-49 age group (7%), the next most impacted. Noticeably more unemployed Australians also struggled with paying their medical bills (13%), personal loans (11%) and rent (14%) than did any other group, including the lower income group.

Australians who faced financial hardship over the past 3 months were asked which (if any) debt options they chose to manage this. In Q4, credit cards (34%) replaced borrowing from family and friends (33%) as the most popular option (up from 28% and 29% respectively in Q3). The number that used a bank loan (11%), overdraft (8%) or other measures (5%) was basically unchanged from the previous quarter. Interestingly, there was a noticeable drop in those who relied on payday lenders to help manage their stress over the quarter from 14% to 10% - and significantly lower than at the same time one year earlier when 25% turned to payday lenders.

More men took out a bank loan (16% men; 7% women) or used their credit card (37% vs. 31%) to help manage hardship. By age, more Australians over 65 used their credit card (41%) than any other group, while more people 18-29 (36%) and 30-49 (38%), borrowed from family or friends. These groups were also much more likely to borrow from payday lenders (12% & 11% respectively) than older age groups. The 18-29 group also led the way for using overdrafts (12%). By income, significantly more in the higher income group used a credit card (48%) or a bank loan (17%) than did the lower income group, while more unemployed (14%) and lower income (11%) Australians turned to payday lenders to manage their financial stress.

Finally, to provide a touchpoint on how our finances make us feel about our lives, we asked Australians the extent to which they agreed to 3 statements about their finances. The first and highest level of agreement was around the statement "I can enjoy life because of the way I'm managing money" (60.0 pts out of a possible 100). While 1 in 2 (47%) Australians rated this statement 'high' (70+ pts), 1 in 4 (24%) rated it 'low' (less than 40 pts). The statement "My finances control my life" scored on average 50.0 points. But while 4 in 10 (39%) scored this question 'low', many struggle with over 3 in 10 (32%) scoring it 'high'. Australians agreed least with the statement "Because of my financial situation, I feel like I will never have the things I want in life" at 44.2 pts. Almost 1 in 2 scored this question 'low', but around 3 in 10 (27%) scored their agreement 'high'.

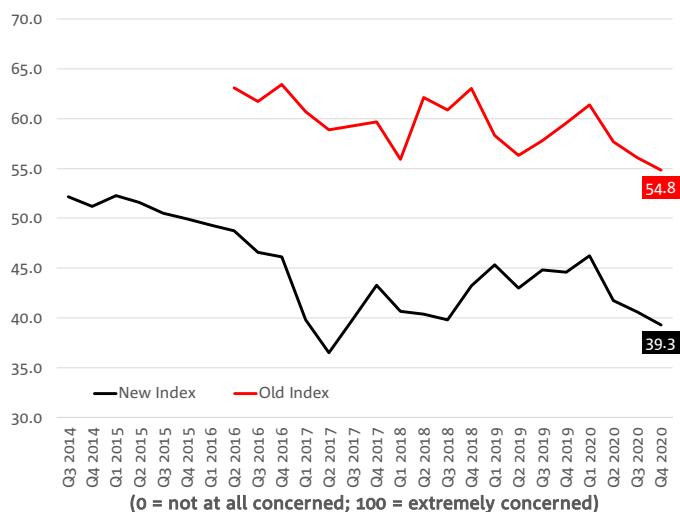
The results by age and gender paint an interesting picture. When it came to enjoying life, men were more optimistic than women in all age groups, with the biggest gap in the 30-49 group (men 59.9 pts, women 54.8 pts). Agreement was highest for men (69.8 pts) and women (66.0 pts) in the 65+ group, but lowest for men aged 50-64 (59.7 pts) and women aged 30-49 (54.8 pts).

Men under the age of 50 were in stronger agreement about finances controlling their lives than women. But that changed for the over 50s, with agreement stronger among women than men. Men (60.1 pts) and women (54.9 pts) aged between 18-29 were in higher agreement than their peers in all other age groups. Agreement was lowest for men (39.2 pts) and women (40.2 pts) over the age of 65.

With regards to not having the things they wanted in life, pessimism was higher for men under 50 than for women, with that trend reversing after 50. But pessimism about feeling like they will never have the things they want in life does fall in all age groups as we grow older - both for men and women.

NAB FINANCIAL ANXIETY INDEX

NAB FINANCIAL ANXIETY INDEX: OVERALL



Anxiety is the biggest detractor from overall wellbeing and financial anxiety is a key contributing cause. The NAB Financial Anxiety Index looks at the role our finances have on our wellbeing.

Historically, the Index has been based on a general observation of the overall level of concern Australians have over their future spending and savings plans arising from their current household financial position.

Starting from this quarter, however, NAB has re-engineered the Index based on historical survey data dating back to Q3 2014.

The new Index is calculated as an average score based on how anxious Australians are about their household financial position arising directly as a result of 14 key metrics (see below for detail*). In this way, not only can we measure perceptions of overall financial anxiety, but also what is driving anxiety.

The chart on the left compares the old index with the new index. While the new Index suggests financial anxiety is not as high as previously measured, there is a very strong correlation between how both indices have moved over time.

Despite the enduring challenges from COVID, the Australian economy continues to out-perform expectations, and labour markets have improved more strongly than initially expected.

Against this backdrop, the new NAB Financial Anxiety Index fell to 39.3 pts in Q4, down slightly from 40.6 pts in the previous quarter, and well down from in the quarter of the previous year (44.6 pts).

Financial anxiety fell in most key groups over the quarter. By gender, anxiety remains higher for women (down 1.1 pts to 41.5) than men (down 1.5 pts to 37.1). But with men reporting a bigger improvement than women, the gender “anxiety gap” between women and men widened to 4.3 pts (3.9 pts in Q3).

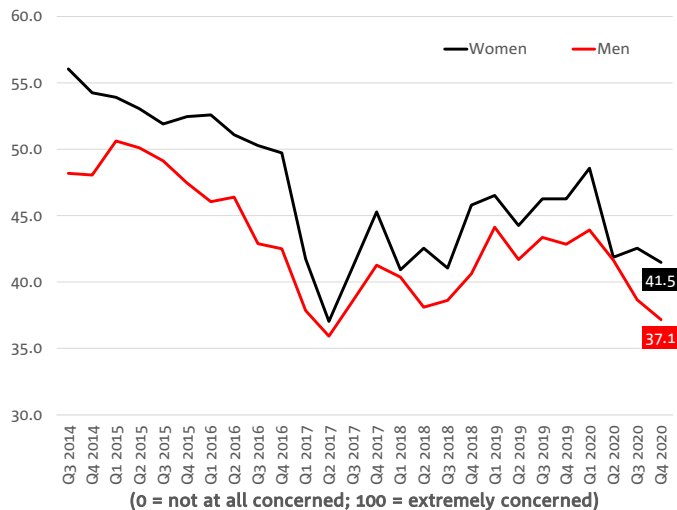
The new index continues to show a very strong correlation between financial anxiety and age - it falls as we grow older - and significantly. In Q4, financial anxiety increased in the 18-29 age group (up 0.7 pts to 49.6 pts) but fell in all other age groups. With anxiety in the 65+ group falling (down 1.2 pts to 22.5), the financial anxiety gap between the youngest and oldest Australians widened to 27.1 pts (25.2 pts in Q3).

Financial anxiety in the lower income group was basically unchanged in Q4 (down 0.1 pts to 48.2) but fell in the higher income group (down 1.7 pts to 34.0). Consequently, the “anxiety gap” between Australians in the lower and higher income group also widened to 14.2 pts - the biggest gap since the start of 2020. See charts on the following page for historical timeseries by gender, age and income

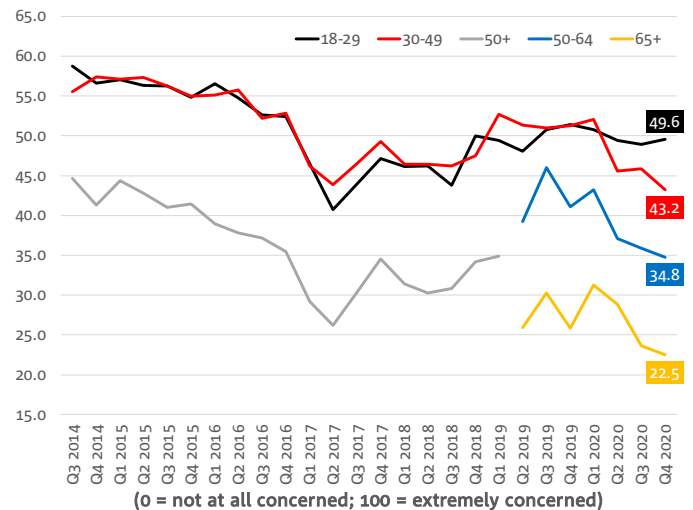
By state, financial anxiety was highest in NSW (down 1.8 pts to 41.3 in Q4 and replaced VIC (down 4.4 pts to 39.1 pts) as the most anxious state. Anxiety was also moderately lower in TAS (down 1.0 pts to 33.6) and WA (down 0.6 pts to 38.2). But it increased noticeably in SA/NT (up 3.8 pts to 37.9), after having reported the lowest anxiety in Q3. Anxiety also climbed in QLD (up 1.7 pts 37.7) - see charts in Appendix 1 for historical timeseries by state.

***NAB Financial Anxiety Index based on measured level of concern around 14 key metrics:** Not being able to: meet the cost of medical bills/healthcare; make mortgage repayments, rent or other housing costs; meet minimum payments on your credit card; pay off personal loans; pay for your children’s education; for food and basic necessities; meet normal monthly household utility bills (e.g. electricity, gas, water, phone); meet other normal monthly household expenses (e.g. car, insurances, public transport, etc.); meet the cost of non-essential expenses (holidays, entertainment, eating out); raise \$2,000 if an unexpected need arose within the next month; finance your retirement; provide for my family’s future; for major household items (e.g. furniture and appliances); and for home improvements & maintenance.

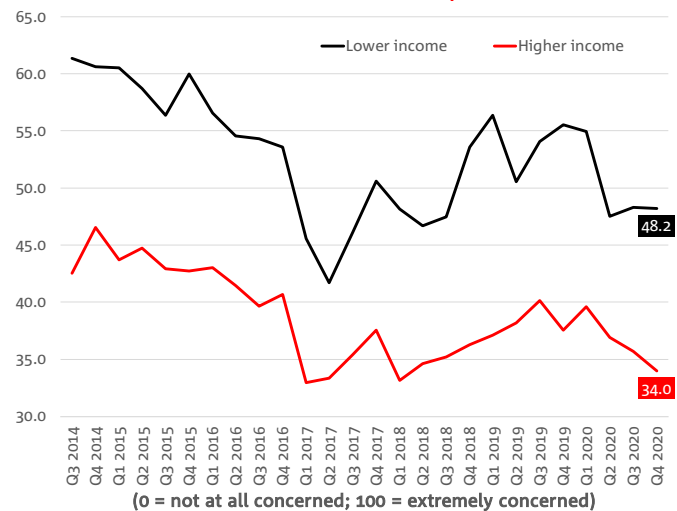
NAB FINANCIAL ANXIETY INDEX: GENDER



NAB FINANCIAL ANXIETY INDEX: AGE



NAB FINANCIAL ANXIETY INDEX: LOWER/HIGHER INCOME



Women rated all anxiety metrics higher than men, with the gap biggest in home improvements & maintenance (45.9 pts vs. 38.6 pts), retirement financing (54.4 pts vs. 47.8 pts) and non-essentials (44.9 pts vs. 38.8 pts).

By age, the 18-29 group also rated anxiety highest for all drivers of metrics except retirement financing, which was highest in the 30-40 age group (55.7 pts). Anxiety in the 18-29 age group was particularly elevated relative to other groups for credit card repayments (44.9 pts), raising \$2,000 for an emergency (52.8 pts) and normal monthly household bills (48.9 pts).

Low income earners worried over all metrics than high income earners, especially for raise \$2,000 for an emergency (49.8 pts), mortgages and rent (48.4 pts), other monthly household expenses (47.0 pts) and normal monthly bills (45.7 pts) - see table below.

NAB FINANCIAL ANXIETY INDEX: GENDER, AGE & INCOME (Q4 2020)

	All	Women	Men	18-29	30-49	50-64	65+	Low income	High income
Financing retirement	51.1	54.4	47.8	54.7	55.7	53.9	35.5	59.5	47.3
Providing for family's future	44.1	45.9	42.4	54.7	49.4	37.5	25.3	53.4	39.4
Home imp. & maintenance	42.2	45.9	38.6	50.2	47.0	37.4	29.6	51.5	37.6
Non-essentials	41.9	44.9	38.8	50.2	45.9	38.6	29.1	51.3	36.9
Major household items	40.4	43.1	37.6	50.9	44.4	36.7	26.2	49.6	34.6
Medical bills/healthcare	40.2	43.0	37.3	49.5	43.9	38.2	26.3	48.5	34.1
Mortgage, rent, housing costs	38.9	40.2	37.6	48.7	41.8	33.0	20.0	48.4	32.1
Raising \$2,000 for emergency	38.9	41.3	36.4	52.8	43.0	34.5	21.6	49.8	32.6
Children's education	38.7	39.7	37.8	48.6	42.7	27.3	5.8	43.8	36.9
Personal loan repayments	38.7	40.1	37.4	49.2	41.3	31.3	19.6	48.4	32.7
Oth. monthly h/hold expenses	36.7	39.1	34.2	48.1	40.3	33.4	22.2	47.0	29.8
Normal monthly h/hold bills	36.3	38.6	34.0	48.9	39.9	32.5	21.4	45.7	29.7
Food/basic necessities	31.6	33.0	30.3	42.8	35.6	27.6	17.4	39.9	25.7
Credit card repayments	30.7	31.7	29.8	44.9	34.5	24.8	14.7	38.2	29.8
NAB FINANCIAL ANXIETY INDEX	39.3	41.5	37.1	49.6	43.2	34.8	22.5	48.2	34.0

By state, not only did Australians living in NSW/ACT have the highest levels of financial anxiety, but they also scored all sub-metrics of the index highest, except for medical bills and healthcare, where anxiety was slightly higher in VIC (41.7 pts). Areas where NSW anxiety was noticeably higher than the next state included home improvements & maintenance (44.8 pts), non-essential spending (44.7 pts), personal loan repayments (41.6 pts) and credit card repayments (33.6 pts). TAS was the least anxious state around most metrics, with much lower anxiety in SA/NT (39.6 pts) and VIC (39.7 pts) over home improvements & maintenance and WA for the children’s education (29.9 pts).

NAB FINANCIAL ANXIETY INDEX: STATE (Q4 2020)

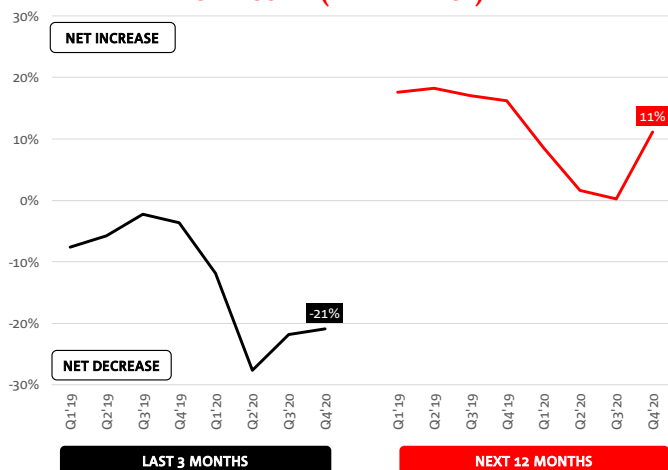
	AUS	NSW/ACT	QLD	SA/NT	TAS	VIC	WA
Financing retirement	51.1	52.5	48.3	51.1	48.8	52.0	50.3
Providing for family's future	44.1	46.1	41.2	44.5	36.8	44.8	41.9
Home imp. & maintenance	42.2	44.8	41.3	39.6	43.9	39.7	42.8
Non-essentials	41.9	44.7	40.5	39.0	40.1	40.4	41.3
Major household items	40.4	42.4	40.1	39.6	37.9	38.4	40.4
Medical bills/healthcare	40.2	41.5	38.9	35.6	35.3	41.7	39.0
Mortgage, rent, housing costs	38.9	41.2	36.3	35.2	28.9	39.8	39.0
Raising \$2,000 for emergency	38.9	41.1	38.3	40.7	36.4	35.9	38.8
Children's education	38.7	41.9	35.5	38.5	32.0	40.2	29.9
Personal loan repayments	38.7	41.6	36.6	34.9	23.5	38.5	39.3
Oth. monthly h/hold expenses	36.7	38.1	35.3	36.2	29.4	36.5	37.1
Normal monthly h/hold bills	36.3	37.2	35.5	36.7	30.4	36.5	35.4
Food/basic necessities	31.6	32.0	31.6	31.8	24.7	31.6	31.8
Credit card repayments	30.7	33.6	28.8	27.2	22.9	31.2	27.7
NAB FINANCIAL ANXIETY INDEX	39.3	41.3	37.7	37.9	33.6	39.1	38.2

THE IMPACT OF INCOME, SAVINGS & DEBT

Job losses resulting from COVID impacted income levels for many Australians, particularly in Q2 when a net -28% indicated their income levels had fallen. But with the Australian economy out-performing expectations and a labour market improving more strongly than expected - with the peak in quarterly unemployment seemingly passed in Q3 - the net number of Australians who reported a decrease in their income level in the last 3 months improved to -21% in Q4. However, this number was somewhat higher in the 50-64 age group (-27%).

More Australians also now expect their income to increase over the next 12 months than decrease (+11%). This represents a significant improvement from Q3 when the number of people who expected their incomes to improve were cancelled out by a similar number expecting their incomes to fall. Men (+15%) are more optimistic about their incomes than women (+8%), as are Australians in the 18-29 (+23%) and 30-49 (+18%) age groups.

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



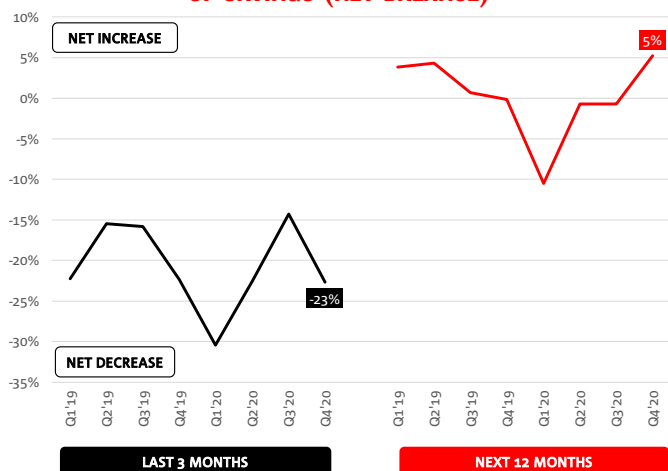
WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF INCOME (NET BALANCE)

	Last 3 months	Next 12 months
Overall	-21%	11%
Women	-22%	8%
Men	-20%	15%
Age 18-29	-18%	23%
Age 30-49	-22%	18%
Age 50-64	-27%	5%
Age 65+	-16%	-5%

NAB’s survey revealed that 77% of Australians were trying to save in Q4. But many struggled to do so. When asked what happened to their savings over the past 3 months, the net number who reported a decrease in their level of savings rose to -23% (-14% in Q3). This may partly help explain why concerns over not having enough to finance retirement also remain the single biggest cause of household financial anxiety. The decline in savings was much more prevalent among women (-28%) and in the 50-64 age group (-30%).

But Australians are more optimistic about the future, with the net number expecting their savings to increase outweighing those who expect it to fall (+5%). Men (+9%) are however noticeably more positive about their future savings than women (+1%). More Australians under the age of 50 also expect their savings to increase than fall, whereas more people over 50 expect their savings to fall - particularly in the over 65 age group (-22%).

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



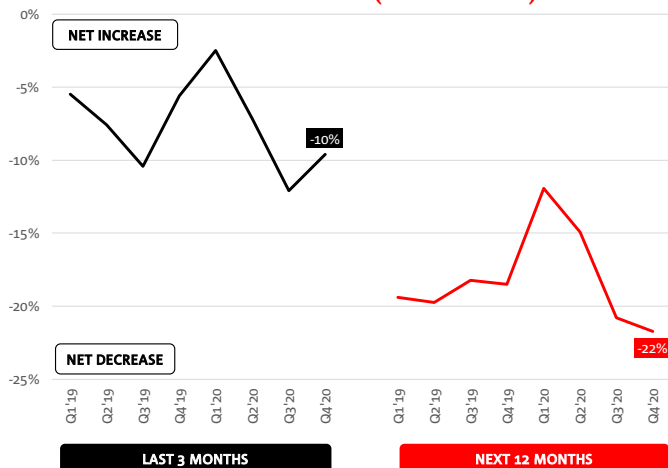
WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF SAVINGS (NET BALANCE)

	Last 3 months	Next 12 months
Overall	-23%	5%
Women	-28%	1%
Men	-17%	9%
Age 18-29	-15%	27%
Age 30-49	-23%	16%
Age 50-64	-30%	-7%
Age 65+	-24%	-22%

More Australians on balance reduced household debt levels during Q4. When asked how their overall level of debt had changed over the past 3 months, more people in net terms (-10%) said it decreased (i.e. the number who said it decreased exceed the number who said it increased). This was down slightly from -12% in Q4 but up from -6% at the same time one year earlier. There was little difference in these results by gender or age.

When also asked what they expect to happen to their level of debt in the next 12 months, more Australians indicated it will fall (-22%) and broadly unchanged from Q3 (-21%). The survey revealed little difference in expectations between women and men or by age, except in the over 65 group where only a net -11% expected to decrease their household debt levels over the next 12 months.

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



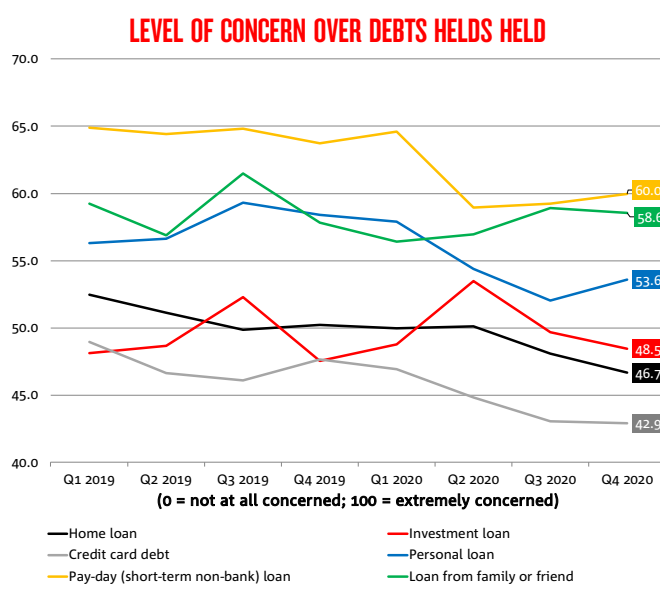
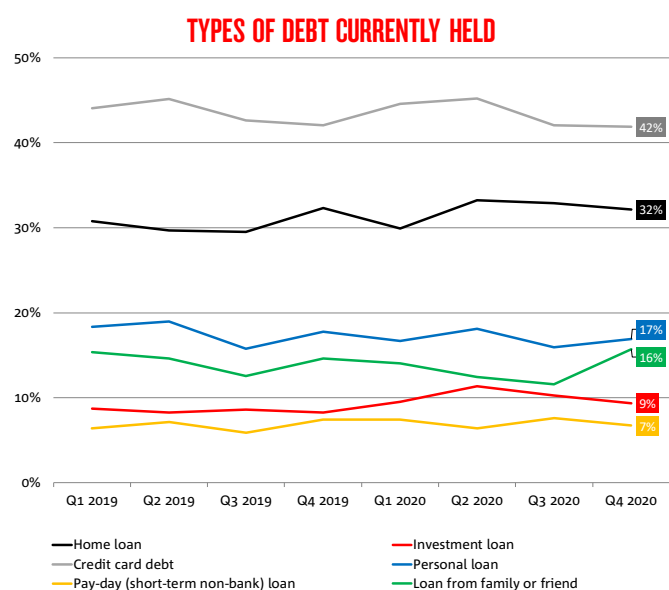
WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF HOUSEHOLD DEBT (NET BALANCE)

	Last 3 months	Next 12 months
Overall	-10%	-22%
Women	-10%	-21%
Men	-10%	-23%
Age 18-29	-9%	-25%
Age 30-49	-11%	-26%
Age 50-64	-10%	-23%
Age 65+	-7%	-11%

Research suggests that debt can not only impact financial wellbeing, it can impact emotional and mental wellbeing and even our physical health. In this section we look at what types of debt Australians are holding and which of these debts are causing them the most stress or concern.

Credit card debt is still the most widely held debt, with the overall number of Australians holding it unchanged at 42% in Q4. More men (45%) had credit card debt than women (39%). More people aged 50-64 also had credit card debt than any other age group (52%) - and twice as many than in the 18-29 group (26%).

Around 1 in 3 (32%) Australians had a home loan in Q4, with this number highest in the 30-49 age group (50%) where it was also the most common debt held. Around 17% had a personal loan, with this number higher among men (20%) and in the 18-29 age group (26%). Around 16% of all Australians had a loan from family or friends, but this climbed steeply to almost 3 in 10 (29%) in the 18-29 age group. Nearly 1 in 10 (9%) people overall had an investment loan, led by the 50-64 age group (13%), and 7% had loans from a pay day lender, although this number was somewhat higher in the 18-29 age group (12%).



Credit card debt is the most common form of debt held by Australians, but it causes the least anxiety. When asked to rate how much stress or concern this debt caused, on average Australians scored 42.9 pts points out of 100 (broadly unchanged from 43.0 pts in Q3). This is now the lowest level of anxiety around credit card debt since NAB started tracking this measure in Q1 2019. Stress arising from credit card debt was however much higher in the 18-29 age group (61.0 pts and up from 55.6 points in Q3) and for women (44.6 pts).

Australians rated their level of concern highest for payday loans (60.0 pts) and higher than in Q3 (59.3 pts). Pay day loans caused the most stress in all age groups, especially in the 18-29 group (63.7 pts). The next biggest cause of stress came from loans from family and friends (58.6 pts), although this was down a little from Q3 (58.9 pts). These loans caused the greatest stress in the over 65 age group (68.4 pts).

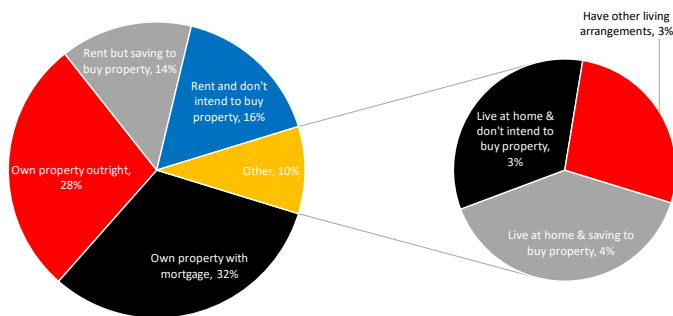
Among other take outs, Australians in the 18-29 age group were noticeably more concerned about their personal loans (59.3 pts), investment loans (62.9 pts) and home loans (54.8 pts), and women by payday loans (61.9 pts) - see table below.

LEVEL OF CONCERN OVER DEBTS HELD: GENDER & AGE

	All	Women	Men	18-29	30-49	50-64	65+
Pay-day (short-term non-bank) loan	60.0	61.9	58.5	63.7	60.7	54.3	7.0
Loan from family or friend	58.6	58.4	58.7	60.2	56.4	57.2	68.4
Personal loan	53.6	55.3	52.4	59.3	53.0	49.2	30.3
Investment loan	48.5	48.5	48.4	62.9	49.3	40.5	30.9
Home loan	46.7	46.5	46.8	54.8	47.4	41.0	37.1
Credit card debt	42.9	44.6	41.5	61.0	48.4	37.7	27.5

ATTITUDES TO OWNING PROPERTY

HOME LIVING STATUS



Around 6 in 10 Australians own their own property - 28% outright and 32% with a mortgage. The allure of home ownership is also strong, with a further 14% currently renting and saving to buy property and 4% living at home and saving to buy.

Only 1 in 5 don't plan to buy a property - 16% renting with no intent to buy and 3% living at home with no intent to buy.

The table below highlights key differences by gender and age. In particular, more women (17%) are renting but saving to buy than men (12%).

By age, 51% of people in the 30-49 group own property with a mortgage and 71% in the 65+ group outright. Almost 3 in 10 (27%) are currently renting and saving to buy and 13% living at home and saving to buy. But 1 in 10 live at home with no intent to buy.

LIVING ARRANGEMENTS: GENDER & AGE

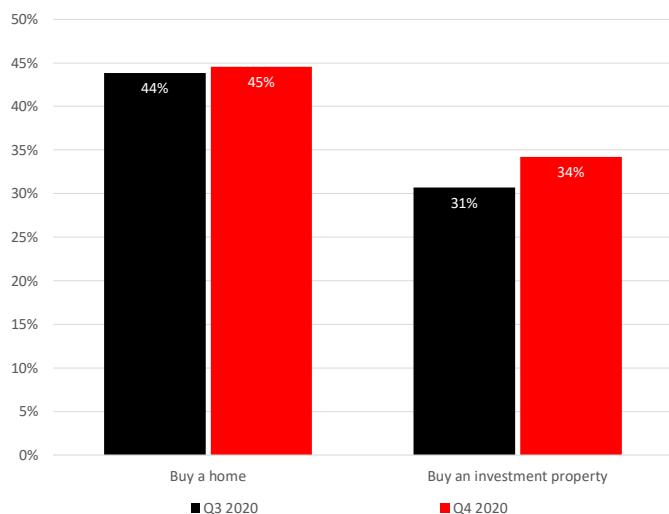
	All	Women	Men	18-29	30-49	50-64	65+
Own property with mortgage	32%	32%	32%	21%	51%	33%	10%
Own property outright	28%	27%	29%	8%	8%	38%	71%
Rent and don't intend to buy property	16%	16%	17%	19%	15%	20%	12%
Rent but saving to buy property	14%	17%	12%	27%	21%	4%	1%
Live at home & saving to buy property	4%	4%	4%	13%	2%	0%	0%
Live at home & don't intend to buy property	3%	3%	3%	10%	2%	1%	1%
Have other living arrangements	3%	2%	3%	2%	2%	3%	4%

There were also some very marked differences in living arrangements by state. The highest number of Australians who owned a property with a mortgage were in QLD (36%) and SA (36%). Outright home ownership was highest in TAS (53%) and WA (37%) and lowest in SA (18%) and QLD (21%). Around 1 in 5 (21%) people in SA rent and don't intend to buy property, but around twice as many people in SA (8%) live at home and are saving to buy than in any other state.

LIVING ARRANGEMENTS: STATE

	AUS	NSW	ACT	VIC	QLD	SA	WA	TAS
Own property with mortgage	32%	29%	33%	33%	36%	36%	30%	23%
Own property outright	28%	28%	31%	31%	21%	18%	37%	53%
Rent and don't intend to buy property	16%	18%	14%	14%	17%	21%	15%	11%
Rent but saving to buy property	14%	15%	14%	14%	18%	13%	8%	7%
Live at home & saving to buy property	4%	4%	4%	4%	2%	7%	3%	2%
Live at home & don't intend to buy property	3%	4%	3%	3%	2%	3%	3%	0%
Have other living arrangements	3%	2%	2%	2%	2%	3%	4%	4%

IS IT A GOOD TIME TO BUY - YES

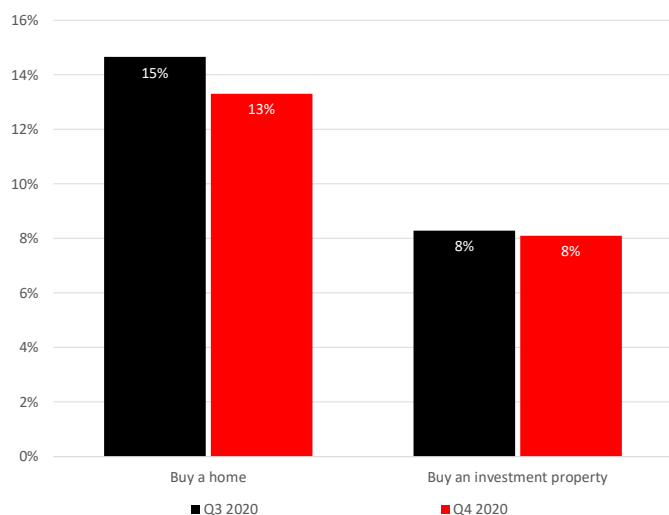


The Australian housing market has fared significantly better than expected over the past year, despite significant headwinds from slower population growth and a weaker labour market. The impact of lower interest rates and household income support from the Federal Government has been a key support amidst the challenges of the pandemic.

Against this backdrop, 45% of Australians overall said it was a good time to buy a home (broadly unchanged from Q3) and 34% an investment property (up from 31% in Q3).

By state, WA remains the most positive state for buying a home (53%) and QLD for investment property (40%). The ACT was the least positive for buying a home (34%) or investment property (20%).

DO YOU INTEND TO BUY IN NEXT 12M - YES



Going forward, NAB expects the impact of lower rates to continue to support prices, while the unemployment rate should continue to recover. That sees prices continuing to rise over the next 2 years before normalising closer to income growth.

But with house prices now also being widely tipped to continue climbing over the next 12 months, only 13% of Australians intend to buy property over in next 12 months - 13% a home (down 15% in Q3) and 8% investment property (unchanged).

However, intent varies widely by state. Intentions to buy a home was highest in the ACT (20%) and lowest in WA (11%), and for investment property highest in NSW (10%) and lowest in WA (1%) - see tables below.

IS IT A GOOD TIME TO BUY: STATES

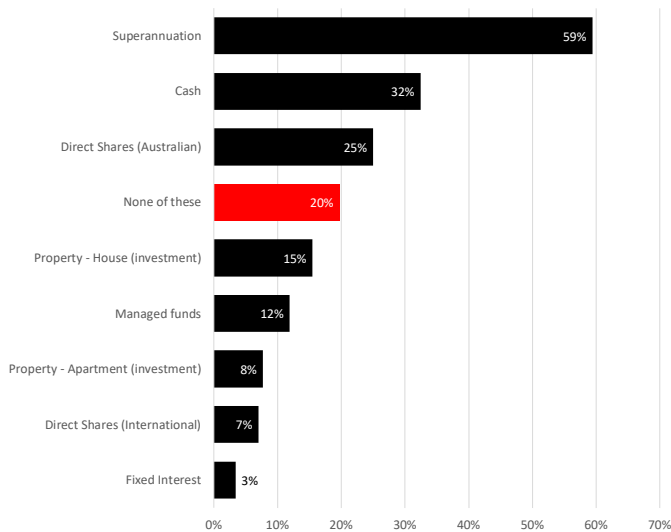
		NSW	VIC	SA	ACT	WA	TAS	QLD
Home	Q4 2020	40%	47%	41%	34%	53%	41%	48%
	Q3 2020	43%	41%	36%	35%	56%	41%	46%
Investment property	Q4 2020	32%	36%	29%	20%	29%	32%	40%
	Q3 2020	32%	29%	22%	32%	34%	26%	33%

DO YOU INTEND TO BUY IN THE NEXT 12 MONTHS: STATES

		NSW	VIC	SA	ACT	WA	TAS	QLD
Home	Q4 2020	12%	14%	13%	20%	11%	12%	16%
	Q3 2020	17%	20%	12%	14%	10%	11%	8%
Investment property	Q4 2020	10%	9%	9%	8%	1%	4%	7%
	Q3 2020	11%	9%	4%	21%	5%	2%	6%

INVESTMENT HOLDINGS & INVESTMENT STRESS

INVESTMENTS CURRENTLY HELD



Australians were asked to identify which investments they currently held.

The most widely held was superannuation - around 6 in 10 (59%) of all people.

Despite very low rates of savings interest rates, the next most common investment was cash such as term deposits and cash management trusts - around 1 in 3 (32%) Australians.

Around 1 in 4 (25%) were invested directly Australian shares, 15% investment houses, 12% managed funds, 8% investment apartments, 7% international shares and 3% fixed interest such as government bonds and hybrid securities.

But 1 in 5 (20%) Australians did not have any investment holdings in these assets.

The table below shows how widely dispersed investments are by gender, age and income levels.

INVESTMENTS CURRENTLY HELD: GENDER, AGE & INCOME

	All	Men	Women	18-29	30-49	50-64	65+	<35,000.p.a.	\$35-50,000 p.a.	\$50-75,000 p.a.	\$75-100,000 p.a.	\$100,000+ p.a.
Superannuation	59%	62%	57%	51%	63%	72%	50%	35%	55%	62%	70%	72%
Cash	32%	37%	27%	29%	28%	35%	41%	27%	29%	35%	37%	38%
Direct Shares (Australian)	25%	31%	19%	19%	20%	30%	35%	14%	25%	26%	30%	32%
None of these	20%	15%	24%	22%	16%	18%	25%	39%	20%	19%	11%	7%
Property - House (investment)	15%	16%	15%	15%	17%	18%	11%	8%	11%	14%	16%	23%
Managed funds	12%	15%	9%	8%	10%	14%	17%	6%	12%	12%	11%	15%
Property - Apartment (investment)	8%	9%	6%	7%	8%	8%	7%	4%	5%	7%	7%	13%
Direct Shares (International)	7%	9%	5%	8%	7%	5%	7%	3%	4%	9%	7%	10%
Fixed Interest	3%	5%	2%	5%	3%	3%	3%	2%	3%	4%	4%	4%

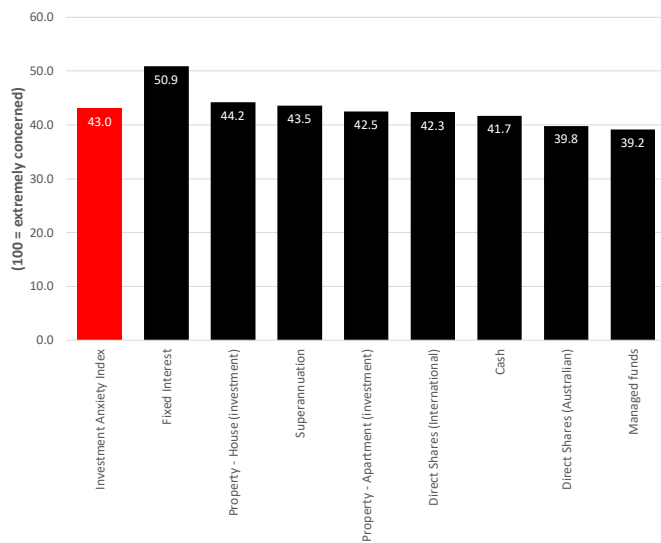
By gender, it was clear more men were currently “investment active” than women across all investment classes, with the biggest discrepancies in local shares (31% men; 19% women) and cash (37% men; 27% women). In addition, 24% of women said they did not hold any of these assets compared to only 15% of men.

Investment holdings by age were more diverse. Australians in the 50-64 group (72%) were far more likely to be holding superannuation than in the over 65 (50%) and 18-29 age groups (51%). But more Australians over 65 were invested in cash (41%), direct shares (35%) and managed funds (17%) than other age groups. The over 65 group were also most likely to have no investments (25%) and the 30-49 least likely (16%). By income, the number of Australians with investment holdings typically increased as incomes grew in most asset classes.

Australians who were currently holding investments were asked to describe their level of concern or stress over the value of each of the investments they have. They rated their concern out of 100 points where 0 was ‘no concern’ and 100 was ‘extreme concern’.

We average total scores across all investment classes to derive an ‘Investment Anxiety Index’. We will continue tracking this new index in the future.

INVESTMENT ANXIETY INDEX



Overall, Australians are only ‘moderately’ anxious about the value of their investments with the Investment Anxiety Index at 43.0 pts. But the extent of concern does vary significantly by asset class.

With government bonds being cut to record lows, Australians were most worried about the value of their fixed interest holdings (50.9 pts) and noticeably more than for any other asset class.

Their level of concern over most other assets was broadly similar (ranging from 44.2 pts for investment houses to 41.7 pts for cash).

The overall level of concern around local shares (39.8 pts and managed funds (39.2 pts) was however a little lower.

Overall, women (44.3 pts) had higher investment anxiety than men (42.0 pts), particularly over managed funds (47.7 pts women; 39.6 pts men), cash (44.2 pts women; 39.8 pts men) and international shares (41.9 pts women; 37.5 pts men).

Men were however a little more worried about property investments - both houses (43.2 pts men; 41.5 pts women) and apartments (42.6 men; 41.8 pts women).

INVESTMENT ANXIETY INDEX: GENDER & AGE

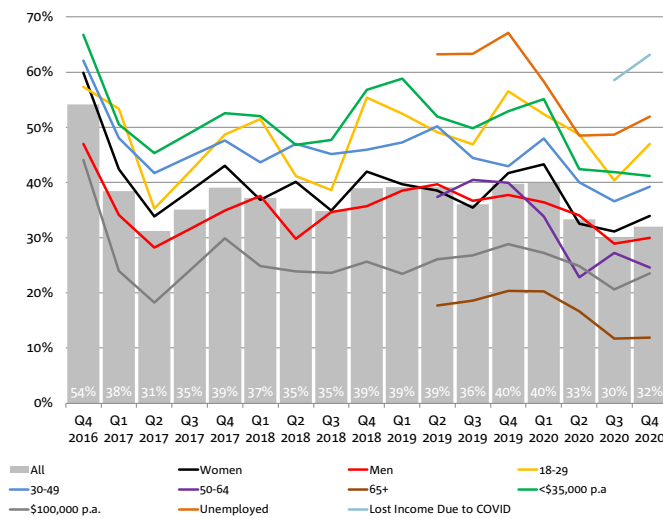
	All	Men	Women	18-29	30-49	50-64	65+
Investment Anxiety Index	43.0	42.0	44.3	50.3	45.6	38.7	34.5
Fixed Interest	44.2	44.0	44.5	57.7	48.2	38.4	24.8
Property - House (investment)	42.5	43.2	41.5	53.5	53.5	28.7	25.1
Superannuation	39.8	39.2	40.7	48.8	42.6	39.4	32.5
Property - Apartment (investment)	42.3	42.6	41.8	43.7	46.7	38.0	36.7
Direct Shares (International)	39.2	37.5	41.9	48.4	34.9	39.2	38.6
Cash	41.7	39.8	44.2	51.4	41.0	38.2	38.5
Direct Shares (Australian)	50.9	50.4	52.2	58.8	50.7	40.6	45.3
Managed funds	43.5	39.6	47.7	40.4	47.0	46.8	34.7

We noted a clear inverse relationship between investment anxiety and age - it fell as we grew older (from 50.3 pts in the 18-29 age group to 34.5 pts in the over 65 group). Moreover, the table above shows younger Australians typically report higher anxiety over the value of most investments, except for managed funds - where the 30-49 (47.0 pts) and 50-64 (46.8 pts) were most concerned by some margin.

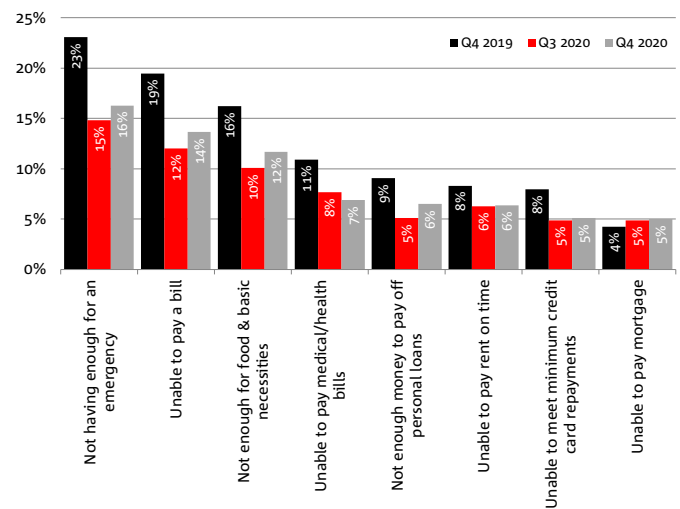
HOUSEHOLD FINANCIAL HARDSHIP

In Q4, the number of Australians who experienced some form of financial stress or hardship in the past 3 months increased slightly to 32%, up from a survey low 30% in Q3 but down from 40% in Q4 2019. The number of people experiencing hardship increased in most groups in Q4. By gender, it grew to 34% (31% in Q3) for women and to 30% for men (29% in Q3). By age, it rose sharply in the 18-29 group to 47% (40% in Q3) and to 39% in the 30-49 group (37% in Q3). It fell in the 50-64 group to 25% (27% in Q3) and was unchanged in the 65+ group (12%). By income it rose to 24% in the higher income group (21% in Q3) but fell a little to 41% in the lower income group (42%) in Q3. Hardship remains highest and climbed to 52% among the unemployed (49% in Q3).

NUMBER OF AUSTRALIANS THAT EXPERIENCED FINANCIAL STRESS OR HARDSHIP IN LAST 3 MONTHS



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 hardship, and it impacted 16% of all Australians (up from 15% in Q3 but down from 23% in Q4 2019). It was however a bigger problem for women (18%), in the 30-49 age group (20%), among low income earners (23%) and the unemployed (32%).

Being unable to pay a bill was the next biggest cause of hardship, affecting 14% of all people (up from 12% in Q3 but down from 19% at the same time in the previous year), followed by not having enough for food or basic necessities, which also rose to 12% (from 10% in Q3 but down from 16% in Q4 2019). Again, however the number of people impacted by this type of hardship was much higher for young Australians, in low income groups and the unemployed, where around 3 in 10 were impacted.

In other key findings, being unable to pay rent on time impacted twice as many people in the 18-29 group (14%) than in the 30-49 age group (7%), the next most impacted. Noticeably more unemployed Australians also struggled with paying their medical bills (13%), personal loans (11%) and rent (14%) than did any other group, including the lower income group.

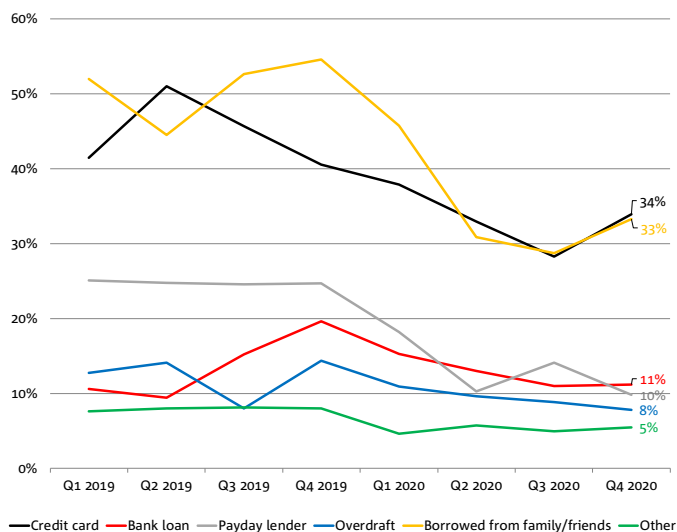
TYPE OF FINANCIAL STRESS OR HARDSHIP EXPERIENCED IN LAST 3 MONTHS BY KEY GROUPS

	All	Women	Men	18-29	30-49	50-64	65+	Low income	High income	Unemp
Not having enough emergency	16%	18%	14%	19%	20%	16%	7%	23%	12%	32%
Unable to pay a bill	14%	14%	13%	19%	17%	13%	4%	23%	8%	31%
Not enough for food & basics	12%	13%	10%	16%	13%	12%	5%	20%	4%	28%
Unable to pay medical/health bills	7%	7%	6%	8%	9%	7%	2%	9%	6%	13%
Not enough to pay personal loans	6%	6%	7%	9%	10%	4%	1%	7%	4%	11%
Unable to pay rent on time	6%	6%	7%	14%	7%	3%	1%	10%	5%	14%
Minimum credit card repayments	5%	5%	6%	6%	7%	5%	1%	4%	5%	7%
Unable to pay mortgage	5%	4%	6%	6%	7%	4%	1%	5%	5%	5%

Australians who faced financial hardship in the past 3 months were asked which (if any) debt options did they choose to manage this. In Q4, using their credit card (34%) replaced borrowing from family and friends (33%) as the most popular option, with more Australians also using these options than in Q3 (up from 28% and 29% respectively).

Whereas the number of people that used a bank loan (11%), overdraft (8%) or other measures (5%) was basically unchanged from the previous quarter, there was a noticeable drop in the number who relied on payday lenders to help manage their stress over the quarter from 14% to 10%. It also significantly lower than at the same time one year earlier when 25% turned to payday lenders.

TYPE OF DEBT USED



The table below shows that noticeably more men took out a bank loan (16% men; 7% women) or used their credit card (37% men; 31% women) to help manage hardship.

By age, more Australians over 65 used their credit card (41%) than any other group. More people in the 18-29 (36%) and 30-49 (38%) age groups borrowed from family or friends. They were also much more likely to borrow from payday lenders (12% & 11% respectively) than older age groups. The 18-29 group also led the way for using overdrafts to manage (12%).

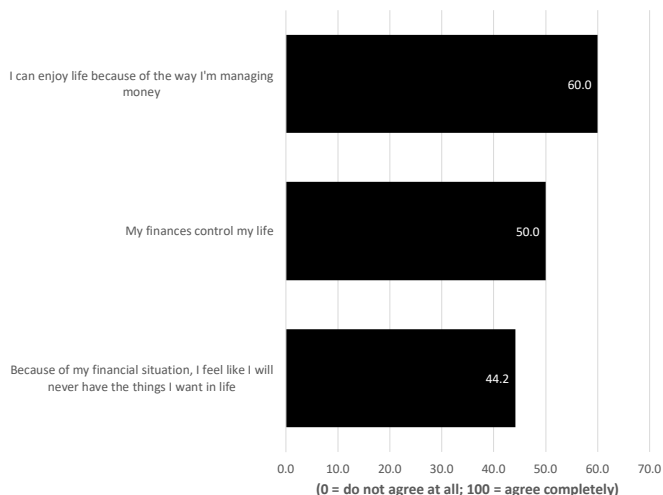
By income significantly more people in the higher income group used a credit card (48%) or a bank loan (17%) to manage than did the lower income group. More low income however turned to payday lenders (11%). More low income (11%) and unemployed (14%) Australians also turned to payday lenders to manage their financial stress.

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	Unemp
Credit card	34%	31%	37%	30%	36%	33%	41%	23%	48%	22%
Borrowed from family/friends	33%	33%	34%	36%	38%	24%	18%	31%	28%	36%
Bank loan	11%	7%	16%	13%	13%	5%	5%	8%	17%	5%
Payday lender	10%	10%	10%	12%	11%	6%	0%	11%	8%	14%
Overdraft	8%	6%	10%	12%	8%	3%	0%	6%	9%	6%
Other	5%	6%	5%	5%	6%	6%	2%	5%	2%	3%

HOW OUR FINANCES MAKE US FEEL

HOW OUR FINANCES MAKE US FEEL: AGREEMENT WITH FOLLOWING STATEMENTS



In order to provide a touchpoint on how our finances make us feel about our lives, we asked Australians the extent to which they agreed to 3 statements about their finances.

The highest level of agreement was around the statement "I can enjoy life because of the way I'm managing money" which scored 60.0 pts - although the extent of agreement can at best be described as 'moderate'. Whereas almost 1 in 2 (47%) Australians rated this statement 'high' (70+ pts), 1 in 4 (24%) rated it 'low' (less than 40 pts).

The statement "My finances control my life" scored on average 50.0 points. But while 4 in 10 (39%) scored this question 'low', many struggle with over 3 in 10 (32%) scoring it 'high'.

Australians agreed least with the statement "Because of my financial situation, I feel like I will never have the things I want in life" at 44.2 pts. Almost 1 in 2 scored this question 'low', but around 3 in 10 (27%) were very pessimistic, scoring their agreement 'high'.

AGREEMENT WITH FOLLOWING STATEMENT: AGE & GENDER

	All	Women 18-29	Men 18-29	Women 30-49	Men 30-49	Women 50-64	Men 50-64	Women 65+	Men 65+
I can enjoy life because of the way I'm managing money	60.0	56.5	60.6	54.8	59.9	56.2	59.7	66.0	69.8
My finances control my life	50.0	54.9	60.1	49.4	56.8	47.7	47.2	40.2	39.2
Because of my financial situation, I feel like I will never have the things I want in life	44.2	49.5	55.0	46.0	49.5	41.9	40.5	35.8	29.8

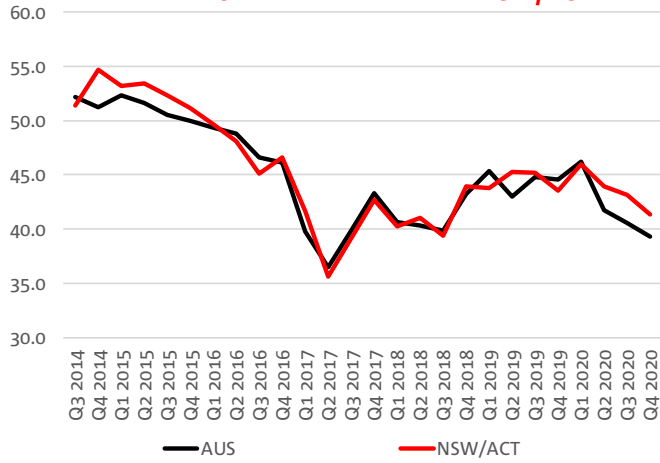
The results by age and gender paint an interesting picture. When it came to enjoying life, men were more optimistic than women in all age groups, with the biggest gap in the 30-49 group (men 59.9 points; women 54.8 pts). Agreement was highest for men (69.8 pts) and women (66.0 pts) in the 65+ group, but lowest for men aged 50-64 (59.7 pts) and women aged 30-49 (54.8 pts).

Men under the age of 50 were in stronger agreement about finances controlling their lives than women in this age group. But that changed over the age of 50 with agreement stronger among women than men. Not surprisingly, men (60.1 pts) and women (54.9 pts) in the 18-29 age group were in higher agreement than their peers in other age groups. Agreement was lowest for men (39.2 pts) and women (40.2 pts) over the age of 65.

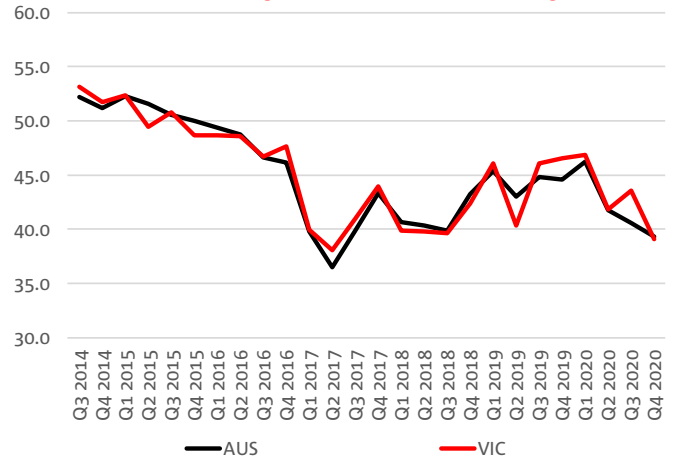
With regards to not having the things they wanted in life, pessimism was higher for men under 50 than for women under 50, with that trend reversing after 50. But pessimism about feeling like they will never have the things they want in life does fall in all age groups as we grow older - both for men and women.

APPENDIX 1: FINANCIAL ANXIETY BY STATE

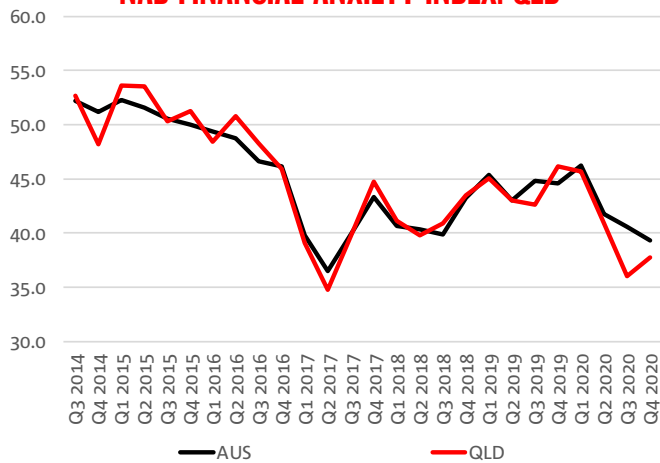
NAB FINANCIAL ANXIETY INDEX: NSW/ACT



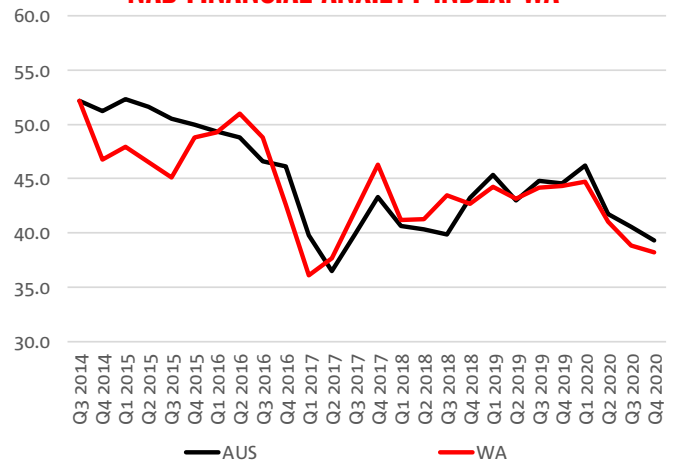
NAB FINANCIAL ANXIETY INDEX: VIC



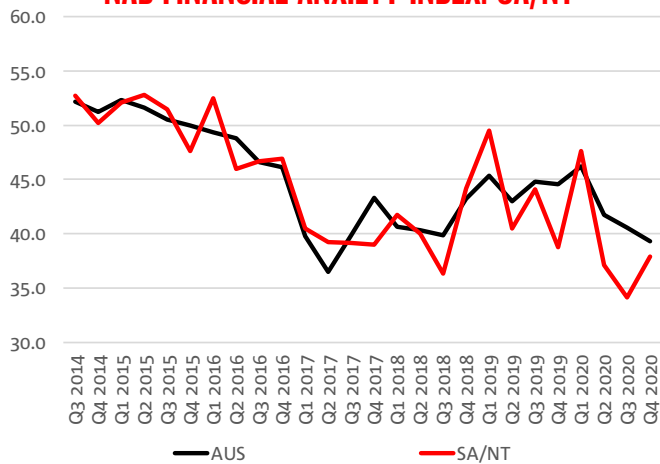
NAB FINANCIAL ANXIETY INDEX: QLD



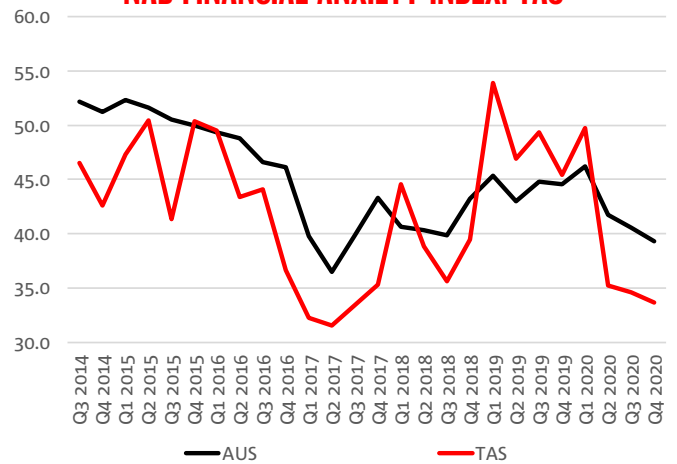
NAB FINANCIAL ANXIETY INDEX: WA



NAB FINANCIAL ANXIETY INDEX: SA/NT



NAB FINANCIAL ANXIETY INDEX: TAS



CONTACTS

Dean Pearson
Head of Behavioural & Industry Economics
Dean.Pearson@nab.com.au
+613 8634 2331

Robert De Iure
Associate Director Economics
Robert.De.Iure@nab.com.au
+613 8634 4611

Brien McDonald
Associate Director Economics
Brien.McDonald@nab.com.au
+613 8634 3837

AUTHORS

Dean Pearson & Robert De Iure

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