

NAB SPECIAL INSIGHT REPORT



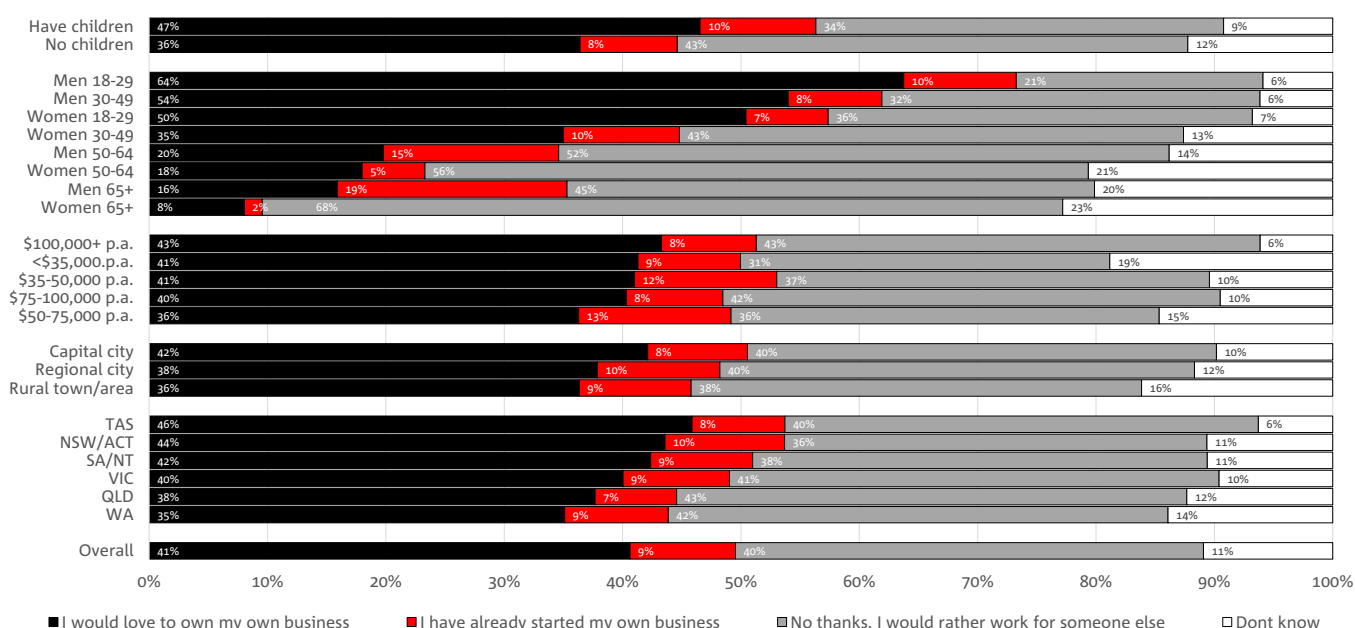
STARTING YOUR OWN BUSINESS: DO WE WANT TO & HOW MUCH DO WE THINK WE NEED TO START ONE

NAB Behavioural & Industry Economics

Starting your own business can be hard work, even if you're doing something you love. It's an all-encompassing feat - entrepreneurship doesn't finish at 5pm! It takes hard work and dedication to get a new business off the ground. While it can be hugely rewarding, having sole responsibility for the success or failure of a business can also take its toll. Research undertaken by NAB in late-2020 found Australians who own a business report broadly similar levels of emotional wellbeing than did the average Australian. But the composition of their wellbeing was very different to that of the average person. Business owners score much higher in terms of life worth, slightly higher for life satisfaction and similar levels of happiness, but much higher in terms of anxiety. So, while owning a business clearly carries a lot of positives in terms of how people view their lives, it may also involve more life stress. Even on the best of days, running a business can be incredibly stressful, but there are now also added pressures from operating during COVID - some within and some outside the business.

In this report, NAB asks ordinary Australians if they had the choice now would they like to own their own business or prefer to work for someone else. We also look at how much money they think they will need to start their own business. Our findings are based on the survey responses from a representative panel of over 2,000 Australian consumers.

PREFER OWNING YOUR OWN BUSINESS OR WORKING FOR SOMEONE ELSE



The spirit of entrepreneurship is alive and strong in Australia. If they had a choice, over 4 in 10 Australians indicated they would love to own their own business (41%), while nearly 1 in 10 have already started their own business (9%). Around 4 in 10 however would rather work for someone else (40%), with just over 1 in 10 not sure what they would prefer (11%).

But aspirations do vary across the country and in key groups. By state, people in TAS are most aspirational with 46% indicating they would love to own a business, followed by NSW/ACT (44%). Aspirations were lowest in WA (35%), where uncertainty was also highest (14%), and in QLD (38%). The preference for working for someone else was highest in QLD (43%) and lowest in NSW/ACT (36%).

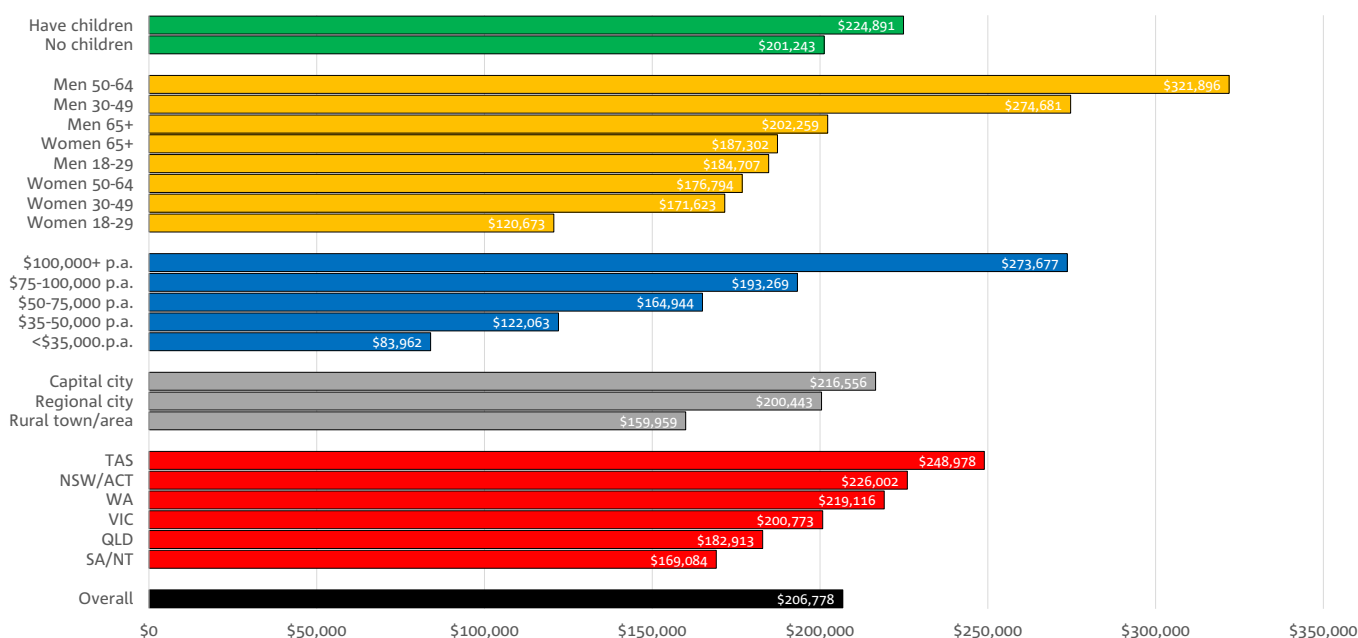
By region, 42% of people living in a major capital city would choose to own their own business, with this falling to 38% in regional cities and 36% in regional areas. While there was little difference in the number of people who would prefer to work for someone else by region, uncertainty was considerably higher in rural areas (16%).

Income did not unduly influence the result, with the highest proportion of positive responses in the over \$100,000 p.a. (43%), followed by those earning less than \$50,000 p.a. (41%). It was lowest in the \$50-75,000 p.a. income group (36%). The preference to work for someone else was also biggest in the highest income group (43%), but smallest in the lowest in income group (31%), where uncertainty was also much higher (19%).

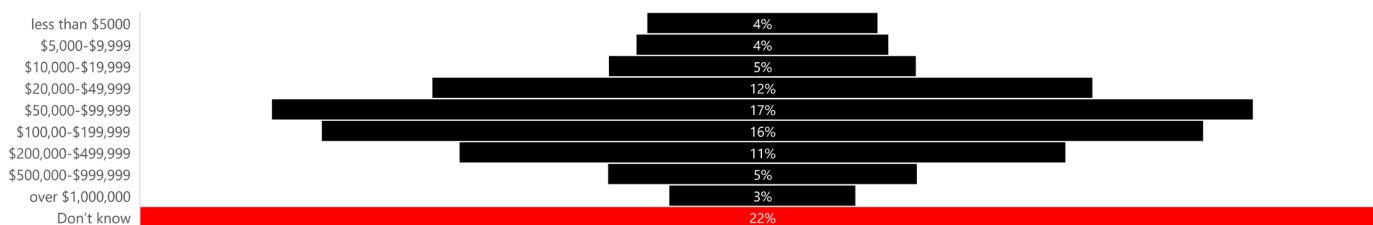
By age and gender, aspirations were highest in the youngest group and stepped down progressively as we age. It was also apparent that more men in all age groups would love their own business than women. Aspirations were highest for men in the 18-29 age group at 64% (50% for women), followed by men in the 30-49 group at 54% (35% for women). The desire to own a business was much lower in older age groups, particularly among women over 65 (8%), who had by far the highest preference for working for someone else (68%). Around 1 in 5 (19%) men over 65 however said they already owned a business, followed by men in the 50-64 group (15%).

Almost 1 in 2 Australians with children under the age of 18 (47%) indicated they would like to own a business, compared to only 36% for people without, where significantly more (43%) said that would prefer to work for someone else than people with children (34%).

HOW MUCH DO YOU THINK YOU NEED TO START YOUR OWN BUSINESS?



HOW MUCH DO YOU THINK YOU NEED TO START YOUR OWN BUSINESS - DISTRIBUTION



There are many costs that come with setting up a business and different businesses have different setup costs, for example those associated with supplies and equipment, premises, insurances, utility connections etc. In this survey, Australians were also asked how much money they thought they would need to start their own business. On average, Australians believe they need around \$207,000 - though the average hides considerable differences in expectations. Overall, 4% of all Australians think they need less than \$5,000 to get started, 4% \$5,000-\$9,999, 5% \$10,000-\$19,999 and 12% \$20,000-\$49,999. In total, 1 in 4 Australians think need less than \$50,000 to start a business. Around 17% however also believe they need between \$50,000-\$99,000, 16% \$100,000-\$199,000 and 11% \$200,000-\$499,000. Only 8% thought they needed more than \$500,000 to start their own business (5% between \$500,000-\$999,999 and 3% over \$1 million). Over 1 in 5 (22%) were unsure about what it would cost.

By state, people in TAS on average thought they needed the most to start their own business at around \$249,000, and considerably more than in SA/NT (\$169,000). Capital city residents (\$217,000) also thought they needed considerably more than people living in rural areas (\$160,000).

While income did not influence aspirations for owning a business, we observed a close relationship between income and expectations about the cost of starting a business. The highest income earners said they needed around \$274,000 to start their own business. This stepped down in each income group to just \$84,000 in the lowest income group.

Expectations were far more disparate by age and gender. Men in the 50-64 age group said they needed almost \$322,000, followed by men aged 30-49 (\$275,000). At the other end of the spectrum, women in the 18-29 age group on average said they needed just \$121,000. Expectations among women in the 30-49 (\$172,000) and 50-64 (\$177,000) were also much lower.

While considerably more people with children under the age of 18 indicated they would like to own a business than did those with no children, both groups were broadly aligned about how much money they needed to do so at \$225,000 and \$201,000 respectively.

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