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ANZ SURVEY OF
ADULT FINANCIAL LITERACY
IN AUSTRALIA

STAGE 2: TELEPHONE SURVEY REPORT

April, 2003

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1.   EXECUTIVE SUMMARY

E1.   INTRODUCTION

This Report covers Stage 2 of a three-stage project to measure the financial literacy levels of adult Australians. The purpose of the project was to identify:

- benchmarks for the ongoing measurement of financial literacy across the entire population;
- any segments of the population that have low levels of financial literacy; and
- aspects of financial skills, products and services that are causing the greatest problems for consumers.

The project was commissioned by ANZ, conducted by Roy Morgan Research and overseen by a Steering Committee.[1] It involved three stages:

Stage 1	Developing a framework for measuring financial literacy, based on in-depth discussions with 33 key stakeholders;
Stage 2	A telephone survey of 3,548 adult Australians which included 145 finance and 25 demographic questions; and
Stage 3	An in-depth survey of 202 people including a self-completion component and in-depth interview of 1– 1.5 hours each.

Stage 2 is the major element of the project and provides the substantive statistical basis for benchmarking levels of financial literacy. A large and representative sample has facilitated robust findings.

This report provides a snapshot of the financial literacy levels of adult Australians in 2002. It tells us that we are a financially literate society, but that certain groups have particular challenges that need to be addressed and that certain financial skills, services and products are not as well understood or utilised as they should ideally be.

Some issues arising from Stage 2 are to be further explored in Stage 3.

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[1] Membership of the Steering Committee changed slightly over the course of the project. Those involved at any stage included Jane Nash (Head of Government & Regulatory Affairs, ANZ); Delia Rickard (Deputy Executive Director, Consumer Protection, ASIC); Chris Connolly (Director, Financial Services Consumer Policy Centre, University of New South Wales); Geoffrey Cohen (Managing Director, Deputy Head-Mergers & Acquisitions, Australia & New Zealand, Deutsche Bank), and Carlene Wilson (Manager of Government & Regulatory Affairs, ANZ).

E2.   THE SURVEY

E2.1   Financial Literacy

Financial literacy is about people making informed and confident decisions regarding all aspects of their budgeting, spending and saving and their use of financial products and services, from everyday banking through to borrowing, investing and planning for the future.

The definition of financial literacy agreed to by the Steering Committee in Stage 1 was:

"The ability to make informed judgements and to take effective decisions regarding the use and management of money."[1]

It was also agreed in Stage 1 that measures of financial literacy should reflect each person's circumstances. As such, knowledge was only to be tested against an individual's needs and circumstances rather than against the entire array of financial products and services, some of which they will neither use nor need.

E2.2   Survey Methodology

Stage 2 of the project involved a telephone survey of 3,548 randomly selected people aged 18 and over across Australia. The achieved sample matched the age, sex and area characteristics of the Australian population very closely.

The survey was conducted in August and September 2002 and provided a comprehensive snapshot of financial literacy across population segments and financial skills, products and services.

The survey involved a questionnaire of around 145 finance questions and 25 demographic questions. Core questions were asked of all respondents, whilst other questions were only asked of relevant people or random sub-groups.

The specific topics covered in the survey were based on the framework from a UK study conducted in 1996, which was modified and extended substantially in Stage 1 to reflect Australian conditions.

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[1] Schagen, S. "The Evaluation of NatWest Face 2 Face With Finance": NFER, 1997.

The framework was organized into four main sections:
- arithmetic/mathematical literacy and standard literacy;
- financial understanding;
- financial competence;
- financial responsibility.

Stage 2 also examined specific concerns relating to superannuation and mortgages.

The survey sought to measure two broad levels of financial literacy:
- a "basic requirement" level – the minimum essential level of literacy needed; and
- an "advanced competence" level.

In interpreting survey responses, an overall measure of individual financial literacy was developed. This was based on an average of responses to relevant questions, each of which had a scale from -2 to +2. Respondents were then assigned to a financial literacy quintile (20% of the population) according to their average financial literacy score.

E3.   KEY FINDINGS

Below are highlights of what the steering committee and Roy Morgan Research considered to be some of the most important results from the survey.

E3.1   Overall Findings

The survey found that most people have a reasonable level of financial literacy.

Some of the positive results from the survey were:
- the high level of banking inclusion in Australia, as compared with some other countries[1], with 97% of the consumers surveyed having an everyday banking account;
- that 80% felt 'well informed' when making financial decisions;
- that all people knew how to use cash and around 90% knew how to use the more common payment methods such as ATMs, cheques, EFTPOS and credit cards;
- that 98% appeared to understand that prioritising different needs is required to balance income and expenditure within financial capacity and most people could suggest a range of appropriate strategies for dealing with a drop in income; and
- that there was a good understanding of some of the basics of superannuation with 97% of people with superannuation who are employed knowing that their employers were required to make superannuation contributions on their behalf, while 91% understood they can make additional superannuation contributions.

Consumers also seemed to have a good appreciation of some of their responsibilities, with:
- 91% understanding the importance of making honest and complete disclosure of their needs and circumstances, and
- 89% appreciating the importance of PIN security and the ramifications of breaching it.

While there is much in the story to be positive about, the main focus for policy makers, educators, financial institutions and consumer groups, among others, must inevitably be on the problem areas. These issues are discussed below in examining disparities in financial literacy among population groups, as well as in relation to different financial skills, products and services.

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[1] The "unbanked" or "financially excluded" have been estimated at 6-9% of individuals in the UK (Access to Current Accounts – A Report to the British Bankers' Association, August 1998) and 9.7% of households in the US (Capital Connections, The Federal Reserve Board, Vol. 3, No. 2, Spring 2001)

E3.2   How Different Groups Performed

A major objective of this research was to establish benchmark measures of financial literacy across various groups within the population. This will allow future monitoring of progress, particularly for those groups in the population that experience financial literacy challenges.

One of the clearest findings from the survey is the strong correlation between financial literacy and socio-economic status. This is despite individuals only being tested on the issues relevant to their circumstances and needs. Table A below provides a summary of financial literacy for key demographic groups. For each demographic group (e.g. 'unskilled' or 'professional' or 'aged 70 and over'), it shows the proportion of that group at each literacy level (quintile). It also presents averages for incomes, assets and debts for each financial literacy quintile.

The lowest levels of financial literacy were associated with those having:
- lower education levels (Year 10 or less);
- those not working for a range of reasons or in unskilled work;
- lower incomes (household incomes under $20,000);
- lower savings levels (under $5,000);
- single people; and
- people at both extremes of the age profile (18-24 year olds and those aged 70 years and over).

Table A.   Demographic Summary for all Financial Literacy Quintiles

Demographic category	Levels 1-2 (lowest literacy) %	Levels 3-4 %	Levels 5-6 %	Levels 7-8 %	Levels 9-10 (highest literacy) %
Female	24	22	21	18	15
Male	15	18	20	22	25
Education Less than Year 10	42	19	20	11	8
Tertiary Degree	8	16	20	24	32
Looking For Work	32	18	21	18	12
Student	29	14	20	20	17
Home Duties	25	24	20	19	12
Retired	27	20	18	16	19
Semi-Skilled	28	26	21	16	8
Unskilled	40	21	21	12	7
Professional	5	14	15	24	41
Owners (including Small Business and Farm Owners)	13	14	19	25	28
Other White Collar*	14	20	19	23	25
Language Other Than English Spoken At Home	25	19	20	19	17
Single Living Alone	26	21	19	16	17
Single Living in Shared Household	27	22	21	18	12
Single Parent	26	24	23	14	13
Couple – Children at Home	16	20	21	22	21
Couple – No Children at Home	14	16	20	22	27
Aged 18–24	31	20	22	16	10
Aged 45-59	13	19	20	22	27
Aged 70 and over	31	23	19	13	14
Renting	29	22	22	15	12
Capital City	19	20	20	20	22
Country Area	21	20	21	21	17

Demographic category	Levels 1-2 (lowest literacy)	Levels 3-4	Levels 5-6	Levels 7-8	Levels 9-10 (highest literacy)
Ave. Gross Annual Personal Income	$25,140	$34,270	$36,550	$42,010	$56,100
Ave. Gross Annual Household Income	$38,600	$52,170	$55,300	$63,870	$78,180
Ave. Current Value of Home	$252,790	$277,820	$285,670	$319,390	$375,740
Ave. Savings (including super but excluding value of home)	$46,240	$88,280	$100,400	$136,300	$243,530
Ave. Mortgage Debt for Mortgage Holders	$113,600	$119,380	$131,680	$162,340	$222,610
Ave. Non-Mortgage Debt	$12,460	$16,980	$14,100	$15,200	$26,290

* Other White Collar includes white collar occupations other than Professionals, Owners, Sales, Semi-Professional

Percentages may not sum to 100% due to rounding

Base: Total Respondents

Sample Size: 3548

Outlined next are the findings of Stage 2 in specific areas (such as mathematical ability).

E3.3   Mathematical Ability

Mathematical ability underpins many aspects of financial literacy. The ability to perform basic calculations is important in budgeting, understanding basic statements and most aspects of being an informed consumer of financial services.

Most people were able to perform basic calculations, with 89% able to perform a basic addition calculation, 84% able to perform a basic division calculation and 81% able to perform a basic subtraction calculation. However, only 59% were able to perform a basic multiplication calculation.

E3.4   Understanding of Investment Fundamentals

There are few concepts more important to sound investment and money management than the relationship between risk and return.

Most people (85%) knew that high returns generally mean high risk. However, many people did not apply the concept when presented with specific scenarios.

For example, when faced with an investment advertised as having a return 'well above market rates at no risk', 47% would have made some level of investment. This result

brings to mind the millions of dollars Australians lose through investment scams each year.[1]

The survey found a mixed level of knowledge of other investment basics:
- 91% of respondents with investments recognized the importance of diversification to some extent, although only 51% considered it very important;
- more than one third (37%) of adult Australians with insurance or investments did not understand that good investments can have short-term fluctuations in market value.

E3.5   Planning for Retirement

Given that Australia's compulsory superannuation scheme is still in its early stages, it is widely recognized that most people will need to rely on more than their superannuation for a comfortable retirement.

Overall, respondents understood the basics of superannuation and recognized its importance. For example, only 5% of the adult population aged under 65 and not retired said that superannuation, planning and saving for retirement didn't really matter because the Government will make up the gap.

However, the survey also found that:
- Only 37% of people aged under 65 and not retired had actually worked out how much they needed to save for their retirement.
- Of those people over 35 who had worked out how much money they would need for their retirement (calculated by considering the individual's current level of savings and investments), 40% thought they would be living at least as comfortably in retirement as they are living today.[2]

The survey also highlighted limited awareness of fees, charges and taxes in relation to superannuation:
- 55% of fund members claimed to know little or nothing about the fees and charges that apply to superannuation; and
- Only 54% of those with superannuation were aware that it is taxed at a lower rate than other investments.

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[1] See for example *International Cold Calling Investment Scams*, Australian Securities and Investment Commission.

[2] ABS, *Retirement and Retirement Intentions,* Catalogue No. 6238.0, November 1997, provides evidence that perceptions of retirement incomes adequacy are often optimistic

Responses from self-employed people with superannuation were polarised as to whether they are required by law to make superannuation contributions with 44% saying 'yes' and 44% saying 'no'.

E3.6   Consumer Awareness

Payment Methods

Having a working knowledge of the different ways in which goods and services can be paid for, and their strengths and weaknesses, is an essential element of good money management.

Overall, the survey found a relatively high level of ability to compare the advantages and disadvantages of different payment methods. There was a high level of familiarity with cash and common payment methods such as ATMs, cheques, EFTPOS and credit cards.

Fewer people knew how to use newer payment methods such as Internet banking (52%), BPay (60%) and telephone banking (68%), and this was compounded by a notable proportion of people that did not know about fees and charges for these newer methods.

Fees and Charges

Fees and charges impact on the cost of conducting financial transactions, owning financial products and the returns that can be expected from investments. A good understanding of fees and charges is therefore important to minimise such costs and to make informed choices among products and services.

The level of reported understanding about fees and charges was quite high for a number of products. In particular, 88% of credit card users, 84% of those with mortgages and 83% of own bank ATM users reported knowing about relevant fees and charges 'very well' or 'fairly well'.

As would be expected, reported knowledge was not nearly as high for those with more complex products such as superannuation (44%) and other managed investments (60%).

Resolving Disputes

From time to time, customers will have problems with their financial services and products. When such problems arise, it is important that consumers know where to go and believe that they will be treated fairly.

Considerable work has been undertaken in Australia setting up effective external dispute resolution schemes in the financial sector and, more recently, improving internal complaints handling systems.

Given this, the survey results in this area were disappointing. For example, while 65% of respondents were broadly aware of independent dispute resolution bodies, around one quarter of consumers had no idea where to go for help if they had a problem with a banking type product, an insurance product or a financial planner.

The situation was worse still for superannuation and managed funds with around one third of consumers having no idea where to go.

The implications of these findings, however, should be interpreted with caution. Where a consumer has a problem, the financial institution is generally *required* to tell them about the external dispute resolution scheme(s) available, where it does not resolve a complaint to the customer's satisfaction.

More concerning is the finding that 40% of consumers said they were 'not very confident' or 'not at all confident' about their ability to make a complaint against a bank or financial institution.

E3.7   Behavioural Issues

Budgeting, saving and investing

The ability to budget, save and invest are core financial skills. The survey sought to measure both the understanding of budgeting, saving and investment, and behaviour in relation to these.

Ninety-eight per cent (98%) of people seemed to understand the importance of prioritising needs to balance income and expenditure and 67% tried to save regularly if they could.

But a number of findings are of concern:
*   16% of the adult population spend all their income as soon as they get it and do not really plan for the future;
*   26% of the adult population have problems setting aside money for major financial outlays;
*   In relation to investments, most people (92%) understand appropriate short-term investments, but only 39% understand appropriate long-term investments.

There was also a considerable difference found between understanding budgeting, saving and investing, and practising them. This is likely to reflect differences in financial capacity.

Shopping around

Considerable effort has gone into improving competition in the Australian financial sector. However, the benefits these reforms will bring will depend on whether there is a culture of shopping around among consumers.

The survey found that people shop around for major items such as loans (46%), insurance (51%), mortgages (56%) and investments (56%), but less so in choosing a financial specialist (24%), a bank account (33%) or superannuation (23%). This superannuation result partly reflected people having no choice.

While the reasons for not shopping around varied, the most common responses were:
- "just going with what was recommended"; and
- "satisfied with current provider".

Understanding of Financial Records

Understanding financial records and the need to read and retain them is important if consumers are to keep track of their finances and be in a position to identify problems and take appropriate action. The Stage 2 telephone survey tested consumers' perceived understanding of records and the extent to which people read and retain statements. The results varied:

- eighty-five per cent (85%) felt that they could read and understand records relating to bank accounts, ATMs, credit cards and store cards;

- twenty-one per cent (21%) of those who received and read their superannuation statement reported not understanding it; and

- most adults reported they would find reconciling a bank statement "easy" (54%) or "very easy" (33%). Fewer were confident in their ability to understand an annual statement from a superannuation fund. Thirty-one percent of those with superannuation would find it "difficult" and 6% "very difficult".

E3.8   Population Segments with Financial Literacy Problems

A major objective of this research was to establish benchmark measures of financial literacy across various groups within the adult population.   This will allow future monitoring of progress, particularly for those groups in the population that experience financial literacy challenges.

One of the clearest findings from the survey is the strong correlation between financial literacy and socio-economic status. The lowest levels of financial literacy were associated with those having lower education (Year 10 or less), lower incomes (gross annual household incomes under $20,000), lower savings levels (under $5,000) and were at both extremes of the age groupings (i.e. 18–24-year-olds and those aged 70 years and over).

This is of particular concern because knowledge was only tested against individual needs and circumstances rather than against the entire array of financial products and services, some of which they will neither use nor need.

Each respondent's overall level of financial literacy was determined by their response to over 100 survey questions. Respondents were divided into five groups or quintiles (20% of the population). The lowest quintile comprised the poorest performing 20% of the population, whilst the best performing 20% respondents were allocated to the highest quintile.

The lowest financial literacy quintile has been further sub-segmented into the following three groups:

- Demographic groups **strongly** over-represented in the lowest financial literacy quintile
- Demographic groups **moderately** over-represented in the lowest financial literacy quintile
- Demographic groups **slightly** over-represented in the lowest financial literacy quintile

DEMOGRAPHIC GROUPS STRONGLY OVER-REPRESENTED IN THE LOWEST FINANCIAL LITERACY QUINTILE

While 20% of all adults were allocated to the lowest financial literacy quintile, around 30% to 40% of people in the following groups were in this quintile (ie., the following groups were the most over-represented in this quintile).

(i)   Education less than Year 10

No Occupation

Compared to all other demographic groups, people in these groups were the most likely to have the lowest levels of financial literacy. Most areas presented difficulties for these groups but particularly knowledge of payment methods, basic arithmetic, financial terms, risk and return, and problem redress options.

(ii)   Unskilled workers

Performed poorly in most areas, including knowledge of channels, fees, arithmetic, and risk and return.

(iii)   Non-workers

Similar problems to above.

(iv)   People with Household Incomes under $20,000

Poor knowledge of channels, financial terms, and risk and return.

(v)   Savings of less than $5,000

Generally poor performance across most measures.

(vi)   Looking for work

Poor arithmetic ability, little planning and knowledge of redress options.

(vii)   18-24 year olds

70+ year olds

The younger age group had more difficulty understanding financial terms, superannuation, basic arithmetic, and risk and return.

The older group had difficulty understanding payment methods, as well as most other aspects.

DEMOGRAPHIC GROUPS MODERATELY OVER-REPRESENTED IN THE LOWEST FINANCIAL LITERACY QUINTILE

While 20% of all adults were allocated to the lowest financial literacy quintile, around 25% to 30% of people in the following groups were in this quintile.

The following groups have fewer areas of difficulty than those strongly over-represented in the lowest quintile. They generally have a better idea of payment methods, but still have difficulty with financial terms, risk and return, superannuation, and where to go with complaints or disputes.

As they all have similar levels of financial literacy, these groups are shown below in no particular order:

- Students
- Those with gross personal income under $20,000
- Those renting their residence
- Semi-skilled workers
- Those employed casually
- Retirees
- Single people (includes those living in a shared household, those living alone, and single parents)
- Those whose highest level of education is Year 10 or below
- Those speaking a language other than English at home

DEMOGRAPHIC GROUPS SLIGHTLY OVER-REPRESENTED IN THE LOWEST FINANCIAL LITERACY QUINTILE

While 20% of all adults were allocated to the lowest financial literacy quintile, a slightly higher proportion of people in the following groups were in this quintile. They were also slightly under-represented in the highest financial literacy quintile.

The two groups are:

- Females
- People living in country areas

On close examination of the data, it appears that the marginally lower financial literacy levels of both these groups are associated with lower levels of income and education, which appear to be strongly associated with financial literacy.

When males and females of similar education, income, etc., are compared, they perform at a similar level of financial literacy.

2.   INTRODUCTION

2.1   Background

Managing finances successfully has become more complicated and more important for each generation. Increased relative wealth and the greater choice and opportunities available in terms of financial products and services, together with changes in social and personal values, demography, the production and consumption of goods and services and the delivery of government services are set to make good financial literacy even more important in the future.

ANZ has commissioned this research for the following reasons:

1. To better understand the needs of its customers
2. To respond to those needs in the way products and services are developed and in the way it communicates with customers
3. To help inform public policy, particularly as it relates to low literacy segments

2.2   What is Financial Literacy?

Financial literacy has been defined in research conducted in the UK by the National Foundation for Educational Research (NFER) as:

> *"The ability to make informed judgements and to take effective decisions regarding the use and management of money."*[1]

This is the definition of financial literacy adopted by the Steering Committee for this project.

Considerable research into financial literacy has been conducted in the UK and US, where it is an area of policy and social interest which is growing.

However, no significant research into this particularly complex issue had previously been conducted in Australia, and as far as we are aware this survey represents the first national research on this scale into financial literacy in Australia.

It is important to ensure that all people have the skills, attitudes, understanding and confidence to apply financial knowledge in order to ask the right questions, to make informed judgements, and to take effective decisions regarding the use and management of their money.

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[1] Schagen, S. "The Evaluation of NatWest Face 2 Face With Finance": NFER, 1997.

2.3   Research Objectives

The objectives of the research are to:

- benchmark for the ongoing measurement of financial literacy across the entire population;
- identify any segments of the population that have low levels of financial literacy; and
- identify aspects of financial skills, products and services that are causing the greatest problems for consumers.

2.4   Broad Research Stages

The research has been divided into three broad stages:

- Stage 1: **Stakeholder Survey** - Develop a framework for adult financial literacy in Australia, including stakeholder feedback through qualitative interviews
- Stage 2: **Telephone Survey** – Telephone survey of such aspects of adult financial literacy as could be investigated over the phone
- Stage 3: **In-depth Interview Survey** - Central location survey (self-completion and in-depth interview) of such aspects of adult financial literacy as could not be investigated over the phone

This report details the findings and conclusions from Stage 2 of the research which was designed around the framework developed in Stage 1 (refer Section 2.5 Framework).

2.5   Framework

Stage 1 of the survey involved developing a framework of adult financial literacy suitable for Australian conditions, around which later stages of research could be structured.

In order to benefit from this prior research, a framework of adult financial literacy skills and knowledge for the UK, developed by the UK's Adult Financial Literacy Advisory Group, was:

- considered by the Steering Committee and Roy Morgan Research project personnel and revised for Australian conditions into a draft Australian framework;

- discussed with 33 key stakeholders (see Appendix 1) suggested by the project Steering Committee to obtain expert opinion concerning its adequacy and relevance to Australia; and

- revised and expanded by the Steering Committee and Roy Morgan Research project personnel, in light of suggestions from key stakeholders, into a final framework of adult financial literacy in Australia (refer to Table 1 on the following page).

Measuring financial literacy involves measurement of knowledge and understanding, behaviour, attitudes, perceptions and awareness.

The framework was organised into 4 main sections:

- Mathematic literacy and standard literacy[1]
- Financial understanding
- Financial competence
- Financial responsibility

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[1] Although standard literacy is a key factor in achieving financial literacy, standard literacy was not measured comprehensively due to this being outside the scope of this research.

Two broad levels of financial literacy were incorporated within the framework:

- a "Basic requirement" level - the minimum essential level of literacy needed (eg. being able to perform simple mathematical calculations)
- and an "Advanced competence" level (eg. being able to understand compound interest)

Table 1   Adult Financial Literacy Framework

Note: * Measures marked with an asterisk are covered in Stage 3 only of this study, which are reported separately.

Mathematical Literacy and Standard Literacy		
	Basic requirements	**Advanced competence**
Essential mathematical, reading and comprehension skills	• Ability to add, subtract, multiply and divide (with or without calculator) • Ability to understand and calculate percentages (with or without calculator) • Ability to read and comprehend basic English*	• Ability to understand compound interest • Ability to understand averages*

Financial Understanding		
	Basic requirements	**Advanced competence**

Understanding of what money is and how money is exchanged	• Understanding of the range of ways to pay for goods and services, including:
	  – Cash
	  – Cheques
	  – Money orders
	  – Credit cards
	  – Debit cards
	  – Store cards
	  – EFTPOS
	  – Direct debit
	  – Loans
	  – Laybys
	• Ability to compare the advantages and disadvantages of different forms of payment*
		• Understanding of the implications and key features of unsecured credit and debt, including both fixed:
		  – Personal loans
		  – Lease
		  – Hire purchase
		and revolving:
		  – Credit cards
		  – Store cards
		  – Overdrafts
		  – Other "line of credit" facilities*
		• Understanding of ways to compare interest rates and the effects of fees and other charges
		• Understanding that some loans and purchase agreements are secured whilst others are unsecured, and the implications for default*
		• Understanding of the concept and implications of personal guarantor and co-borrower arrangements
		• Understanding of how credit records are generated and the implications of bad records for future borrowing

Financial Understanding		
	Basic requirements	**Advanced competence**
Understanding of where money comes from and goes	• Ability to read a pay-slip • Recognition of household expenses and regular financial commitments[*]	• Understanding of how companies and other organisations are financed, including shares[*]

Financial Competence		
	Basic requirements	**Advanced competence**

Understanding of the main features of basic financial services	• Awareness of the availability and basic features of:
	  – Basic banking
	  – Electronic banking (e.g. ATMs; EFTPOS; telephone banking; Internet banking)
	  – Mortgages
	  – Superannuation
	  – Other investments (e.g. shares; term deposits; managed investments; life insurance with an investment element)
	  – Risk insurance products (e.g. house and contents insurance, including coverage and exclusions; health insurance)
	
	• Awareness of the sorts of fees that apply to these services
	
	• Awareness of the relationship between fees and return
	
	• Awareness that one should shop around before purchasing financial products
	
	• Understanding that superannuation sets aside money for retirement, and involves compulsory employer contributions
	
	• Understanding that personal contributions can be made to superannuation as an option
	
	• Ability to check that an employer has been making compulsory contributions to superannuation[*]
	
	• Understanding of fixed interest rates vs. variable interest rates as they apply to mortgages
	
	• Understanding of terms and conditions for early termination and other variations within mortgages
		• Ability to make strategic use, to maximise personal financial advantage, of:
		  – Basic banking
		  – Electronic banking (e.g. ATMs; EFTPOS; telephone banking; Internet banking)
		  – Mortgages
		  – Superannuation
		  – Other investments (e.g. shares; term deposits; managed investments; life insurance with an investment element)
		  – Risk insurance products (e.g. house and contents insurance, including coverage and exclusions; health insurance)[*]
		
		• Ability to check records (e.g. Annual Statements) from superannuation funds to determine whether current contribution levels and % returns are appropriate for anticipated needs[*]
		
		• Knowledge concerning what constitutes an adequate level of insurance for total and permanent disablement or death benefit, and ability to check that a superannuation fund is providing it[*]
		
		• Understanding that taxation can be minimised through personal contributions to superannuation vs. other forms of investment[*]
		
		• Ability to use property for personal financial advantage (e.g. purchase investment property)[*]

Financial Competence (continued)		
	Basic requirements	**Advanced competence**
Ability to understand financial records and appreciation of the importance of reading and retaining them	• Ability to check accuracy of official financial records, such as: 　– Bank statements 　– ATM service statements 　– Credit card statements 　– Superannuation statements 　– Insurance policies and renewal notices (e.g. understand coverage, exclusions and duty of disclosure) 　– Loan documentation • Understanding of the need to keep records	• Ability to reconcile a bank statement to allow for items not yet reconciled • Ability to read an Annual Statement from a superannuation fund to see the asset classes invested in and % return over time • Understanding of official financial records, such as prospectuses and Annual Statement for investment products[*] • Understanding of the need to monitor performance of investments over time[*]
Attitudes to spending money and saving	• Understanding of the purpose of saving • Understanding of why you need to save for retirement • Understanding that there is a variety of places and ways in which to save money[*] • Understanding of how to use budgets to plan and control personal spending • Ability to forecast and recognise the impact of irregular major financial outlays (e.g. vehicle registration; holidays)[*]	• Ability to budget strategically to make payments as late as possible and keep money earning interest as long as possible[*]
Awareness of risks associated with some financial products and appreciation of the relationship between risk and return	• Understanding of the purpose of insurance[*] • Awareness that both savings and borrowing are offered on differing terms and interest rates that vary over time[*] • Awareness that high return investments are also likely to involve high risk • Understanding that market values can fall as well as rise • Awareness that if it sounds "too good to be true", then it probably isn't true • Awareness of the dangers of under-insurance • Awareness that individuals are responsible for debts of spouse/other family members with whom they have a joint financial product • Understanding of the value of diversification when investing	• Ability to identify potential risks and determine whether they need to be eliminated or mitigated against[*] • Understanding of managed investments[*] • Understanding of guarantees on investments[*] • Understanding that short-term ups and downs in value are less important for long-term investments[*] • Understanding of currency issues, including the impact of fluctuations in exchange rate for the Australian dollar[*]

Financial Responsibility		
	Basic requirements	**Advanced competence**
Ability to make appropriate personal life choices about financial issues	• Understanding of the difference between long-term and short-term needs • Ability to prioritise different needs to balance income and expenditure within financial capacity[*] • Understanding of the difference between good (manageable and planned) debt and bad (unmanageable and unplanned) debt[*] • Ability to make informed choices when experiencing a drop in income	• Ability to assess the financial implications of personal life choices in terms of career choices and life-long learning opportunities[*]

Understanding of consumer rights and responsibilities	• Understanding that consumers do have rights
	• Understanding that consumers have a right to clear information about products both pre-purchase and ongoing post-purchase
	• Awareness of and ability to access independent dispute resolution schemes for financial products
	• Understanding of consumer responsibilities and the implications of not meeting them, including:
	   – Duty of disclosure for risk insurance
	   – Safeguarding of PINs for transaction banking
		• Understanding and ability to check, before handing over money for an investment, that:
		   – Financial products should only be purchased from licensed financial businesses
		   – Advice should only be sought from persons employed by licensed advisory businesses
		   – Prospectuses must be lodged with ASIC
		   – Persons providing advice about financial products must disclose any commissions, important side-benefits and potential conflicts of interest
		• Awareness of 14-day cooling-off period for insurance

Ability and confidence to access assistance when things go wrong	• Understanding that the finance sector is regulated • Understanding of who one can call on to help with more complex issues (e.g. advisers; accountants) • Awareness of where/whom to contact if things go wrong (e.g. consumer complaints department of financial institution; consumer association; financial counsellor; ombudsman) • Ability to make complaints effectively • Awareness of the distinction between financial advisers charging fee-for-service vs. taking commission, and understanding of its implications[*]	• Broad understanding of the level of regulation of the finance sector[*] • Understanding that regulation of the finance sector is no guarantee of the safety of all financial products[*] • Ability to assess and compare different sources of financial advice and information[*] • Understanding of the processes and procedures for resolving disputes[*]

Please note that other potential aspects of adult financial literacy (e.g. taxation; understanding of how and why government is financed; awareness and understanding of government benefits; understanding of how fees are calculated and how to minimise them) were agreed upon as being beyond the scope of the current project, and therefore not included in the framework.

3.   STAGE 2 METHODOLOGY AND KEY SAMPLE CHARACTERISTICS

3.1   Sampling

The sample was designed so as to allow for a high degree of statistical reliability when comparing the results of those sub-groups considered likely to be of importance for this particular topic, including, for example, those who are:

- Unemployed
- Students
- Single parents
- Retired

A random representative sample of 3,500 adult Australians was recommended, so as to provide confidence intervals of less than ±2% at the 95% confidence level. (A total of 3,548 interviews were achieved.)

The sampling frame used for the survey was the November 2002 electronic white pages. The sample was stratified by State, and by metropolitan/non-metropolitan area within each State. (For stratification purposes, the ACT was combined with NSW and the NT was combined with SA.)   The number of interviews conducted in each stratum was proportional to population.

Within each stratum, the sample was further controlled by setting broad age/sex quotas proportional to the actual population distribution of each stratum. (Following the survey the data were post-weighted by age, sex and area to ensure that any slight variations due to differential response rates etc were accounted for prior to analysis.)

Within each randomly selected household one person aged 18 years or over was interviewed.

The achieved sample matched the age, sex and area characteristics of the Australian population very closely. Further details on the unweighted characteristics of the sample are provided in Appendix 3. Of the key characteristics examined, the sample was acceptably close to the pattern for the Australian population overall.

Summary of unweighted sample characteristics

Area:	Respondents	%
NSW/ACT	1,242	35
VIC	891	25
QLD	633	18
SA/NT	317	9
WA	356	10
TAS	109	3
	3,548	100

Capital City / Rural:		%
	Capital City	62
	Rural	38
		100

Sex:		%
	Female	51
	Male	49
		100

Age:		%
	18 – 19	3
	20 – 24	9
	25 – 29	9
	30 – 34	11
	35 – 39	10
	40 – 44	11
	45 – 49	9
	50 – 54	8
	55 – 59	7
	60 – 64	6
	65 – 69	6
	70 +	11
		100

3.2   Method

Roy Morgan Research, in consultation with the Steering Committee developed a framework of financial literacy, which took as its initial starting point a framework developed in the UK during the 1990s. As an important part of the process of developing this framework and ensuring that it was suitable for Australia today, in-depth consultations were held with 33 key stakeholders, including consumer advocates, executives of financial institutions, educators, regulators, finance journalists, financial advisers, dispute resolution services, etc. The final framework was a considerably longer and more complex document than the one upon which it was originally based.

Given the breadth of issues to be explored it was necessary to limit Stage 2 interview duration by following a schedule where not everyone was asked every question (details of questionnaire structure are shown in Appendix 4). Core questions were asked of all respondents, whilst other questions were either only asked of people for whom such questions were relevant (eg. those with a Credit Card), or randomly allocated to sub-groups of respondents.

Following qualitative testing and piloting, the Stage 2 telephone survey of the Adult Financial Literacy Survey was conducted from Friday 23 August to Sunday 15 September 2002 via Computer-Assisted Telephone Interviewing (CATI) methodology. Interviewing was conducted on weekday evenings and weekends among persons aged 18 years and over. Completed interviews numbered 3,548, with an average interview duration of just over 24 minutes.

The Stage 3 central location component of the Adult Financial Literacy Survey, involving both a self-completion questionnaire and an in-depth interview, was subsequently conducted with 202 respondents – approximately 100 in each of Sydney and Melbourne.

3.3   Analysis Approach

In order to produce concise and consistent analysis of the significant amount of information and issues raised in this research, an approach to analysis was used which:

- Best identified the distribution of financial literacy and illiteracy

- Identified demographic groups which were above and below average in the various measures of financial literacy examined within this report. To further emphasise the demographic groups that differ most from the total population, shading has been used selectively in the demographic profile tables throughout the report (refer to Table 2 in section 3.3.2 for an example).

3.3.1   Financial Literacy Decile and Quintile Analysis

In order to understand the distribution of financial literacy and illiteracy throughout the community, an overall measure of financial literacy for all respondents was required.

Refer to Section 4.1 Financial Literacy Decile and Quintile Analysis for further details and results of analysis.

3.3.2   Demographic Profile Analysis and Presentation

In order to identify demographic groups which were above and below average, in a consistent and concise manner, specific criteria were used (refer Glossary section).

Throughout this report, the results of the above analysis have been displayed in a series of 'Demographic Profile' tables, an example of which is shown in Table 2 which follows. Only statistically significant[*] differences are shown. Whilst all demographic variables have been analysed for all tables throughout this report, the only variables shown are those which were significantly different at the 95% confidence level. Therefore, tables will vary in content and length.

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[*] Refer to Glossary for criteria used in determining significant differences.

Demographic groups that differ most from the total population are shaded in the Demographic Profile tables. For example in Table 2, whilst around 19% of the total population fall into this quintile, 39% of non-workers are in this quintile.

Table 2.   Demographic Profile – Table Example Only (not full table)

Financial Literacy Quintile Level 1-2: 19[*]%				
Demographic	**Above Average Representation**	**%**	**Below Average Representation**	**%**
Gender	➢ Female	24	➢ Male	15
Age	➢ 18-24	31	➢ 45-59	13
	➢ 70 and over	31		
Household Structure	➢ Single – live alone	26	➢ Couple – no children	14
	➢ Single – live in shared household	27		
	➢ Single parent	26		
Language Spoken at Home	➢ Non-English	25	–	
Employment Status	➢ Employed – casual	28	➢ Employed – full-time	11
	➢ Student	29	–	14
	➢ Home duties	25		
	➢ Retired	27		
	➢ Non-worker	39		

Note: Example Table not complete

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[*] Quintile proportions rounded to nearest percent.

4.   FINANCIAL LITERACY DECILES AND QUINTILES

4.1   Background to Financial Literacy Deciles and Quintile Analysis

In order to understand the distribution of financial literacy and illiteracy throughout the adult population, an overall measure of financial literacy for all respondents was required. To this end, each respondent's answers to questions designed to test financial literacy were allocated a value between +2 and –2. For example, for a question concerning how well those with bank accounts know about the fees and charges that apply to bank accounts, scores were allocated as follows to the rating scale of response options.

Very well	(+2)
Fairly well	(+1)
Not very well	(-1)
Not at all	(-2)
Can't say	(0)

As a non-rating scale example, for a question concerning the sum of $13 and $8, a score of +2 was allocated to the correct responses of $21. All incorrect responses and "Can't Say" responses were allocated a score of –2. From such scores an overall average for the individual respondent was then constructed, eliminating the problem that some respondents hold a large range of products compared to others. (Respondents with more products were asked more questions). A list of the questions which contributed to the scores is detailed in Appendix 4.

Respondents were then assigned to a Financial Literacy decile according to their average financial literacy score – the Level 1 decile holding the 10% with the lowest average score, through to the Level 10 decile, holding the 10% with the highest average scores. At a general level, the deciles illustrate several interesting points about the respondents, as shown in the following charts.

4.2   Key Distribution Analysis for Financial Literacy Deciles

The following analysis displays close relationships with the deciles across the key demographic measures of gross personal income, gross household income, total savings and total mortgage debt. It is notable that the relationships are stronger at the extremes rather than in the middle of the distributions.

Figure 1.   Financial Literacy Deciles: Average Gross Personal Income

As Figure 1 shows, the average level of personal income increased as the level of financial literacy increased.

Average Gross Personal Income
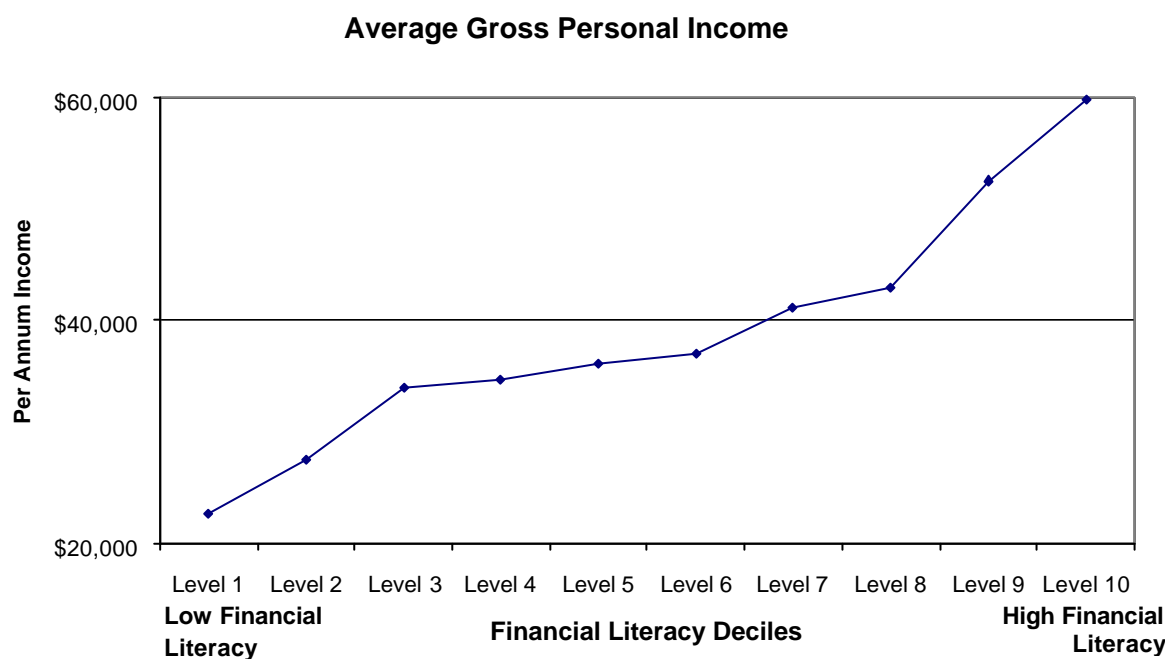
Base: Respondents with personal income
Sample Size: 2838

Figure 2.   <u>Financial Literacy Deciles: Average Gross Household Income</u>

Similar to personal income, Figure 2 shows that average gross household income increased with the level of financial literacy.

Average Gross Household Income
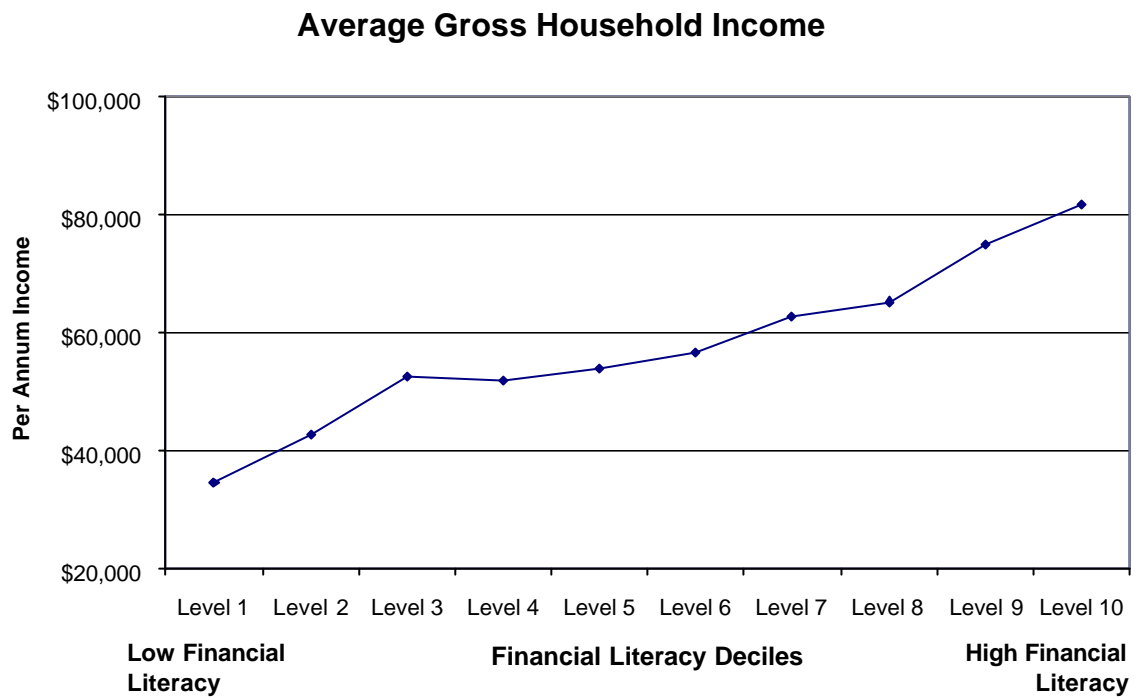
Base: Respondents with household income
Sample Size: 2781

Figure 3. <u>**Financial Literacy Deciles: Total Savings (including superannuation but excluding value of own home)**</u>

As the level of average savings (defined as total savings including superannuation but excluding the value of the respondent's home) increased, so did the level of financial literacy.

Total Savings (including super but excluding value of own home)
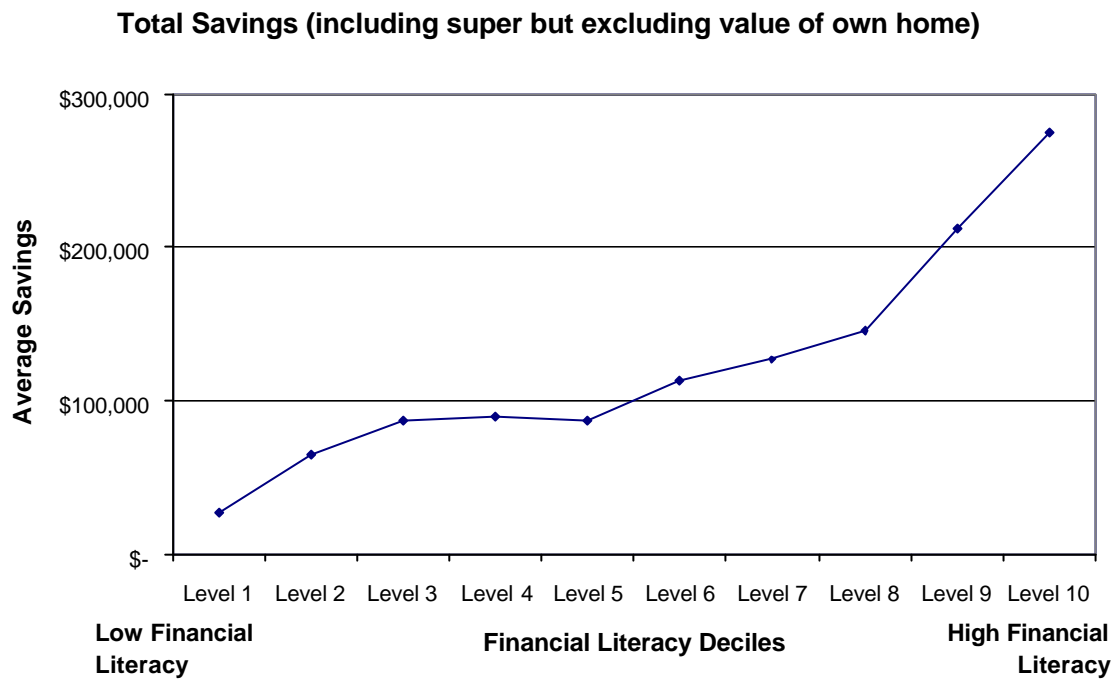
Base: Respondents with Savings (including superannuation but excluding value of own home)
Sample Size: 2399

Figure 4.   Financial Literacy Deciles: Education Indicators

As the level of education increased (here represented by two indicators: the proportion whose highest education level was below Year 10; and the proportion whose highest education level was a tertiary degree), so did the level of financial literacy.

Education Indicators

Base: Total respondents
Sample Size: 3548
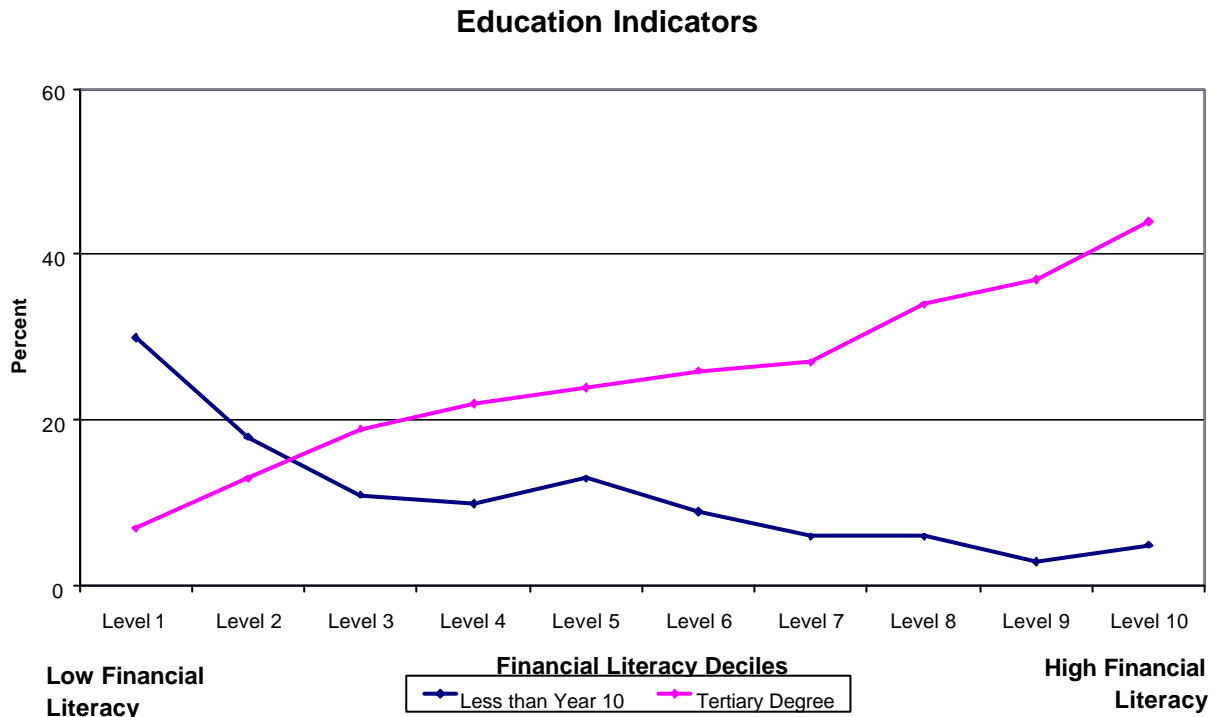
Figure 5.   Financial Literacy Deciles: Total Mortgage Debt for Mortgage Holders

There appeared to be a relationship between the level of mortgage debt and the level of financial literacy, with the higher Financial Literacy deciles having a higher level of mortgage debt than the lower deciles. However, this relationship was not quite as consistent as for the income and savings charts shown previously.

Total Mortgage Debt for Mortgage Holders
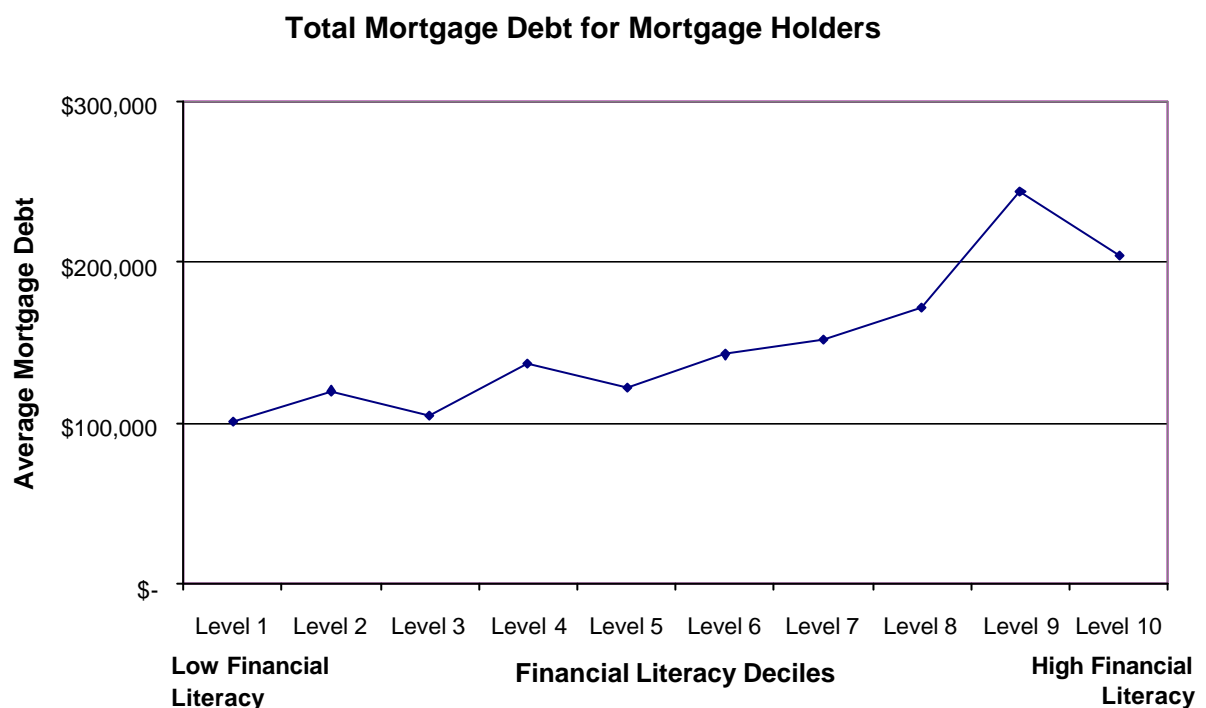
Base: Respondents with Mortgage (own home or investment property)
Sample Size: 1500

These deciles can be used to demonstrate relationships between variables. Further analysis has shown that the distinctions between the different levels of financial literacy are more clearly demonstrated by combining these deciles into quintiles[1] (splitting the population into five equal groups of 20% each)

By comparing these quintiles to a range of demographic and financial variables, it is possible to construct profiles of each quintile. This is discussed in the following sections.

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[1] Quintile proportions rounded to nearest percent.

4.3   Financial Literacy Quintile Analysis

The following sections detail key demographic differences between the quintiles. Only statistically significant[*] differences are shown. Whilst all demographic variables have been analysed for all of the following tables, the only variables shown are those which were significantly different at the 95% confidence level. Therefore, tables will vary in content and length.

Demographic groups that differ most from the total population are shaded in the following tables. For example in Table 3, whilst around 19% of the total population fall into this quintile, 42% of people with education of less than Year 10 are in this quintile.

4.3.1   Level 1-2 Quintile

The Level 1-2 quintile combined the Level 1 and Level 2 deciles based on the average level of financial knowledge for each respondent. As such it contained the lowest average scores across the Stage 2 questionnaire. The features in the following table distinguish the Level 1-2 quintile from the other quintiles.

Key features include:

- Respondents in Level 1-2 were significantly[*] more likely to have less than Year 10 as the highest level of education completed
- Level 1-2 respondents were significantly over-represented among the 18-24 age group, and among those aged 70 and over
- Level 1-2 respondents were more likely to be female than male
- Among all the quintiles only the Level 1-2 group had a significant over-representation of those who speak a language other than English in their home
- Personal income for Level 1-2 respondents showed the most significant over-representation among those with an annual income below $20,000. The average personal income for this quintile is $25,140 per annum
- Likewise in household income, the Level 1-2 quintile was most significantly over-represented among those households with annual income of less than $20,000. The average household income was $38,600 per annum
- In their household situation, Level 1-2 respondents were significantly more likely to be single rather than part of a couple, compared with the overall population

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[*] Refer to Glossary for criteria used in determining significant differences.

- Employment status was more likely to be casual, looking for work, student, home duties or retired
- Occupations most significantly associated with this quintile were unskilled or semi-skilled workers, or those with no occupation
- The average home value for this quintile was $252,790
- This quintile was over-represented amongst people renting their home
- Average mortgage debt for mortgage holders in the Level 1-2 quintile was $113,600, average non-mortgage debt was $12,460 and average savings (including superannuation but excluding the value of their own home) was $46,240
- This quintile was significantly over-represented amongst people with savings (excluding home value) of less than $5,000

Table 3.   Demographic Profile for Financial Literacy Quintile 1-2

Financial Literacy Quintile Level 1-2: 19[*] %				
Demographic	**Above Average Representation**	**%**	**Below Average Representation**	**%**
Gender	➢ Female	24	➢ Male	15
Age	➢ 18-24	31	➢ 45-59	13
	➢ 70 and over	31		
Household Structure	➢ Single – live alone	26	➢ Couple – no children	14
	➢ Single – live in shared household	27		
	➢ Single parent	26		
Language Spoken at Home	➢ Non-English	25	–	
Employment Status	➢ Employed – casual	28	➢ Employed – full-time	11
	➢ Student	29		
	➢ Looking for work	32		
	➢ Home duties	25		
	➢ Retired	27		
	➢ Non-worker	39		
Occupation	➢ Semi skilled	28	➢ Professional	5
	➢ Unskilled/farm worker	40	➢ Executive/Owner (including small business & farm)	13
	➢ No occupation	42	➢ Other white collar*	14
Education	➢ Less than Year 10	42	➢ Tertiary/Diploma/ some uni	14
	➢ Passed Year 10	26	➢ Tertiary degree	8
Gross Personal Income	➢ Under $20,000	29	➢ $35,000 – $49,999	12
			➢ $50,000 – $69,999	8
			➢ $70,000 or more	3
Gross Household Income	➢ Under $20,000	34	➢ $35,000 – $59,999	14
			➢ $60,000 – $99,999	7
			➢ $100,000 or more	7
Savings Excl. Home	➢ Under $5,000	32	➢ $50,000 – $249,999	7
			➢ $250,000 or more	4
Non-Mortgage Debt	–		➢ $10,000 – $99,999	13
			➢ $100,000 or more	13

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[*] Quintile proportions rounded to nearest percent.

Financial Literacy Quintile Level 1-2: 19[*] %				
Demographic	**Above Average Representation**	**%**	**Below Average Representation**	**%**
Home Ownership	➢ Renting residence	29	➢ Paying off residence	14
Home Value	–		➢ $175,000 – $299,999 ➢ $300,000 – $499,999 ➢ $500,000 or more	12 12 9
Mortgage Debt	–		➢ $50,000 – $249,999 ➢ $250,000 or more	11 5

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents
Sample Size: 3548

4.3.2 Level 3-4 Quintile

The Level 3-4 quintile combined the Level 3 and Level 4 Financial Literacy deciles, and had the following characteristics:

- The average personal income for the Level 3-4 quintile was $34,270, while the average household income was $52,170 per annum
- The only occupation significantly associated with the Level 3-4 quintile was the semi-skilled category
- The average current value of homes owned by individuals in the Level 3-4 quintile was $277,820, while the average level of mortgage debt was $119,380
- The average level of non-mortgage debt for those in the Level 3-4 quintile was $16,980, while the average level of savings (including superannuation but excluding the value of the home) was $88,280

Table 4.   Demographic Profile for Financial Literacy Quintile 3-4

Financial Literacy Quintile Level 3-4: 20%				
Demographic	**Above Average Representation**	**%**	**Below Average Representation**	**%**
Occupation	➢ Semi skilled	26	➢ Professional	14
			➢ Executive/Owner (including small business & farm)	14
			➢ Student	14
Gross Personal Income	–		➢ $70,000 or more	12
Gross Household Income	–		➢ $100,000 or more	12
Savings Excl. Home	–		➢ $50,000 – $249,999	15
			➢ $250,000 or more	12
Home Value	–		➢ $500,000 or more	13
Mortgage Debt	–		➢ $250,000 or more	7

Base: Total Respondents

Sample Size: 3548

4.3.3   Level 5-6 Quintile

The Level 5-6 quintile combined the Level 5 and Level 6 Financial Literacy deciles, and had the following characteristics:

- More likely to be employed on a part-time basis
- The average personal income for the Level 5-6 quintile was $36,550, while the average household income for the quintile was $55,300
- The average current value of homes for the Level 5-6 quintile was $285,670, while the average mortgage debt for those with mortgages was $131,680
- The average non-mortgage debt for the quintile was $14,100, while the average savings (including superannuation but excluding the value of homes) was $100,400

Table 5.   Demographic Profile for Financial Literacy Quintile 5-6

Financial Literacy Quintile Level 5-6: 20%				
Demographic	**Above Average Representation**	**%**	**Below Average Representation**	**%**
Employment Status	➢ Employed – part-time	26	–	
Occupation	–		➢ Professional	15
Non-Mortgage Debt	–		➢ $100,000 or more	13

Base: Total Respondents
Sample Size: 3548

4.3.4   Level 7-8 Quintile

The Level 7-8 quintile combined the Level 7 and Level 8 Financial Literacy deciles, and had the following characteristics:

- Those in the Level 7-8 quintile were over-represented among Executives/Owners (including Small Business and Farm Owners)

- The average level of personal income for the Level 7-8 quintile was $42,010, with the quintile significantly over-represented in the $35,000 to less than $50,000 personal income bracket

- In household income, the quintile was also significantly over-represented in the income brackets from $35,000 to $100,000 per annum. The average household income for the quintile was $63,870 per annum

- The average current value of homes for people in the Level 7-8 quintile was $319,390, while the average mortgage debt for mortgage holders was $162,340

- The average non-mortgage debt for the quintile was $15,200, while the average savings (including superannuation but excluding the value of homes) was $136,300

- This quintile was over-represented among people with a mortgage debt between $50,000 and $250,000

- The Level 7-8 quintile was over-represented among those with savings of between $50,000 and $250,000

Table 6.　　**Demographic Profile for Financial Literacy Quintile 7-8**

Financial Literacy Quintile Level 7-8: 20%				
Demographic	**Above Average Representation**	**%**	**Below Average Representation**	**%**
Age	–		➢ 70 and over	13
Household Structure	–		➢ Single parents	14
Employment Status	–		➢ Non-workers	9
Occupation	➢ Executive/Owner (including small business & farm)	25	➢ Unskilled/farm worker ➢ No occupation	12 11
Education	–		➢ Less than Year 10	11
Gross Personal Income	➢ $35,000 – $49,999	25	–	
Gross Household Income	➢ $35,000 – $59,999 ➢ $60,000 – $99,999	25 25		
Savings Excl. Home	➢ $50,000 – $249,999	29	➢ Under $5,000	15
Home Ownership	–		➢ Renting residence	15
Mortgage Debt	➢ $50,000 – $249,999	25	–	

Base: Total Respondents
Sample Size: 3548

4.3.5 Level 9-10 Quintile

The Level 9-10 quintile combined the Level 9 and Level 10 Financial Literacy deciles, and therefore contains the most financially literate group studied in the course of this research. The common characteristics of this quintile are as follows:

- This quintile was over-represented amongst people living in Capital Cities rather than Country Areas
- This quintile's members were significantly more likely to be male than female
- The Level 9-10 quintile was significantly over-represented in ages between 45 and 69
- Educationally, the Level 9-10 quintile was strongly over-represented among those with a completed tertiary qualification, in the form of either a university degree or some form of diploma
- The quintile was significantly over-represented among those in full-time employment, particularly for Executives/Owners (including Small Business & Farm owners), Professionals and Other White Collar[*] workers
- The average personal income for the Level 9-10 quintile was $56,100, while the quintile is over-represented among all personal income brackets above $50,000
- In household income, the Level 9-10 quintile was significantly over-represented among all households with income over $60,000, while the average household income was $78,180
- Members of the quintile were also significantly more likely to be living as part of a couple with no children at home
- The average current value of the homes of people in the Level 9-10 quintile was $375,740, while the quintile was significantly over-represented amongst those with homes valued at more than $300,000
- The average mortgage debt for mortgage holders in the Level 9-10 quintile was $222,610, while the quintile was also significantly over-represented among those with mortgage debts of more than $250,000
- The average non-mortgage debt for members of the quintile was $26,290, while the quintile was most significantly over-represented among those with non-mortgage debts of $100,000 or more
- The average savings for the Level 9-10 quintile, including superannuation but excluding the value of homes, was $243,530, while the quintile was also over-represented among those with savings in excess of $50,000

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[*] Other White Collar excl. Professionals, Owners, Sales, Semi-Professional

Table 7.   Demographic Profile for Financial Literacy Quintile 9-10

Financial Literacy Quintile Level 9-10: 20%				
Demographic	**Above Average Representation**	**%**	**Below Average Representation**	**%**
Geography	➢ Capital City	22	➢ Country Area	17
Gender	➢ Male	25	➢ Female	15
Age	➢ 45-59	27	➢ 18-24	10
	➢ 60-69	26	➢ 70 or more	14
Household Structure	➢ Couple – no children	27	➢ Single – live in shared household	12
			➢ Single parent	13
Employment Status	➢ Employed – full-time	26	➢ Employed – casual	13
			➢ Looking for work	12
			➢ Home duties	12
			➢ Non-workers	13
Occupation	➢ Professional	41	➢ Skilled	14
	➢ Executive/Owner (including small business & farm)	28	➢ Semi-skilled	8
			➢ Unskilled/farm worker	7
	➢ Other white collar*	25	➢ No occupation	6
Education	➢ Tertiary diploma/Some university	26	➢ Less than Year 10	8
	➢ Tertiary degree	32	➢ Passed Year 10	13
Gross Personal Income	➢ $50,000 – $69,999	29	➢ Under $20,000	11
	➢ $70,000 or more	46		
Gross Household Income	➢ $60,000 – $99,999	25	➢ Under $20,000	9
	➢ $100,000 or more	42	➢ $20,000 – $34,999	14
Savings Excl. Home	➢ $50,000 – $249,999	29	➢ Under $5,000	8
	➢ $250,000 or more	47		
Non-Mortgage Debt	➢ $100,000 or more	33	–	
Home Ownership	–		➢ Renting residence	12
			➢ No mortgage but considering	14
Home Value	➢ $300,000 – $499,999	30	➢ Under $175,000	13
	➢ $500,000 or more	36		
Mortgage Debt	➢ $250,000 or more	47	–	

*Other White Collar excludes Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents
Sample Size: 3548

4.4   Overview of Financial Literacy Quintiles

Major differences between the quintiles were found across most key demographics, but the greatest differences were found in the two extremes (level 1-2 quintile and Level 9-10 quintile). Based on the key demographic groups over-represented in the highest and lowest quintiles (ie. Level 1-2 quintile and Level 9-10 quintile), the following table summarises key differences.

Tables 8 and 9 show, for example that the average personal income for those in the Level 1-2 quintile was $25,140, and 24% of all females fall into this quintile (approximately 20% of all people fall into each quintile[*]).

Table 8.   Demographic Summary for all Financial Literacy Quintiles

Demographic category	Levels 1-2 (lowest literacy) %	Levels 3-4 %	Levels 5-6 %	Levels 7-8 %	Levels 9-10 (highest literacy) %
Female	24	22	21	18	15
Male	15	18	20	22	25
Less than Year 10	42	19	20	11	8
Tertiary Degree	8	16	20	24	32
Looking For Work	32	18	21	18	12
Student	29	14	20	20	17
Home Duties	25	24	20	19	12
Retired	27	20	18	16	19
Semi-Skilled	28	26	21	16	8
Unskilled	40	21	21	12	7
Professional	5	14	15	24	41
Owners (including Small Business and Farm Owners)	13	14	19	25	28
Other White Collar[**]	14	20	19	23	25
Other Language Spoken At Home	25	19	20	19	17
Single Living Alone	26	21	19	16	17
Single Living in Shared Household	27	22	21	18	12
Single Parent	26	24	23	14	13
Couple – Children at Home	16	20	21	22	21
Couple – No Children at Home	14	16	20	22	27
Aged 18–24	31	20	22	16	10
Aged 70 and over	31	23	19	13	14
Renting	29	22	22	15	12
Capital City	19	20	20	20	22
Country Area	21	20	21	21	17

Percentages may not sum to 100% due to rounding.

Base: Total Respondents   Sample Size: 3548

[*] Quintile proportions rounded to nearest percent.
[**] Other White collar excludes Professionals, Owners, Sales and Semi-Professional.

Table 9.   Demographic Summary for all Financial Literacy Quintiles (cont..)

Demographic category	Levels 1-2 (lowest literacy)	Levels 3-4	Levels 5-6	Levels 7-8	Levels 9-10 (highest literacy)
Ave. Gross Annual Personal Income	$25,140	$34,270	$36,550	$42,010	$56,100
Ave. Gross Annual Household Income	$38,600	$52,170	$55,300	$63,870	$78,180
Ave. Current Value of Home	$252,790	$277,820	$285,670	$319,390	$375,740
Ave. Savings (including super but excluding value of home)	$46,240	$88,280	$100,400	$136,300	$243,530
Ave. Mortgage Debt for Mortgage Holders	$113,600	$119,380	$131,680	$162,340	$222,610
Ave. Non-Mortgage Debt	$12,460	$16,980	$14,100	$15,200	$26,290

Percentages may not sum to 100% due to rounding.

Base: Total Respondents

Sample Size: 3548

Issues that clearly distinguish the Financial Literacy quintiles are as follows:

- Education – Those with lower levels of education were significantly more likely to belong to the lower Financial Literacy quintiles, while those with higher levels of education were more likely to belong to the higher Financial Literacy quintiles

- Income and Employment – Those with lower levels of Personal or Household income were significantly more likely to belong to the lower Financial Literacy quintiles. Those employed casually, students, retirees and those participating in home duties were also more likely to be in this quintile. Conversely, the higher Financial Literacy quintiles were over-represented amongst people with higher Personal and Household income levels, were more likely to be in full-time employment, and were more likely to be in white collar or professional occupations

- Financial circumstances – The lowest Financial Literacy quintiles were under-represented in the use of almost all financial products and services, and were likely to have lower than average levels of debt and savings. The higher Financial Literacy quintiles were significantly over-represented among those using almost all financial products and services. They were also significantly more likely to have high levels of either debt or savings

- Age – People aged under 25 or over 70 were more likely to belong to the lowest Financial Literacy quintile, whilst those aged between 45 and 70 were more likely to belong to the highest quintile

- Household situation – Single people were significantly more likely to be in the lowest Financial Literacy quintile (Level 1-2), while those living as part of a couple were more likely to belong to the top two quintiles for financial literacy

- Sex – Females were significantly more likely to be in the lower levels of financial literacy, while males were significantly more likely to be in the higher levels of financial literacy. On close examination of the data, it appears that the marginally lower financial literacy levels of females were associated with lower levels of income and education, which appears to be strongly associated with financial literacy. When males and females of similar education, income, etc., were compared, they performed at a similar level of financial literacy. It should be noted that further close examination of data may result in similar observations concerning the inter-relationship between other demographic variables

- Geographic Location – People living in a capital city were more likely to belong to the highest Financial Literacy quintile than those in a country area

5.   FINANCIAL UNDERSTANDING

This section examines money and exchange of money, including adults' knowledge of payment methods, together with more advanced measures of competence, covering understanding of ways to compare interest rates and the effects of fees and charges, terminology relevant to loans and understanding influences on credit records.

5.1   Understanding of What Money is and How Money is Exchanged

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Understanding of the range of ways to pay for goods and services, including:
	
	  – Cash
	  – Cheques
	  – Money orders
	  – Credit cards
	  – Store cards
	  – EFTPOS/Debit Cards
	  – Direct debit
	  – Loans
	  – Laybys
		• All consumers knew how to use cash, whilst around 90% of the population knew how to use ATMs, cheques, EFTPOS or credit cards
		
		• The relatively newer channels of Internet banking, BPay and telephone banking were amongst those that the fewest people knew how to use (between 50% and 70% of consumers knew how to use these)
		
		• Groups below average on knowing how to use payment methods generally included:
		  – Retirees
		  – Those with a low level of education
		  – Non-workers
		  – Those aged 60 or over – particularly newer payment methods
		  – Those aged under 25 for methods such as credit and store cards, money orders, direct debit and loans
		
		• There was a large gap between the level of knowledge shown by adults overall for newer payment methods, compared to the lowest quintile
		
		• The level of knowledge of newer payment methods was noticeably above usage of those methods

	Objectives	*Key Findings*
ADVANCED COMPETENCE	• Understanding of ways to compare interest rates and the effects of fees and other charges • Understanding the concept and implications of personal guarantor and co-borrower arrangements • Understanding how credit records are generated and the implications of bad records for future borrowing	• Although 59% of people with superannuation or investments were aware of Internet sites providing calculators for comparing interest rates and overall costs of financial products, only 19% had used such a calculator facility • 94% of adults understood the term "Guarantor" and 65% understood the term "Co-Borrower" • Only 56% of people were accurate regarding the most likely reason for a bad credit rating • The groups which were below average in these more advanced competencies were the same as those below average for the basic requirements

5.1.1   Basic Requirements

Without a comprehensive knowledge of payment methods, consumers may place themselves at a disadvantage in terms of cost, time and convenience when making payments for goods and services.

In order to achieve a measure of total knowledge concerning payment methods, consumers were asked which payment methods they used, and which they knew how to use among those they did not use.

Not surprisingly, the payment method with the highest level of knowledge of how to use it was cash, with which all consumers were familiar.

Ninety-one percent knew how to use both ATMs and cheques. Actual use was much higher for ATMs (73%) than for cheques (46%).

Amongst payment methods, Internet banking had the lowest level of knowledge of how to use it (52%). However, the level of actual use of Internet banking (28%) and laybys (27%) exceeded levels for money orders (20%) and store cards (15%).

Table 10, below, shows level of both use and/or knowledge of how to use payment methods.

Table 10.   "Use of" and "Knowledge of How to Use" Payment Methods

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?*			
Payment method	**% of all adults using**	**% of all adults using or knowing how to use**	**% of those who know about method that use it**
Cash	96	100	96
ATMs	73	91	80
Cheques	46	91	51
EFTPOS	71	89	80
Credit cards	64	89	72
Laybys	27	83	33
Money orders	20	82	24
Direct debit	50	78	64
Loans	35	71	49
Store cards	15	71	21
Telephone banking	36	68	53
Debit cards[*]	34	68	50
BPay	36	60	60
Internet banking	28	52	54

Base: Total Respondents

Sample Size: 3548

5.1.1.1 Cash

All consumers claimed to know how to use cash, while only 96% actually claim do so.

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[*] The proportion of people using debit cards is almost certainly understated due to respondents' perceptions. The majority of respondents using ATMs and EFTPOS would have been using a debit card, but appear not to recognise it as such.

5.1.1.2 ATMs

Whilst 91% of the adult population used or knew how to use ATMs, people aged 70 and over and those with a low level of education were amongst the groups less likely to know how to use ATMs. All groups who were significantly[*] above or below average use or knowledge of ATMs are shown in the following table.

Groups which differed most from the average are shaded. (For example, whilst 91% of all people used or knew how to use an ATM, only 66% of those aged 70 and over did so).

Table 11.   Demographic Profile for ATM Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use ATMs: 91%*				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	➢ 18–24 ➢ 25–34 ➢ 35–44	98 98 97	➢ 60–69 ➢ 70 and over	81 66
Household Structure	➢ Single – living in shared household ➢ Children in household	96 96	➢ Single – living alone	82
Employment Status	➢ Student ➢ Employed – part-time	98 96	➢ Retired ➢ Non-worker	75 85
Occupation	–		➢ No occupation	85
Education	➢ Tertiary degree	96	➢ Less than Year 10	76
Gross Personal Income	➢ $35,000–$49,999 ➢ $70,000 or more	96 96	–	
Gross Household Income	–		➢ Under $20,000	83
Non-mortgage Debt	➢ $10,000–$99,999	96	–	
Home Ownership	➢ Paying off residence ➢ No mortgage but considering	96 96	➢ Own residence outright	84
Mortgage Debt	➢ $50,000–$249,999	97	–	
Financial Literacy Quintiles	–		➢ Levels 1–2	81

Groups which differ most from the total population are shaded   Base: Total Respondents   Sample Size: 3548

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[*] Refer to Glossary for criteria used in determining significant differences

5.1.1.3 Cheques

Ninety-one percent of the adult population use or know how to use cheques. Younger persons, students, non-workers and those in unskilled occupations or farm workers were less likely to use or know how to use cheques.

Table 12.   Demographic Profile for Cheque Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use cheques: 91%*				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	–		➢ 18–24	81
Household Structure	–		➢ Single – living in shared household	84
Language Spoken at Home	–		➢ Non-English	86
Employment Status	–		➢ Student ➢ Non-worker ➢ Employed – casual ➢ Looking for work	78 79 86 84
Occupation	➢ Executive/Owner (including Small Business & farm) ➢ Professional ➢ Semi-professional	97 96 96	➢ Unskilled/farm worker ➢ No occupation ➢ Skilled	79 82 86
Education	–		➢ Less than Year 10	82
Home Ownership	–		➢ Renting residence	83
Home Value	➢ $500,000 or more	98	–	
Mortgage Debt	➢ $250,000 or more	97	–	
Gross Personal Income	➢ $50,000 – $69,999 ➢ $70,000 or more	97 96	➢ Under $20,000	86
Gross Household Income	➢ $100,000 or more	96	➢ Under $20,000	82
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	97 96	➢ Under $5,000	82

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
	A1. *There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?* **A2.** *IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use cheques: 91%*			
Financial Literacy Quintiles	➢ Levels 9–10	98	➢ Levels 1–2	78

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.4 EFTPOS

Eighty-nine percent of the adult population either used EFTPOS or knew how to use it. As with ATMs, it was mainly older persons and (particularly those aged 70 and over) those with a low level of education who were less likely to use or know how to use EFTPOS. Knowledge or use was also above or below average for the groups in the following table.

Table 13.   Demographic Profile for EFTPOS Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself? Response – Use or know how to use EFTPOS: 89%				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	➢ 18–24	98	➢ 60–69	77
	➢ 25–34	97	➢ 70 and over	54
	➢ 35–44	97		
Household Structure	➢ Children in household	97	➢ Single – living alone	77
	➢ Couple – children at home	95		
	➢ Single parent	95		
	➢ Single – living in shared household	94		
Employment Status	➢ Employed – part-time	96	➢ Retired	67
	➢ Employed – full-time	95	➢ Non-worker	81
	➢ Employed – casual	95		
	➢ Student	94		
Occupation	–		➢ No occupation	79
			➢ Self-employed	83
			➢ Unskilled/farm worker	83
			➢ Executive/Owner (including Small Business & farm)	83
Education	➢ Tertiary degree	94	➢ Less than Year 10	69
	➢ Tertiary diploma/Some university	94		
Home Ownership	➢ Paying off residence	97	➢ Own residence outright	81
	➢ No mortgage but considering	97		

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?

A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?

Response – Use or know how to use EFTPOS: 89%

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Mortgage Debt	➢ Under $50,000	94	–	
	➢ $50,000–$249,999	97		
	➢ $250,000 or more	95		
Gross Personal Income	➢ $35,000–$49,999	97	➢ Under $20,000	84
	➢ $50,000–$69,999	95		
	➢ $70,000 or more	95		
Gross Household Income	➢ $35,000–$59,999	95	➢ Under $20,000	77
	➢ $60,000–$99,999	95		
	➢ $100,000 or more	95		
Non-mortgage Debt	➢ $500–$9,999	95	➢ Under $500	83
	➢ $10,000–$99,999	98		
Financial Literacy Quintiles	➢ Levels 9–10	94	➢ Levels 1–2	79

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.5 Credit Cards

Eighty-nine percent of the adult population used credit cards or know how to use them. People aged 70 or over and those aged between 18 and 24 were less likely to use or know how to use credit cards. Those with a low level of education and those with a low household income who were also less likely to use or know how to use credit cards.

Table 14.   Demographic Profile for Credit Card Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?				
A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?				
Response – Use or know how to use credit cards: 89%				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	➢ 35–44	94	➢ 18–24	84
			➢ 60–69	84
			➢ 70 and over	73
Household Structure	–		➢ Single – living alone	80
Employment Status	➢ Employed – full-time	95	➢ Non-worker	71
	➢ Employed – part-time	95	➢ Retired	77
Occupation	➢ Professional	96	➢ No occupation	78
	➢ Semi-professional	94	➢ Unskilled/farm worker	78
Education	➢ Tertiary degree	96	➢ Less than Year 10	72
	➢ Tertiary diploma/Some university	94		
Home Ownership	➢ Paying off residence	94	–	
Home Value	➢ $300,000–$499,999	94	–	
	➢ $500,000 or more	96		
Mortgage Debt	➢ $50,000–$249,999	95	–	
	➢ $250,000 or more	99		
Gross Personal Income	➢ $50,000 – $69,999	97	➢ Under $20,000	82
	➢ $70,000 or more	97		
Gross Household Income	➢ $35,000 – $59,999	94	➢ Under $20,000	74
	➢ $60,000–$99,999	97		
	➢ $100,000 or more	97		

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?

A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?

Response – Use or know how to use credit cards: 89%

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	95 96	➢ Under $5,000	79
Non-mortgage Debt	➢ $500 – $9,999 ➢ $10,000 – $99,999 ➢ $100,000 or more	95 96 94	➢ Under $500	82
Financial Literacy Quintiles	➢ Levels 9–10 ➢ Levels 7–8	98 94	➢ Levels 1–2	75

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.6 Laybys

Eighty-three percent of the adult population used or knew how to use laybys.

Older persons (particularly those aged 70 and over) and those with a low level of education were less likely to use or know how to use laybys.

The high figure for salespersons (92%) was presumably due to daily exposure to laybys on the provider side of retail, with the high figures for those engaged in home duties (92%) and females (87%) perhaps due to greater exposure to laybys on the consumer side of retail through purchases of major household items.

Table 15.   Demographic Profile for Laybys Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?				
A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?				
Response – Use or know how to use laybys: 83%				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Sex	➢ Female	87	➢ Male	78
Age	➢ 35–44	91	➢ 60–69	73
			➢ 70 and over	60
Household Structure	➢ Children in household	90	➢ Single – living alone	73
	➢ Single parent	90	➢ Couple – no children at home	78
	➢ Couple – children at home	89		
Where Born	–		➢ Outside Australia	76
Language Spoken at Home	–		➢ Non-English	76
Employment Status	➢ Home duties	92	➢ Retired	66
	➢ Employed – part-time	90	➢ Student	74
	➢ Employed – full-time	88		
Occupation	➢ Sales	92	➢ Executive/Owner (including small business & farm)	76
	➢ Semi-professional	88		
			➢ Skilled	76
			➢ Self-employed	77

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?

A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?

Response – Use or know how to use laybys: 83%

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Education	–		➢ Less than Year 10	69
Home Ownership	➢ Paying off residence	91	➢ Own residence outright	76
	➢ No mortgage but considering	88		
Mortgage Debt	➢ Under $50,000	89	–	
	➢ $50,000–$249,999	91		
	➢ $250,000 or more	90		
Gross Personal Income	➢ $35,000–$49,999	90	–	
	➢ $50,000–$69,999	88		
Gross Household Income	➢ $35,000–$59,999	90	➢ Under $20,000	75
	➢ $60,000–$99,999	88		
	➢ $100,000 or more	88		
Non-mortgage Debt	➢ $500–$9,999	90	➢ Under $500	77
	➢ $10,000–$99,999	90		
Financial Literacy Quintiles	➢ Levels 9–10	88	➢ Levels 1–2	74

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.7 Money Orders

Eighty-two percent of the adult population used or knew how to use money orders.

Older persons (particularly those aged 70 and over) or those with no occupation were less likely to use or know how to use money orders.

Compared with the 82% using or knowing how to use money orders, knowledge was above or below average for the groups in the following table.

Table 16.   Demographic Profile for Money Orders Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?				
A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?				
Response – Use or know how to use money orders: 82%				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	➢ 35–44	88	➢ 18–24	75
			➢ 60–69	75
			➢ 70 and over	70
Employment Status	➢ Home duties	88	➢ Retired	72
Occupation	➢ Sales	91	➢ No occupation	72
			➢ Unskilled/farm worker	77
Education	–		➢ Less than Year 10	75
Mortgage Debt	➢ $250,000 or more	87	–	
Gross Personal Income	➢ $35,000–$49,999	87	–	
Non-mortgage Debt	➢ $10,000–$99,999	89	–	
Financial Literacy Quintiles	➢ Levels 9–10	89	➢ Levels 1–2	72

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.8 Direct Debit

Seventy-eight percent of the adult population used direct debit or knew how to use it.

Older persons (particularly those aged 70 and over) and those with a low level of education were less likely to use or know how to use direct debit.

Table 17.   Demographic Profile for Direct Debit Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use direct debit: 78%*				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	➢ 25–34	89	➢ 18–24	71
	➢ 35–44	89	➢ 60–69	66
	➢ 45–59	83	➢ 70 and over	50
Household Structure	➢ Children in household	86	➢ Single – living alone	65
	➢ Couple – children at home	85		
Employment Status	➢ Employed – full-time	89	➢ Retired	57
	➢ Employed – part-time	85	➢ Non-worker	63
			➢ Employed – casual	71
Occupation	➢ Professional	88	➢ Unskilled/farm worker	59
	➢ Semi-professional	83	➢ No occupation	60
	➢ Sales	83		
	➢ Other white-collar	83		
Education	➢ Tertiary degree	88	➢ Less than Year 10	55
Home Ownership	➢ Paying off residence	88	➢ Own residence outright	71
	➢ No mortgage but considering	86		
Home Value	➢ $300,000–$499,999	83	–	
	➢ $500,000 or more	84		
Mortgage Debt	➢ Under $50,000	84	–	
	➢ $50,000–$249,999	92		
	➢ $250,000 or more	91		

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?

A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?

Response – Use or know how to use direct debit: 78%

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Gross Personal Income	➢ $20,00–$34,999 ➢ $35,000–$49,999 ➢ $50,000–$69,999 ➢ $70,000 or more	84 88 90 91	➢ Under $20,000	66
Gross Household Income	➢ $35,000–$59,999 ➢ $60,000–$99,999 ➢ $100,000 or more	88 90 89	➢ Under $20,000	59
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	84 89	➢ Under $5,000	70
Non-mortgage Debt	➢ $500–$9,999 ➢ $10,000–$99,999 ➢ $100,000 or more	87 92 89	➢ Under $500	68
Financial Literacy Quintiles	➢ Levels 9–10 ➢ Levels 7–8	93 86	➢ Levels 1–2	56

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.9 Loans

Seventy-one percent of the adult population used or knew how to use loans.

Older persons (particularly those aged 70 and over), retirees, and those with low household income were less likely to use or know how to use loans.

Knowledge or use of loans was above or below average for the groups in the following table.

Table 18.   Demographic Profile for Loans Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use loans: 71%*				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	➢ 25–34 ➢ 35–44 ➢ 45–59	81 86 76	➢ 18–24 ➢ 60–69 ➢ 70 and over	62 55 40
Household Structure	➢ Children in household ➢ Couple – children at home	83 83	➢ Single – living alone ➢ Single – living in shared household ➢ No children in household	58 61 64
Employment Status	➢ Employed – full-time ➢ Employed – part-time	84 79	➢ Retired ➢ Non-worker ➢ Student ➢ Employed – casual	46 51 55 65
Occupation	➢ Semi-professional ➢ Professional	80 77	➢ No occupation ➢ Unskilled/farm worker ➢ Semi-skilled	49 59 66
Education	➢ Tertiary degree	82	➢ Less than Year 10	51
Home Ownership	➢ Paying off residence ➢ No mortgage but considering	86 81	➢ Own residence outright	61
Home Value	➢ $500,000 or more	78	–	

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?				
A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?				
Response – Use or know how to use loans: 71%				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Mortgage Debt	➢ Under $50,000	82	–	
	➢ $50,000–$249,999	89		
	➢ $250,000 or more	94		
Gross Personal Income	➢ $35,000–$49,999	84	➢ Under $20,000	60
	➢ $50,000–$69,999	85		
	➢ $70,000 or more	87		
Gross Household Income	➢ $35,000–$59,999	81	➢ Under $20,000	50
	➢ $60,000–$99,999	85	➢ $20,000–$34,999	66
	➢ $100,000 or more	86		
Savings (Excl. Home)	➢ $50,000–$249,999	77	➢ Under $5,000	63
	➢ $250,000 or more	78		
Non-mortgage Debt	➢ $500–$9,999	82	➢ Under $500	58
	➢ $10,000–$99,999	90		
	➢ $100,000 or more	84		
Financial Literacy Quintiles	➢ Levels 9–10	87	➢ Levels 1–2	51
	➢ Levels 7–8	77		

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.10   Store Cards

Seventy-one percent of the adult population used or knew how to use store cards.

Older persons (particularly those aged 70 and over), those without an occupation and those with a low level of education were less likely to use or know how to use store cards.

Table 19.   Demographic Profile for Store Cards Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use store cards: 71%*				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Geography	➢ Capital City	72	➢ Country Area	67
Sex	➢ Female	73	➢ Male	68
Age	➢ 35–44 ➢ 45–59	79 76	➢ 18–24 ➢ 60–69 ➢ 70 and over	63 65 49
Household Structure	➢ Couple – children at home ➢ Children in household	78 77	➢ Single – living alone ➢ Single – living in shared household	58 63
Where Born	–		➢ Outside Australia	66
Language Spoken at Home	–		➢ Non-English	63
Employment Status	➢ Employed – part-time ➢ Employed – full-time	80 77	➢ Non-worker ➢ Retired ➢ Student ➢ Looking for work	53 56 60 61
Occupation	➢ Semi-professional ➢ Other white-collar ➢ Professional	81 80 77	➢ No occupation ➢ Unskilled/farm worker ➢ Skilled ➢ Semi-skilled	51 53 62 63
Education	➢ Tertiary degree ➢ Tertiary diploma/Some university	81 79	➢ Less than Year 10	50

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?				
A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?				
Response – Use or know how to use store cards: 71%				
Home Ownership	➤ Paying off residence ➤ No mortgage but considering	80 76	➤ Own residence outright ➤ Renting residence	66 66
Home Value	➤ $300,000–$499,999 ➤ $500,000 or more	79 81	–	
Mortgage Debt	➤ $50,000–$249,999 ➤ $250,000 or more	82 87	–	
Gross Personal Income	➤ $35,000–$49,999 ➤ $50,000–$69,999 ➤ $70,000 or more	79 80 80	➤ Under $20,000	61
Gross Household Income	➤ $60,000–$99,999 ➤ $100,000 or more	83 84	➤ Under $20,000	52
Savings (Excl. Home)	➤ $50,000–$249,999 ➤ $250,000 or more	78 78	➤ Under $5,000	59
Non-mortgage Debt	➤ $500–$9,999 ➤ $10,000–$99,999 ➤ $100,000 or more	79 80 78	➤ Under $500	63
Financial Literacy Quintiles	➤ Levels 9–10 ➤ Levels 7–8	88 79	➤ Levels 1–2 ➤ Levels 3–4	49 65

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.11   Telephone Banking

Sixty-eight percent of the adult population used telephone banking or knew how to use it.

Those not engaged in employment, older persons and those with lower levels of education were less likely to use or know how to use telephone banking.

Other groups that were above or below average in their knowledge or use of telephone banking are shown in the following table.

Table 20.   Demographic Profile for Telephone Banking Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use telephone banking: 68%*				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Geography	➢ Capital City	71	➢ Country Area	62
Age	➢ 25–34 ➢ 35–44	81 78	➢ 60–69 ➢ 70 and over	49 37
Household Structure	➢ Children in household ➢ Couple – children at home ➢ Single – living in shared household	77 76 73	➢ Single – living alone ➢ No children in household	53 63
Language Spoken at Home	➢ Non-English	74	–	
Employment Status	➢ Employed – full-time ➢ Employed – part-time	79 77	➢ Non-worker ➢ Retired	40 43
Occupation	➢ Professional ➢ Semi-professional ➢ Other white collar*	80 73 73	➢ Unskilled/farm worker ➢ No occupation ➢ Semi-skilled	49 55 60
Education	➢ Tertiary degree ➢ Tertiary diploma/Some university	83 78	➢ Less than Year 10 ➢ Passed Year 10	38 57

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?

A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?

Response – Use or know how to use telephone banking: 68%

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Home Ownership	➢ No mortgage but considering ➢ Paying off residence	80 78	➢ Own residence outright	59
Home Value	➢ $300,000–$499,999 ➢ $500,000 or more	77 78	➢ Under $175,000	59
Mortgage Debt	➢ $50,000–$249,999 ➢ $250,000 or more	81 89	–	
Gross Personal Income	➢ $35,000–$49,999 ➢ $50,000–$69,999 ➢ $70,000 or more	79 81 85	➢ Under $20,000	57
Gross Household Income	➢ $60,000–$99,999 ➢ $100,000 or more	84 83	➢ Under $20,000	47
Savings (Excl. Home)	➢ $50,000–$249, 999 ➢ $250,000 or more	73 79	➢ Under $5,000	61
Non-mortgage Debt	➢ $500–$9,999 ➢ $10,000–$99,999 ➢ $100,000 or more	79 78 78	➢ Under $500	58
Financial Literacy Quintiles	➢ Levels 9–10 ➢ Levels 7–8	87 77	➢ Levels 1–2 ➢ Levels 3–4	45 62

Groups which differ most from the total population are shaded.

* Other White Collar excludes Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents

Sample Size: 3548

5.1.1.12   Debit Cards

Sixty-eight percent of the adult population used debit cards or knew how to use them.

However, the proportion of people using debit cards is almost certainly understated due to consumers' perceptions. The majority of people using ATMs and EFTPOS would probably have been using a debit card, but do not appear to perceive it as such.

Older persons (particularly those aged 70 and over) and those with a low level of education were less likely to use or know how to use debit cards.

Table 21.   Demographic Profile for Debit Cards[*] Knowledge

A1. *There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?*				
A2. *IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?*				
Response – Use or know how to use debit cards: 68%				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Age	➢ 25–34	76	➢ 60–69	62
	➢ 35–44	75	➢ 70 and over	42
Household Structure	–		➢ Single – living alone	59
Employment Status	➢ Employed – full-time	76	➢ Retired	51
	➢ Employed – part-time	75	➢ Non-worker	52
			➢ Looking for work	60
Occupation	➢ Professional	79	➢ No occupation	53
	➢ Semi-professional	76	➢ Unskilled/farm worker	56
	➢ Other white collar	73	➢ Semi-skilled	62
			➢ Skilled	62
Education	➢ Tertiary degree	79	➢ Less than Year 10	48
	➢ Tertiary diploma/Some university	77	➢ Passed Year 10	60
Home Ownership	➢ Paying off residence	76	➢ Own residence outright	63
	➢ No mortgage but considering	76		
Home Value	➢ $300,000–$499,999	75	–	
	➢ $500,000 or more	76		
Mortgage Debt	➢ $50,000–$249,999	77	–	
	➢ $250,000 or more	84		

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?
A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?
Response – Use or know how to use debit cards: 68%

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Gross Personal Income	➢ $35,000–$49,999 ➢ $50,000–$69,999 ➢ $70,000 or more	76 79 82	➢ Under $20,000	59
Gross Household Income	➢ $35,000–$59,999 ➢ $60,000–$99,999 ➢ $100,000 or more	74 79 80	➢ Under $20,000	53
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	74 76	➢ Under $5,000	56
Non-mortgage Debt	➢ $500–$9,999 ➢ $10,000–$99,999 ➢ $100,000 or more	74 78 76	➢ Under $500	60
Financial Literacy Quintiles	➢ Levels 9–10 ➢ Levels 7–8	86 76	➢ Levels 1–2 ➢ Levels 3–4	48 62

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.13   BPay

Sixty percent of the adult population used or knew how to use BPay.

Older persons and those with a low level of education were less likely to use or know how to use BPay, the former perhaps due to the relatively new nature of the payment method.

Table 22.   Demographic Profile for BPay Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?* *Response – Use or know how to use BPay: 60%*				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Geography	➢ Capital City	64	➢ Country Area	55
Age	➢ 25–34 ➢ 35–44	73 69	➢ 60–69 ➢ 70 and over	47 28
Household Structure	➢ Children in household ➢ Couple – children at home	68 68	➢ Single – living alone	50
Language Spoken at Home	➢ Non-English	65	–	
Employment Status	➢ Employed – full-time ➢ Employed – part-time	73 67	➢ Retired ➢ Non-worker ➢ Looking for work	36 42 52
Occupation	➢ Professional ➢ Semi-professional ➢ Other white collar	76 69 69	➢ No occupation ➢ Unskilled/farm worker ➢ Semi-skilled ➢ Skilled	40 42 49 54
Education	➢ Tertiary degree ➢ Tertiary diploma/Some university	77 70	➢ Less than Year 10 ➢ Passed Year 10	29 50
Home Ownership	➢ Paying off residence ➢ No mortgage but considering	72 71	➢ Own residence outright	51
Home Value	➢ $300,000–$499,999 ➢ $500,000 or more	71 69	➢ Under $175,000	52

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?

A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?

Response – Use or know how to use BPay: 60%

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Mortgage Debt	➢ $50,000–$249,999	74	–	
	➢ $250,000 or more	85		
Gross Personal Income	➢ $35,000–$49,999	70	➢ Under $20,000	47
	➢ $50,000–$69,999	73		
	➢ $70,000 or more	84		
Gross Household Income	➢ $35,000–$59,999	66	➢ Under $20,000	39
	➢ $60,000–$99,999	73		
	➢ $100,000 or more	80		
Savings (Excl. Home)	➢ $50,000–$249,999	67	➢ Under $5,000	50
	➢ $250,000 or more	76		
Non-mortgage Debt	➢ $500–$9,999	72	➢ Under $500	50
	➢ $10,000–$99,999	71		
	➢ $100,000 or more	75		
Financial Literacy Quintiles	➢ Levels 9–10	84	➢ Levels 1–2	37
	➢ Levels 7–8	68	➢ Levels 3–4	54

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.1.14   Internet Banking

Fifty-two percent of the adult population used or knew how to use Internet banking.

People with a low level of education, those not engaged in employment, and older persons were amongst those less likely to use or know how to use Internet banking.

Table 23.   Demographic Profile for Internet Banking Knowledge

A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use? A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself? Response – Use or know how to use Internet banking: 52%				
Demographic	**Above Average Knowledge**	**%**	**Below Average Knowledge**	**%**
Geography	➢ Capital City	57	➢ Country Area	44
Sex	➢ Male	57	➢ Female	48
Age	➢ 18–24	64	➢ 60–69	29
	➢ 25–34	68	➢ 70 and over	16
	➢ 35–44	63		
Household Structure	➢ Single – living in shared household	64	➢ Single – living alone	35
	➢ Couple – children at home	61	➢ Single parent	46
	➢ Children in household	61		
Language Spoken at Home	➢ Non-English	64	–	
Employment Status	➢ Student	73	➢ Non-worker	20
	➢ Employed – full-time	67	➢ Retired	20
	➢ Employed – part-time	60	➢ Home duties	46
Occupation	➢ Professional	71	➢ Unskilled/farm worker	33
	➢ Other white collar	59	➢ Semi-skilled	40
	➢ Semi-professional	58	➢ No occupation	41
			➢ Skilled	45
Education	➢ Tertiary degree	74	➢ Less than Year 10	18
	➢ Tertiary diploma/Some university	66	➢ Passed Year 10	33

> *A1. There are various ways of paying for goods and services. Which of the following payment methods do you, yourself, use?*
>
> *A2. IF DOESN'T USE, ASK: What other payment methods do you know how to use, even if you don't use them yourself?*
>
> *Response – Use or know how to use Internet banking: 52%*

Demographic	Above Average Knowledge	%	Below Average Knowledge	%
Home Ownership	➢ Paying off residence ➢ No mortgage but considering	64 63	➢ Own residence outright	42
Home Value	➢ $300,000–$499,999 ➢ $500,000 or more	59 66	➢ Under $175,000	39
Mortgage Debt	➢ $50,000–$249,999 ➢ $250,000 or more	67 83	–	
Gross Personal Income	➢ $35,000–$49,999 ➢ $50,000–$69,999 ➢ $70,000 or more	61 68 79	➢ Under $20,000	39
Gross Household Income	➢ $60,000–$99,999 ➢ $100,000 or more	68 75	➢ Under $20,000 ➢ $20,000–$34,999	31 43
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	59 64	➢ Under $5,000	43
Non-mortgage Debt	➢ $500–$9,999 ➢ $10,000–$99,999 ➢ $100,000 or more	62 61 63	➢ Under $500	43
Financial Literacy Quintiles	➢ Levels 9–10 ➢ Levels 7–8	76 64	➢ Levels 1–2 ➢ Levels 3–4	29 43

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

5.1.2   Advanced Competence

5.1.2.1 Understanding Ways to Compare Interest Rates, Fees and Charges

To make optimal use of the expanding array of electronic payment methods and financial products/services, the ability to compare interest rates and overall costs between alternative products is required.

The 86% of consumers with superannuation or investments were asked whether they were aware of Internet sites with calculators for comparing interest rates and overall costs of financial products, and, if so, whether they had visited such sites. If they had visited such sites, they were then asked whether they had used the calculators.

Fifty-nine percent were aware of Internet sites providing calculators, including:

- 34% who had not visited such sites
- 5% who had visited such sites but not used their calculators
- 19% who had visited such sites and used their calculators

Figure 6.   <u>Awareness of Internet Calculator Sites</u>

> *B4. Are you aware that there are Internet sites which provide calculators for comparing interest rates and overall costs of financial products?*
> *B5. IF YES, ASK: And have you visited an Internet site with calculators?*
> *IF YES, ASK: And did you use the calculators to compare interest rates and overall costs of financial products?*
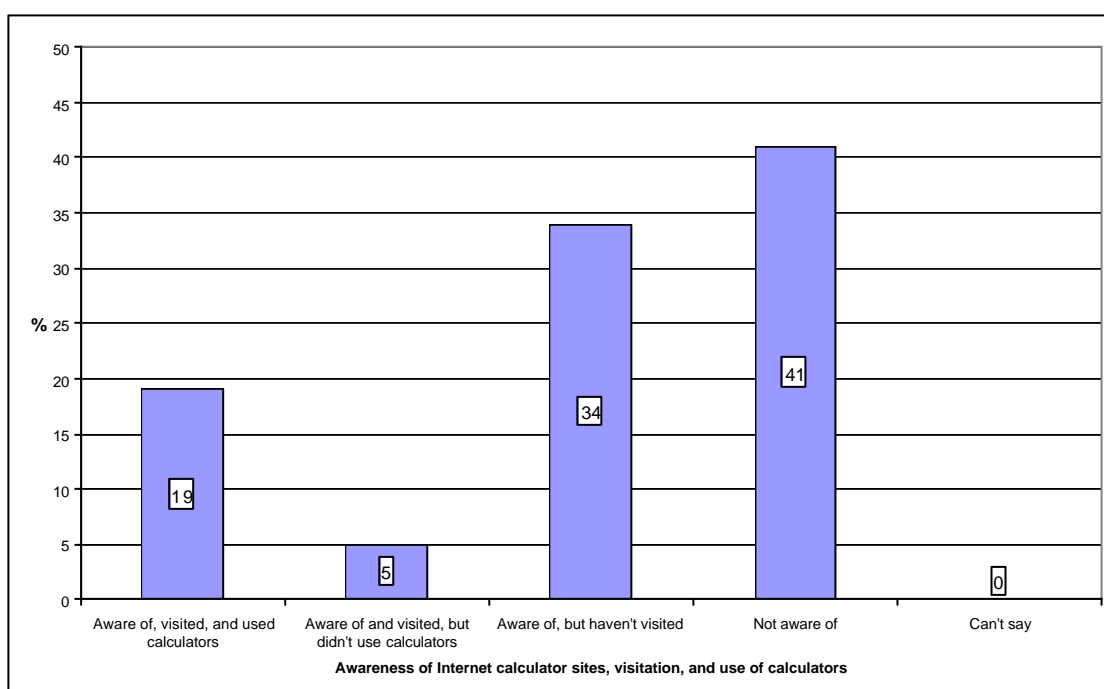
Base: Respondents with superannuation or investments. Percentages may not sum to 100% due to rounding.
Sample Size: 3043

People with a low level of education, those aged 70 and over and those in unskilled or farm worker occupations were least aware of Internet sites providing calculators.

In comparison with the 41% unaware of Internet sites providing calculators, groups significantly more or less likely to be unaware are shown in the table below.

Table 24.   Demographic Profile for Internet Calculator Site Knowledge

B4. Are you aware that there are Internet sites which provide calculators for comparing interest rates and overall costs of financial products? *Response – Unaware: 41%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Country Area	47	➢ Capital City	38
Sex	➢ Female	45	➢ Male	37
Age	➢ 18–24	52	➢ 25–34	34
	➢ 70 and over	56	➢ 35–44	35
Household Structure	➢ Single – living in shared household	47	–	
Employment Status	➢ Retired	50	➢ Employed – full-time	35
Occupation	➢ Unskilled/farm worker	55	➢ Professional	30
	➢ Semi-skilled	52	➢ Executive/Owner (including small business & farm)	35
	➢ No occupation	51		
	➢ Skilled	48	➢ Semi-professional	36
			➢ Other white-collar	36
Education	➢ Less than Year 10	58	➢ Tertiary degree	31
	➢ Passed Year 10	47		
Home Ownership	➢ Renting residence	46	➢ Paying off residence	35
Home Value	–		➢ $300,000–$499,999	34
			➢ $500,000 or more	33
Mortgage Debt	–		➢ Under $50,000	35
			➢ $50,000–$249,999	34
			➢ $250,000 or more	23
Gross Personal Income	➢ Under $20,000	50	➢ $35,000–$49,999	36
			➢ $50,000–$69,999	35
			➢ $70,000 or more	23
Gross Household Income	➢ Under $20,000	55	➢ $60,000–$99,999	35
	➢ $20,000–$34,999	47	➢ $100,000 or more	27

Demographic	Above Average Giving Response	%	Below Average Giving Response	%
Savings (Excl. Home)	➢ Under $5,000	54	➢ $50,000–$249,999	35
			➢ $250,000 or more	28
Financial Literacy Quintiles	➢ Levels 1–2	62	➢ Levels 7–8	34
	➢ Levels 3–4	51	➢ Levels 9–10	22

B4.   Are you aware that there are Internet sites which provide calculators for comparing interest rates and overall costs of financial products?
Response – Unaware: 41%

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation or Investments

Sample Size: 3043

5.1.2.2 Understanding of 'Personal Guarantor' and 'Co-Borrower' Arrangements

As part of the measurement of understanding of a series of financial terms reported elsewhere in this report, consumers were asked how well they understood the terms:

Guarantor

Co-Borrower

Respondents were more likely to understand the term "guarantor" compared to the term "co-borrower". Overall, 94% of respondents understood the term "guarantor" either "very well" (64%) or "fairly well" (30%). In comparison, 65% of respondents understood the term "co-borrower" "very well" (35%) or "fairly well" (30%).

Figure 7.   Understanding of 'Guarantor' and 'Co-Borrower' terms

I'm going to read a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.
L2. Guarantor.
L3. Co-Borrower.
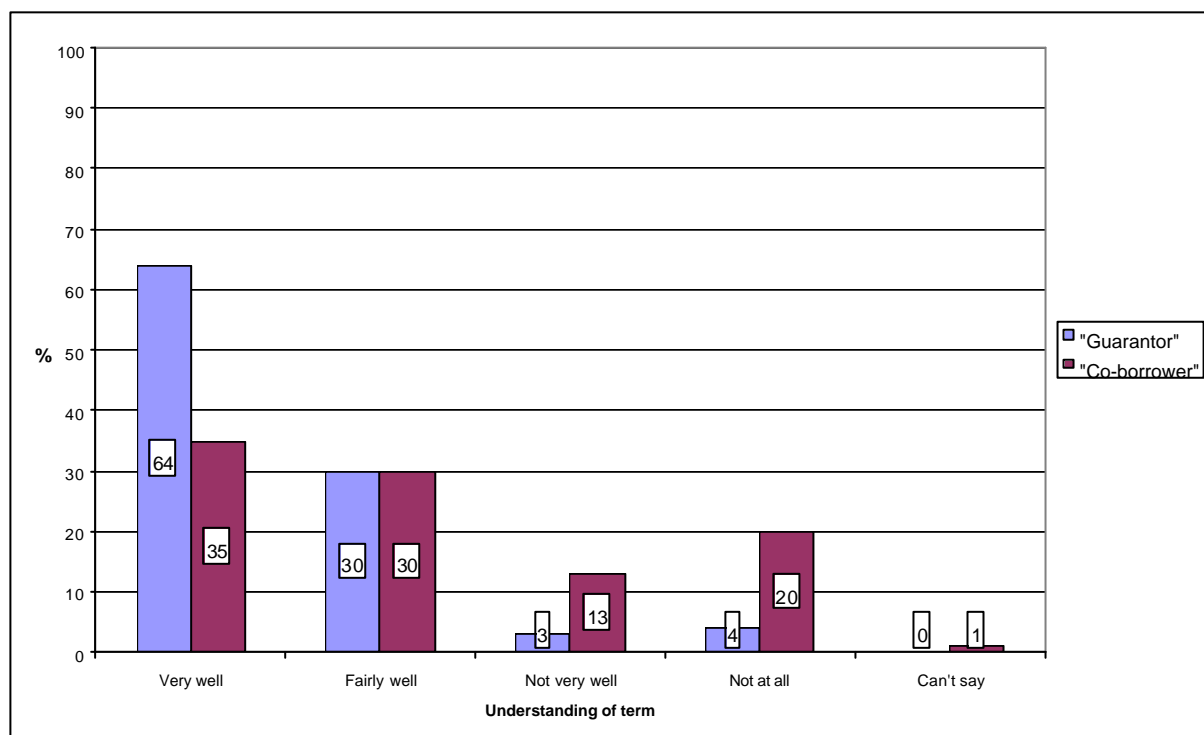
Base: Total Respondents (50% of eligible sample used).   Sample Size: 1788

As shown above, the term "guarantor" was clearly regarded as being understood better than the term "co-borrower". Refer to Sections 7.1.2.1.6 and 7.1.2.1.7 for further analysis of these questions.

5.1.2.3 Understanding of How Credit Records are Generated

With the expansion of payment methods based on provision of credit it is important that consumers understand how credit-based payment methods operate – and in particular, how they can generate a bad credit rating.

When people were asked which of a number of scenarios was most likely to result in a bad credit rating, the option most frequently selected was "being more than 60 days late with the minimum payment on a credit card", as shown below in Table 25. Of the four scenarios presented, this was deemed the most "correct" response.

Table 25.   Scenario Most Likely to Result in a Bad Credit Rating

I9. Thinking about debts and borrowing money, which one of the following is most likely to give someone a bad credit rating?	
Scenario	**%**
Being more than 60 days late with the minimum payment on a credit card	56
Taking out a second mortgage to buy your own home	12
Borrowing from an organisation other than a bank	11
Asking the bank for an increased overdraft	8
Can't say	13

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

As shown in Table 26, people with lower socio-economic circumstances, a low education level and older people were amongst those less likely to give the "correct" response.

In comparison with the 56% giving the "correct" response, the proportion was above or below average for the groups shown in the table below.

Table 26.   Demographic Profile for Credit Rating Knowledge

I9. Thinking about debts and borrowing money, which one of the following is most likely to give someone a bad credit rating? *Response – Being more than 60 days late with the minimum payment on a credit card: 56%*				
Demographic	**Above Average Correct Response**	**%**	**Below Average Correct Response**	**%**
Age	➢ 35–44 ➢ 45–59	62 62	➢ 18–24 ➢ 70 and over	47 33
Household Structure	➢ Couple – children at home ➢ Children in household	62 61	➢ Single – living alone ➢ Single – living in shared household	49 50
Language at Home	–		➢ Non-English	49
Employment Status	➢ Employed – full-time	64	➢ Retired	46
Occupation	➢ Professional ➢ Other white collar	67 63	➢ Unskilled/farm worker	38
Education	➢ Tertiary degree	65	➢ Less than Year 10	44
Home Ownership	➢ Paying off residence	63	–	
Home Value	➢ $500,000 or more	66	–	
Mortgage Debt	➢ $50,000–$249,999 ➢ $250,000 or more	62 79	–	
Gross Personal Income	➢ $35,000–$49,999 ➢ $50,000–$69,999 ➢ $70,000 or more	68 65 72	➢ Under $20,000	47
Gross Household Income	➢ $35,000–$59,999 ➢ $60,000–$99,999 ➢ $100,000 or more	64 65 66	➢ Under $20,000 ➢ $20,000–$34,999	44 49
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	61 63	–	
Non-mortgage Debt	➢ $500–$9,999 ➢ $10,000–$99,999 ➢ $100,000 or more	62 67 70	➢ Under $500	48
Financial Literacy Quintiles	➢ Levels 7–8 ➢ Levels 9–10	67 80	➢ Levels 1–2 ➢ Levels 3–4 ➢ Levels 5–6	27 46 51

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used).   Sample Size: 1767

5.2   Understanding of Where Money Comes From and Goes

	Objectives	*Key Findings*
BASIC REQUIREMENTS	• Ability to read a pay-slip	• The ability to read and understand pay slips is good as only 2% of those receiving a pay advice indicated that they read it but didn't understand it "very well"

5.2.1   Basic Requirements

This section concerns ability to read a pay advice.

People who were in employment (other than self-employment) were asked whether they received a pay advice, and, if so, whether they read their pay advice at all. Those who read their pay advice were then asked how well they understood their pay advice, using the following rating scale:

- Read and understand very well
- Read and understand fairly well
- Read but don't understand very well
- Read but don't understand at all
- Don't read

The level of reading and understanding of pay advice is shown in the figure below.

Fifty-four percent of those in employment (other than self-employment) indicated that they receive a pay advice which they "read and understand very well", followed by 20% who indicated that they "read and understand fairly well".

Only 2% of those in employment reported receiving a pay advice which they "read but don't understand very well", while a further 7% of people indicated that they receive but "don't read" their pay advice.

Figure 8. <u>Reading and Understanding of Pay Advice</u>

C2. Do you receive a pay advice?
C2A. IF RECEIVES, ASK: Do you read your pay advice at all?
IF READS, ASK: And how well do you understand your pay advice?
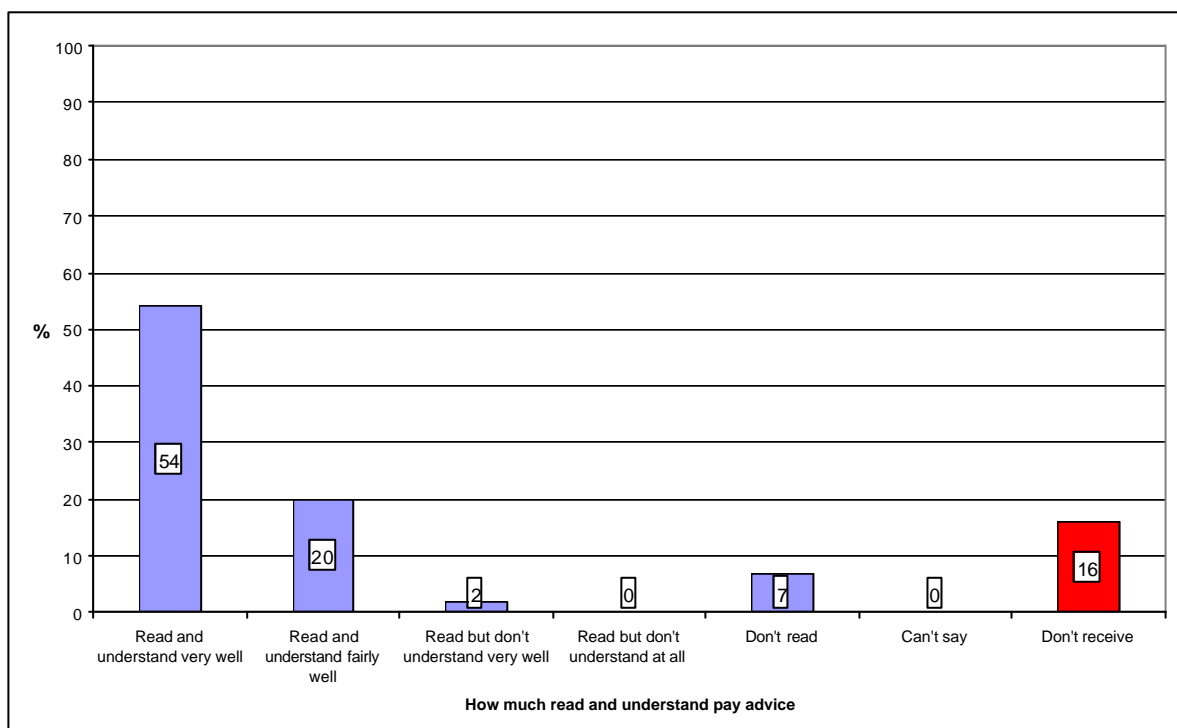
Base: Respondents in employment (other than self-employment) (50% of eligible sample used)

Sample Size: 900

Percentages may not sum to 100% due to rounding.

The following table provides a summary of the demographic groups significantly different from average in terms of their likelihood to "not read", or to "read but not understand very well" (or "at all") their pay advice. As the table shows, there were very few significant differences in this case.

Table 27:   Demographic Profile for Not Reading or Not Understanding Pay Advice

C2. Do you receive a pay advice? *C2A. IF RECEIVES, ASK: Do you read your pay advice at all?* *IF READS, ASK: And how well do you understand your pay advice?* *Response – Don't Understand Very Well, At All, Not Read: 9%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Occupation	-		➢ Semi-Professional	4
Financial Literacy Quintiles	➢ Levels 1-2	15	-	

Base: Respondents who are Employed other than Self Employed (50% of eligible sample used)

Sample Size: 900

6.   FINANCIAL COMPETENCE

This section covers a number of aspects of financial competence including behaviour and knowledge regarding basic financial services, financial records and information, spending money and budgeting, and risk and return.

6.1   Understanding the Main Features of Basic Financial Services

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Awareness[1] of the availability and basic features[2] of:
	  – Basic banking
	  – Electronic banking (e.g. ATMs; EFTPOS; telephone banking; Internet banking)
	  – Superannuation
	  – Other investments (e.g. shares; term deposits; managed investments; life insurance with an investment element)
	  – Risk insurance products (e.g. house and contents insurance, including coverage and exclusions; health insurance)
	
	• Awareness of the sorts of fees that apply to these services
	
	• Awareness of the relationship between fees and return
	
	• Awareness that one should shop around before purchasing financial products
	
	[1]Note that ownership of products and services was agreed to be a more relevant measure for the study
	
	[2]Basic features to be covered in Stage 3
		Product ownership:
		
		• The most commonly held products or services were everyday accounts (held by 97% of adults), vehicle insurance (80%) house or contents insurance (75%), and superannuation (71%)
		
		• Amongst the least commonly held products or services were margin loans (2%), home equity loans (8%) and mortgages on investment properties (10%)
		
		• 51% of people reported having a financial specialist (ie an accountant, financial planner/adviser or tax specialist)
		
		• Different needs across age groups were evident, with the incidence of loans being higher in younger age groups, and the incidence of investments increasing in older age groups
		
		• Groups below average on product ownership tended to be:
		  – Students
		  – Renters
		  – Those with lower incomes
		  – Those with lower levels of savings
		  – Non-workers
		  – Retirees
		
		Knowledge of fees and charges:
		
		• Superannuation was the product with the lowest level of knowledge of fees and charges, with 55% of people with superannuation knowing little or nothing about fees and charges in that product area.
		
		• Around 40% of people with shares or managed investments did not know about fees and charges for those products

	Objectives	Key Findings
		• A notable proportion of people did not know about fees and charges for newer channels, including BPay (47% knowing fees and charges "not very well" or "not at all"), telephone banking (43%) and Internet banking (33%)
		• Knowledge of fees and charges was relatively high for credit cards, where 88% of people holding such cards knew the fees and charges, mortgages (85%) and own bank's ATM (84%)
		• Those below average on knowledge of fees and charges were generally:
		– Non-workers
		– Those with lower levels of education
		– Single people
		– Unskilled workers
		– Those under 35 years of age
		• In the case of superannuation, those with below average knowledge also tended to be younger, casual or part-time workers
		• Overall, 59% of people with superannuation or investments correctly identified the impact of fees on return. People with lower levels of education and those aged 70 and over were less likely to answer correctly
		The level of shopping around:
		• Overall, the level of shopping around tended to be low, with those shopping around "a lot" or "a fair bit" ranging from 23% for superannuation, to 56% for mortgages and investments other than superannuation. The low superannuation result partly reflected people who reported having no choice in their superannuation
		• Along with superannuation, the lowest incidence of shopping around was for arranging a new financial specialist (24%) and arranging an everyday account (33%)
		• Along with mortgages and investments other than superannuation, the highest incidence of shopping around was for insurance (51%)
		• Those people below average on

	Objectives	*Key Findings*
		shopping around were generally:
		− Those in rural areas
		− Those with lower home value
		− Those with lower education level
		− Renters
		− Unskilled workers
		• In some cases, the reason for not shopping around was that the person was satisfied to stay with their current provider, but in other cases people would "just go with what is recommended"

6.1.1   Basic Requirements

6.1.1.1 Awareness[1] of Financial Products/Services

The financial product/service with the highest level of use was an ordinary or everyday account with a bank, building society or credit union, which almost all consumers (97%) owned.

The majority of consumers (91%) owned at least one of the following insurance products:

- Vehicle insurance (80%)
- House or contents insurance (75%)
- Private health insurance (57%)
- Life insurance (33%)

Superannuation was commonly held by people, with 71% having this product.

Sixty-one percent of consumers had at least one of the following investment products:

- Shares (44%)
- Managed investments (other than superannuation) (29%)
- Term deposits (24%)
- Investment property (18%)

Thirty-seven percent of people had at least one mortgage, with 32% having a mortgage for their own home and 10% having a mortgage on an investment property.

About a third of the population (34%) had a loan of some description, including the following:

- Personal loan (18%)
- Loan by line of credit or overdraft (14%)
- Home equity loan (8%)
- "Margin" loan (loan solely to purchase shares or managed investments) (2%)

Just over one in ten consumers (11%) had a lease or hire purchase agreement.

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[1] Note that ownership of products and services was agreed to be a more relevant measure for the study

Table 28, below, shows the level of use of financial products/services, ranked in descending order.

Table 28.   Use of Financial Products and Services

B1. *Which of the following do you have yourself or jointly with someone else?*	
Financial product/service	**% all adults using**
Ordinary/everyday account with a bank, building society or credit union	97
Vehicle insurance	80
House or contents insurance	75
Superannuation	71
Private health insurance	57
Financial specialist (accountant, financial planner/adviser or tax specialist)	51
Shares	44
Life insurance	33
Mortgage for own home	32
Managed investments (other than superannuation)	29
Term deposits	24
Personal loan	18
Investment property	18
Loan by line of credit or overdraft	14
Lease or hire purchase agreement	11
Mortgage on investment property	10
Home equity loan	8
"Margin" loan (loan solely to purchase shares or managed investments)	2
Total with at least one insurance product (vehicle, house, contents, life or private health insurance)	91
Total with at least one loan (personal, home equity, loan by line of credit or overdraft, margin loan)	34

Base: Total Respondents

Sample Size: 3548

6.1.1.1.1   Ordinary/Everyday Account

Similar to knowledge of how to use cash among payment methods, use of ordinary/everyday accounts was almost universal (97%).

6.1.1.1.2   Vehicle Insurance

Eighty percent of the adult population had vehicle insurance.

Those least likely to have vehicle insurance were students, younger persons, those not engaged in the workforce, and those renting their residence.

Possession of vehicle insurance was above or below average for the groups in the table below.

Table 29.   Demographic Profile for Vehicle Insurance Ownership

B1. *Which of the following do you have yourself or jointly with someone else?* Response – Have Vehicle Insurance: 80%				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Age	➤ 45–59	89	➤ 18–24	58
	➤ 60–69	88	➤ 70 and over	72
Household Structure	➤ Couple – no children at home	90	➤ Single – living in shared household	61
	➤ Couple – children at home	87	➤ Single – living alone	68
			➤ Single parent	68
Employment Status	➤ Employed – full-time	87	➤ Student	47
	➤ Employed – part-time	85	➤ Non-worker	60
			➤ Employed – casual	73
			➤ Looking for work	61
Occupation	➤ Executive/Owner (including small business & farm)	89	➤ No occupation	59
			➤ Unskilled/farm worker	67
	➤ Professional	88	➤ Semi-skilled	74
	➤ Semi-professional	88		
	➤ Self-employed	85		
Education	➤ Tertiary degree	86	➤ Less than Year 10	72
Home Ownership	➤ Paying off residence	87	➤ Renting residence	59
	➤ Own residence outright	86		
Home Value	➤ Under $175,000	85	–	
	➤ $175,000–$299,999	90		
	➤ $300,000–$499,999	90		
	➤ $500,000 or more	89		

B1. Which of the following do you have yourself or jointly with someone else? Response – Have Vehicle Insurance: 80%				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Mortgage Debt	➢ Under $50,000	87	–	
	➢ $50,000–$249,999	93		
	➢ $250,000 or more	93		
Gross Personal Income	➢ $35,000–$49,999	89	➢ Under $20,000	68
	➢ $50,000–$69,999	92		
	➢ $70,000 or more	90		
Gross Household Income	➢ $35,000–$59,999	89	➢ Under $20,000	55
	➢ $60,000–$99,999	89		
	➢ $100,000 or more	94		
Savings (Excl. Home)	➢ $50,000–$249,999	92	➢ Under $5,000	60
	➢ $250,000 or more	93		
Non-mortgage Debt	➢ $10,000–$99,999	92	➢ Under $500	74
	➢ $100,000 or more	90		
Financial Literacy Quintiles	➢ Levels 7–8	85	➢ Levels 1–2	63
	➢ Levels 9–10	90		

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

As the survey did not include questions about car ownership, these results should not be interpreted as showing the proportion of car owners with vehicle insurance.

Also, it should be noted that the proportion of the 80% with vehicle insurance who held optional cover over and above compulsory insurance (eg. comprehensive vehicle insurance) was not determined.

6.1.1.1.3 House or Contents Insurance

Seventy-five percent of the adult population had house or contents insurance.

Those least likely to have house or contents insurance included students, younger persons and renters.

In comparison with the 75% having house or contents insurance, ownership was above or below average for the groups in the following table.

Table 30.   Demographic Profile for House or Contents Insurance Ownership

B1. Which of the following do you have yourself or jointly with someone else? *Response - Have House or Contents Insurance: 75%*				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Age	➢ 35–44 ➢ 45–59 ➢ 60–69 ➢ 70 and over	84 88 89 84	➢ 18–24 ➢ 25–34	26 70
Household Structure	➢ Couple – no children at home ➢ Couple – children at home ➢ Children in household	90 82 80	➢ Single – living in shared household ➢ Single parent	38 59
Language Spoken at Home	–		➢ Non-English	61
Employment Status	➢ Retired ➢ Employed – full-time	86 82	➢ Student ➢ Non-worker ➢ Employed – casual ➢ Looking for work	27 50 52 52
Occupation	➢ Executive/Owner (including small business & farm) ➢ Semi-professional ➢ Professional ➢ Self-employed	88 85 84 83	➢ No occupation ➢ Unskilled/farm worker ➢ Semi-skilled	54 56 65
Education	➢ Tertiary degree	82	➢ Tertiary diploma/Some university	62

B1. Which of the following do you have yourself or jointly with someone else? *Response - Have House or Contents Insurance: 75%*				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Home Ownership	➢ Paying off residence ➢ Own residence outright	88 84	➢ Renting residence ➢ No mortgage but considering	42 52
Mortgage Debt	➢ Under $50,000 ➢ $50,000–$249,999 ➢ $250,000 or more	91 96 96	–	
Gross Personal Income	➢ $50,000–$69,999 ➢ $70,000 or more	92 92	➢ Under $20,000	63
Gross Household Income	➢ $35,000–$59,999 ➢ $60,000–$99,999 ➢ $100,000 or more	81 89 89	➢ Under $20,000 ➢ $20,000–$34,999	53 68
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	92 93	➢ Under $5,000 ➢ $5,000–$49,999	47 70
Non-mortgage Debt	➢ $10,000–$99,999 ➢ $100,000 or more	81 92	–	
Financial Literacy Quintiles	➢ Levels 7–8 ➢ Levels 9–10	83 88	➢ Levels 1–2	56

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

Some 14% of those who indicated that they lived in a house they owned or were buying did *not* indicate that they had house or contents insurance. Furthermore, some 58% of those who were renting did *not* indicate that they had contents insurance.

6.1.1.1.4 Superannuation

Seventy-one percent of the adult population had superannuation.

Consistent with the fact that superannuation only became compulsory in 1983, investigation of demographic variables suggested that older persons and the retired were less likely to have superannuation. Those not engaged in the workforce and those with gross household income under $20,000 were among the segments least likely to have superannuation.

Table 31. Demographic Profile for Superannuation Ownership

B1. Which of the following do you have yourself or jointly with someone else? Response – Have Superannuation: 71%				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Geography	➢ Capital City	74	➢ Country Area	66
Sex	➢ Male	78	➢ Female	64
Age	➢ 25–34	86	➢ 60–69	49
	➢ 35–44	85	➢ 70 and over	22
	➢ 45–59	79		
Household Structure	➢ Couple – children at home	83	➢ Single – living alone	54
			➢ Single parent	63
	➢ Children in household	80	➢ No children in household	66
Where born	–		➢ Outside Australia	63
Employment Status	➢ Employed – full-time	93	➢ Retired	35
	➢ Employed – part-time	84	➢ Non-worker	36
	➢ Employed – casual	77	➢ Student	45
			➢ Home duties	53
			➢ Looking for work	59
Occupation	➢ Professional	82	➢ No occupation	35
	➢ Semi-professional	79	➢ Unskilled/farm worker	53
	➢ Other white collar	77	➢ Self-employed	62
			➢ Semi-skilled	64
			➢ Executive/Owner (including small business & farm)	66
Education	➢ Tertiary degree	86	➢ Less than Year 10	42
			➢ Passed Year 10	63

B1. Which of the following do you have yourself or jointly with someone else? _Response – Have Superannuation: 71%_				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Home Ownership	➤ Paying off residence ➤ No mortgage but considering	85 84	➤ Own residence outright ➤ Renting residence	63 66
Home Value	➤ $175,000–$299,999 ➤ $300,000–$499,999 ➤ $500,000 or more	77 77 82	➤ Under $175,000	65
Mortgage Debt	➤ Under $50,000 ➤ $50,000–$249,999 ➤ $250,000 or more	78 89 93	–	
Gross Personal Income	➤ $20,000–$34,999 ➤ $35,000–$49,999 ➤ $50,000–$69,999 ➤ $70,000 or more	78 92 92 94	➤ Under $20,000	47
Gross Household Income	➤ $35,000–$59,999 ➤ $60,000–$99,999 ➤ $100,000 or more	85 89 91	➤ Under $20,000 ➤ $20,000–$34,999	35 65
Savings (Excl. Home)	➤ $5,000–$49,999 ➤ $50,000–$249,999 ➤ $250,000 or more	77 84 84	➤ Under $5,000	47
Non-mortgage Debt	➤ $500–$9,999 ➤ $10,000–$99,999 ➤ $100,000 or more	80 88 86	➤ Under $500	60
Financial Literacy Quintiles	➤ Levels 7–8 ➤ Levels 9–10	78 82	➤ Levels 1–2	53

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

6.1.1.1.5   Private Health Insurance

Fifty-seven percent of the adult population had private health insurance.

Those not engaged in the workforce, single parents and those with low income and savings were amongst those less likely to have private health insurance.

Table 32.   Demographic Profile for Private Health Insurance Ownership

B1. Which of the following do you have yourself or jointly with someone else? *Response – Have Private Health Insurance: 57%*				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Age	➢ 35–44	62	➢ 18–24	43
	➢ 45–59	69	➢ 25–34	50
			➢ 70 and over	50
Household Structure	➢ Couple – no children at home	65	➢ Single parent	30
	➢ Couple – children at home	64	➢ Single – living in shared household	45
Employment Status	➢ Employed – full-time	67	➢ Non-worker	25
			➢ Student	42
			➢ Employed – casual	44
			➢ Home duties	47
			➢ Looking for work	33
Occupation	➢ Professional	73	➢ Unskilled/farm worker	35
	➢ Executive/Owner (including small business & farm)	66	➢ Semi-skilled	41
			➢ No occupation	48
	➢ Semi-professional	64		
	➢ Other white collar	64		
Education	➢ Tertiary degree	71	➢ Less than Year 10	42
			➢ Passed Year 10	48
Home Ownership	➢ Paying off residence	65	➢ Renting residence	34
	➢ Own residence outright	63	➢ No mortgage but considering	51
Home Value	➢ $175,000–$299,999	66	➢ Under $175,000	51
	➢ $300,000–$499,999	74		
	➢ $500,000 or more	82		

B1. Which of the following do you have yourself or jointly with someone else? Response – Have Private Health Insurance: 57%				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Mortgage Debt	➢ Under $50,000	66	–	
	➢ $50,000–$249,999	68		
	➢ $250,000 or more	82		
Gross Personal Income	➢ $50,000–$69,999	74	➢ Under $20,000	41
	➢ $70,000 or more	84		
Gross Household Income	➢ $60,000–$99,999	69	➢ Under $20,000	32
	➢ $100,000 or more	84	➢ $20,000–$34,999	43
Savings (Excl. Home)	➢ $50,000–$249,999	72	➢ Under $5,000	31
	➢ $250,000 or more	84	➢ $5,000–$49,999	49
Non-mortgage Debt	➢ $100,000 or more	75	–	
Financial Literacy Quintiles	➢ Levels 7–8	63	➢ Levels 1–2	38
	➢ Levels 9–10	75	➢ Levels 3–4	52

Base: Total Respondents

Sample Size: 3548

Groups which differ most from the total population are shaded.

6.1.1.1.6   **Financial Specialists**

Students, those not engaged in the workforce, and those with low income and savings were amongst those less likely to use financial specialists (accountant, financial planner/adviser, tax specialist or financial counsellor).

Compared with the 51% of all consumers using a financial specialist, use was above or below average for the groups shown in the table below.

Table 33.   <u>Demographic Profile for Financial Specialist Use</u>

B3. *Which of the following, if any, do you consult on a regular basis about your finance?*				
Response – Have Financial Specialist: 51%				
Demographic	**Above Average Use**	**%**	**Below Average Use**	**%**
Age	➢ 35–44	57	➢ 18–24	31
	➢ 45–59	61	➢ 70 and over	36
	➢ 60–69	57		
Household Structure	➢ Couple – no children at home	59	➢ Single parent	35
			➢ Single – living in shared household	36
	➢ Couple – children at home	58	➢ Single – living alone	40
Employment Status	➢ Employed – full-time	60	➢ Student	23
			➢ Non-worker	27
			➢ Employed – casual	39
			➢ Retired	45
			➢ Looking for work	35
Occupation	➢ Executive/Owner (including small business & farm)	71	➢ No occupation	32
			➢ Unskilled/farm worker	35
	➢ Self-employed	64	➢ Semi-skilled	42
	➢ Semi-professional	58		
	➢ Professional	57		
Education	➢ Tertiary degree	58	➢ Less than Year 10	41
Home Ownership	➢ Own residence outright	57	➢ Renting residence	34
Home Value	➢ $175,000–$299,999	58	–	
	➢ $300,000–$499,999	61		
	➢ $500,000 or more	69		
Mortgage Debt	➢ $50,000–$249,999	61	–	
	➢ $250,000 or more	76		

B3.   Which of the following, if any, do you consult on a regular basis about your finance?

Response – Have Financial Specialist: 51%

Demographic	Above Average Use	%	Below Average Use	%
Gross Personal Income	➢ $50,000–$69,999 ➢ $70,000 or more	66 67	➢ Under $20,000	36
Gross Household Income	➢ $60,000–$99,999 ➢ $100,000 or more	62 68	➢ Under $20,000 ➢ $20,000–$34,999	25 43
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	63 74	➢ Under $5,000 ➢ $5,000–$49,999	28 45
Non-mortgage Debt	➢ $10,000–$99,999 ➢ $100,000 or more	59 62	➢ Under $500	45
Financial Literacy Quintiles	➢ Levels 7–8 ➢ Levels 9–10	64 56	➢ Levels 1–2 ➢ Levels 3–4	36 46

Base: Total Respondents

Sample Size: 3548

Groups which differ most from the total population are shaded.

6.1.1.1.7   Shares

Students, younger persons, those with low savings and income – all groups with lower capacity for discretionary expenditure – were amongst the groups less likely to have shares.

Forty-four percent of consumers owned shares. Ownership was above or below average for the following groups.

Table 34.   Demographic Profile for Shares Ownership

B1. Which of the following do you have yourself or jointly with someone else? Response – Have Shares: 44%				
Demographic	**Above Average Ownership**	**%**	**Below Average Ownership**	**%**
Age	➤ 45–59	54	➤ 18–24	21
	➤ 60–69	54	➤ 25–34	35
Household Structure	➤ Couple – no children at home	52	➤ Single parent	27
			➤ Single – living in shared household	29
Language Spoken at Home	–		➤ Non-English	37
Employment Status	➤ Employed – full-time	49	➤ Student	22
			➤ Non-worker	24
			➤ Employed – casual	34
			➤ Home duties	37
			➤ Looking for work	28
Occupation	➤ Professional	61	➤ Unskilled/farm worker	25
	➤ Executive/Owner (including small business & farm)	61	➤ No occupation	29
			➤ Semi-skilled	30
	➤ Semi-professional	51	➤ Sales	35
	➤ Other white collar	49		
	➤ Self-employed	49		
Education	➤ Tertiary degree	55	➤ Less than Year 10	37
			➤ Passed Year 10	38
			➤ Year 11/Year 12	39
Home Ownership	➤ Own residence outright	55	➤ Renting residence	23
			➤ No mortgage but considering	31

B1. Which of the following do you have yourself or jointly with someone else? Response – Have Shares: 44%				
Demographic	**Above Average Ownership**	**%**	**Below Average Ownership**	**%**
Home Value	➢ $175,000–$299,999 ➢ $300,000–$499,999 ➢ $500,000 or more	50 62 75	➢ Under $175,000	34
Mortgage Debt	➢ $50,000–$249,999 ➢ $250,000 or more	49 69	–	
Gross Personal Income	➢ $50,000–$69,999 ➢ $70,000 or more	57 74	➢ Under $20,000 ➢ $20,000–$34,999	31 39
Gross Household Income	➢ $60,000–$99,999 ➢ $100,000 or more	53 71	➢ Under $20,000 ➢ $20,000–$34,999	23 36
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	62 79	➢ Under $5,000 ➢ $5,000–$49,999	15 34
Non-mortgage Debt	➢ $100,000 or more	67	➢ $10,000–$99,999	39
Financial Literacy Quintiles	➢ Levels 7–8 ➢ Levels 9–10	50 67	➢ Levels 1–2 ➢ Levels 3–4	23 35

Base: Total Respondents

Sample Size: 3548

Groups which differ most from the total population are shaded.

6.1.1.1.8   Life Insurance

Thirty-three percent of the adult population had a life insurance policy.

Those aged 18 to 24, those aged 60 and over, those not engaged in the workforce, retirees and those with low income and savings were amongst those less likely to have life insurance, as suggested by the detailed results below.

Table 35.   Demographic Profile for Life Insurance Ownership

B2. Do you have a life insurance policy? Response – Have Life Insurance: 33%				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Sex	➢ Male	39	➢ Female	27
Age	➢ 35–44 ➢ 45–59	46 43	➢ 18–24 ➢ 60–69 ➢ 70 and over	18 18 13
Household Structure	➢ Couple – children at home ➢ Children in household	46 46	➢ Single – living alone ➢ Single – living in shared household ➢ Single parent ➢ No children in household	22 22 26 26
Employment Status	➢ Employed – full-time	47	➢ Retired ➢ Student ➢ Non-worker ➢ Home duties ➢ Employed – casual ➢ Looking for work	14 20 21 22 27 22
Occupation	➢ Executive/Owner (including small business & farm) ➢ Professional ➢ Self-employed	43 39 38	➢ No occupation ➢ Unskilled/farm worker ➢ Sales	18 22 27
Education	–		➢ Less than Year 10	20
Home Ownership	➢ Paying off residence	45	➢ Renting residence ➢ Own residence outright	25 27
Home Value	➢ $300,000–$499,999 ➢ $500,000 or more	38 44	–	

B2. Do you have a life insurance policy? *Response – Have Life Insurance: 33%*				
Demographic	**Above Average Policy Ownership**	**%**	**Below Average Policy Ownership**	**%**
Mortgage Debt	➢ Under $50,000	47	–	
	➢ $50,000–$249,999	46		
	➢ $250,000 or more	57		
Gross Personal Income	➢ $35,000–$49,999	39	➢ Under $20,000	19
	➢ $50,000–$69,999	46		
	➢ $70,000 or more	55		
Gross Household Income	➢ $60,000–$99,999	44	➢ Under $20,000	14
	➢ $100,000 or more	53	➢ $20,000–$34,999	25
Savings (Excl. Home)	➢ $50,000–$249,999	40	➢ Under $5,000	18
	➢ $250,000 or more	41		
Non-mortgage Debt	➢ $10,000–$99,999	43	➢ Under $500	26
	➢ $100,000 or more	54		
Financial Literacy Quintiles	➢ Levels 9–10	42	➢ Levels 1–2	21

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

It is notable that even amongst those with relatively high levels of mortgage and non-mortgage debt, life insurance is only taken up by 57% of those with mortgage debt of $250,000 or more and 54% of those with non-mortgage debt of $100,000 or more.

6.1.1.1.9   Mortgages

Thirty-two percent of the adult population had a mortgage on their own home.

People aged 18 to 24, those aged 70 and over, single persons, retirees, and those with low household income were amongst those less likely to have mortgages on their own homes, as suggested by the detailed results below.

Table 36.   Demographic Profile for Those with a Mortgage on Own Home

B1. *Which of the following do you have yourself or jointly with someone else?* *Response – Mortgage on Own Home: 32%*				
Demographic	**Above Average with Mortgage on Own Home**	**%**	**Below Average with Mortgage on Own Home**	**%**
Age	➢ 25–34	46	➢ 18–24	8
	➢ 35–44	57	➢ 60–69	10
	➢ 45–59	37	➢ 70 and over	3
Household Structure	➢ Children in household	53	➢ Single – living in shared household	9
	➢ Couple – children at home	50	➢ Single – live alone	18
			➢ No children in household	22
Employment Status	➢ Employed – full-time	48	➢ Retired	5
	➢ Home duties	45	➢ Non-worker	11
			➢ Student	12
			➢ Employed – casual	24
			➢ Looking for work	22
Occupation	➢ Executive/Owner (including small business & farm)	41	➢ No occupation	9
	➢ Semi-professional	38	➢ Unskilled/farm worker	21
	➢ Self-employed	38	➢ Semi-skilled	26
Education	➢ Tertiary degree	40	➢ Less than Year 10	17
Home Value	➢ Under $175,000	47	–	
	➢ $175,000–$299,999	44		
	➢ $300,000–$499,999	44		
	➢ $500,000 or more	41		
Mortgage Debt	➢ Under $50,000	89	–	
	➢ $50,000–$249,999	88		
	➢ $250,000 or more	79		

B1. Which of the following do you have yourself or jointly with someone else? Response – Mortgage on Own Home: 32%				
Demographic	**Above Average with Mortgage on Own Home**	**%**	**Below Average with Mortgage on Own Home**	**%**
Gross Personal Income	➢ $35,000–$49,999 ➢ $50,000–$69,999 ➢ $70,000 or more	41 53 51	➢ Under $20,000	21
Gross Household Income	➢ $35,000–$59,999 ➢ $60,000–$99,999 ➢ $100,000 or more	41 55 51	➢ Under $20,000 ➢ $20,000–$34,999	8 17
Savings (Excl. Home)	➢ $50,000–$249,999	43	➢ Under $5,000	21
Non-mortgage Debt	➢ $500–$9,999 ➢ $10,000–$99,999 ➢ $100,000 or more	40 44 47	➢ Under $500	23
Financial Literacy Quintiles	➢ Levels 7–8 ➢ Levels 9–10	38 40	➢ Levels 1–2	20

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

6.1.1.1.10 Managed Investments

Twenty-nine percent of the adult population had managed investments (other than superannuation). Ownership was above or below average for the groups in the table below.

Younger persons, renters, unskilled or farm workers and those with low savings and income were among those less likely to have managed investments (other than superannuation).

Table 37. Demographic Profile for Managed Investments other than Superannuation Ownership

B1. Which of the following do you have yourself or jointly with someone else? *Response – Have Managed Investments other than Super: 29%*				
Demographic	**Above Average with Managed Investments**	**%**	**Below Average with Managed Investments**	**%**
Age	➢ 45–59	35	➢ 18–24	14
	➢ 60–69	42	➢ 25–34	23
	➢ 70 and over	37		
Household Structure	➢ Couple – no children at home	37	➢ Single – living in shared household	18
			➢ Single parent	20
Employment Status	➢ Retired	38	➢ Student	16
			➢ Employed – casual	19
			➢ Non-worker	21
			➢ Home duties	24
			➢ Looking for work	18
Occupation	➢ Semi-professional	42	➢ Unskilled/farm worker	14
	➢ Executive/Owner (including small business & farm)	39	➢ Semi-skilled	21
			➢ No occupation	23
	➢ Professional	37	➢ Sales	24
Education	➢ Tertiary degree	37	➢ Passed Year 10	23
Home Ownership	➢ Own residence outright	41	➢ Renting residence	15
			➢ No mortgage but considering	23
Home Value	➢ $175,000–$299,999	35	➢ Under $175,000	24
	➢ $300,000–$499,999	40		
	➢ $500,000 or more	46		
Mortgage Debt	➢ $250,000 or more	42	–	
Gross Personal Income	➢ $50,000–$69,999	36	➢ Under $20,000	20
	➢ $70,000 or more	45		

B1. Which of the following do you have yourself or jointly with someone else?				
Response – Have Managed Investments other than Super: 29%				
Demographic	**Above Average with Managed Investments**	**%**	**Below Average with Managed Investments**	**%**
Gross Household Income	➢ $100,000 or more	45	➢ Under $20,000	14
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	42 55	➢ Under $5,000 ➢ $5,000–$49,999	5 20
Non-mortgage Debt	➢ $100,000 or more	39	–	
Financial Literacy Quintiles	➢ Levels 9–10	44	➢ Levels 1–2 ➢ Levels 3–4	17 24

Base: Total Respondents

Sample Size: 3548

Groups which differ most from the total population are shaded.

6.1.1.1.11   Term Deposits

Twenty-four percent of the adult population had a term deposit. People aged between 18 and 34, those renting and people with low savings were amongst those less likely to have term deposits.

Table 38.   Demographic Profile for Term Deposits Ownership

B1. Which of the following do you have yourself or jointly with someone else? Response – Have Term Deposits: 24%				
Demographic	**Above Average with Term Deposits**	**%**	**Below Average with Term Deposits**	**%**
Age	➢ 60–69 ➢ 70 and over	35 45	➢ 18–24 ➢ 25–34 ➢ 35–44	13 13 19
Household Structure	➢ Couple – no children at home	30	➢ Single parent ➢ Single – living in shared household ➢ Children in household	16 17 17
Employment Status	➢ Retired	39	➢ Employed – casual ➢ Home duties ➢ Looking for work	15 17 16
Occupation	➢ Professional	31	➢ Unskilled/farm worker ➢ Sales ➢ Semi-skilled	16 16 17
Education	➢ Less than Year 10 ➢ Tertiary degree	32 29	➢ Some or finished technical/commercial	19
Home Ownership	➢ Own residence outright	37	➢ Renting residence ➢ Paying off residence	13 15
Home Value	➢ $300,000–$499,999 ➢ $500,000 or more	29 36	–	
Mortgage Debt	–		➢ $50,000–$249,999	15
Gross Personal Income	➢ $70,000 or more	29	➢ $35,000–$49,999	19
Gross Household Income	➢ $100,000 or more	29	–	
Savings (Excl. Home)	➢ $250,000 or more	39	➢ Under $5,000	5
Non-mortgage Debt	➢ Under $500	29	➢ $500–$9,999 ➢ $10,000–$99,999	19 16
Financial Literacy Quintiles	➢ Levels 9–10	30	➢ Levels 1–2	18

Groups which differ most from the total population are shaded.   Base: Total Respondents   Sample Size: 3548

6.1.1.1.12 Personal Loans

Eighteen percent of the adult population had a personal loan.

People aged 70 and over and those with low non-mortgage debt were less likely to have personal loans.

Table 39.   Demographic Profile for Personal Loan Ownership

B1. Which of the following do you have yourself or jointly with someone else? Response – Have a Personal Loan: 18%					
Demographic	**Above Average with a Personal Loan**	**%**	**Below Average with a Personal Loan**	**%**
Age	➢ 18–24 ➢ 25–34	23 31	➢ 60–69 ➢ 70 and over	5 1
Household Structure	➢ Children in household ➢ Couple – children at home	26 26	➢ Single – living alone ➢ Couple – no children at home	12 13
Employment Status	➢ Employed – full-time ➢ Home duties	26 23	➢ Retired ➢ Non-worker	3 7
Occupation	➢ Sales	24	➢ No occupation ➢ Professional ➢ Self-employed	9 12 13
Education	➢ Year 11/Year 12	23	–	
Home Ownership	➢ No mortgage but considering ➢ Renting residence ➢ Paying off residence	35 27 23	➢ Own residence outright	10
Home Value	➢ Under $175,000	23	➢ $300,000–$499,999 ➢ $500,000 or more	11 10
Mortgage Debt	➢ $50,000–$249,999	25	–	
Gross Personal Income	➢ $35,000–$49,999	32	➢ Under $20,000	13
Gross Household Income	➢ $35,000–$59,999 ➢ $60,000–$99,999	28 23	➢ Under $20,000	10
Savings (Excl. Home)	➢ $5,000–$49,999	24	➢ $250,000 or more	7
Non-mortgage Debt	➢ $500–$9,999 ➢ $10,000–$99,999	24 52	➢ Under $500	3

Groups which differ most from the total population are shaded.

Base: Total Respondents.

Sample Size: 3548

6.1.1.1.13 Investment Property

Eighteen percent of the adult population had an investment property.

People considering a mortgage, younger people, renters and those with low income or low savings were amongst those less likely to have an investment property.

Table 40.   Demographic Profile for Investment Property Ownership

B1. Which of the following do you have yourself or jointly with someone else? Response – Have an Investment Property: 18%				
Demographic	**Above Average with Investment Property**	**%**	**Below Average with Investment Property**	**%**
Sex	➢ Male	21	➢ Female	15
Age	➢ 45–59	26	➢ 18–24	5
			➢ 70 and over	11
Household Structure	➢ Couple – no children at home	23	➢ Single – living in shared household	9
			➢ Single parent	10
			➢ Single – living alone	13
Language Spoken at Home	➢ Non-English	23	–	
Employment Status	➢ Employed – full-time	25	➢ Employed – casual	8
			➢ Non-worker	9
			➢ Student	10
			➢ Retired	12
			➢ Looking for work	11
Occupation	➢ Executive/Owner (including small business & farm)	31	➢ Unskilled/farm worker	9
			➢ No occupation	9
	➢ Self-employed	27	➢ Sales	11
	➢ Professional	26	➢ Semi-skilled	11
Education	➢ Tertiary degree	25	➢ Less than Year 10	11
	➢ Some or finished technical/commercial	23		
Home Ownership	➢ Own residence outright	23	➢ Renting residence	6
			➢ No mortgage but considering	7
Home Value	➢ $300,000–$499,999	29	–	
	➢ $500,000 or more	35		

B1. Which of the following do you have yourself or jointly with someone else? Response – Have an Investment Property: 18%				
Demographic	**Above Average with Investment Property**	**%**	**Below Average with Investment Property**	**%**
Mortgage Debt	➢ $50,000–$249,999	25	–	
	➢ $250,000 or more	75		
Gross Personal Income	➢ $50,000–$69,999	30	➢ Under $20,000	8
	➢ $70,000 or more	42	➢ $20,000–$34,999	11
			➢ $35,000–$49,999	13
Gross Household Income	➢ $60,000–$99,999	23	➢ Under $20,000	3
	➢ $100,000 or more	41	➢ $20,000–$34,999	9
Savings (Excl. Home)	➢ $250,000 or more	46	➢ Under $5,000	5
			➢ $5,000–$49,999	11
Non-mortgage Debt	➢ $100,000 or more	54	–	
Financial Literacy Quintiles	➢ Levels 9–10	31	➢ Levels 1–2	9
			➢ Levels 3–4	13

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

6.1.1.1.14 Loan by Line of Credit or Overdraft

Fourteen percent of the adult population had a loan by line of credit or overdraft. Possession was above or below average for the groups in the table below.

Consumers aged between 18 and 24, those aged 70 and over, those not engaged in the workforce and students were amongst those less likely to have a loan by line of credit or overdraft.

Table 41.   Demographic Profile for Loan by Line of Credit or Overdraft Ownership

B1. Which of the following do you have yourself or jointly with someone else?				
Response – Have a Loan by Line of Credit or Overdraft: 14%				
Demographic	**Above Average Line of Credit or Overdraft**	**%**	**Below Average Line of Credit or Overdraft**	**%**
Sex	➢ Male	18	➢ Female	11
Age	➢ 35–44	21	➢ 18–24	6
			➢ 70 and over	2
Household Structure	➢ Couple – children at home	20	➢ Single – living alone	8
	➢ Children in household	20		
Employment Status	➢ Employed – full-time	21	➢ Retired	4
			➢ Student	6
			➢ Non-worker	7
Occupation	➢ Executive/Owner (including small business & farm)	30	➢ No occupation	4
			➢ Unskilled/farm worker	8
	➢ Self-employed	24		
	➢ Professional	19		
Education	–		➢ Less than Year 10	9
Home Ownership	➢ Paying off residence	20	–	
Home Value	➢ $500,000 or more	21	–	
Mortgage Debt	➢ $50,000–$249,999	22	–	
	➢ $250,000 or more	36		
Gross Personal Income	➢ $50,000–$69,999	21	➢ Under $20,000	9
	➢ $70,000 or more	26		
Gross Household Income	➢ $60,000–$99,999	19	➢ Under $20,000	7
	➢ $100,000 or more	24	➢ $20,000–$34,999	8

B1. Which of the following do you have yourself or jointly with someone else? Response – Have a Loan by Line of Credit or Overdraft: 14%				
Demographic	**Above Average Line of Credit or Overdraft**	**%**	**Below Average Line of Credit or Overdraft**	**%**
Savings (Excl. Home)	➢ $250,000 or more	21	–	
Non-mortgage Debt	➢ $10,000–$99,999 ➢ $100,000 or more	25 41	➢ Under $500	6
Financial Literacy Quintiles	➢ Levels 9–10	21	➢ Levels 1–2	8

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

6.1.1.1.15 Lease or Hire Purchase Agreement

Eleven percent of the adult population had a lease or hire purchase agreement.

Older persons, those with low household income, and people who own their own residence outright were amongst those less likely to have leases or hire purchase agreements.

Table 42.   Demographic Profile for Lease or Hire Purchase Agreement Ownership

B1. Which of the following do you have yourself or jointly with someone else? *Response – Have a Lease or Hire Purchase Agreement: 11%*				
Demographic	**Above Average with Lease or Hire Purchase**	**%**	**Below Average with Lease or Hire Purchase**	**%**
Age	–		➢ 60–69 ➢ 70 and over	5 2
Employment Status	➢ Employed – full-time	16	➢ Retired	2
Occupation	➢ Executive/Owner (including small business & farm) ➢ Self-employed	24 18	➢ No occupation	6
Home Ownership	–		➢ Own residence outright	5
Mortgage Debt	➢ $250,000 or more	32	–	
Gross Personal Income	➢ $70,000 or more	22	➢ Under $20,000	6
Gross Household Income	➢ $100,000 or more	21	➢ Under $20,000	5
Non-mortgage Debt	➢ $10,000–$99,999 ➢ $100,000 or more	20 30	➢ Under $500	4

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

6.1.1.1.16 Mortgage on Investment Property

Ten percent of the adult population had a mortgage on an investment property.

People aged 70 and over, retirees, and people aged under 25 were amongst those less likely to have a mortgage on an investment property, as suggested by the detailed results below.

Table 43.   Demographic Profile for Mortgage on Investment Property Ownership

B1. Which of the following do you have yourself or jointly with someone else? *Response – Have a Mortgage on an Investment Property: 10%*				
Demographic	**Above Average with Mortgage on Investment Property**	**%**	**Below Average with Mortgage on Investment Property**	**%**
Age	➢ 35–44 ➢ 45–59	15 16	➢ 18–24 ➢ 60–69 ➢ 70 and over	3 4 1
Household Structure	–		➢ Single parent ➢ Single – living in shared household	4 5
Employment Status	➢ Employed – full-time	17	➢ Retired ➢ Non-worker ➢ Students ➢ Looking for work	2 3 3 5
Occupation	➢ Executive/Owner (including small business & farm) ➢ Self-employed	18 15	➢ No occupation ➢ Unskilled/farm worker ➢ Sales	3 4 5
Education	–		➢ Less than Year 10	4
Home Ownership	–		➢ Renting residence	4
Home Value	➢ $300,000–$499,999 ➢ $500,000 or more	16 20	–	
Mortgage Debt	➢ Under $50,000 ➢ $50,000–$249,999 ➢ $250,000 or more	16 21 62	–	
Gross Personal Income	➢ $50,000–$69,999 ➢ $70,000 or more	19 28	➢ Under $20,000	3
Gross Household Income	➢ $60,000–$99,999 ➢ $100,000 or more	15 27	➢ Under $20,000 ➢ $20,000–$34,999	0 4

B1. Which of the following do you have yourself or jointly with someone else? *Response – Have a Mortgage on an Investment Property: 10%*				
Demographic	**Above Average with Mortgage on Investment Property**	**%**	**Below Average with Mortgage on Investment Property**	**%**
Savings (Excl. Home)	➢ $250,000 or more	26	➢ Under $5,000	3
Non-mortgage Debt	➢ $100,000 or more	39	–	
Financial Literacy Quintiles	➢ Levels 9–10	18	➢ Levels 1–2	5

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

6.1.1.1.17 Home Equity Loan

Eight percent of the adult population had a home equity loan. Demographic groups more or less likely to have a home equity loan are shown in the table below.

Those aged 18 to 24, those not engaged in the workforce (including students and retirees), renters and those with low household income were amongst those less likely to have home equity loans.

Table 44.   Demographic Profile for Home Equity Loan Ownership

\$				
B1. Which of the following do you have yourself or jointly with someone else? *Response – Have a Home Equity Loan: 8%*				
Demographic	**Above Average with a Home Equity Loan**	**%**	**Below Average with a Home Equity Loan**	**%**
Age	➢ 35–44	14	➢ 18–24	1
	➢ 45–59	13	➢ 60–69	3
Household Structure	➢ Couple – children at home	13	➢ Single – living in shared household	2
Employment Status	➢ Employed – full-time	14	➢ Student	1
			➢ Retired	1
			➢ Non-worker	3
Occupation	–		➢ No occupation	3
Education	–		➢ Less than Year 10	3
Home Ownership	➢ Paying off residence	18	➢ Renting residence	1
			➢ No mortgage but considering	3
Home Value	➢ \$300,000–\$499,999	14	–	
	➢ \$500,000 or more	15		
Mortgage Debt	➢ Under \$50,000	14	–	
	➢ \$50,000–\$249,999	19		
	➢ \$250,000 or more	29		
Gross Personal Income	➢ \$50,000–\$69,999	14	➢ Under \$20,000	3
	➢ \$70,000 or more	19		
Gross Household Income	➢ \$100,000 or more	20	➢ Under \$20,000	0
Savings (Excl. Home)	➢ \$250,000 or more	16	–	
Non-mortgage Debt	➢ \$10,000–\$99,999	15	–	
	➢ \$100,000 or more	23		
Financial Literacy Quintiles	➢ Levels 9–10	13	–	

Groups which differ most from the total population are shaded .   Base: Total Respondents   Sample Size: 3548

6.1.1.1.18 Margin Loan

Only 2% of respondents claimed to have a margin loan. Due to the low incidence of ownership of this type of loan, it is not possible to explore in detail key differences between demographic groups.

Broad indications were that ownership of this type of loan was higher among those with:

➢ high household or personal income
➢ higher levels of education
➢ high levels of savings

The following groups appeared to have lower than average ownership of margin loans:

➢ retirees
➢ unskilled workers
➢ those with low income or savings

These findings should be treated as indicative only due to relatively small sample.

6.1.1.2 Fees and Charges on Payment Methods and Financial Products/Services

Consumers using a particular payment method or financial product/service were asked how well they knew about the fees and charges applying to that payment method or product/service.

The greatest lack of knowledge concerning fees and charges was found among those with superannuation, with 55% having little or no knowledge of the fees and charges applying to that product.

Relatively high proportions with little or no knowledge of relevant fees and charges were also found among those:

- Using BPay (47%)

- Using telephone banking (43%)

- With shares (41%)

- With managed investments (other than superannuation) (39%)

- Using Internet banking (33%)

At the other end of the scale, only 12% of those using credit cards and 15% of those using mortgages had little or no knowledge of the relevant fees and charges.

The table below shows the level of knowledge of fees and charges for financial products and services among those engaging with a particular product/service.

Table 45. **Knowledge of Fees and Charges applying to Payment Methods and Financial Products and Services**

D1. I'm going to read out a list of financial products or services you've said you have used or know about. For each one, please tell me how well you know about the fees and charges that apply to it, during both take-up and during subsequent use. Please answer either very well, fairly well, not very well or not at all well.						
	Percent of all adults:				**Percent of users:**	
		Using and knowing about relevant fees and charges:			**Knowing about relevant fees and charges:**	
Payment method/ Financial product/service	**Using**	**Very well or Fairly well**	**Not very well or Not at all**	**Not using**	**Very well or Fairly well**	**Not very well or Not at all**
Superannuation	71	31	39	29	44	55
BPay	36	19	17	64	52	47
Telephone banking	36	20	16	64	55	43
Shares	44	25	18	56	59	41
Managed investments (other than superannuation)	29	17	11	71	60	39
Internet banking	28	19	9	72	67	33
EFTPOS	71	52	17	29	75	25
Debit cards*	34	26	9	66	74	25
Term deposits	24	18	6	76	75	24
Store cards	15	11	3	85	77	22
Loans (other than mortgage)	47	36	10	53	77	22
Bank accounts	97	76	21	3	78	21
Own bank's ATMs	73	60	12	27	83	16
Mortgages	38	31	6	62	84	15
Credit cards	64	56	8	36	88	12

Base: Total Respondents.

Sample Size: 3548

Percentage may not sum to 100% due to rounding

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* The proportion of people using debit cards was understated due to respondents' perceptions. The majority of respondents using ATMs and EFTPOS may have technically been using a debit card.

6.1.1.2.1   Superannuation

Figure 8, below, summarises the knowledge of relevant fees and charges among the many adult Australians with superannuation (71%).

Figure 9.   <u>Knowledge of Fees and Charges applying to Superannuation</u>

D1M. How well do you know about the fees and charges that apply to superannuation?
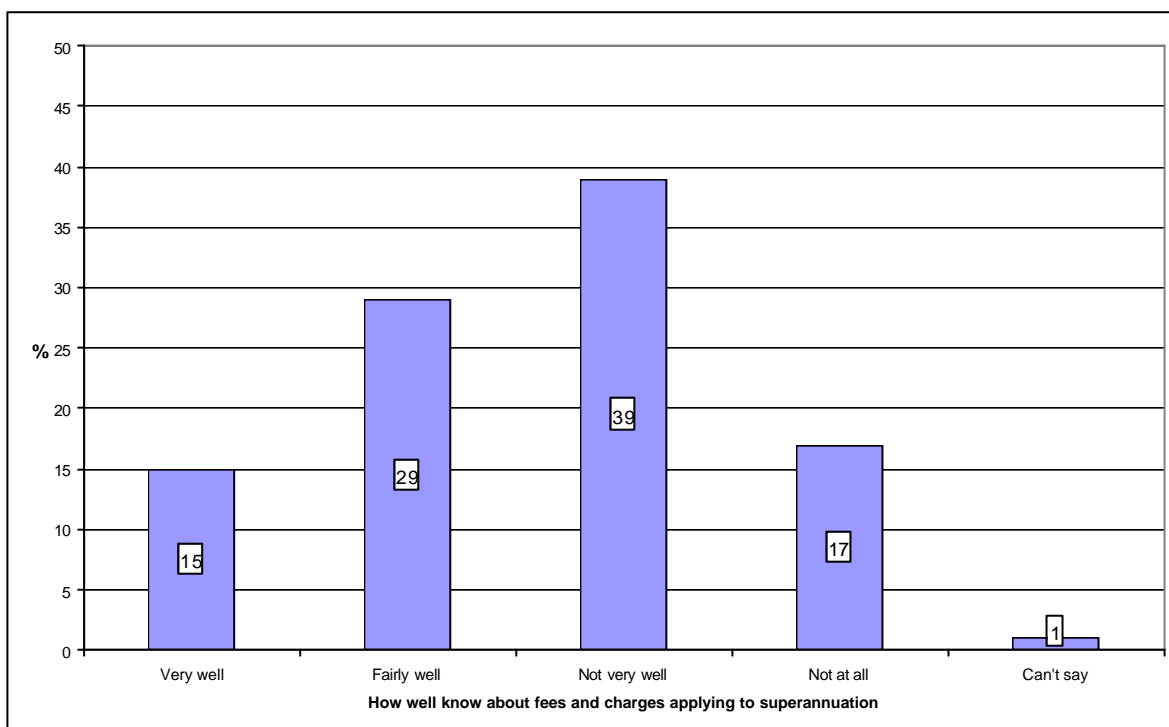
Base: Respondents with superannuation

Sample Size: 2516

Percentages may not sum to 100% due to rounding.

Fifty-six percent of people with superannuation did not adequately understand the fees and charges that apply. Specifically, 39% stated "not very well" and 17% stated "not at all" when asked how well they understood the fees.

The lack of knowledge concerning fees and charges was relatively high among those with less than full-time engagement in employment, younger people (under 35), singles, and those with low levels of savings.

In comparison with the 55% reporting little or no knowledge concerning the fees and charges among all of those with superannuation, knowledge was above or below average for the groups in the following table.

Table 46.   Demographic Profile for Superannuation Fees and Charges Knowledge

D1M. How well do you know about the fees and charges that apply to superannuation? *Response – Not Very Well or Not At All: 55%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	60	➢ Male	51
Age	➢ 18–24	72	➢ 45–59	45
	➢ 25–34	68	➢ 60–69	26
			➢ 70 and over	42
Household Structure	➢ Single – living in shared household	68	➢ Couple – no children in household	45
	➢ Single parent	68		
	➢ Children in household	60		
Where born	–		➢ Outside Australia	50
Employment Status	➢ Employed – part-time	64	➢ Retired	32
	➢ Employed – casual	66		
	➢ Home duties	64		
Occupation	➢ Sales	62	➢ Executive/Owner (including small business & farm)	46
	➢ Unskilled/farm worker	65		
	➢ No occupation	70		
Home Ownership	➢ Renting residence	68	➢ Own residence outright	44
	➢ No mortgage but considering	66		
Home Value	–		➢ $175,000–$299,999	49
			➢ $300,000–$499,999	49
			➢ $500,000 or more	48
Mortgage Debt	–		➢ Under $50,000	47
Gross Personal Income	➢ Under $20,000	64	➢ $70,000 or more	44

D1M. How well do you know about the fees and charges that apply to superannuation?
Response – Not Very Well or Not At All: 55%

Demographic	Above Average Giving Response	%	Below Average Giving Response	%
Gross Household Income	➢ Under $20,000	69	➢ $100,000 or more	48
Savings (Excl. Home)	➢ Under $5,000 ➢ $5,000–$49,999	73 64	➢ $50,000–$249,999 ➢ $250,000 or more	46 33
Non-mortgage Debt	➢ $10,000–$99,999	61	–	
Financial Literacy Quintiles	➢ Levels 1–2 ➢ Levels 3–4	81 71	➢ Levels 7–8 ➢ Levels 9–10	50 28

Groups which differ most from the total population are shaded.

Base: Respondents with superannuation

Sample Size: 2516

6.1.1.2.2   BPay

Knowledge of relevant fees and charges among those using BPay (36% of adult Australians) is shown in Figure 9 below.

Figure 10. Knowledge of Fees and Charges applying to BPay

D1H. *How well do you know about the fees and charges that apply to BPay?*

Base: Respondents using BPay (50% of eligible sample used)

Sample Size: 624

While 52% of BPay users said they understood the fees "very well" or "fairly well", almost as many (47%) stated that they understood the fees "not very well" (28%), or "not at all" (19%).

People working in semi-professional occupations and those with personal income between $50,000 and $69,999 were less likely to know about fees and charges for BPay.

When compared with the 47% of BPay users who reported little or no knowledge concerning relevant fees and charges, groups more or less likely to give one of these responses are shown below.

Table 47.   Demographic Profile for BPay Fees and Charges Knowledge

D1H. How well do you know about the fees and charges that apply to BPay? *Response – Not Very Well or Not At All: 47%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Country Area	51	➢ Capital City	45
Age	–		➢ 60–69	31
Occupation	➢ Semi-professional	57	–	
	➢ Self-employed	55		
Home Ownership	➢ Paying off residence	53	➢ Own residence outright	40
Home Value	–		➢ $250,000 or more	33
Mortgage Debt	–		➢ $500,000 or more	38
Gross Personal Income	➢ $50,000–$69,999	60	–	
Financial Literacy Quintiles	➢ Levels 1–2	74	➢ Levels 9–10	26
	➢ Levels 3–4	68		
	➢ Levels 5–6	56		

Groups which differ most from the total population are shaded.

Base: Respondents using BPay (50% of eligible sample used)

Sample Size: 624

6.1.1.2.3   Telephone Banking

The figure below summarises the knowledge of the fees and charges that apply to telephone banking among the 36% of adult Australians using the service.

Figure 11. <u>Knowledge of Fees and Charges applying to Telephone Banking</u>

D1I. How well do you know about the fees and charges that apply to telephone banking?

Base: Respondents using telephone banking (50% of eligible sample used)

Sample Size: 629

Percentages may not sum to 100% due to rounding.

Overall, 55% of those using telephone banking indicated that they understood the fees "very well" or "fairly well". Eighteen percent indicated they did not know about the fees and charges "at all", while 25% responded "not very well" when asked how well they understood the fees and charges.

People with education of less than Year 10 had the least knowledge about the fees and charges.

Table 48.   Demographic Profile for Telephone Banking Fees and Charges Knowledge

D1I. How well do you know about the fees and charges that apply to telephone banking? *Response – Not Very Well or Not At All: 43%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➤ 60–69	22
Employment Status	–		➤ Student	21
Education	➤ Less than Year 10	60	–	
Financial Literacy Quintiles	➤ Levels 1–2 ➤ Levels 3–4	79 67	➤ Levels 9–10	19

Groups which differ most from the total population are shaded.

Base: Respondents using telephone banking (50% of eligible sample used)

Sample Size: 629

6.1.1.2.4   Shares

Forty-four percent of adult Australians own shares. Knowledge of shareholders of the fees and charges relating to shares are outlined below.

Figure 12. <u>Knowledge of Fees and Charges applying to Shares</u>

D1N. How well do you know about the fees and charges that apply to shares?
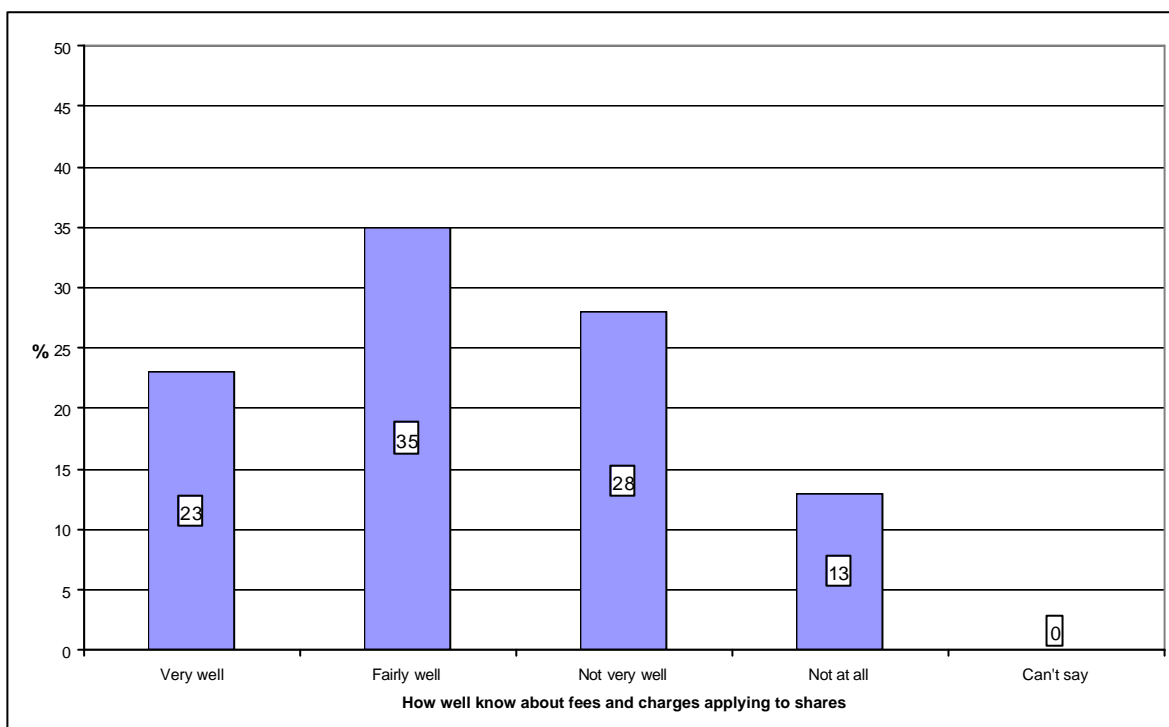
Base: Respondents with shares (50% of eligible sample used).

Sample Size: 768

Percentages may not sum to 100% due to rounding.

As with BPay and Telephone Banking users, a significant proportion of share owners believed they did not have a good knowledge of the fees and charges applying to shares. Overall 41% selected the response "not very well" or "not at all" when asked to indicate their knowledge of the fees and charges that apply to shares.

Demographic groups significantly more or less likely to give this response (ie, know about the fees and charges "not very well" or "not at all") are shown below. Share owners with no occupation generally had much less knowledge about the fees and charges that apply.

Table 49.   Demographic Profile for Shares Fees and Charges Knowledge

D1N. How well do you know about the fees and charges that apply to shares? *Response: Not Very Well or Not At All: 41%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➤ Female	52	➤ Male	31
Age	–		➤ 60–69	30
Household Structure	➤ Single parent ➤ Children in household	58 48	➤ Single – living alone	34
Employment Status	➤ Employed – part-time ➤ Home duties	52 58	–	
Occupation	➤ No occupation	71	➤ Professional	22
Education			➤ Tertiary degree	34
Home Ownership	➤ Paying off residence	47	–	
Home Value	➤ Under $175,000	53	➤ $500,000 or more	31
Gross Personal Income	–		➤ $70,000 or more	31
Savings (Excl. Home)	➤ $5,000–$49,999	56	➤ $250,000 or more	26
Financial Literacy Quintiles	➤ Levels 1–2 ➤ Levels 3–4 ➤ Levels 5-6	77 73 53	➤ Levels 7–8 ➤ Levels 9–10	34 18

Groups which differ most from the total population are shaded.
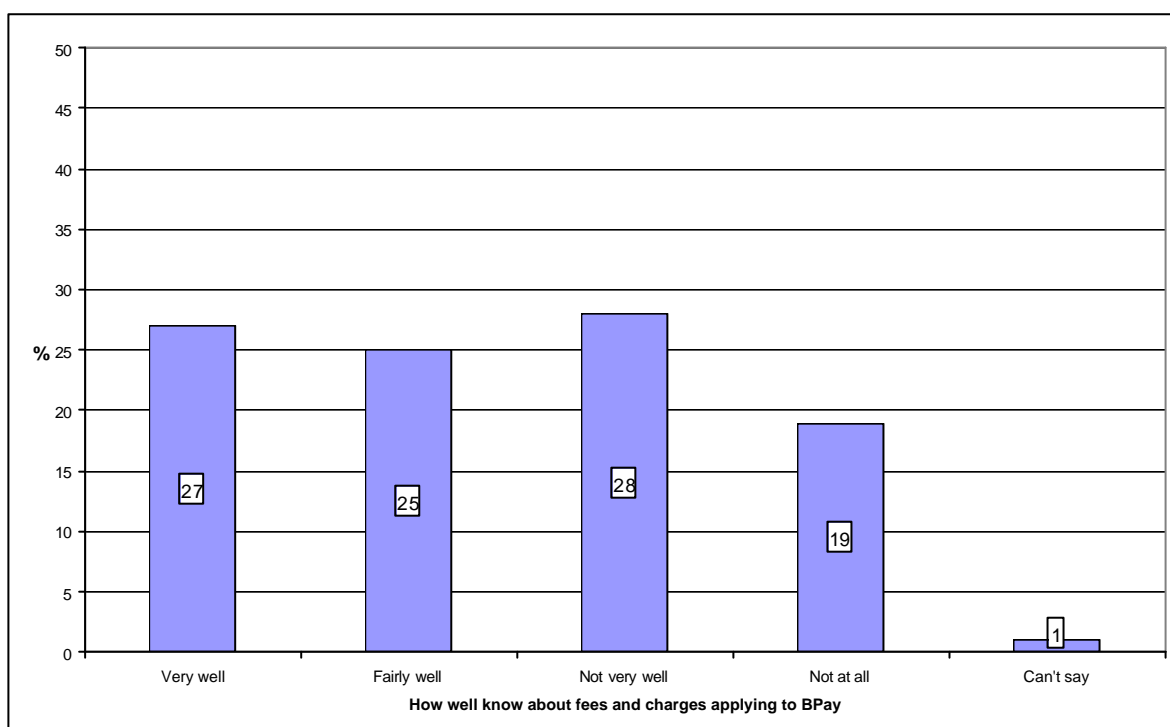
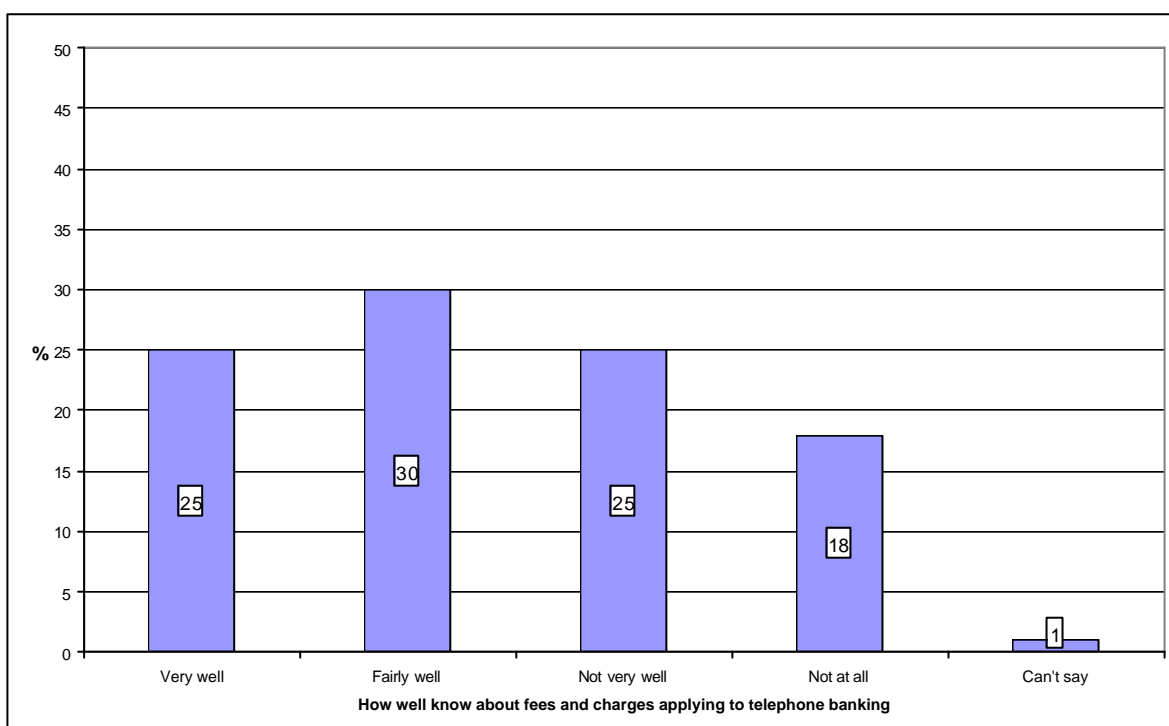Base: Respondents with shares (50% of eligible sample used)

Sample Size: 768

6.1.1.2.5   Managed Investments

Knowledge of relevant fees and charges among the 29% of adult Australians with managed investments (other than superannuation) is shown in the figure below.

Figure 13. Knowledge of Fees and Charges applying to Managed Investments

D1P.   How well do you know about the fees and charges that apply to managed investments?
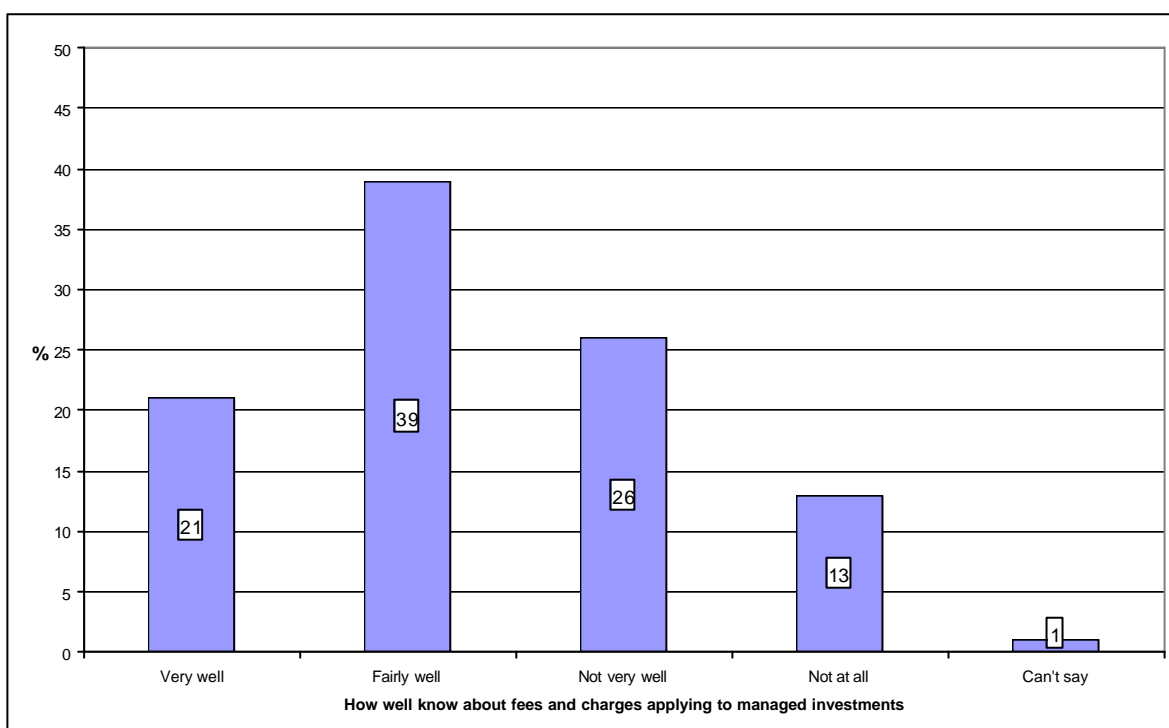
Base: Respondents with managed investments (other than superannuation) (50% of eligible sample used)
Sample Size: 516

As with BPay, telephone banking and shares a large proportion of managed investment owners were not aware of the relevant fees and charges. Thirty-nine percent of people with managed investments did not consider they had an adequate knowledge of the fees and charges that apply. Specifically, 13% considered themselves to be "not at all" knowledgeable, while 26% believed themselves to be "not very" knowledgeable. Overall, however the majority (60%) believed they know about the fees and charges "very well" or "fairly well".

People with no occupation and savings of less than $5000 were the least knowledge about the fees and charges for managed investments.

Table 50. **Demographic Profile for Managed Investments Fees and Charges Knowledge**

D1P. How well do you know about the fees and charges that apply to managed investments? Response – Not Very Well or Not At All: 39%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	45	➢ Male	34
Age	➢ 18–24 ➢ 35–44	45 48	➢ 45–59 ➢ 60–69	33 29
Household Structure	–		➢ Couple – no children at home	33
Occupation	➢ Sales ➢ Semi-skilled ➢ No occupation	57 56 66	➢ Professional	28
Education	➢ Less than Year 10	56	➢ Tertiary degree	30
Home Ownership	➢ Paying off residence ➢ No mortgage but considering	49 61	➢ Own residence outright	34
Home Value	➢ Under $175,000	50	➢ $300,000–$499,999	31
Gross Personal Income	–		➢ $70,000 or more	30
Savings (Excl. Home)	➢ Under $5,000 ➢ $5,000–$49,999	75 61	➢ $50,000–$249,999 ➢ $250,000 or more	31 23
Financial Literacy Quintiles	➢ Levels 1–2 ➢ Levels 3–4 ➢ Levels 5–6	84 65 50	➢ Levels 7–8 ➢ Levels 9–10	28 17

Groups which differ most from the total population are shaded.

Base: Respondents with managed investments (other than superannuation) (50% of eligible sample used)

Sample Size: 516

6.1.1.2.6   Internet Banking

Knowledge of relevant fees and charges among those using Internet banking (28% of adult Australians) is outlined below.

Figure 14. <u>Knowledge of Fees and Charges applying to Internet Banking</u>

D1J. How well do you know about the fees and charges that apply to Internet banking?
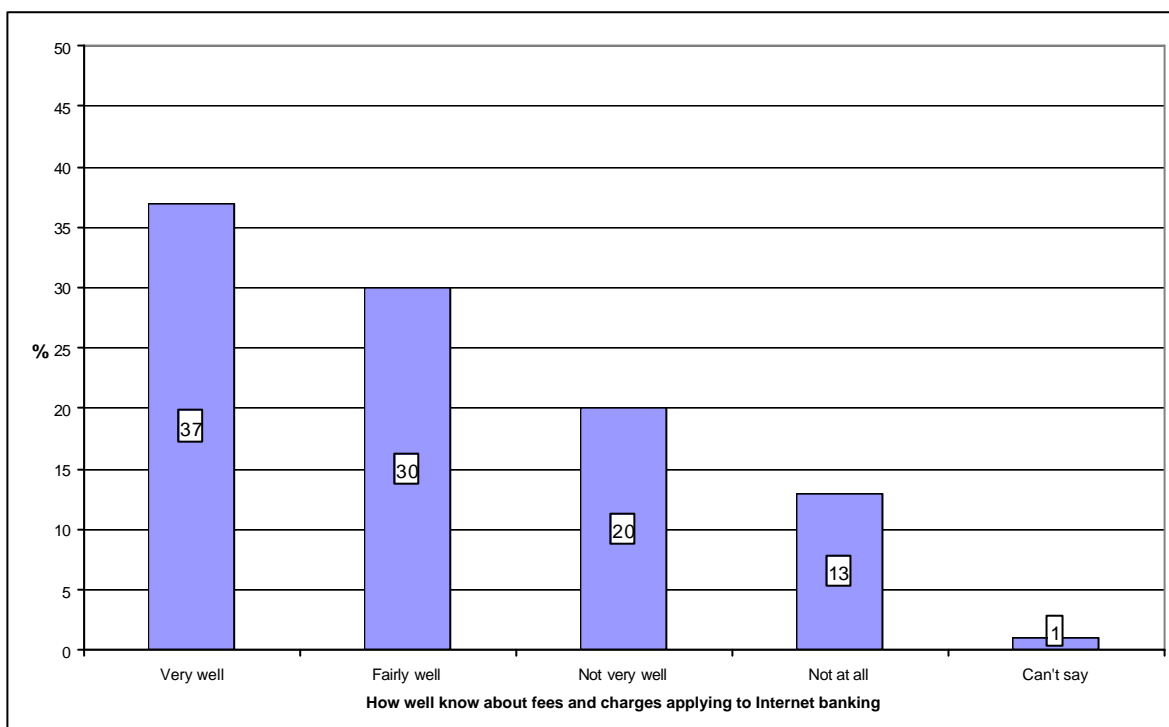
Base: Respondents using Internet banking. (50% of eligible sample used)

Sample Size: 488

Percentages may not sum to 100% due to rounding.

Sixty-seven percent of Internet banking users believed they knew "fairly" (30%) or "very" (37%) well about the fees and charges that applied to Internet banking. In contrast, 33% believed that they knew about the fees and charges "not very well" or "not at all".

Those that have only completed Year 10 tended to be less knowledgeable about the fees and charges that apply to Internet banking.

Significant differences by demographic segments are outlined below.

Table 51. Demographic Profile for Internet Banking Fees and Charges Knowledge

D1J. How well do you know about the fees and charges that apply to Internet banking? Response – Not Very Much or Not At All: 33%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	40	➢ Male	27
Household Structure	–		➢ Single – living alone	20
Employment Status	–		➢ Student	16
Occupation	➢ Semi-professional ➢ Skilled	45 44	➢ Other white collar ➢ Unskilled/farm worker	24 14
Education	➢ Passed Year 10	50	–	
Home Ownership	–		➢ Renting residence	23
Home Value	➢ Under $175,000	45	–	
Gross Personal Income	–		➢ $70,000 or more	24
Gross Household Income	➢ $60,000–$99,999	45	➢ $35,000–$59,999	24
Financial Literacy Quintiles	➢ Levels 1–2 ➢ Levels 3–4	69 68	➢ Levels 9–10	10

Groups which differ most from the total population are shaded.

Base: Respondents using Internet banking (50% of eligible sample used)

Sample Size: 488

6.1.1.2.7   EFTPOS

Seventy-one percent of Australian adults use EFTPOS.

Knowledge of relevant fees and charges among these people is detailed below.

Figure 15. <u>Knowledge of Fees and Charges applying to EFTPOS</u>

D1G. How well do you know about the fees and charges that apply to EFTPOS?

Base: Respondents using EFTPOS (50% of eligible sample used)

Sample Size: 1223

Percentages may not sum to 100% due to rounding.

Compared to superannuation, shares, managed investments and users of BPay, telephone banking and Internet banking, EFTPOS users had a better knowledge of fees and charges associated with EFTPOS usage. Overall 74% considered themselves to know about the fees "very well" or "fairly well".

Whilst the level of knowledge for EFTPOS was higher compared to the products mentioned above, the level was below that achieved for ATMs, mortgages and credit cards. EFTPOS users aged 70 and over, those not-working and those educated to less than Year 10 were the least knowledgeable about the fees and charges applying to EFTPOS.

Table 52.   Demographic Profile for EFTPOS Fees and Charges Knowledge

D1G. How well do you know about the fees and charges that apply to EFTPOS? *Response – Not Very Well or Not At All: 25%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➤ 70 and over	48	➤ 18–24	16
Employment Status	➤ Retired	34	➤ Student	15
	➤ Non-worker	44		
Occupation	–		➤ Professional	18
Education	➤ Less than Year 10	44	➤ Year 11/Year 12	20
Mortgage Debt	–		➤ $250,000 or more	16
Savings (Excl. Home)	–		➤ $5,000–$49,999	19
Financial Literacy Quintiles	➤ Levels 1–2	45	➤ Levels 7–8	18
	➤ Levels 3–4	38	➤ Levels 9–10	8

Groups which differ most from the total population are shaded.

Base: Respondents using EFTPOS (50% of eligible sample used)

Sample Size: 1223

6.1.1.2.8   Debit Cards[*]

Overall 34% of adult Australians reported that they use a debit card. Their knowledge of the fees and charges is outlined below.

Figure 16. <u>Knowledge of Fees and Charges applying to Debit Cards</u>[*]

D1B. *How well do you know about the fees and charges that apply to debit cards?*
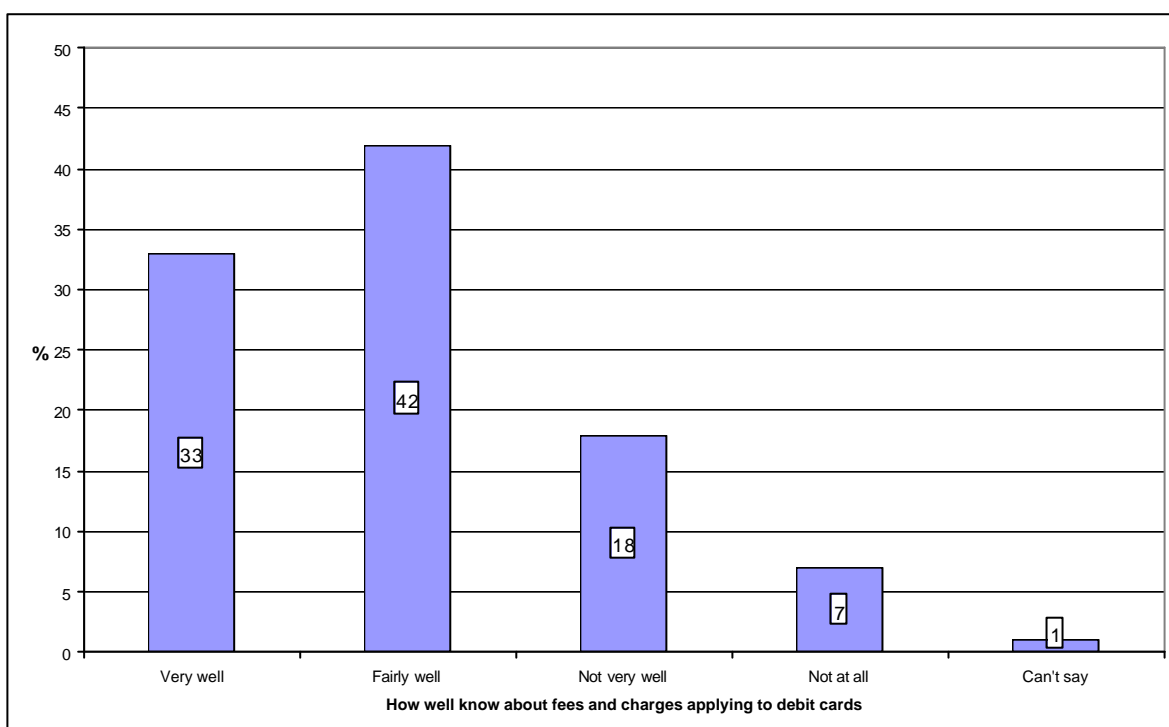
Base: Respondents using debit cards (50% of eligible sample used)

Sample Size: 605

Percentages may not sum to 100% due to rounding.

Overall, 75% of debit card users believed they knew about the fees and charges "very well" or "fairly well". Seven percent stated they knew about the fees "not at all" well, while 18% indicated that they knew about the fees "not very well".

This level of knowledge was similar to that for EFTPOS, higher than for many products and services but not as high as the levels for ATMs, mortgages and credit cards.

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[*] The proportion of people using debit cards was understated due to respondents' perceptions. The majority of respondents using ATMs and EFTPOS may have technically been using a debit card.

Debit card users educated to Year 10 or below and singles living in shared households were the least knowledgeable segments.

Table 53.   Demographic Profile for Debit Cards[*] Fees and Charges Knowledge

D1B. How well do you know about the fees and charges that apply to debit cards? *Response – Not Very Well or Not At All: 25%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Capital City	27	➢ Country Area	19
Age	➢ 18–24	34	➢ 25–34	18
Household Structure	➢ Single – living in shared household	37	➢ Couple – no children at home	18
Education	➢ Passed Year 10	37	–	
Home Value	–		➢ $175,000–$299,999	18
Mortgage Debt	–		➢ $250,000 or more	14
Gross Personal Income	➢ Under $20,000	33	➢ $20,000–$34,999	19
Non-mortgage Debt	–		➢ $500–$9,999	19
Financial Literacy Quintiles	➢ Levels 1–2 ➢ Levels 3–4	56 43	➢ Levels 7–8 ➢ Levels 9–10	16 6

Groups which differ most from the total population are shaded.

Base: Respondents using debit cards (50% of eligible sample used)
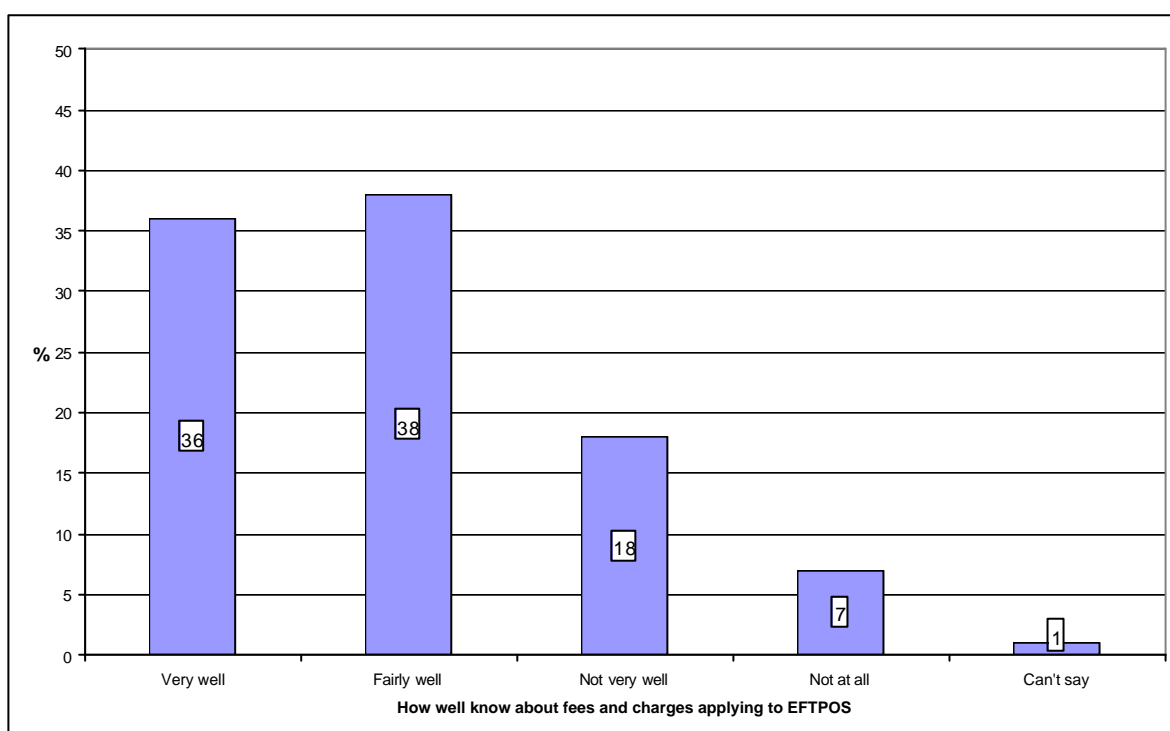
Sample Size: 605

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[*] The proportion of people using debit cards was understated due to respondents' perceptions. The majority of respondents using ATMs and EFTPOS may have technically been using a debit card.

6.1.1.2.9   Term Deposits

Less than one quarter (24%) of adult Australians had term deposits. The knowledge of the relevant fees and charges that apply to term deposits is detailed below.

Figure 17. Knowledge of Fees and Charges applying to Term Deposits

D1O. How well do you know about the fees and charges that apply to term deposits?
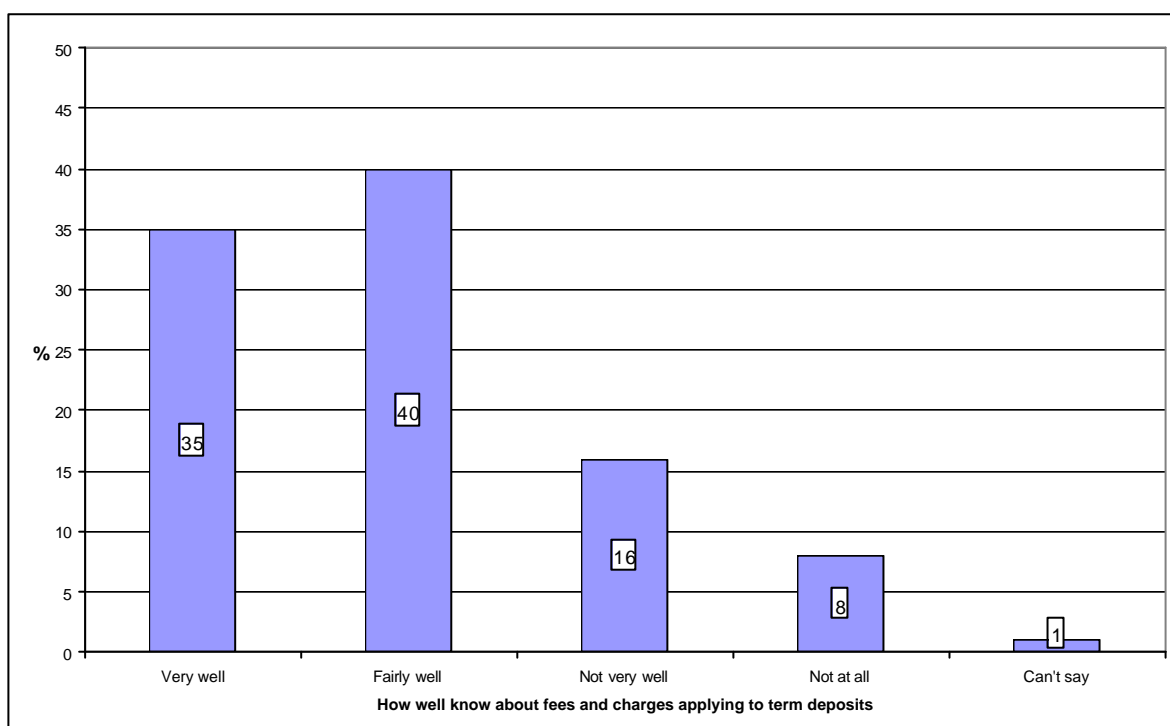
Base: Respondents with term deposits (50% of eligible sample used)

Sample Size: 423

Similar to levels for EFTPOS and debit cards, 24% of term deposit holders claimed that they do not have a good knowledge of the fees and charges applying to term deposits. Specifically, when asked to indicate how well they know about the fees and charges 8% said "not at all" and 16% stated "not very well".

Overall, 75% considered that they knew the fees and charges either "very well" (35%) or "fairly well" (40%).

Knowledge of fees and charges applying to term deposits was lowest among term deposit holders with no occupation, and those who have studied to less than Year 10.

Table 54.   Demographic Profile for Term Deposits Fees and Charges Knowledge

D1O. How well do you know about the fees and charges that apply to term deposits? *Response – Not Very Well or Not At All: 24%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Occupation	➢ Executive/Owner (including small business & farm)	38	➢ Unskilled/farm worker	12
	➢ No occupation	54		
Education	➢ Less than Year 10	46	–	
Mortgage Debt	–		➢ $250,000 or more	12
Gross Personal Income	–		➢ $20,000–$34,999	17
Savings (Excl. Home)	➢ $5,000–$49,999	34	➢ $50,000–$249,999	15
			➢ $250,000 or more	16
Financial Literacy Quintiles	➢ Levels 1–2	63	➢ Levels 7–8	16
	➢ Levels 3–4	47	➢ Levels 9–10	5

Groups which differ most from the total population are shaded.

Base: Respondents with term deposits (50% of eligible sample used)

Sample Size: 423

6.1.1.2.10 Store Cards

Only 15% of Australian adults use a store card. Their knowledge of the fees and charges that apply are detailed below.

Figure 18. <u>Knowledge of Fees and Charges applying to Store Cards</u>

D1D. How well do you know about the fees and charges that apply to store cards?
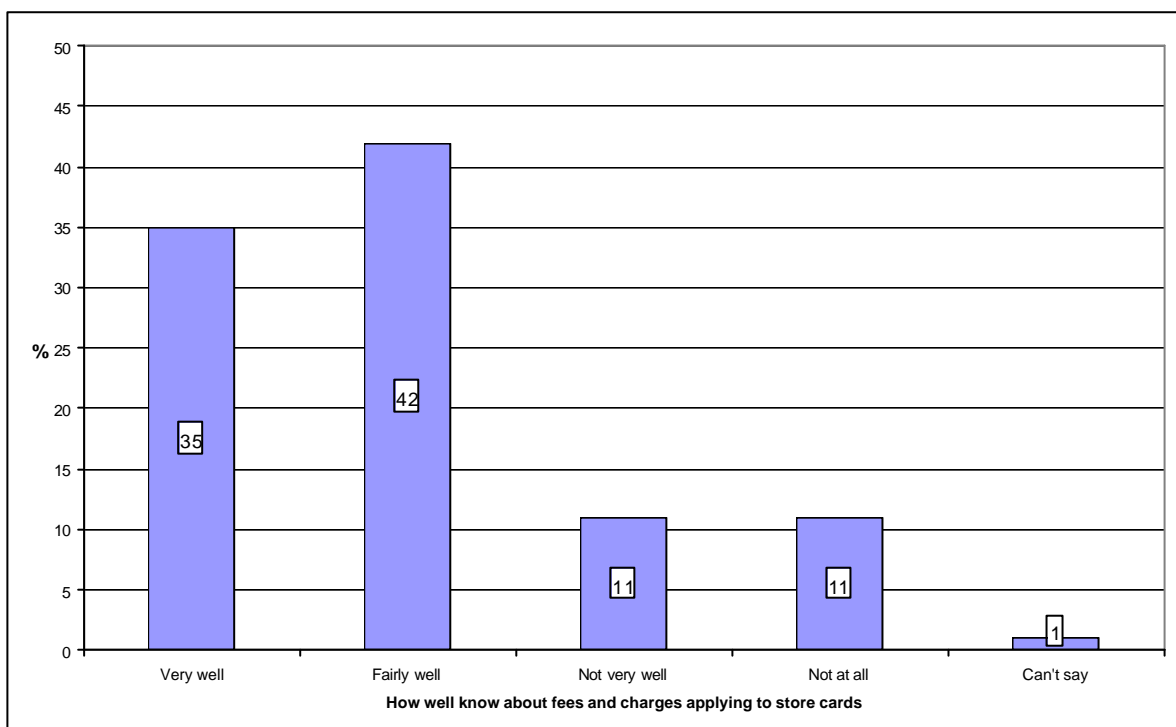
Base: Respondents with store cards (50% of eligible sample used)
Sample Size: 269

Seventy-seven percent of store card users consider themselves to be at least "fairly" knowledgeable about the fees and charges that apply to store cards. Almost 22%, however consider themselves to be either "not very" (11%) or "not at all" (11%) knowledgeable about the fees and charges that apply.

Amongst card users, those with savings of less than $5000 were less likely to know about the fees and charges applying to store cards.

Table 55.   Demographic Profile for Store Cards Fees and Charges Knowledge

D1D. How well do you know about the fees and charges that apply to store cards? *Response – Not Very Well or Not At All: 22%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 60–69	12
Household Structure	–		➢ Single parent	8
Occupation	–		➢ Semi-professional	12
Education	–		➢ Some or finished technical/commercial	10
Home Value	–		➢ $300,000–$499,999	14
Mortgage Debt	–		➢ Under $50,000	11
Savings (Excl. Home)	➢ Under $5,000	37	–	
Financial Literacy Quintiles	➢ Levels 1–2	69	➢ Levels 9–10	9

Groups which differ most from the total population are shaded.

Base: Respondents with store cards (50% of eligible sample used)

Sample Size: 269

6.1.1.2.11 Loans

Forty-seven percent of adult Australians currently have a loan (excluding mortgages).

Figure 19. Knowledge of Fees and Charges applying to Loans

> *D1L. How well do you know about the fees and charges that apply to loans?*
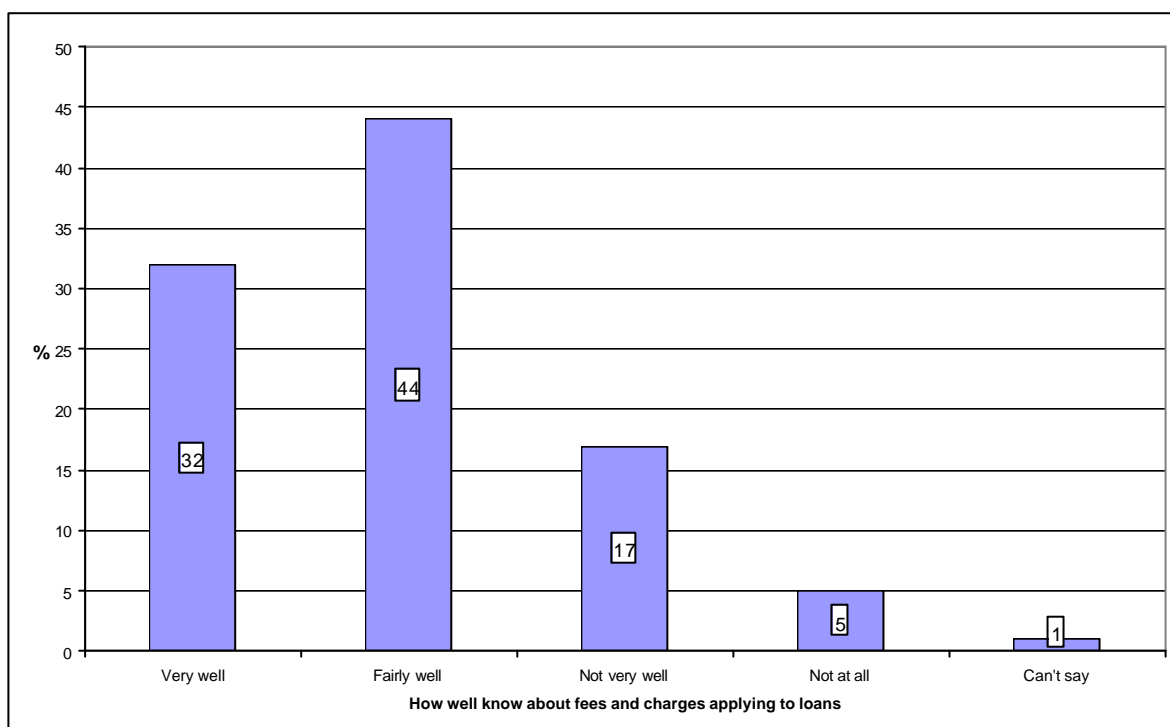
Base: Respondents with loans (other than mortgages)
Sample Size: 1649
Percentages may not sum to 100% due to rounding.

Only 5% of adult Australians with a loan indicated that they had no knowledge of the fees and charges applying to loans. Seventeen percent, however, stated "not very well" when asked how well they knew about the fees and charges that apply.

A clear majority (76%) stated "very well" (32%) or "fairly well" (44%) when asked to describe their level of knowledge about the fees and charges.

Loan holders with a household income of under $20,000, those not working and those aged 70 or over were less likely to know about the relevant fees and charges.

Table 56.   Demographic Profile for Loans Fees and Charges Knowledge

D1L. How well do you know about the fees and charges that apply to loans? Response – Not Very Well or Not At All: 22%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	26	➢ Male	18
Age	➢ 60–69	31	–	
	➢ 70 and over	53		
Household Structure	➢ Single – living in shared household	31	–	
	➢ Single parent	35		
Employment Status	➢ Retired	42	➢ Employed – full-time	17
	➢ Looking for work	43		
	➢ Non-worker	52		
Occupation	➢ Semi-skilled	30	➢ Semi-professional	14
	➢ No occupation	45		
Education	➢ Less than Year 10	41	➢ Some or finished technical/commercial	15
Home Ownership	➢ Renting residence	29	–	
Home Value	–		➢ $500,000 or more	12
Mortgage Debt	–		➢ $250,000 or more	11
Gross Personal Income	➢ Under $20,000	35	➢ $35,000–$49,999	17
			➢ $70,000 or more	13
Gross Household Income	➢ Under $20,000	50	➢ $100,000 or more	13
Savings (Excl. Home)	➢ Under $5,000	36	➢ $50,000–$249,999	15
			➢ $250,000 or more	8
Non-mortgage Debt	–		➢ $100,000 or more	13
Financial Literacy Quintiles	➢ Levels 1–2	50	➢ Levels 7–8	15
	➢ Levels 3–4	30	➢ Levels 9–10	6

Groups which differ most from the total population are shaded.

Base: Respondents with loans (other than mortgages)

Sample Size: 1649

6.1.1.2.12 Bank Accounts

Almost all Australian adults (97%) have an ordinary or everyday account with a bank, building society or credit union.

Knowledge of fees and charges applying to bank accounts among account holders is outlined below.

Figure 20. <u>Knowledge of Fees and Charges applying to Bank Accounts</u>

D1A. *How well do you know about the fees and charges that apply to bank accounts?*
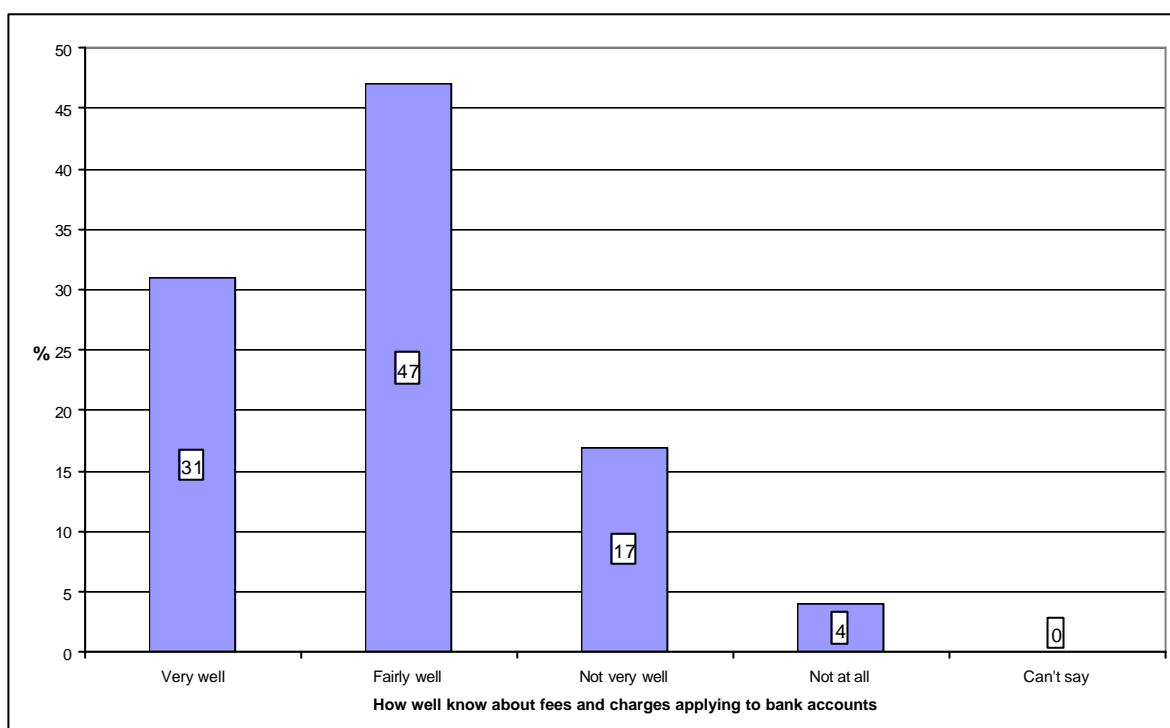
Base: Respondents with ordinary or everyday accounts with banks, building societies or credit unions.

Sample Size: 3443

Percentages may not sum to 100% due to rounding.

Similar to the level for store cards and loans (other than mortgages), 78% considered themselves to know about the fees and charges that apply to bank accounts either "very well" (31%) or "fairly well" (47%). Seventeen percent considered themselves to know about the fees "not very well" while 4% responded "not at all".

Non-workers and those educated to less than Year 10 were the least knowledgeable segments.

Table 57.   **Demographic Profile for Bank Accounts Fees and Charges Knowledge**

D1A. How well do you know about the fees and charges that apply to bank accounts? *Response – Not Very Much or Not At All: 22%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 70 and over	29	–	
Household Structure	➢ Single – living alone ➢ Single parent	27 30	–	
Employment Status	➢ Non-worker	45	–	
Occupation	➢ Semi-skilled ➢ No occupation	28 32	➢ Professional	14
Education	➢ Less than Year 10	35	–	
Home Ownership	➢ Renting residence	26	–	
Home Value	–		➢ $175,000–$299,999 ➢ $500,000 or more	16 16
Mortgage Debt	–		➢ $250,000 or more	16
Gross Personal Income	–		➢ $35,000–$49,999 ➢ $70,000 or more	14 16
Gross Household Income	➢ Under $20,000	28	➢ $60,000–$99,999 ➢ $100,000 or more	16 14
Savings (Excl. Home)	➢ Under $5,000	30	➢ $50,000–$249,999 ➢ $250,000 or more	15 14
Financial Literacy Quintiles	➢ Levels 1–2 ➢ Levels 3–4	50 26	➢ Levels 7–8 ➢ Levels 9–10	11 4

Groups which differ most from the total population are shaded.

Base: Respondents with an ordinary or everyday accounts with banks, building societies or credit unions

Sample Size: 3443

6.1.1.2.13 ATMs

Almost three quarters (73%) of adult Australians use ATMs. Knowledge of fees and charges is outlined below.

Figure 21. <u>Knowledge of Fees and Charges applying to ATMs</u>

D1E. How well do you know about the fees and charges that apply to your own bank's ATMs?
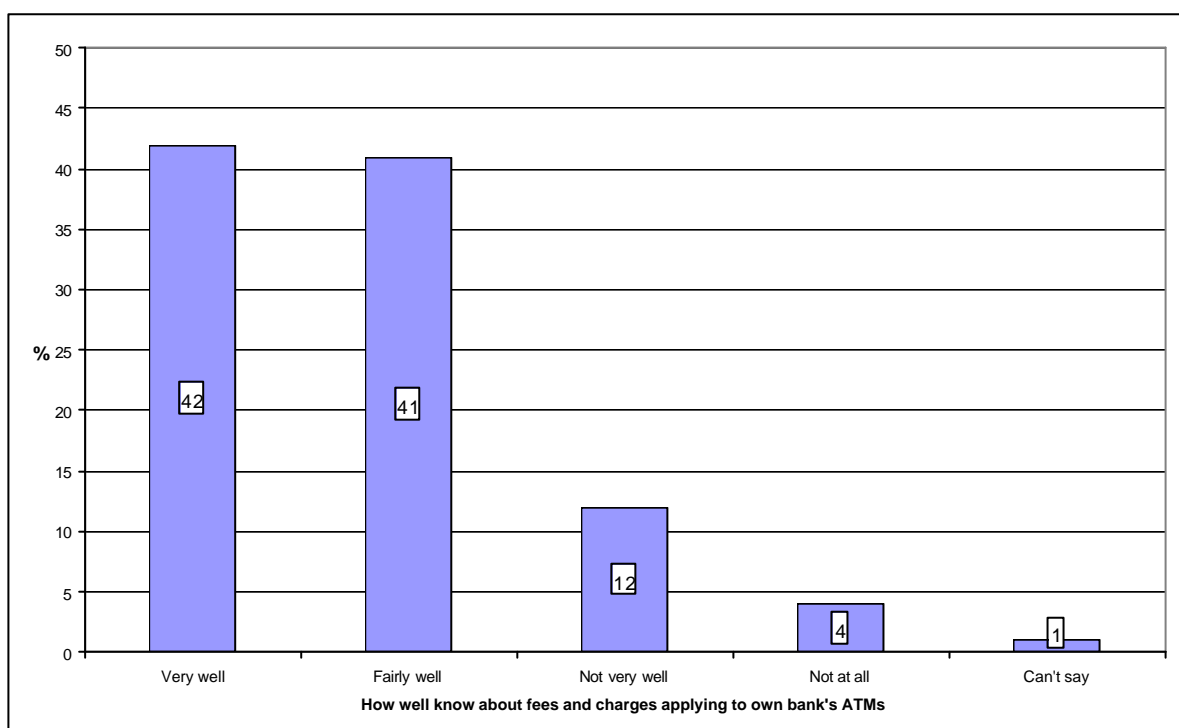
Base: Respondents using ATMs (50% of eligible sample used)
Sample Size: 1268

Apart from credit cards and to a lesser extent mortgages, knowledge of fees and charges that apply to ATMs was higher than for any other financial product. Overall, 42% considered themselves to know about the fees and charges "very well" while a further 41% considered themselves to know about them "fairly well". In contrast, 16% considered themselves to be "not very" or "not at all" knowledgeable about the fees and charges.

Knowledge of the fees and charges applying to ATMs was lowest among non-workers.

Table 58.   Demographic Profile for ATMs Fees and Charges Knowledge

D1E. *How well do you know about the fees and charges that apply to your own bank's ATMs?* Response – Not Very Well or Not At All: 16%				
Demographic	**Below Average Knowledge**	**%**	**Above Average Knowledge**	**%**
Age	➢ 70 and over	27	➢ 60–69	9
Employment Status	➢ Non-worker	34	➢ Looking for work	8
Occupation	➢ Unskilled/farm worker	24	➢ Other white-collar	10
	➢ No occupation	30		
Education	➢ Less than Year 10	25	–	
Home Value	–		➢ $175,000–$299,999	11
Financial Literacy Quintiles	➢ Levels 1–2	39	➢ Levels 7–8	6
	➢ Levels 3–4	28	➢ Levels 9–10	2

Groups which differ most from the total population are shaded.

Base: Respondents using ATMs (50% of eligible sample used)

Sample Size: 1268

6.1.1.2.14 Mortgages

Overall, 38% of adult Australians have a mortgage.

Figure 22. <u>Knowledge of Fees and Charges applying to Mortgages</u>

D1K. How well do you know about the fees and charges that apply to mortgages?
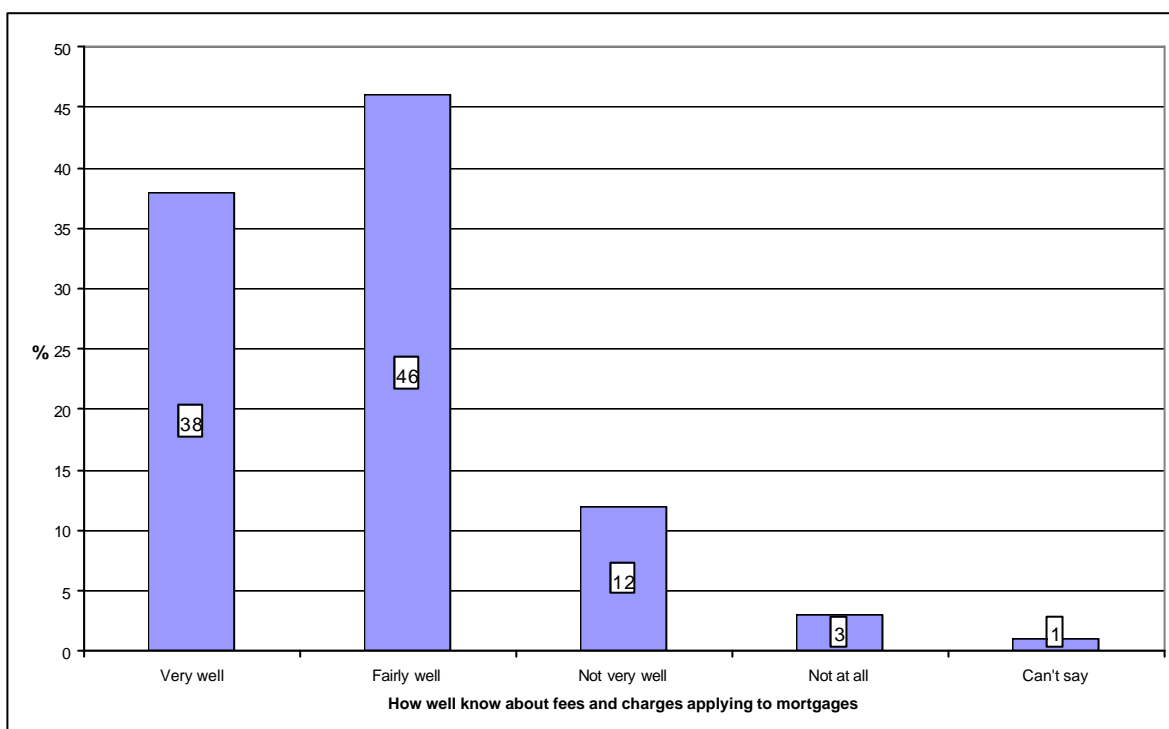
Base: Respondents with mortgages (on own home or investment prop erty) (50% of eligible sample used)
Sample Size: 654

Among mortgage holders 84% consider themselves to know about the fees and charges that apply to mortgages "very well" or "fairly well". Just 3% responded "not at all", and 12% said "not very well" whe n asked how well they knew about these charges.

Overall, the level of knowledge of fees and charges for mortgages was high, lower only than the level achieved for credit cards.

Mortgage holders aged 70 and over, those educated to less than Year 10 or those in unskilled or farm occupations tended to be the least knowledgeable about the fees and charges.

Table 59.   Demographic Profile for Mortgages Fees and Charges Knowledge

D1K. How well do you know about the fees and charges that apply to mortgages? Response – Not Very Well or Not At All: 15%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➤ 70 and over	53	–	
Language spoken at home	–		➤ Non-English	7
Occupation	➤ Unskilled/farm worker	38	➤ Semi-professional	10
Education	➤ Less than Year 10	29	➤ Tertiary degree	10
Gross Household Income	-		➤ $20,000–$34,999	8
Savings (Excl. Home)	–		➤ $5,000–$49,999	8
			➤ $250,000 or more	7
Financial Literacy Quintiles	➤ Levels 1–2	47	➤ Levels 7–8	10
	➤ Levels 3–4	28	➤ Levels 9–10	3

Groups which differ most from the total population are shaded.

Base: Respondents with mortgages (on own home or investment property) (50% of eligible sample used)
Sample Size: 654

6.1.1.2.15   Credit Cards

Credit cards are used by 64% of adult Australians.

Figure 23. <u>Knowledge of Fees and Charges applying to Credit Cards</u>

D1C. How well do you know about the fees and charges that apply to credit cards?
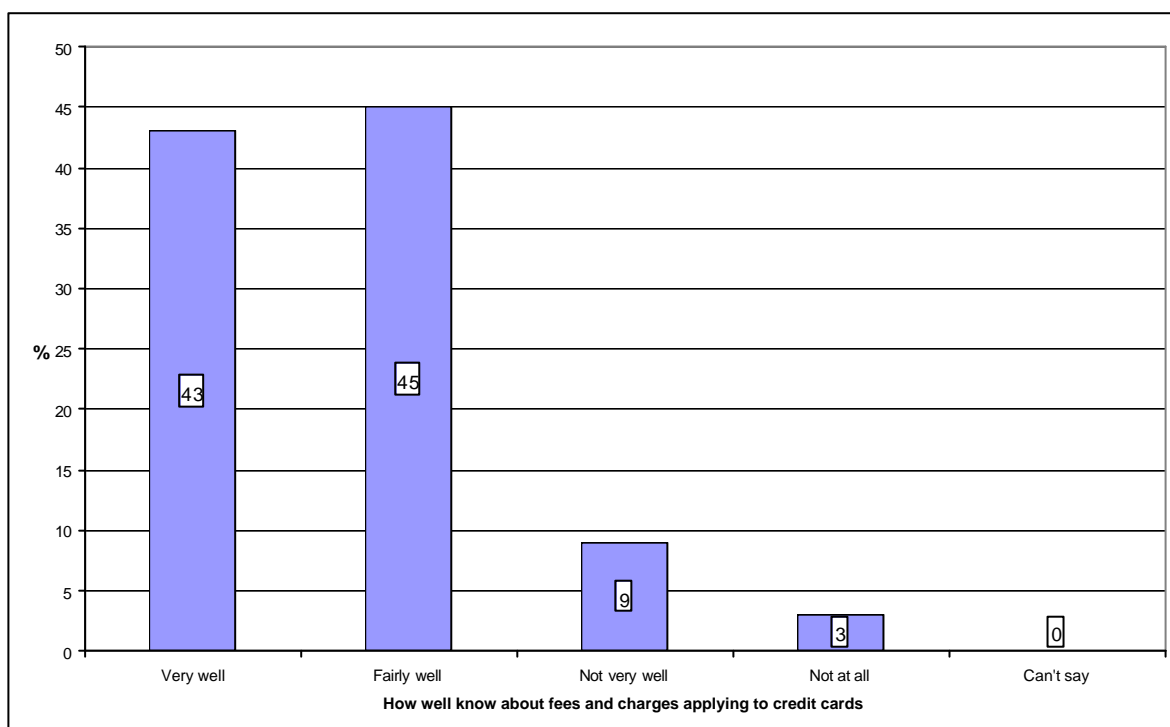
Base: Respondents with credit cards
Sample Size: 2278

Knowledge of fees and charges that apply to credit cards was higher than the knowledge of fees that apply to any other product. Eighty-eight percent of credit card users considered themselves to know about the fees either "very well" or "fairly well".   Only 12% considered themselves to know about them "not very well" or "not at all".

Compared to the 88% of people that knew about the fees for credit cards, only 44% knew about the fees for superannuation, and less than 60% knew about the fees for BPay, telephone banking and shares.

Credit cards users with no current occupation and those that were unskilled or farm workers were least likely to know about the relevant fees and charges.

Table 60.   Demographic Profile for Credit Cards Fees and Charges Knowledge

D1C. How well do you know about the fees and charges that apply to credit cards? *Response – Not Very Well or Not At All: 12%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 70 and over	17	–	
Household Structure	➢ Single – living alone	17	–	
Occupation	➢ Unskilled/farm worker ➢ No occupation	18 30	–	
Savings (Excl. Home)	➢ Under $5,000	21	➢ $250,000 or more	7
Financial Literacy Quintiles	➢ Levels 1–2 ➢ Levels 3–4	37 19	➢ Levels 7–8 ➢ Levels 9–10	6 2

Groups which differ most from the total population are shaded.

Base: Respondents with credit cards

Sample Size: 2278

6.1.1.3 Awareness of the Impact of Fees on Return

An awareness that overall cost/benefit is the net result when fees are subtracted from returns is an indicator of the real utility of financial products or services.

In order to assess recognition of this, people with superannuation or investments were asked which of a number of aspects was most important when arranging superannuation or an investment.

As shown below in Table 61, most consumers (59%) gave the "correct" answer involving the net results of return less fees.

Table 61.   Most Important Aspect when Arranging Superannuation or Investments

D16.   Which of the following is most important when arranging superannuation or an investment?

Aspect	% of adults with superannuation or investments
The amount of return left after the fees are taken out	59
The return	14
The fees	6
The per-unit cost	2
Can't say	18

Base: Respondents with superannuation or investments (50% of eligible sample used)

Sample Size: 1518

Percentages may not sum to 100% due to rounding.

Return alone (14%) was more often identified as the most important aspect than fees alone (6%).

A relatively high proportion (18%) could not give an answer to this question.

Older persons, those with a low level of education and those with lower socio-economic circumstances were less likely to respond correctly.

In comparison with the 59% giving the "correct" response, the proportion was above or below average for the groups in the following table.

Table 62. <u>**Demographic Profile for Awareness of Trade-off Between Fees and Returns**</u>

D16. Which of the following is most important when arranging superannuation or an investment? Response – The amount of return left after the fees are taken out: 59%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 70 and over	41
Household Structure	–		➢ Single – living alone	54
Employment Status	➢ Student	75	➢ Retired	48
Occupation	–		➢ Sales	51
Education	➢ Tertiary degree	64	➢ Less than Year 10	42
Home Value	➢ Under $175,000 ➢ $175,000–$299,999	53 65		
Mortgage Debt	➢ $50,000–$249,999	66	–	
Gross Personal Income	➢ $50,000–$69,999 ➢ $70,000 or more	66 66	–	
Gross Household Income	➢ $100,000 or more	65	➢ Under $20,000	49
Savings (Excl. Home)	➢ $5,000–$49,999	65	➢ Under $5,000	52
Financial Literacy Quintiles	➢ Levels 9–10	72	➢ Levels 1–2	39

Groups which differ most from the total population are shaded.

Base: Respondents with superannuation or investments (50% of eligible sample used)

Sample Size: 1518

6.1.1.4 Shopping Around When Arranging a New Financial Product or Service

Consumers engaging with the financial products and services listed below were asked how much they shopped around when arranging a new product. Using the following scale: "a lot", "a fair bit", "a little" or "not at all".

- Bank account (ordinary or everyday account with a bank, building society or credit union)

- Superannuation

- Investments (other than superannuation)

- Mortgage

- Loan (other than mortgage)

- Insurance

- Financial specialist (accountant, financial planner/adviser or tax specialist)

As well as the usual recording of *can't say* responses, there was also recording of cases where consumers could not use the scale because they had never arranged (or never needed to arrange) a new product or service of a particular type.

Those responding "not at all" when asked how much they shopped around for a particular product or service were asked the main reason why they did not shop around.

Lack of shopping around was found to be common among those using a financial specialist where 64% of people shopped around only "a little" or "not at all" when arranging a new financial specialist.

The proportion doing little or no shopping around outweighed the proportion shopping around "a lot" or "a fair bit" when arranging a new:

- Financial specialist (64% shopped around "a little" or "not at all" compared to 24% who shopped around "a lot" or "a fair bit")

- Superannuation policy (55% compared to 23%)

- Bank account (55% compared to 33%)

Conversely, the proportion shopping around "a lot" or "a fair bit" outweighed the proportion doing little or no shopping around when arranging a new:

- Loan (46% shopped around "a lot" or "a fair bit" compared to 41% who shopped around "a little" or "not at all")

- Insurance policy (51% compared to 40%)

- Mortgage (56% compared to 33%)

- Investment (56% compared to 30%)

Table 63, below, shows the level of shopping around for financial products and services among those engaging with a particular product or service, in descending ranked order of proportion responding "a little" or "not at all".

Table 63. <u>Shopping Around for Various Financial Products and Services</u>

D(2,4,6,8,10,12,14). When arranging a new (particular financial product/service), do you shop around a lot, a fair bit, a little, or not at all?						
		Percent of all adults:			**Percent of users:**	
		Using and shopping around:			**Shopping around:**	
Financial product/service	**Using**	**A lot or A fair bit**	**A little or Not at all**	**Not using**	**A lot or A fair bit**	**A little or Not at all**
Financial specialist	51	12	32	49	24	64
Superannuation	71	16	39	29	23	55
Ordinary/everyday account	97	32	54	3	33	55
Loan (other than mortgage)	47	21	19	53	46	41
Insurance	91	46	36	9	51	40
Mortgage	38	21	12	62	56	33
Investment (other than superannuation)	61	34	18	39	56	30

Base: Respondents with an ordinary or everyday account with a bank, building society or credit union

Sample Size: 3443

Percentages may not sum to 100% due to rounding.

6.1.1.4.1   Financial Specialist

Figure 23, below, shows levels of shopping around when arranging a new financial specialist among the 51% using an accountant, financial planner/adviser or tax specialist.

Figure 24. Shopping Around when Choosing a Financial Specialist

D14. When choosing an accountant, financial planner/adviser or tax specialist, do you shop around a lot, a fair bit, a little, or not at all?
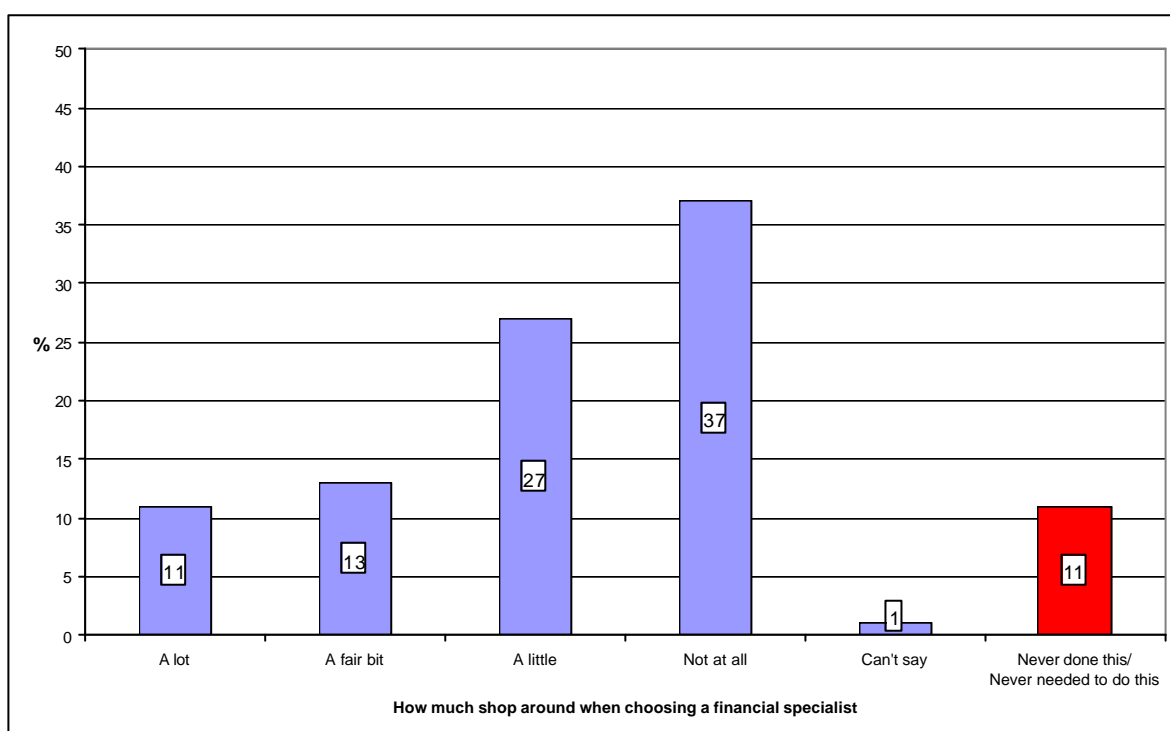
Base: Respondents using an accountant, financial planner/adviser or tax specialist (50% of eligible sample used)
Sample Size: 898

Compared to users of other products or services (other than superannuation), a lower proportion of users of financial specialists shop around when arranging a new specialist. Sixty-four percent of specialist users said they shop around "a little" (27%) or "not at all" (37%).

The detailed results show that of those who used a financial specialist, older and retired people were more likely to shop around when choosing a new one. Those less likely to shop around included those aged between 25 and 34, and those with a home valued at less than $175,000.

In comparison with the 64% reporting little or no shopping around for new financial specialists, such lack of shopping around was above or below average for the groups in the following table.

Table 64.   Demographic Profile for Shopping Around For an Accountant, Financial Planner/Adviser or Tax Specialist a Little or Not at All

D14. *When choosing an accountant, financial planner/adviser or tax specialist, do you shop around a lot, a fair bit, a little, or not at all?* *Response – A Little or Not At All: 64%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 25–34	72	➢ 60–69	52
Employment Status	–		➢ Retired	56
Home Value	➢ Under $175,000	72	➢ $300,000–$499,999	54
Mortgage Debt	–		➢ Under $50,000	52
Gross Personal Income	➢ $50,000–$69,999	73	–	
Non-mortgage Debt	–		➢ Under $500	58
Financial Literacy Quintiles	➢ Levels 5–6	71	➢ Levels 9–10	54

Groups which differ most from the total population are shaded.

Base: Respondents using an accountant, financial planner/adviser or tax specialist (50% of eligible sample used)
Sample Size: 898

Among those shopping around "not at all" when arranging a new financial specialist, the main reasons cited for not doing so were:

- Stay with the provider I've got/happy with them/been with them for years (40%)

- Just go with what is recommended (33%)

- I know someone/have a partner/relative/friend who works for them/is my provider (15%)

6.1.1.4.2   Superannuation

Levels of shopping around when arranging a new superannuation policy or roll-over, among the 71% with superannuation, are shown in Figure 24 below.

It is important to note that 39% of those that stated they do not shop around "at all" indicated that they have no choice in this matter.

Figure 25.   <u>Shopping Around when Arranging a New Superannuation Policy or Roll-over</u>

D4.   When arranging a new superannuation policy or roll-over, do you shop around a lot, a fair bit, a little, or not at all?
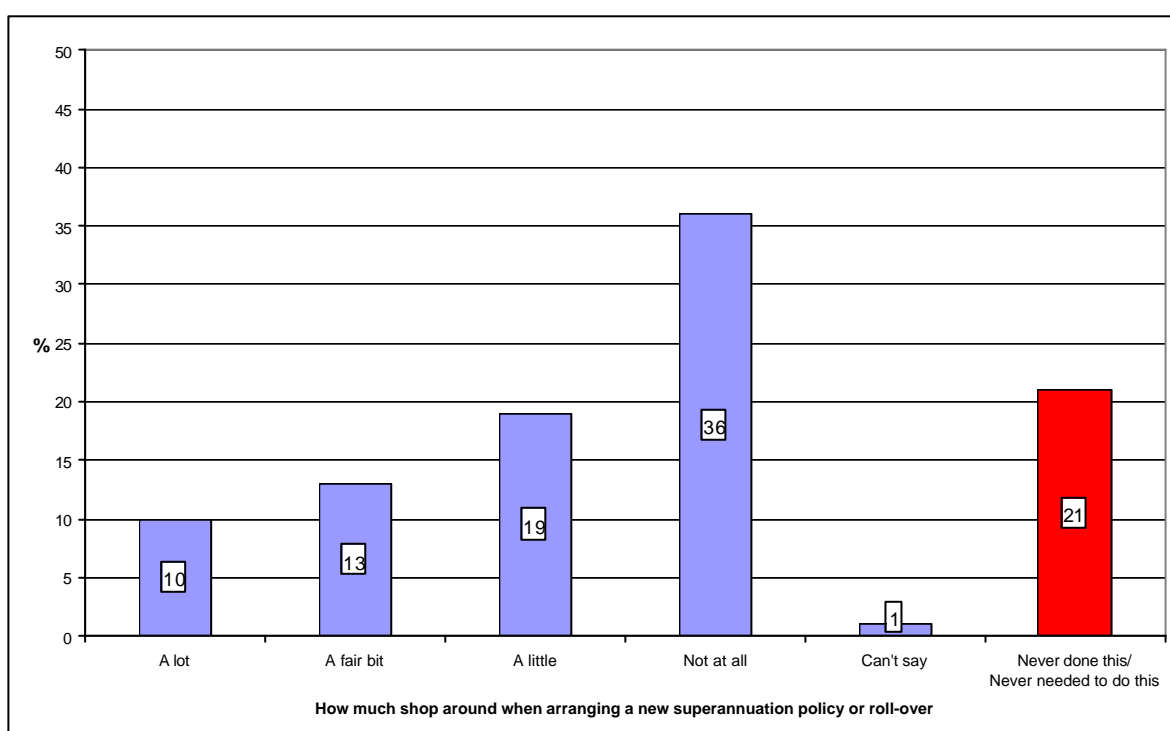
Base: Respondents with superannuation (50% of eligible sample used)
Sample Size: 1255

Only twenty-three percent of people with superannuation claimed to shop around "a lot" or "a fair bit" when arranging a new policy. Along with financial specialists, this level was the lowest among the products investigated. Thirty-six percent of people claimed to shop around "not at all", whilst 19% shop around "a little".

People with superannuation who were not working, and those who had completed or finished some technical or commercial education were less likely to shop around when arranging a new superannuation policy or roll-over.

In comparison with the 55% of those with superannuation reporting little or no shopping around, such lack of shopping around was above or below average for the groups in the following table.

Table 65.   Demographic Profile for Shopping Around For a New Superannuation Policy or Roll-Over a Little or Not at All

D4. When arranging a new superannuation policy or roll-over, do you shop around a lot, a fair bit, a little, or not at all? *Response – A Little or Not At All: 55%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Country Area	60	➢ Capital City	53
Age	➢ 25–34	60	➢ 60–69	37
Household Structure	➢ Children in household	60	–	
Employment Status	➢ Non-worker	79	➢ Retired	42
Occupation	➢ Skilled	62	➢ Professional	47
Education	➢ Some or finished technical/commercial	66	–	
Home Value	➢ Under $175,000	63	–	
Savings (Excl. Home)	➢ Under $5,000 ➢ $5,000–$49,999	64 61	➢ $50,000–$249,999 ➢ $250,000 or more	48 42
Financial Literacy Quintiles	➢ Levels 1–2	73	➢ Levels 9–10	46

Groups which differ most from the total population are shaded.

Base: Respondents with superannuation (50% of eligible sample used)

Sample Size: 1255

Among those who do not shop around at all when arranging a new superannuation policy or roll-over, the main reasons cited for not doing so were:

- Have no say in it/Only one scheme is available (39%)

- Just go with what is recommended (24%)

- Couldn't be bothered (7%)

Groups **more** likely to say they "couldn't be bothered" to shop around when arranging a new superannuation policy or roll-over included:

- Single parents

- Females

Groups **less** likely to say they "couldn't be bothered" to shop around when arranging a new superannuation policy or roll-over included:

- Skilled and semi-skilled workers

- Those with up to Year 10 as their highest level of education

- Males

6.1.1.4.3 Ordinary/Everyday Account

Figure 25, below, shows responses to a question asking about the level of shopping around when arranging a new ordinary/everyday account among the majority (97%) of Australian adults with an ordinary or everyday account with a bank, building society or credit union.

Figure 26. Shopping Around when Arranging a New Ordinary/Everyday Account

> *D2. When arranging a new ordinary or everyday account with a bank, building society or credit union, do you shop around a lot, a fair bit, a little, or not at all?*
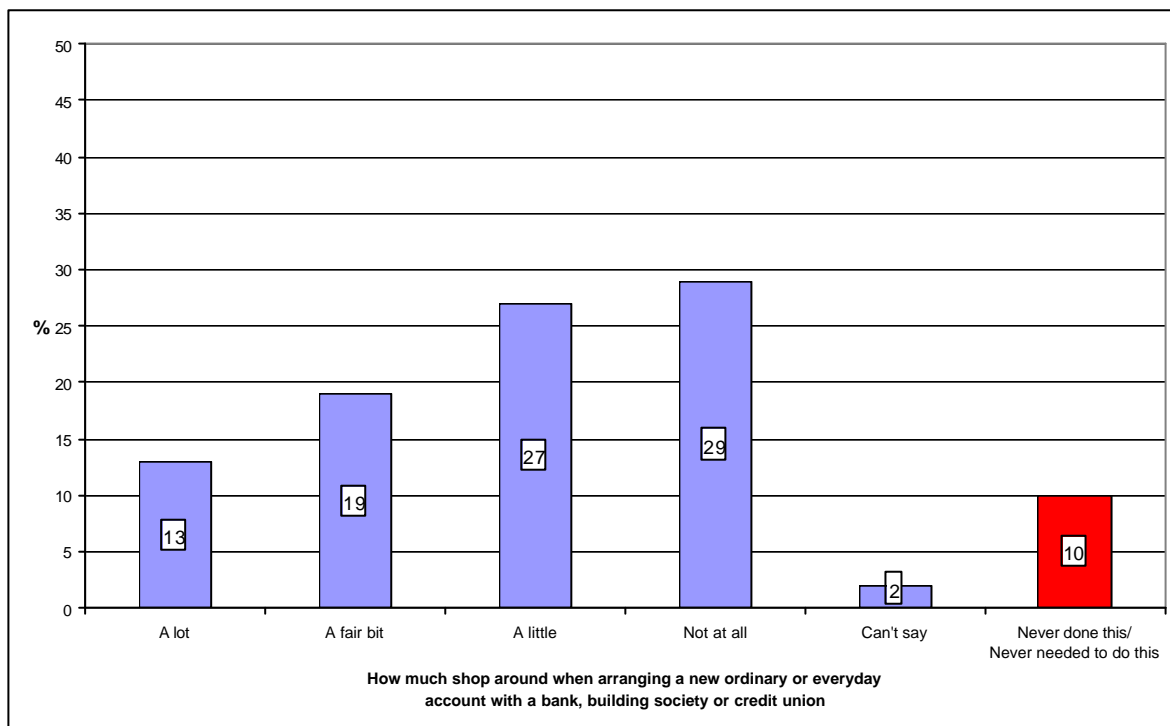
Base: Respondents with ordinary or everyday accounts with banks, building societies or credit unions
Sample Size: 3443

Around 32% of people reported that they shop around "a lot" or "a fair bit" when arranging a new account. This proportion was higher than the proportion that shop around for a financial specialist or superannuation, but lower than for loans, insurance and investment products.

The detailed results below suggest that it is mainly those with savings under $5,000, and those with $100,000 or more in non-mortgage debt who were less likely to shop around.

In comparison with the 55% of those with an ordinary/everyday account reporting little or no shopping around, shopping around was above or below average for the groups in the following table.

Table 66.   **Demographic Profile for Shopping Around For a New Ordinary or Everyday Account a Little or Not at All**

D2. When arranging a new ordinary or everyday account with a bank, building society or credit union, do you shop around a lot, a fair bit, a little, or not at all? Response – A Little or Not At All: 55%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 25–34	60	–	
Occupation	–		➢ Professional	49
Home Ownership	➢ Renting residence	60	–	
Home Value	–		➢ $300,000–$499,999	50
Savings (Excl. Home)	➢ Under $5,000	63	–	
Non-mortgage Debt	➢ $100,000 or more	65	–	
Financial Literacy Quintiles	➢ Levels 1–2	63	➢ Levels 9–10	46

Groups which differ most from the total population are shaded.

Base: Respondents with ordinary or everyday accounts with bank, building societies or credit unions

Sample Size: 3443

Among those shopping around "not at all" when arranging a new ordinary/everyday account, the main reasons cited for not doing so were:

- I use the same bank/provider for convenience/loyalty to my provider (19%)

- Happy with current provider/no need to change provider (17%)

- Just go with what is recommended (15%)

- Have never arranged a new ordinary/everyday account (12%)

- Couldn't be bothered (10%)

People looking for work were more likely to respond "couldn't be bothered" when asked the main reason they did not shop around when arranging a new ordinary/everyday account.

In comparison with the 10% that have an ordinary/everyday account but "couldn't be bothered" to shop around when arranging a new ordinary/everyday account, the groups in the following table were above or below average.

Table 67. <u>Demographic Profile for Not Shopping Around When Arranging a New Ordinary or Everyday Account Because Could Not Be Bothered</u>

D3. What is the main reason that you don't shop around when arranging a new ordinary or everyday account? What else? Anything else? *Response – Couldn't Be Bothered: 10%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 18–24	16	➢ 60–69	2
Employment Status	➢ Looking for work	22	-	
Occupation	➢ Sales	19	➢ Unskilled/farm worker	5
Home Ownership	➢ Renting residence	18	–	
Home Value	–		➢ $175,000–$299,999	5
Mortgage Debt	–		➢ Under $50,000	4
Financial Literacy Quintiles	–		➢ Levels 9–10	5

Groups which differ most from the total population are shaded.

Base: Respondents who have not shopped around and have an ordinary or everyday accounts with banks, building societies or credit unions

Sample Size: 995

6.1.1.4.4 Loan

The extent of shopping around when arranging a new loan other than a mortgage, among the 47% with a loan of some sort (other than a mortgage) is shown in Figure 26 below.

Figure 27. Shopping Around when Arranging a New Loan

D10. When arranging a new loan other than a mortgage, do you shop around a lot, a fair bit, a little, or not at all?
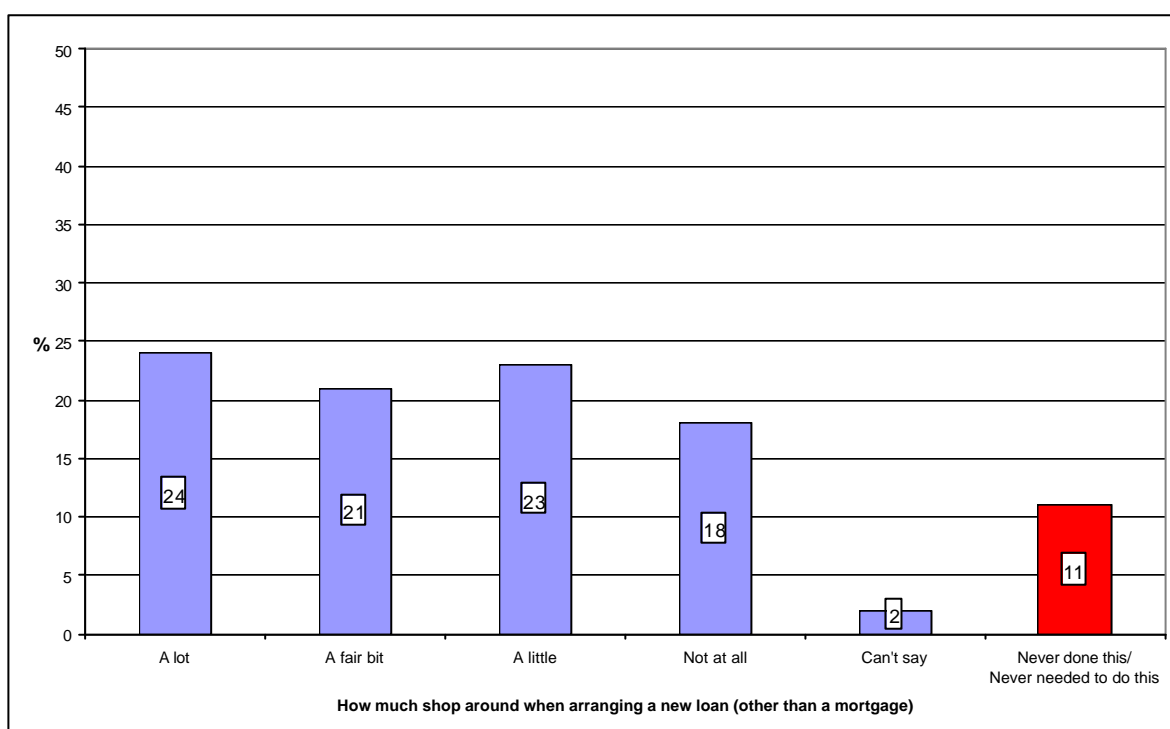
Base: Respondents with loans (other than mortgages)
Sample Size: 1649
Percentages may not sum to 100% due to rounding.

Around 45% of people with a loan (other than a mortgage) shopped around "a lot' or "a fair bit" when arranging a new loan, a higher proportion than those arranging a new superannuation, everyday account, or financial specialist. Eighteen percent of people claimed to shop around "not at all", whilst 23% shop around "a little".

Non-workers, those with a low level of education, and those with a low level of savings, tended to shop around less for loans than other groups.

In comparison with the 41% of those with loans reporting little or no shopping around, shopping around was above or below average for the groups in the following table.

Table 68.   Demographic Profile for Shopping Around For a New Loan Other Than a Mortgage a Little or Not at All

D10. When arranging a new loan other than a mortgage, do you shop around a lot, a fair bit, a little, or not at all? *Response – A Little or Not At All: 41%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➤ Country Area	45	➤ Capital City	39
Employment Status	➤ Non-worker	62	➤ Student	16
Occupation	–		➤ Professional	34
Education	➤ Passed Year 10	48	➤ Tertiary diploma/Some university	29
Savings (Excl. Home)	➤ Under $5,000	50	–	
Non-mortgage Debt	➤ $10,000–$99,999	47	–	
Financial Literacy Quintiles	➤ Levels 1–2	51	➤ Levels 9–10	33

Groups which differ most from the total population are shaded.

Base: Respondents with loans (other than mortgages)

Sample Size: 1649

Among those shopping around "not at all" when arranging a new loan, the main reasons cited for not doing so were:

- Stay with the provider I've got/happy with them/been with them for years (33%)

- Just go with what is recommended (24%)

- No need/Not looking for another one/Don't need one (12%)

6.1.1.4.5   Insurance

Figure 27, below, summarises the extent to which people reported to shop around when arranging a new insurance policy, among the 91% of Australian adults with some form of insurance.

Figure 28. <u>Shopping Around when Arranging a New Insurance Policy</u>

D12. When arranging a new insurance policy, do you shop around a lot, a fair bit, a little, or not at all?
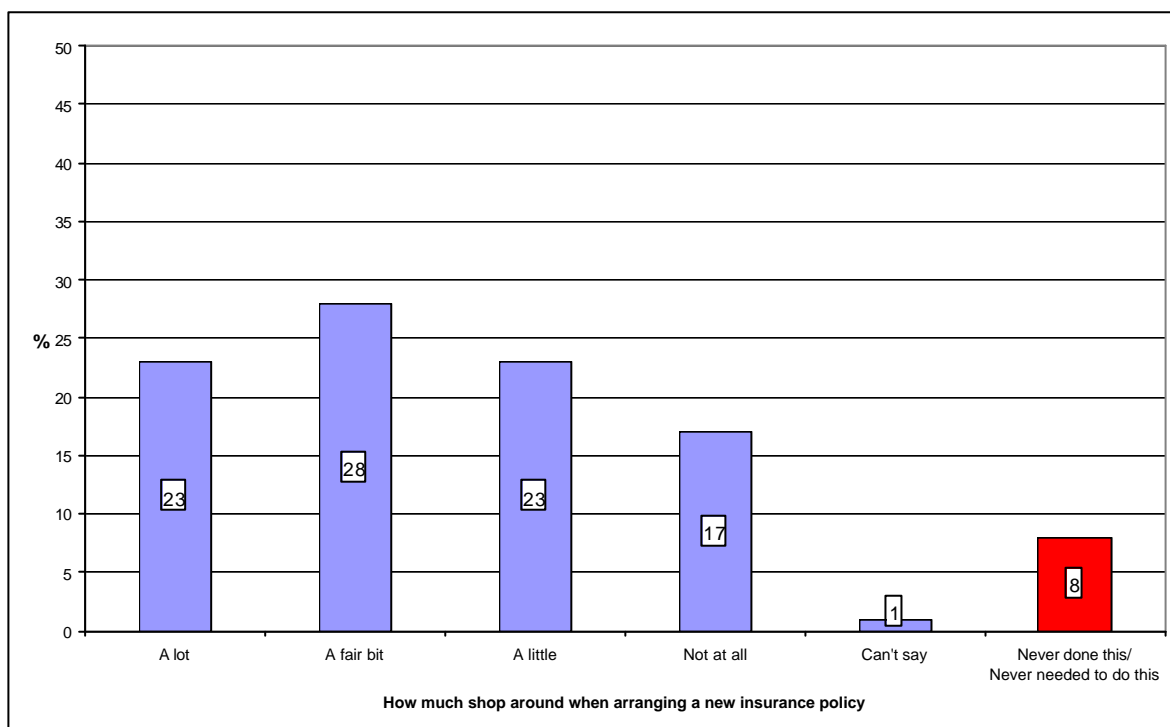
Base: Respondents with insurance (50% of eligible sample used)
Sample Size: 1601

When arranging a new insurance policy, around 51% indicated that they shop around either "a lot" (23%) or "a fair bit" (28%). Seventeen percent indicated that they do not shop around "at all".

Overall, a larger proportion of people reported to shop around for insurance more so than for loans (other than mortgages), superannuation, and everyday accounts.

Unskilled or farm workers, single parents and people who speak a language other than English at home were less likely to shop around when arranging a new insurance policy.

In comparison with the 40% of those with insurance reporting little or no shopping around, these responses were above or below average for the groups in the table below.

Table 69.   Demographic Profile for Shopping Around For a New Insurance Policy a Little or Not at All

D12. When arranging a new insurance policy, do you shop around a lot, a fair bit, a little, or not at all? Response – A Little or Not At All: 40%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 70 and over	47	➢ 18–24	31
Household Structure	➢ Single – living alone ➢ Single parent	45 50	–	
Language Spoken at Home	➢ Non-English	49	–	
Employment Status	–		➢ Employed – part-time	32
Occupation	➢ Unskilled/farm worker ➢ Self-employed	48 45	➢ Sales	29
Education	➢ Less than Year 10	46	➢ Tertiary diploma/Some university	33
Home Value	➢ Under $175,000	45	–	
Gross Personal Income	➢ $50,000–$69,999	49	–	
Gross Household Income	➢ Under $20,000	46	–	
Financial Literacy Quintiles	➢ Levels 1–2 ➢ Levels 3–4	53 46	➢ Levels 9–10	28

Groups which differ most from the total population are shaded.

Base: Respondents with insurance (50% of eligible sample used)

Sample Size: 1601

Among those shopping around "not at all" when arranging a new insurance policy, the main reasons cited for not doing so were:

- Stay with the provider I've got/ Happy with them/ Been with them for years (29%)

- Just go with what is recommended (23%)

- Couldn't be bothered (13%)

Groups **less** likely to say they "couldn't be bothered" to shop around when arranging a new insurance policy were:

- Those engaged in home duties (2%)

- Those with Year 11/Year 12 as highest level of education (5%)

- Those with current home value of $325,000 or more (6%)

- Males (9%)

6.1.1.4.6   Mortgage

Among the 38% with a mortgage, the proportion shopping around when arranging a new mortgage are shown below.

Figure 29. <u>Shopping Around when Arranging a New Mortgage</u>

D8. When arranging a new mortgage, do you shop around a lot, a fair bit, a little, or not at all?
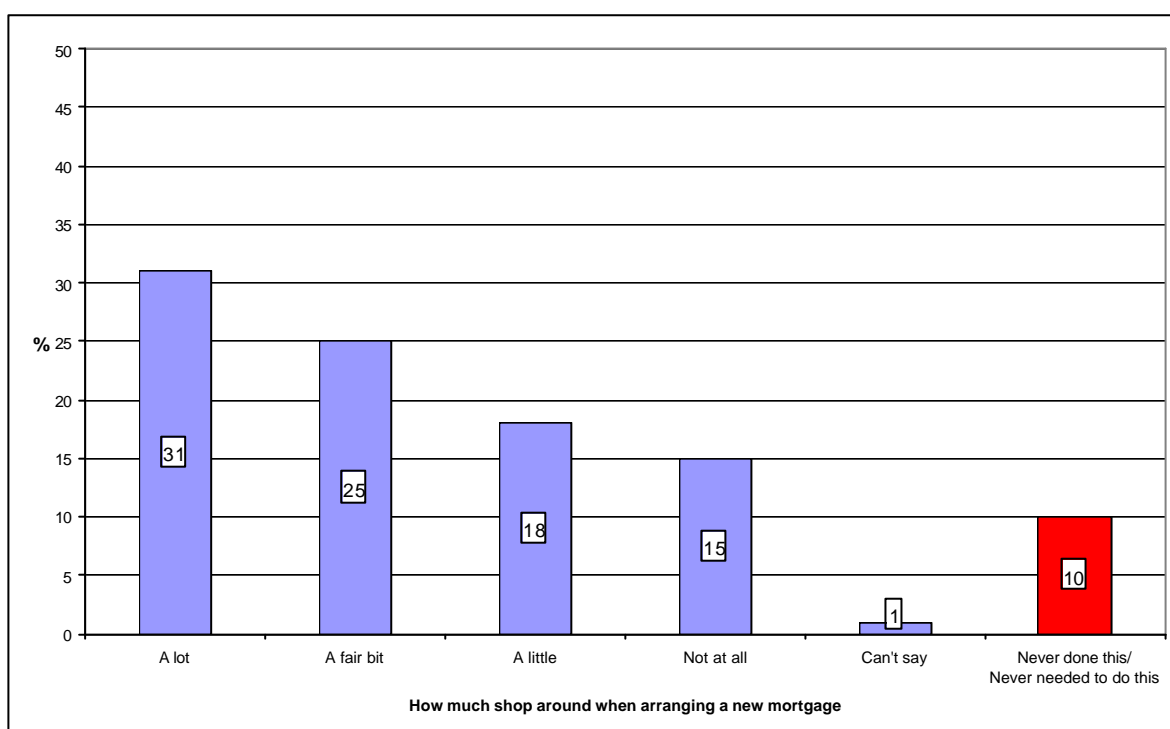
Base: Respondents with mortgages (50% of eligible sample used)
Sample Size: 654

While 56% of mortgage holders claimed to shop around for their mortgage either "a fair bit" (25%) or "a lot" (31%), 33% indicated that they do not shop around at all (15%) or only shop around a little (18%).

The level of shopping around for mortgages was higher than for other products or services investigated, and around the same level as for investments (other than superannuation).

Mortgage holders not currently working, those working in unskilled or farm occupations and those with non-mortgage debt of $100,000 or more were less likely to shop around when arranging a new mortgage.

In comparison with the 33% of those with mortgages reporting little or no shopping around, shopping around was above or below average for the groups in the following table.

Table 70. Demographic Profile for Shopping Around For a New Mortgage a Little or Not at All

D8. *When arranging a new mortgage, do you shop around a lot, a fair bit, a little, or not at all?* *Response – A Little or Not At All: 33%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Country Area	38	➢ Capital City	30
Employment Status	➢ Non-worker	79	➢ Student	10
Occupation	➢ Unskilled/farm worker	52	–	
Non-mortgage Debt	➢ $100,000 or more	55	–	
Financial Literacy Quintiles	➢ Levels 3–4 ➢ Levels 5–6	41 43	➢ Levels 7–8 ➢ Levels 9–10	25 26

Groups which differ most from the total population are shaded.

Base: Respondents with mortgages (50% of eligible sample used)

Sample Size: 654

Among those shopping around "not at all" when arranging a new mortgage, the main reasons given for not doing so were:

- Stay with the provider I've got/ happy with them/ been with them for years (35%)

- Just go with what is recommended (23%)

6.1.1.4.7   Investments

Figure 29, below, shows levels of shopping around when arranging a new investment (other than superannuation) among the 61% of Australian adults with such investments.

Figure 30. <u>Shopping Around when Arranging a New Investment</u>

D6. When purchasing or arranging a new investment, do you shop around a lot, a fair bit, a little, or not at all?
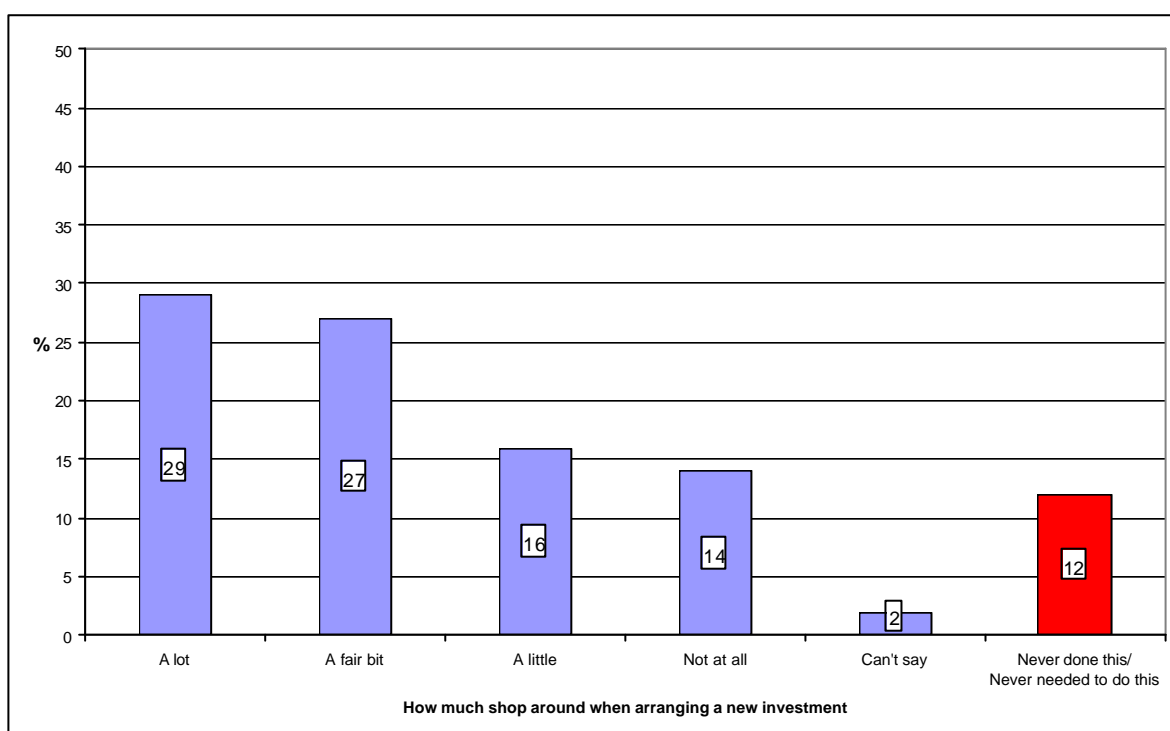
Base: Respondents with investments (managed investments, shares, investment property and term deposits) (50% of eligible sample used)

Sample Size: 1060

The proportion who claimed to shop around "a lot" or "a fair bit" when arranging a new investment (56%) was equal with mortgages as the highest proportion across the products and services asked about.

Sixteen percent of people claimed to shop around "a little" whilst 14% said they shop around "not at all".

Those with no occupation, and those with household income between $20,000 and $34,999 were less likely to shop around when arranging new investments.

In comparison with the 30% of those with investments reporting little or no shopping around, the groups in the following table were significantly more or less likely to give one of these responses.

Table 71.   Demographic Profile for Shopping Around For a New Investment a Little or Not at All

D6. When purchasing or arranging a new investment, do you shop around a lot, a fair bit, a little, or not at all? *Response – A Little or Not At All: 30%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➤ Female	34	➤ Male	26
Age	➤ 70 and over	39	–	
Gross Household Structure	➤ Single – living alone	36	➤ Couple – children at home	25
Employment Status	➤ Retired	38	➤ Employed – full-time	25
			➤ Home duties	19
Occupation	➤ No occupation	51	➤ Professional	23
			➤ Self-employed	24
Education	➤ Less than Year 10	39	➤ Tertiary diploma/Some university	15
Home Ownership	–		➤ Paying off residence	23
Home Value	➤ Under $175,000	36	➤ $175,000–$299,999	24
Mortgage Debt	–		➤ $50,000–$249,999	24
Gross Household Income	➤ $20,000–$34,999	40	➤ $100,000 or more	24
Financial Literacy Quintiles	➤ Levels 1–2	48	➤ Levels 7–8	24
			➤ Levels 9–10	23

Groups which differ most from the total population are shaded.

Base: Respondents with investments (managed investments, shares, investment property and term deposits) (50% of eligible sample used)

Sample Size: 1060

Among those shopping around "not at all" when arranging a new investment, the main reasons cited for not doing so were:

- Just go with what is recommended (24%)

- Have never purchased or arranged a new investment (13%)

6.2 Understanding of Financial Records and Appreciation of Importance of Reading and Retaining Them

This section examines adults' perceived abilities to read and understand official financial records, together with their understanding of the need to keep such records. The section also examines some areas of advanced competence including the ability to reconcile a bank statement and the ability to read annual statements from superannuation funds.

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Ability to check accuracy of official financial records, such as:
	    – Bank statements
	    – ATM service statements
	    – Credit card statements
	    – Superannuation statements
	    – Insurance policies and renewal notices (e.g. understand coverage, exclusions and duty of disclosure)
	    – Loan documentation
	
	 • Understanding of the need to keep records
		• The majority (over 85%) of users of bank accounts, ATMs, credit cards and store cards receive, read and understand the financial records applicable to each of these products
		
		 • For each of these products there is a small proportion who either did not receive the relevant records (4%-5%), received but did not read the records (2%-5%), or read but understood little of the relevant records (1%-3%)
		
		 • The situation was quite different for the other financial products, with many more not receiving financial records, and fewer reading and understanding those records
		
		 • Some 24% of those with investments (other than superannuation), 19% of those with loans (other than a mortgage), 12% of those with insurance and 9% of those with superannuation claimed not to receive statements
		
		 • 10% of those with investments (other than superannuation) and 9% of those with insurance received and read their records but understood little or nothing of them
		
		 • Most notably, 21% of those with superannuation received and read their superannuation statements but understood little or nothing of them
		
		 • Groups least able to understand their superannuation statements included:
		    – Single parents
		    – Singles living in shared households
		    – Those with household income below $35,000
		    – Retirees
		
		 • 15% of superannuation holders aged under 35 receive but do not read their statements

	Objectives	*Key Findings*
		• Across all products, a common reason for not reading statements was that "someone else reads them". In the case of superannuation statements, 35% said this was because they "could not be bothered"
		• The majority of people understood the need to keep their records and generally did so for in excess of one year
ADVANCED COMPETENCE	• Ability to reconcile a bank statement • Ability to read an Annual Statement from a superannuation fund to see the asset classes invested in and the percent return over time	• Most adults reported they would find reconciling a bank statement "easy" (54%) or "very easy" (33%)
		• 9% reported that they would find it "difficult" and 2% felt that reconciling a bank statement would be "very difficult"
		• Non-workers, unskilled workers and farm workers would have the most difficulty reconciling a bank statement
		• Those aged 70 years or over were least likely to have difficulties in this regard
		• Far fewer were confident in their ability to understand an annual statement for a superannuation fund. 31% of those with superannuation would find it "difficult" and 6% "very difficult"
		• Single parents and non-workers would have the greatest difficulty
		• Those less likely to have difficulties understanding an annual statement from a superannuation fund included: − Those aged 60 and over − Retirees − Students − Professionals − Those with $250,000 or more in mortgage debt − Those with $250,000 or more in savings

6.2.1   Basic Requirements

6.2.1.1 Reading and Understanding of Records for Financial Products/Services

Respondents using the following payment methods and financial products/services were asked about their ability to read and understand the statements they receive for:

- Bank accounts (ordinary or everyday account with a bank, building society or credit union)

- Credit or store cards

- Loans (other than mortgage)

- Superannuation

- Investments

- Insurance

- ATMs

These respondents were asked whether they received the relevant financial records and, if so, how well they understood these records, using the following rating scale:

Read and understand very well

Read and understand fairly well

Read but don't understand very much

Read but don't understand at all

Don't read

Those receiving relevant financial records but not reading them were asked to indicate the main reason why they did not do so.

Twenty-four percent of those with investments, said they did not receive investment statements. Nineteen percent of those with loans said they did not receive loan statements, while 12% of those with some form of insurance said they did not receive insurance policies or renewal notices.

The highest rates for non-reading of records were among those with superannuation (9%) followed by those with insurance (8%), those with investments (6%) and those using ATMs (5%).

Twenty-one percent of those who received and read superannuation statements claimed to understand them "not very much" or "not at all". This proportion was considerably higher than for other products such as investments and insurance for which around 10% of those who received and read records understood them "not very much" or "not at all". These proportions were in turn higher than for mortgages (4%), bank accounts (3%), ATMs (2%) and credit or store cards (1%).

The table below shows the level of reading and understanding of relevant financial records among those using a particular payment method or financial product or service.

Table 72.   Reading and Understanding Financial Records for Various Payment Methods and Financial Products/Services

D17-D24. Do you receive (financial records for particular payment method or financial product/service)? IF RECEIVES, ASK: Do you read these at all? IF READS, ASK: And how well do you understand your (financial records for particular payment method or financial product/service)? IF DOESN'T READ, ASK: Why do you not read your (financial records for particular payment method or financial product/service)?		Receiving records:	
	Percent of users: **Not receiving records**	**But not reading**	**And under-standing Very well or Fairly well**	**But not under-standing Very much or At all**
	%	**%**	**%**	**%**
Superannuation	9	9	60	21
Investments (other than superannuation)	24	6	59	10
Insurance	12	8	71	9
Loans (other than mortgage)	19	4	72	4
Bank accounts	4	4	89	3
ATMs	5	5	86	2
Credit cards or store cards	5	2	91	1

Base: Total Respondents

Sample Size: 3548

Percentages may not sum to 100% due to rounding.

Although 21% of respondents say that do not understand their superannuation, they do understand the importance of retaining the statements, with 41% keeping them "forever". Furthermore, respondents on average keep their superannuation statements longer than any of the other financial records examined.

Most people keep their records, except ATM receipts, for at least a year.

Table 73.   Period Financial Records Kept For

D25A–D25G. How long do you keep your (financial records for particular payment method or financial product/service)?								
	Percent of users:							
	Not receiving records	**Receiving records and keeping for:**						
		Not keeping	**< 1 year**	**1–3 years**	**4–6 years**	**7–8 years**	**> 9 years**	**For-ever**	**Other**
Superannua-tion	9	2	3	13	14	9	7	41	1
Investments (excl. super)	24	1	3	12	13	11	7	26	3
Insurance	12	0	4	30	12	8	5	21	6
Loans (excl. mortgage)	19	1	4	15	13	10	5	23	8
Bank accounts	4	3	11	24	15	13	6	23	1
ATMs	5	28	49	7	2	2	0	4	3
Credit or store cards	5	2	14	27	15	11	5	18	2

Base: Total Respondents

Sample Size: 3548

Percentages may not sum to 100% due to rounding

6.2.1.1.1   Superannuation

Levels of reading and understanding of superannuation statements among the 71% of Australian adults with superannuation are shown in Figure 30, below.

Figure 31. Reading and Understanding of Superannuation Statements

> *D20. Do you receive superannuation statements?*
> *D20A. IF RECEIVES, ASK: Do you read these at all?*
> *IF READS, ASK: And how well do you understand your superannuation statements?*
> *D24D.   IF DOESN'T READ, ASK: Why do you not read your superannuation statements?*
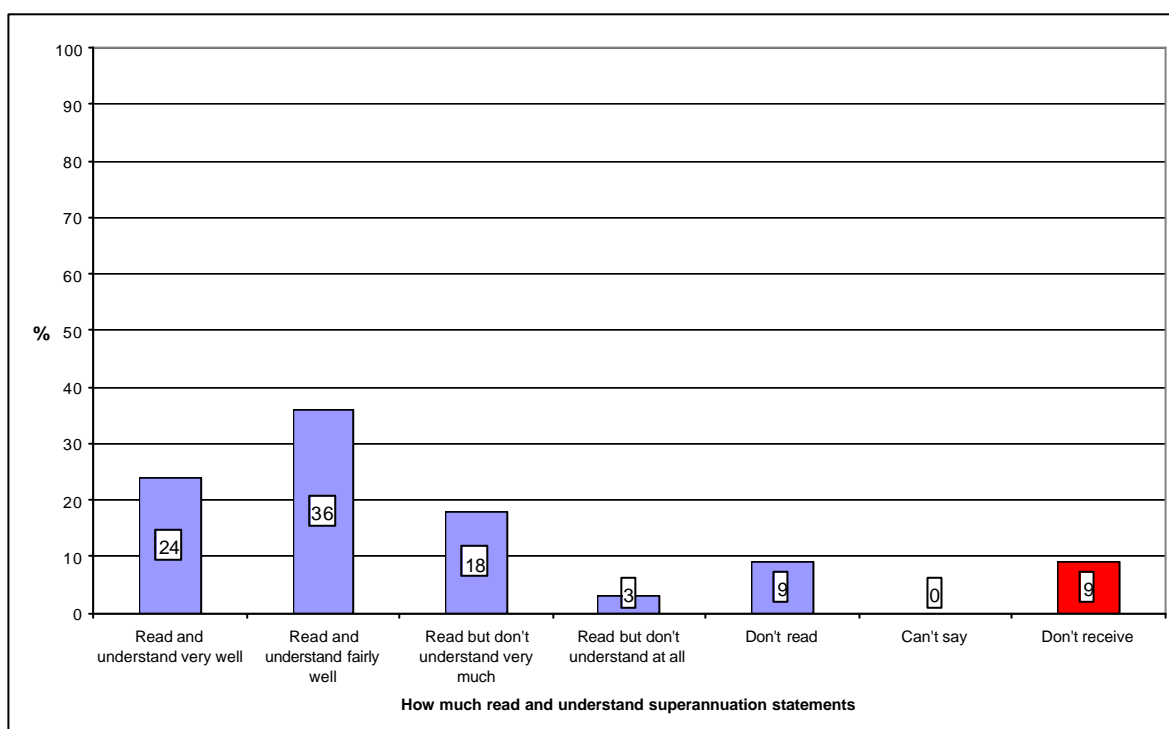
Base: Respondents with Superannuation (50% of eligible sample used)

Sample Size: 1255

Amongst the products asked about superannuation statements were the least understood. Twenty-one percent of people with super read and do not understand their superannuation statements, with 18% not understanding "very much" and 3% not understanding "at all". A further 9% claim to receive but not read their statement, while the same proportion claim they do not even receive a statement. Only 60% say they read and understand their statements "very well" or "fairly well".

Whilst 9% of superannuation holders reported receiving superannuation statements but not reading them, 15% of respondents aged 18–34 did so.

When those receiving but not reading superannuation statements were asked why they did not do so, the most common responses were:

- Couldn't be bothered (35%)

- Someone else reads them (17%)

- Just assume they're correct/OK (10%)

"Couldn't be bothered" was more often given as a reason for not reading superannuation statements by:

- Single parents

- Those with gross annual personal income under $50,000

- Those born outside Australia or the UK

When asked how long they keep their superannuation statements, only 2% of superannuation holders said they "don't keep them/read them and throw them away". When added to the 9% not even receiving statements, it is apparent that 89% of superannuation holders receive statements which they retain for some length of time.

Responses concerning the period for which superannuation statements were retained were:

- Forever (41%)

- 9 or more years (7%)

- 7 to 8 years (9%)

- 4 to 6 years (14%)

- 1 to 3 years (13%)

- Less than 1 year (3%)

- Don't keep (2%)

Single people and low income earners were amongst those least likely to understand their superannuation statements.

In comparison with the 23% of superannuation holders who received but did not understand their superannuation statements "very much" or "at all", such lack of understanding was above or below average for the groups in the following table.

Table 74. <u>Demographic Profile for Superannuation Statement Understanding</u>

D20. Do you receive superannuation statements? *D20A. IF RECEIVES, ASK: Do you read these at all?* *IF READS, ASK: And how well do you understand your superannuation statements?* *Response – Not Very Much or Not At All: 23%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Females	29	➢ Males	19
Age	–		➢ 60-69 ➢ 70 and over	14 8
Household Structure	➢ Single – live in shared household ➢ Single – parent	32 43	➢ Couple – no children at home	18
Employment Status	–		➢ Retired	12
Occupation	–		➢ Professional ➢ Executive/Owner (including small business & farm)	15 16
Gross Personal Income	–		➢ $70,000 or more	17
Gross Household Income	➢ Under $20,000 ➢ $20,000 - $34,999	35 32	➢ $100,000 or more	17
Savings Excl. Home	➢ $5,000 - $49,999	29	➢ $250,000 or more	15
Home Value	–		➢ $500,000 or more	17
Financial Literacy Quintiles	➢ Levels 1-2 ➢ Levels 3-4	44 35	➢ Levels 9-10	8

Groups which differ most from the total population are shaded.

Base: Respondents with superannuation who receive statements (50% of eligible sample used)

Sample Size: 1132

6.2.1.1.2   Investments

Figure 31, below, shows levels of reading and understanding of investment statements among the 58% of Australian adults with non-property investments (managed investments, shares and term deposits).

Figure 32. <u>Reading and Understanding of Investment Statements</u>

D21. Do you receive investment statements?
D21A. IF RECEIVES, ASK: Do you read these at all?
IF READS, ASK: And how well do you understand your investment statements?
D24E. IF DOESN'T READ, ASK: Why do you not read your investment statements?
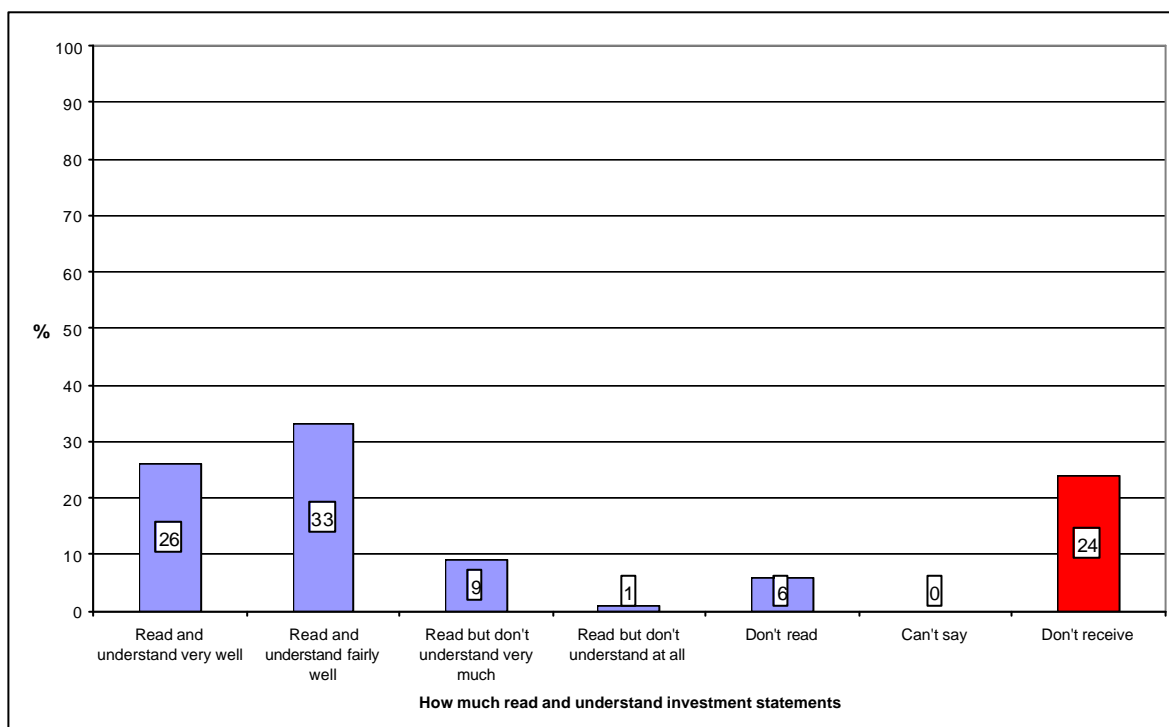
Base: Respondents with Investments (managed investments, shares and term deposits) (50% of eligible sample used)
Sample Size: 998
Percentages may not sum to 100% due to rounding.

A lower proportion of people with investments claimed to understand their statements, compared to the proportion for other products. Fifty-nine percent said they read and understand their statements "very well" or "fairly well", whilst 10% read but don't understand "very much" or "at all".

Those receiving investment statements but not reading them (6% of all investment holders) were asked why they did not do so, with the following being the most common responses.

- Someone else reads them (46%)

- Couldn't be bothered (21%)

"Couldn't be bothered" was more often given as a reason for not reading investment statements by:

- Single persons living alone

- Those with current home value under $200,000

- Those self-employed

When asked how long they keep their investment statements, only 1% of those with investments said "don't keep them/read them and throw them away". When added to the 24% not even receiving statements, 75% of investors receive statements which they retain for some length of time.

The responses concerning the period for which investment statements were retained were:

- Forever (26%)

- 9 or more years (7%)

- 7 to 8 years (11%)

- 4–6 years (13%)

- 1–3 years (12%)

- Less than 1 year (3%)

- Don't keep (1%)

Of those with investments who received statements, people with lower education and with no mortgage but considering one were less likely to understand investment statements.

Compared to 14% who understand their investment statements "not very much" or "not at all", such lack of understanding was above or below average for the groups shown below.

Table 75.   Demographic Profile for Investment Statement Understanding

D21. Do you receive investment statements? *D21A. IF RECEIVES, ASK: Do you read these at all?* *IF READS, ASK: And how well do you understand your investment statements?* *Response – Not Very Much or Not At All: 14%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	18	➢ Male	9
Household Structure	–		➢ Couple – no children at home	8
Language Spoken at Home	–		➢ Non-English	7
Education	➢ Less than Year 10	27	–	
Gross Personal Income	–		–	
Gross Household Income	➢ $20,000 - $34,999	23	➢ $100,000 or more	8
Home Ownership	➢ No mortgage but considering	30	–	
Financial Literacy Quintiles	➢ Levels 1-2 ➢ Levels 3-4 ➢ Levels 5-6	33 28 21	➢ Levels 7-8 ➢ Levels 9-10	5 3

Groups which differ most from the total population are shaded.

Base: Respondents with Investments who receive statements (50% of eligible sample used)

Sample Size: 760

6.2.1.1.3   Insurance

Reading and understanding of insurance policies and renewal notices among the many Australian adults (91%) with some form of insurance is outlined below.

Figure 33. Reading and Understanding of Insurance Policies and Renewal Notices

D22. Do you receive insurance policies and renewal notices?
D22A. IF RECEIVES, ASK: Do you read these at all?
IF READS, ASK: And how well do you understand your insurance policies and renewal notices?
D24F.   IF DOESN'T READ, ASK: Why do you not read your insurance policies and renewal notices?
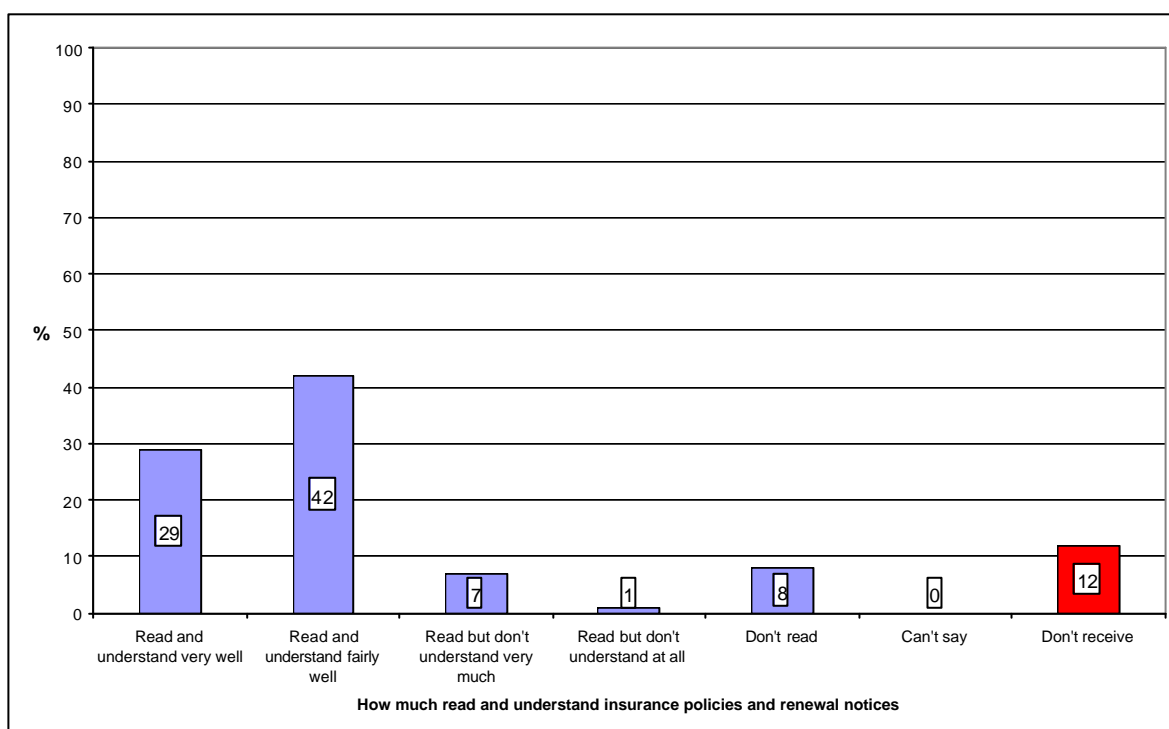
Base: Respondents with Insurance (50% of eligible sample used)
Sample Size: 1601
Percentages may not sum to 100% due to rounding.

Seventy-one percent of respondents with insurance read and understood their notices "very well" or "fairly well". This level is higher than the proportion who understand their investment or superannuation statements, however below the level for bank accounts, ATMs and credit or store cards.

When those receiving but not reading insurance policies and renewal notices (8% of all insurance holders) were asked why they did not read them, the most common responses were:

- Someone else reads them (29%)

- Just assume they're correct/OK (20%)

- Couldn't be bothered (19%)

"Couldn't be bothered" was more often given as a reason for not reading insurance policies and renewal notices by skilled workers, and "just assume they're correct/OK" was more often given as a reason by those with some secondary school as highest level of education.

When asked how long they keep their insurance policies and renewal notices, virtually no insurance holders said "don't keep them/read them and throw them away". Taking into account the 12% not even receiving statements, it is apparent that 88% of insurance holders receive statements which they retain for some length of time.

The responses concerning the period for which insurance policies and renewal notices were retained were:

- Forever (21%)

- 9 or more years (5%)

- 7 to 8 years (8%)

- 4–6 years (12%)

- 1–3 years (30%)

- Less than 1 year (4%)

- Don't keep (0%)

In comparison with the 16% of insurance holders who did not read, or who read but did not understand their insurance documents "very much" or "at all", such lack of understanding or reading was above or below average for the groups in the table below.

Table 76: Demographic Profile for Insurance Statement Understanding

D22. Do you receive insurance policy or renewal notices? *D22A. IF RECEIVES, ASK: Do you read these at all?* *IF READS, ASK: And how well do you understand your insurance or renewal notices?* *Response – Not Understood Very Much, Not Understood at All, Not Read: 16%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Education	–		➢ Tertiary diploma/Some University	10
Non Mortgage Debt	➢ $100,000 or more	26	–	
Financial Literacy Quintiles	➢ Levels 1-2 ➢ Levels 3-4	30 23	➢ Levels 5-6 ➢ Levels 7-8	10 8

Base: Respondents with insurance who receive Insurance policy or Renewal notices (50% of eligible sample used)

Sample Size: 1601

6.2.1.1.4   Loans

Figure 33, below, summarises levels of reading and understanding of loan statements among the 47% of Australian adults with a loan (other than a mortgage).

### Figure 34. <u>Reading and Understanding of Loan Statements</u>

> *D19. Do you receive loan statements?*
> *D19A. IF RECEIVES, ASK: Do you read these at all?*
> *IF READS, ASK: And how well do you understand your loan statements?*
> *D24C. IF DOESN'T READ, ASK: Why do you not read your loan statements?*
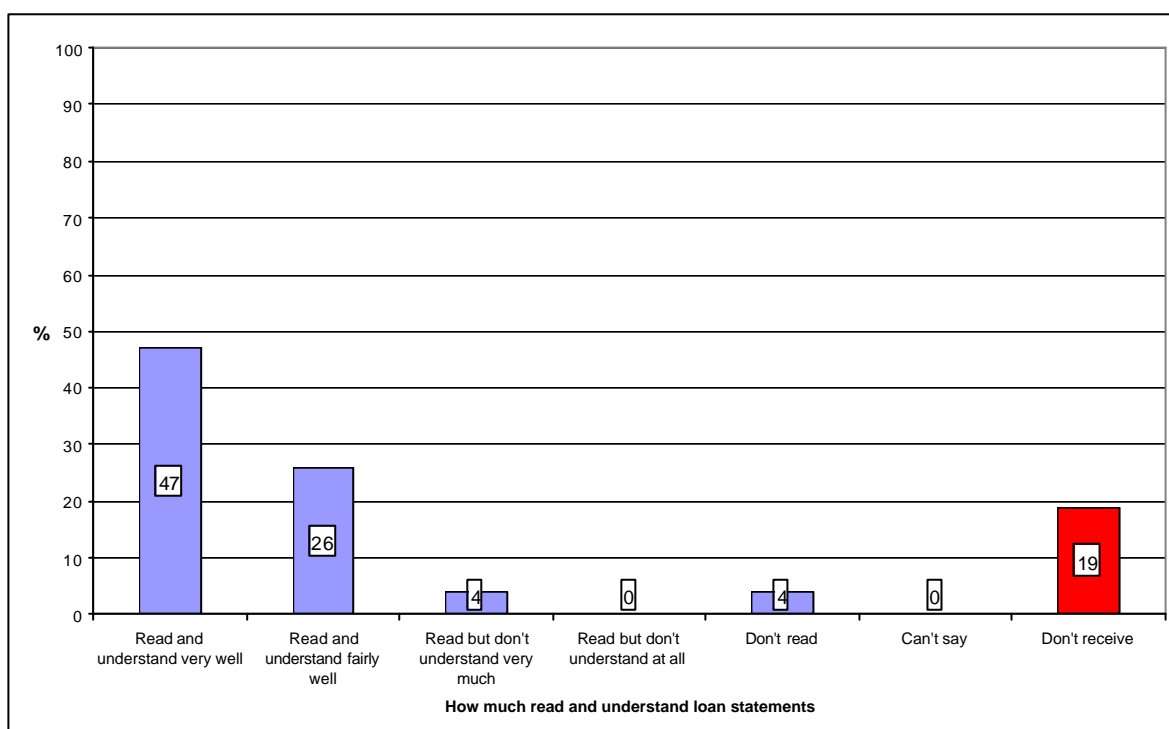
Base: Respondents with loans (50% of eligible sample used)
Sample Size: 972

Seventy-three percent of people with loans understood their loan statements "very well' or "fairly well". The proportion understanding these statements was similar to the proportion understanding their insurance notices (higher than for investments and superannuation, but lower than for bank accounts, ATMs and credit or store cards). Only 4% of respondents with loans read but did not understand their statements "very much" and no one that read their statements did not understand them "at all".

Those receiving loan statements but not reading them (4% of all loan holders) were asked why they did not do so, with the following being the most common responses.

- Someone else reads them (51%)

- Couldn't be bothered (17%)

- Just assume they're correct/OK (11%)

No group was particularly more likely to have responded "couldn't be bothered" than any other.

When asked how long they keep their loan statements, only 1% of those with loans said "don't keep them/read them and throw them away". When added to the 19% not even receiving statements, it is apparent that 80% of those with loans receive statements, which they retain for some length of time.

The responses concerning the period for which loan statements were retained were:

- Forever (23%)

- 9 or more years (5%)

- 7 to 8 years (10%)

- 4–6 years (13%)

- 1–3 years (15%)

- Less than 1 year (4%)

- Don't keep (1%)

In comparison with the 8% of loan holders who either "did not read", or those who read but did not understand their loan statements "very much" or "at all", such lack of understanding or reading was above or below average for the groups in the following table.

Table 77:   Demographic Profile for Loans Statement Understanding

D19. Do you receive loan statements? D19A. IF RECEIVES, ASK: Do you read these at all? IF READS, ASK: And how well do you understand your loan statements? Response – Not Understood Very Much, Not Understood at All, Not Read: 8%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 60-69	2
Employment Status	➢ Home duties	17	–	
Occupation	–		➢ Professional	2
Mortgage Debt	–		➢ $250,000 or more	5
Financial Literacy Quintiles	➢ Levels 3-4	16	➢ Levels 7-8 ➢ Levels 9-10	3 2

Base: Respondents with a Loan who receive Loan statements (50% of eligible sample used)

Sample Size: 972

6.2.1.1.5   Bank Accounts

Figure 34, below, shows levels of reading and understanding of bank account statements among the majority (97%) of Australian adults with an ordinary or everyday account with a bank, building society or credit union.

Figure 35. Reading and Understanding of Bank Account Statements

> *D17. Do you receive bank account statements?*
> *D17A. IF RECEIVES, ASK: Do you read these at all?*
> *IF READS, ASK: And how well do you understand your bank account statements?*
> *D24A. IF DOESN'T READ, ASK: Why do you not read your bank account statements?*
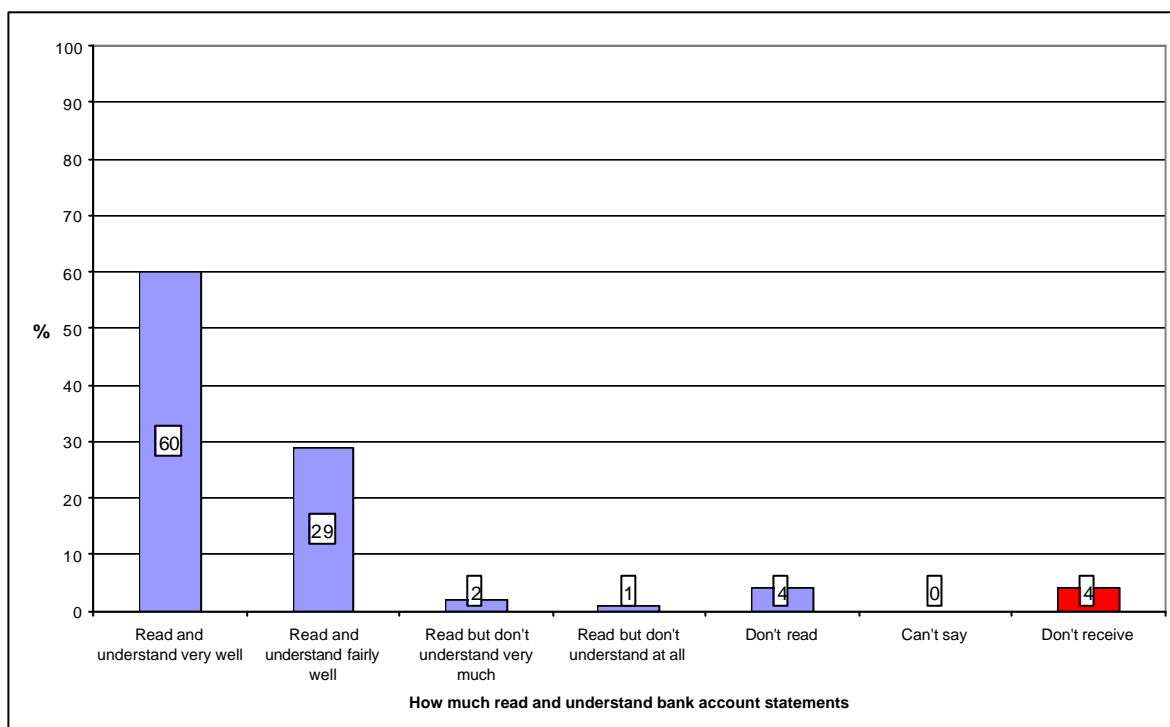
Base: Respondents with ordinary or everyday accounts with banks, building societies or credit unions
Sample Size: 3443

Eighty-nine percent of people with a bank account read and understood their statements "very well" or "fairly well". This level of understanding is only below the level for credit or store cards, and is considerably higher than the levels for insurance, investments, superannuation and loans. Only 2% of account holders read but do not understand their statements "very much", whilst only 1% do not understand them "at all".

Skilled workers (6%) and those renting their residence (6%) were a little more likely not to read statements received.

When those receiving but not reading bank account statements (4% of all account holders) were asked why they did not do so, the most common responses were:

- Someone else reads them (39%)

- Couldn't be bothered (22%)

- Just assume they're correct/OK (15%)

"Couldn't be bothered" was more often given as a reason for not reading bank account statements by:

- Single persons living in shared households (56%)

- Persons aged 18–34 (32%)

The only group more likely to have responded "just assume they're correct/OK" was those with no occupation.

When asked how long they keep their bank account statements, 3% of ordinary/everyday account holders said "don't keep them/read them and throw them away". With 4% not even receiving statements, it is apparent that 93% of ordinary/everyday account holders receive bank account statements which they retain for some length of time.

The responses concerning the period for which bank account statements were retained were:

- Forever (23%)

- 9 or more years (6%)

- 7 to 8 years (13%)

- 4–6 years (15%)

- 1–3 years (24%)

- Less than 1 year (11%)

- Don't keep (3%)

In comparison with the 7% of bank account holders who received statements but either "did not read" them or read but did not understand them "very much' or "at all", such lack of reading or understanding was above or below average for the following groups.

Table 78:   Demographic Profile for Bank Account Statement Understanding

D17. Do you receive bank account statements? *D17A. IF RECEIVES, ASK: Do you read these at all?* *IF READS, ASK: And how well do you understand your bank account statements?* *Response – Not Understood Very Much, Not Understood at All, Not Read: 7%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Financial Literacy Quintiles	➢ Levels 1-2	17	➢ Levels 9-10	1

Base: Respondents have a bank account and who receive receipts (50% of eligible sample used)

Sample Size: 3443

6.2.1.1.6   ATMs

Figure 35, below, shows levels of reading and understanding of ATM receipts among the 73% of Australian adults using ATMs.

Figure 36. Reading and Understanding of ATM Receipts

D23. Do you receive ATM receipts?
D23A. IF RECEIVES, ASK: Do you read these at all?
IF READS, ASK: And how well do you understand your ATM receipts?
D24G. IF DOESN'T READ, ASK: Why do you not read your ATM receipts?
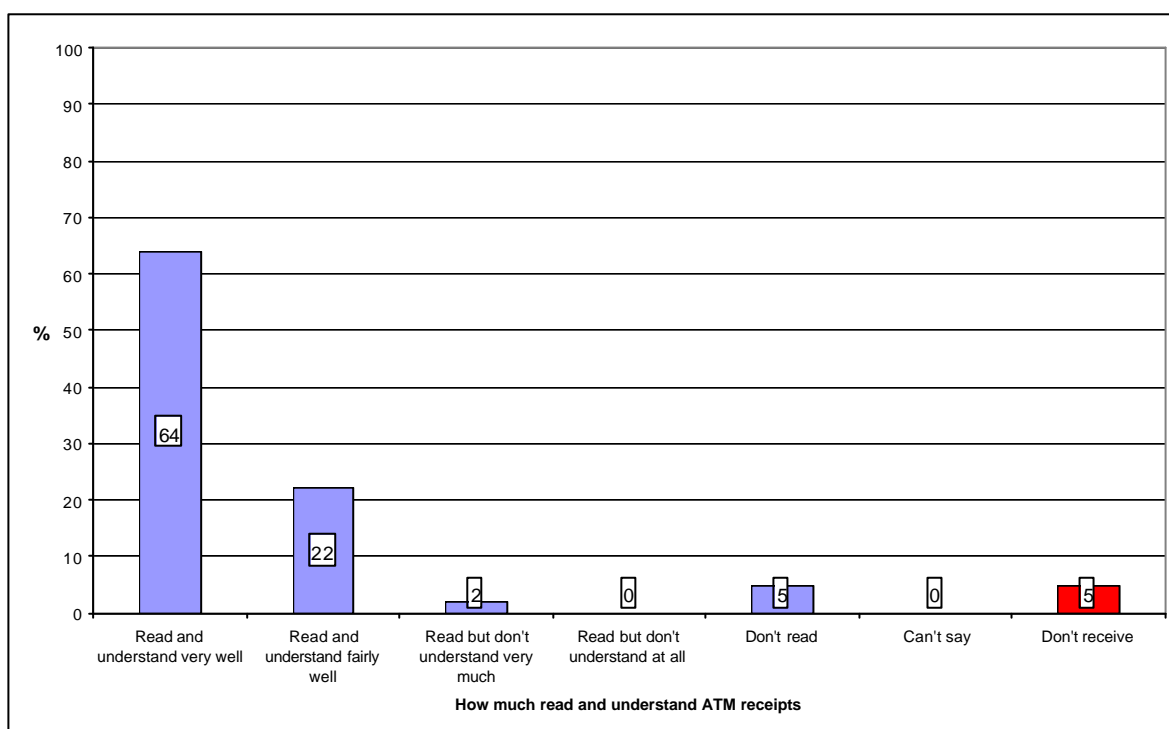
Base: Respondents using ATMs (50% of eligible sample used)
Sample Size: 1268
Percentages may not sum to 100% due to rounding.

Eighty-six percent of ATM users read and understood their receipts "very well" or "fairly well". This proportion was below the level of understanding for bank accounts and store or credit cards, but above the level for other products investigated. Only 2% of ATM users read their receipts but don't understand "very much", while no respondents claimed to read and not understand "at all".

The 5% receiving ATM receipts but not reading them were asked why they did not do so, with the following most common responses.

- Couldn't be bothered (42%)
- Just assume they're correct/OK (25%)

When asked how long they keep their ATM receipts, 28% of those using ATMs said "don't keep them/read them and throw them away". When added to the 5% not receiving receipts, it is apparent that 67% of those using ATMs receive receipts which they retain for some length of time.

Following "don't keep them/read them and throw them away" (28%), the responses concerning the period for which ATM receipts were retained were:

- Forever (4%)
- 9 or more years (0%)
- 7 to 8 years (2%)
- 4–6 years (2%)
- 1–3 years (7%)
- Less than 1 year (49%)

In comparison with 8% of people receiving ATM receipts, but either not reading or not understanding these receipts, such lack of reading or understanding was above or below average for the groups in the following table.

Table 79: Demographic Profile for ATM Receipts Knowledge

D23. Do you receive ATM Receipts?				
D23A. IF RECEIVES, ASK: Do you read these at all?				
IF READS, ASK: And how well do you understand your ATM receipts?				
Response – Not Understood Very Much, Not Understood at All, Not Read: 8%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Language Spoken at Home	➤ Non-English	13	–	
Education	➤ Passed Year 10	13	–	
Financial Literacy Quintiles	➤ Levels 1-2	20	➤ Levels 9-10	2

Base: Respondents who use ATMs and who receive receipts (50% of eligible sample used)

Sample Size: 1268

6.2.1.1.7   Credit Cards And Store Cards

Figure 36, below, shows levels of reading and understanding of credit card and store card statements among the 68% of Australian adults using either of these payment methods.

Figure 37. Reading and Understanding of Credit Card and Store Card Statements

> *D18. Do you receive credit card or store card statements?*
> *D18A. IF RECEIVES, ASK: Do you read these at all?*
> *IF READS, ASK: And how well do you understand your credit card or store card statements?*
> *D24B. IF DOESN'T READ, ASK: Why do you not read your credit card or store card statements?*
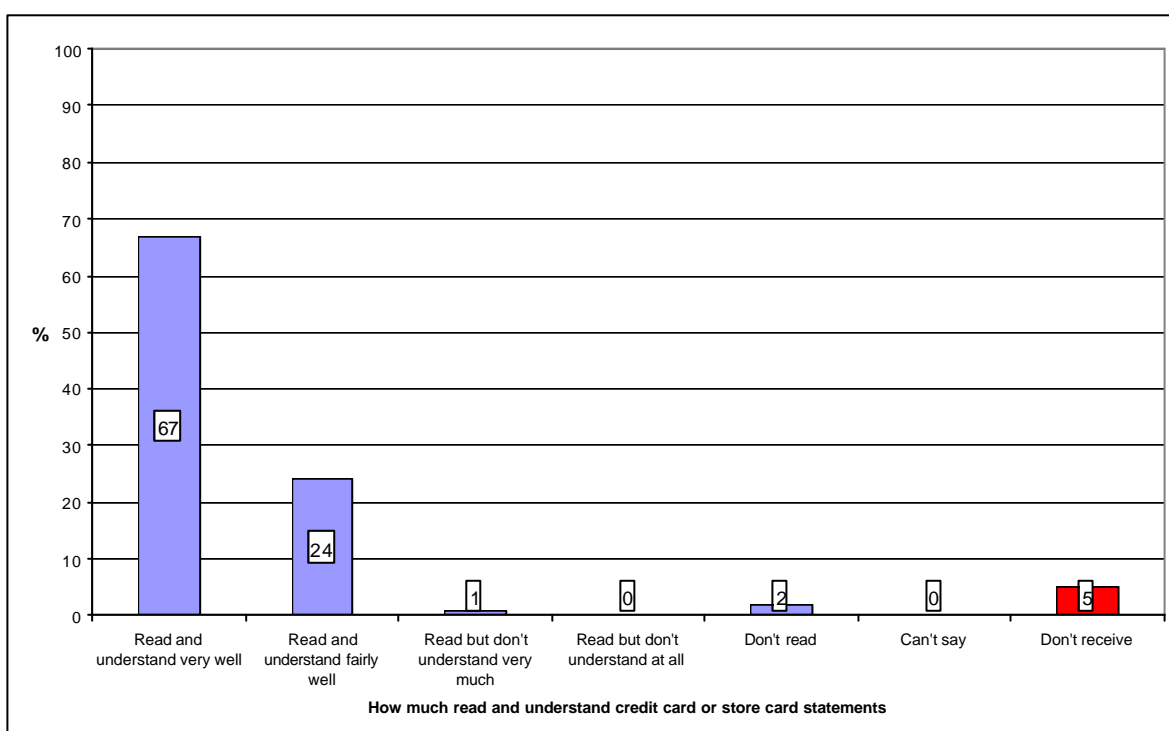
Base: Respondents with credit cards or store cards (50% of eligible sample used)
Sample Size: 1170

Ninety-one percent of credit or store card holders read and understood their statements "very well" or "fairly well", the highest proportion for all products investigated (slightly above 89% recorded for bank accounts). Only 1% of card holders read but did not understand their statement "very much", whilst no respondents claimed to not understand them "at all".

When those receiving but not reading credit card or store card statements (2% of all card holders) were asked why they did not do so, the most common responses were:

- Someone else reads them (39%)

- Couldn't be bothered (26%)

- Don't have the time (15%)

"Couldn't be bothered" was more often given as a reason for not reading credit card/store card statements by those with a tertiary degree.

When asked how long they keep their credit card/store card statements, 2% of those using either of these payment methods said "don't keep them/read them and throw them" away. As another 5% do not even receive statements, it is apparent that 93% of credit card/store card holders receive statements which they retain for some length of time.

The responses concerning the period for which credit card/store card statements were retained were:

- Forever (18%)

- 9 or more years (5%)

- 7 to 8 years (11%)

- 4–6 years (15%)

- 1–3 years (27%)

- Less than 1 year (14%)

- Don't keep (2%)

No demographic table has been shown for above and below average for reading and understanding of credit and store card statements, due to the relatively low incidence of people who read but do not understand such statements.

6.2.2   Advanced Competence

6.2.2.1 Ability to Reconcile a Bank Statement

Fifty-four percent of respondents indicated that they would find reconciling a bank statement "easy" to do, whilst a further 33% said they would find this task "very easy".

However, 9% of adult Australians said they would find reconciling a bank statement "difficult" and a further 2% said they would find it "very difficult".,

These proportions are shown in the figure below.

Figure 38. <u>Ease of Reconciling a Bank Statement</u>

D26.   Would you find checking or reconciling a bank statement very easy, easy, difficult or very difficult to do?
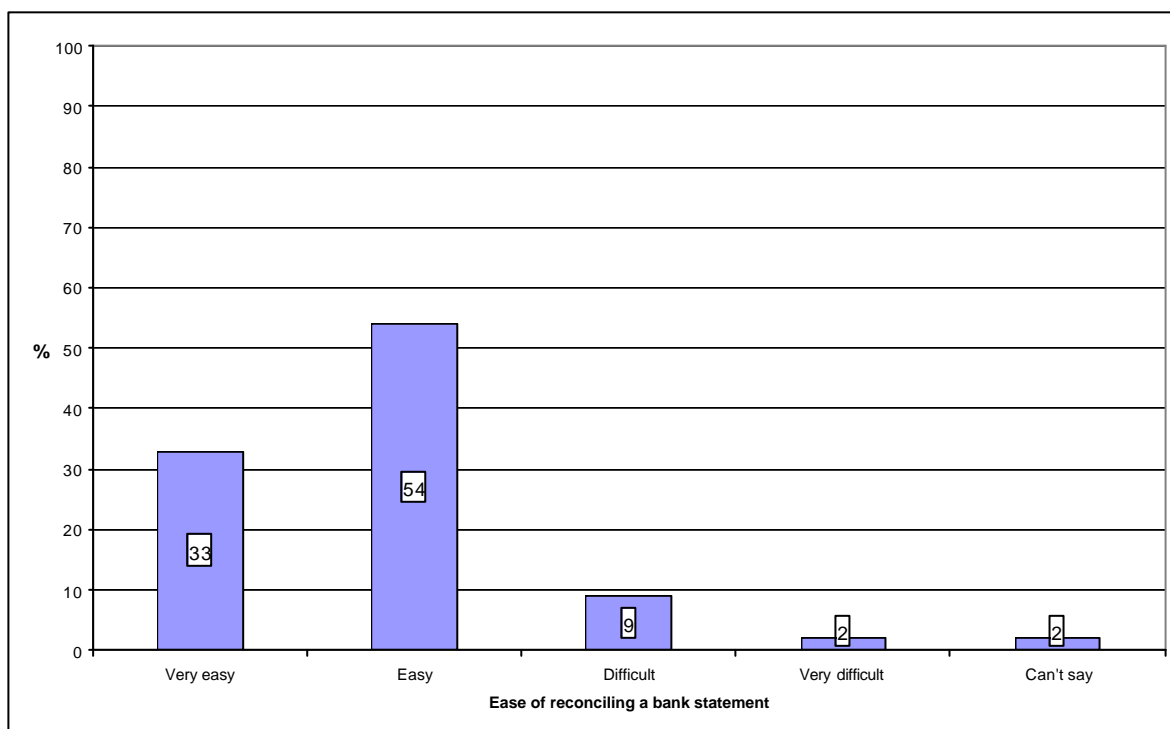
Base: Total Respondents
Sample Size: 3548

Overall 11% considered they would find reconciling a bank statement "difficult" or "very difficult". Non-workers and unskilled or farm workers were more likely to find this task "difficult" or "very difficult". Significant differences by demographic groups are listed below.

Table 80. **Demographic Profile for those with Difficulty Reconciling Bank Statements**

D26. Would you find reconciling a bank statement very easy, easy, difficult or very difficult to do? Response – Difficult or Very Difficult: 11%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 70 and over	5
Employment Status	➢ Non-worker	18	–	
Occupation	➢ Unskilled/farm worker	16	–	
Financial Literacy Quintiles	➢ Levels 1–2	20	➢ Levels 9–10 ➢ Levels 7–8	4 6

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

6.2.2.2 Ability to Understand an Annual Statement for a Superannuation Fund

When those with superannuation were asked how easy they would find understanding an annual statement, 46% indicated that they would find this task "easy" to do, with a further 12% reporting that they would find it "very easy".

However, 31% of those with superannuation said they would find understanding an annual statement for a superannuation fund "difficult", 6% said they would find it "very difficult", and another 5% could not say how difficult they would find it.

These proportions are illustrated in Figure 38, below.

Figure 39. Ease of Understanding an Annual Statement for a Superannuation Fund

D27. Would you find understanding an annual statement for a superannuation fund very easy, easy, difficult or very difficult to do?
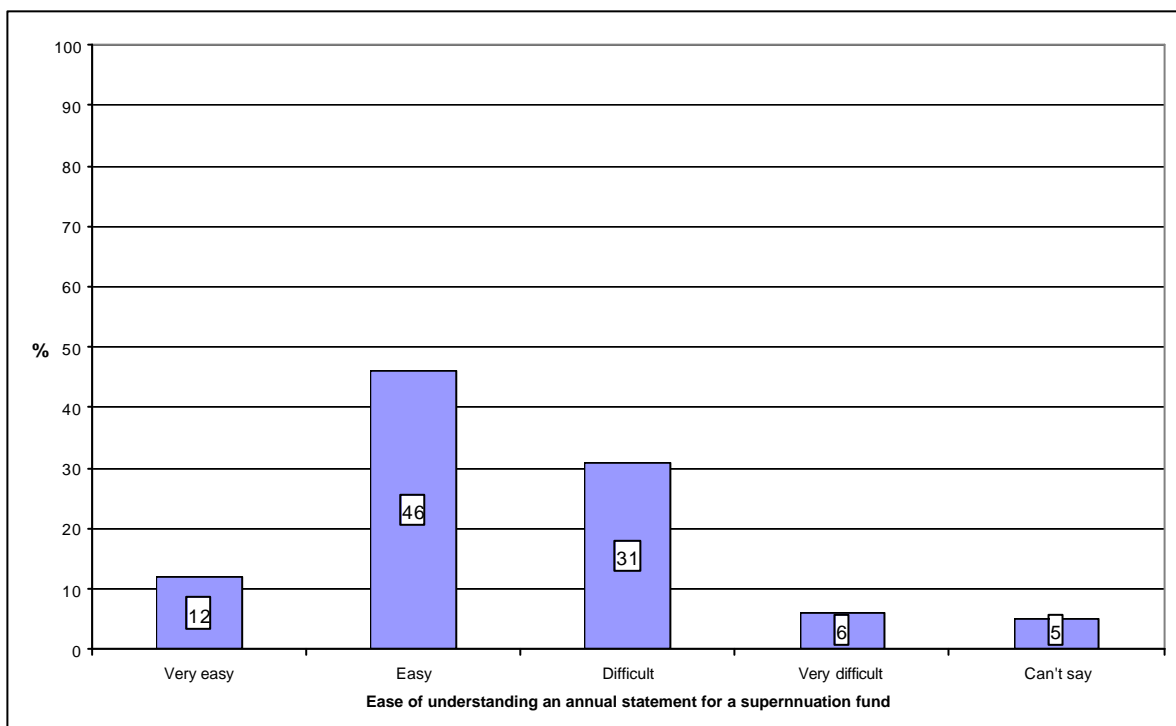
Base: Respondents with Superannuation
Sample Size: 2516

Single parents and non-workers were more likely to have difficulty understanding an annual statement for a superannuation fund.

In comparison with the 36% of superannuation holders saying they would find understanding an annual statement for a superannuation fund "difficult" or "very difficult", difficulty was above or below average for the groups in the following table.

Table 81. Demographic Profile for Superannuation Fund's Annual Statement Understanding

D27. Would you find understanding an annual statement for a superannuation fund very easy, easy, difficult or very difficult to do? *Response – Difficult or Very Difficult: 36%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	39	➢ Male	34
Age	–		➢ 60 to 69	30
			➢ 70 and over	27
Household Structure	➢ Single parent	49	–	
	➢ Children in household	41		
Employment Status	➢ Non-worker	48	➢ Retired	29
			➢ Student	30
Occupation	–		➢ Professional	29
Home Value	➢ Under $175,000	41	–	
Mortgage Debt	➢ $50,000–$249,999	42	➢ $250,000 or more	30
Gross Personal Income	➢ $35,000–$49,999	42	–	
Savings (Excl. Home)	➢ Under $5,000	42	➢ $250,000 or more	30
Financial Literacy Quintiles	➢ Levels 1–2	52	➢ Levels 9–10	18
	➢ Levels 3–4	46	➢ Levels 7–8	30
	➢ Levels 5–6	44		

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation

Sample Size: 2516

6.3   Attitudes to Spending Money and Saving

This section of the study is concerned with consumers' ability to manage their money in terms of budgeting, spending and saving. These topics are explored in further detail in Stage 3 of the study. In addition, the following topics of the framework for this category are explored in Stage 3.

- Understanding that there are a variety of places and ways in which to save money

- Ability to forecast and recognise the impact of irregular major financial outlays

- All aspects of Advanced Competence in respect to Spending Money and Saving.

In this section the topic of budgeting was explored by asking respondents one of two questions, depending on whether or not they had previously indicated being involved in the control of regular household expenses. Those responsible (either solely or jointly) for household money management were asked their approach in relation to the control of regular household expenses, the balance being asked about their approach to managing their personal expenses.

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Understanding of why you need to save for retirement
	
	• Understanding of how to use budgets to plan and control personal spending
		Saving Behaviour
		
		• 67% of adults try to save on a regular basis
		
		• Groups less likely than average to try to save on a regular basis included:
		  – Males
		  – Those aged 70 and over
		  – Singles in a shared household and single parents
		  – Those casually employed
		  – Retirees
		  – Those in sales occupations
		  – Those with education less than Year 10
		  – Those with low incomes
		  – Those with savings under $5,000
		
		Retirement Planning
		
		• Only 37% of the adult population "agreed" or "strongly agreed" that they had worked out how much they needed to save for their retirement
		
		• The proportion of people who had worked out how much they would need to save for their retirement increased with age, however at no point reached two-thirds of any age group

	Objectives	*Key Findings*
		• Females, young people, single people, those in casual employment and those with lower socio-economic circumstances were less likely to have worked out how much to save for their retirement
		• 5% of the adult population aged under 65 and not retired "strongly agreed" or "agreed" that superannuation, planning and saving for retirement didn't really matter as the government would make up the gap
		• 50% of adults with superannuation believed that superannuation will have them living as comfortably or more comfortably than they are living now
		Budgeting
		• Self-reported budgeting behaviour differed by work status, living arrangements, age and sex
		• Males, singles in shared households, those employed casually and renters were among the groups less likely to keep an eye on expenses
		• 16% of the adult population "agreed" or "strongly agreed" that they spend all their income as soon as they get it and don't really plan for the future
		• Those in casual employment, non-workers, renters and those with low levels of savings were amongst the groups more likely to agree they spend all of their income as they get it and don't really plan for the future
		• 26% "agreed" or "strongly agreed" they had trouble setting money aside for major financial outlays
		• Single parents, non-workers and those with low levels of savings were more likely to agree that they had problems setting money aside for major financial outlays
		• 7% of adults "agreed" or "strongly agreed" that they felt out of control with their borrowing and credit generally
		• Young people, renters, unskilled or farm workers, those with low savings and those with middle levels or mortgage debt were more likely to feel out of control with their borrowing and credit generally

	Objectives	*Key Findings*
		• 52% of adults felt that using a credit card to purchase a discretionary item (a DVD player) was convenient as long as it did not cost interest
		• Adults with higher incomes were more likely to hold the least cautious view towards the use of credit card
		• A cautious attitude towards credit card usage varied with age, younger people generally holding the most cautious attitude, and mid-life people holding the least cautious attitude

6.3.1   Basic Requirements

6.3.1.1 Approaches to Saving

When asked to select which of four descriptions of approaches to saving best applied to them, 67% responded "I try to save on a regular basis if I possibly can". This description may be taken to represent a reasonable approach towards saving, but because of the inter-relationship between understanding and financial capacity, it is not necessarily the case that people who selected the other three descriptions exhibit poor understanding or behaviour in relation to saving.

The other three descriptions were:

- "I save only when I want to save up for something big or special" (selected by 12% of all adults);

- "There's no point in trying to save because there's never enough money" (selected by 11% of all adults); and

- "Saving is not something I need to do" (selected by 8% of all adults)

Amongst those more likely to try to save regularly were those with a high mortgage debt, those considering a mortgage, those with savings between $5,000 and $49,999, and those with household income between $60,000 and $99,999.

In comparison with the 67% of people trying to save on a regular basis, the groups in the following table were above or below average.

Table 82. **Demographic Profile for Those Who Try to Save Regularly**

E2A. Which ONE of the following statements best applies to you?				
Response – I try to save on a regular basis if I possibly can: 67%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	69	➢ Male	64
Age	–		➢ 70 and over	58
Household Structure	–		➢ Single – living in shared household	62
			➢ Single parent	60
Employment Status	➢ Employed – full-time	72	➢ Employed – casual	61
	➢ Employed – part-time	72	➢ Retired	58
Occupation	➢ Professional	72	➢ Sales	60
Education	–		➢ Less than Year 10	60
Home Ownership	➢ No mortgage but considering	76	–	
Mortgage Debt	➢ $250,000 or more	75	–	
Gross Personal Income	–		➢ Under $20,000	62
Gross Household Income	➢ $60,000–$99,999	74	➢ Under $20,000	60
			➢ $20,000–$34,999	61
Savings (Excl. Home)	➢ $5,000–$49,999	73	➢ Under $5,000	53
Financial Literacy Quintiles	➢ Levels 9–10	72	➢ Levels 1–2	60

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1805

6.3.1.2 Saving for Retirement

The proportion of people who had worked out how much they would need to save for their retirement increased with age, but at no stage reached even two-thirds of any age group.

Within each age range, women were less likely than men to have worked out how much they would need for retirement: overall 41% of men and 33% of women reported having done so.

Figure 40. **Proportion of Each Age Group who have Worked Out How Much The Will Need to Save for Retirement**

I8. I have worked out how much I will need to save for my retirement. Would you strongly agree, agree, disagree or strongly disagree? Response: Agree or Strongly Agree
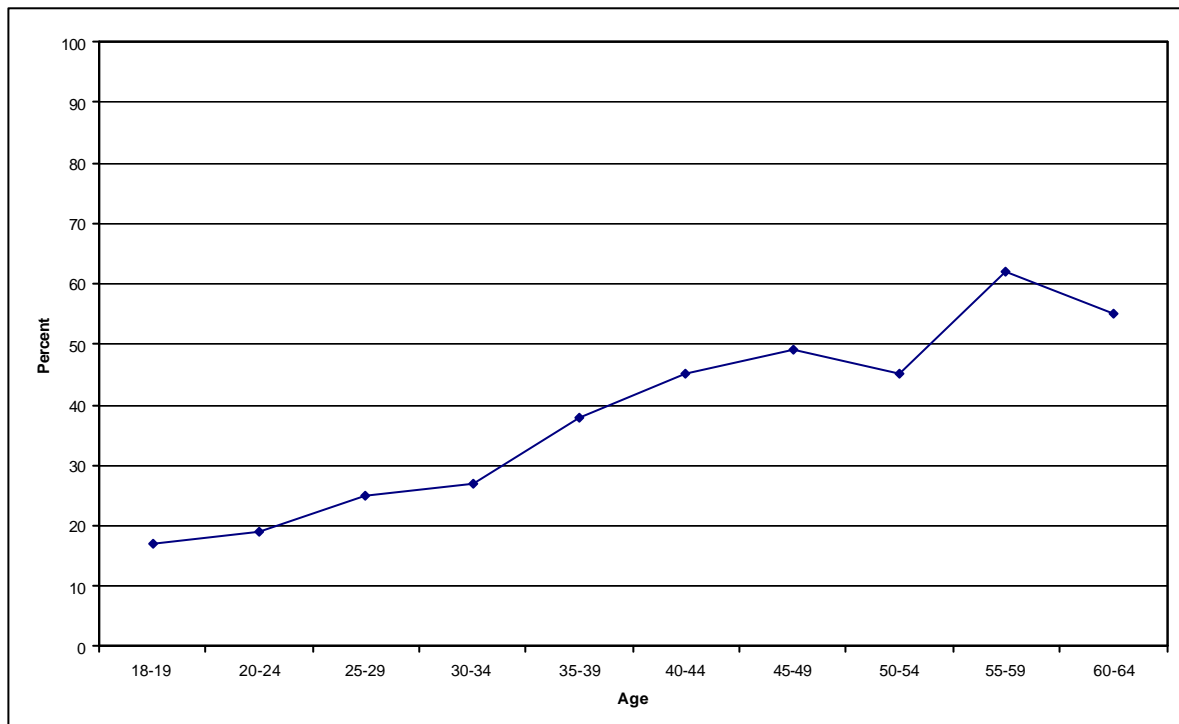
Base: Respondents aged under 65 and not retired
Sample Size: 2901

Young people, single parents, singles living in shared households, and those in casual employment were amongst those less likely to have worked out how much they will need to save for their retirement.

In comparison with the 37% of people under 65 who have not retired who had worked out how much they would need to save for their retirement, the groups in the table below were above or below average.

Table 83. **Demographic Profile for Those Who Have Worked Out How Much They Need to Save for Retirement**

I8. I have worked out how much I will need to save for my retirement. *Please tell me whether you strongly agree, agree, disagree or strongly disagree with the statement:* *Response – Strongly Agree or Agree: 37%*				
Demographic	**Above Average Agree**	**%**	**Below Average Agree**	**%**
Sex	➤ Male	41	➤ Female	33
Age	➤ 35–44	42	➤ 18–24	18
	➤ 45–59	50	➤ 25–34	26
	➤ 60–69	55		
Household Structure	➤ Couple – no children at home	47	➤ Single – living in shared household	20
			➤ Single parent	21
Employment Status	➤ Employed – full-time	42	➤ Employed – casual	23
			➤ Student	26
			➤ Non-worker	26
			➤ Looking for work	28
Occupation	➤ Professional	48	➤ Semi-skilled	30
	➤ Executive/Owner (including small business & farm)	46	➤ Unskilled/farm worker	25
	➤ Self-employed	42		
Education	➤ Tertiary degree	43	➤ Year 11/Year 12	32
Home Ownership	➤ Own residence outright	46	➤ Renting residence	24
			➤ No mortgage but considering	30
Home Value	➤ $175,000–$299,999	43	–	
	➤ $300,000–$499,999	45		
	➤ $500,000 or more	55		
Mortgage Debt	➤ Under $50,000	45	–	
	➤ $250,000 or more	53		

I8. I have worked out how much I will need to save for my retirement.

Please tell me whether you strongly agree, agree, disagree or strongly disagree with the statement:

Response – Strongly Agree or Agree: 37%

Demographic	Above Average Agree	%	Below Average Agree	%
Gross Personal Income	➢ $50,000–$69,999 ➢ $70,000 or more	45 58	➢ Under $20,000 ➢ $20,000–$34,999	26 27
Gross Household Income	➢ $60,000–$99,999 ➢ $100,000 or more	42 54	➢ Under $20,000 ➢ $20,000–$34,999 ➢ $35,000–$59,999	20 20 32
Savings (Excl. Home)	➢ $50,000–$249,999 ➢ $250,000 or more	48 67	➢ Under $5,000 ➢ $5,000–$49,999	18 28
Non-mortgage Debt	➢ $100,000 or more	53	➢ $10,000–$99,999	32
Financial Literacy Quintiles	➢ Levels 9–10	62	➢ Levels 1–2 ➢ Levels 3–4	24 27

Groups which differ most from the total population are shaded.

Base: Respondents aged under 65 and not retired

Sample Size: 2901

Consumers with superannuation were asked how well they thought their superannuation would provide for them in retirement. In addition, those aged under 65 (excluding those who had already retired) were asked the extent to which they agreed with the statement "I don't think it really matters much about superannuation or planning and saving for retirement because the Government will make up the gap".

Compared with the 5% of respondents aged under 65 and not retired, who either "strongly agreed" or "agreed" with the statement "I don't think it really matters about superannuation or planning and saving for retirement because the Government will make up the gap", those more likely to "agree" included non-workers, and unskilled or farm workers.

Table 84: Demographic Profile for Superannuation or Planning and Saving for Retirement

I7. I don't think it really matters about superannuation or planning and saving for retirement because the government will make up the gap. *Response – Strongly Agree or Agree: 5%*				
Demographic	**Above Average Agree**	**%**	**Below Average Agree**	**%**
Employment Status	➢ Student	12	–	
	➢ Looking for work	12		
	➢ Non-worker	16		
Occupation	➢ Unskilled/farm worker	13	–	
	➢ No occupation	13		
Education	➢ Less than Year 10	11	–	
Gross Personal Income	➢ Under $5,000	10	–	
Gross Household Income	➢ Under $20,000	12	–	
Financial Literacy Quintiles	➢ Levels 1-2	13	–	

Base: Respondents aged under 65 and not retired
Sample Size: 2726

Table 85.   <u>Expectations of the Adequacy of Superannuation</u>

G7. Which one of the following statements best describes how you expect your superannuation to provide for you in retirement?

How you expect your superannuation to provide for you in retirement	Percentage of those who have superannuation (%)
More Comfortably Than I'm Living Now	11
About As Comfortably As I'm Living Now	39
Less Comfortably Than I'm Living Now, But Getting By OK	34
Less Comfortably Than I'm Living Now, And Not Coping	12
Can't Say	4
Total with superannuation	**100**

Base: Respondents with superannuation
Sample Size: 2516

Nearly all of those with superannuation had some expectation of how well their superannuation would provide for them in their retirement: just 4% could not say. These expectations, detailed in Table 85, indicated that 50% of those with superannuation thought that their superannuation would allow them to live in retirement as comfortably as they were living now, or more comfortably.

The expectation that superannuation would allow them to live **more** comfortably in retirement than they were now living was held by 11% of those with superannuation, whilst at the other extreme 12% of people expected to be living less comfortably and not coping.

Young people, students, those with low household income, unskilled or farm workers were among the groups more likely than average to consider they would be living more comfortably than now in retirement.

Compared with the 11% of all consumers who considered they would be more comfortable in retirement, the groups in the following table were above or below average.

Table 86. Demographic Profile for Groups with Significantly Higher Expectations of the Adequacy of Superannuation

G7. Which one of the following statements best describes how you expect your superannuation to provide for you in retirement?				
Response – More comfortably than I'm living now: 11%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➤ 18–24	26	➤ 60–69	5
Household Structure	➤ Single – living in shared household	20	–	
Language Spoken at Home	➤ Non-English	17	–	
Employment Status	➤ Student ➤ Looking for work	25 20	–	
Occupation	➤ Unskilled/farm worker ➤ Semi-skilled	20 16	–	
Gross Personal Income	➤ Under $20,000	17	–	
Gross Household Income	➤ Under $20,000	19	–	
Savings (Excl. Home)	➤ Under $5,000	17	–	
Home Ownership	➤ No mortgage but considering	16	–	

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation

Sample Size: 2516

The study clearly found that only a very small proportion of people (5% of those asked the question) felt that it did not matter much about planning for retirement because the Government would make up the gap. This small group was significantly more likely than other groups to feel that superannuation would allow them to live "less comfortably than at present, and not coping".

The small group of people who felt that it did not matter much about planning for retirement because the Government would make up the gap can to some extent be characterised by their disengagement from the workforce. They were significantly more likely to be out of the labour force – for example 12% of those looking for work gave this response. To some extent, they were also more likely to be from non-English speaking backgrounds (9% of those who spoke a language other than English at home gave this response).

6.3.1.3 Budgeting, Spending and Credit

6.3.1.3.1   Budgeting

The framework of financial literacy developed for this project recognises that an understanding of how to use budgets to plan and control personal spending is a basic requirement of financial competence. The framework also recognises that the ability to budget strategically is one of the dimensions of advanced financial competence. The Stage 2 survey collected a measure of self-reported budgeting "behaviour", rather than "understanding" of budgeting.   Stage 3 of the study will allow a more thorough investigation of people's understanding of budgeting.   Budgeting behaviour is, nevertheless, likely to provide an important component of the overall issue.

Respondents involved in household finances were asked about their budgeting behaviour in relation to household expenses, while the remainder of respondents were asked about their budgeting behaviour in relation to personal expenses.

No consistent or significant differences were apparent between the group who answered the version about personal expenses and those who answered the version about household expenses. Further, there were few consistent or significant differences according to the occupation, education or income of respondents.

There were, however, differences in relation to work status, living arrangements, age and sex. Some 8% of those looking for work did not keep their eye on expenses at all (compared with 3% overall), yet at the same time 37% of those looking for work used written records to keep a close eye on expenses (compared with 29% overall).

Four percent of 18 to 24 year old females did not keep an eye on expenses at all, while for other age groups of females the rate was a fairly consistent 2%. For men, on the other hand, a fairly consistent 4% did not keep an eye on expenses at all across all age groups. For men, the proportion who used written records to keep a close eye on expenses climbed fairly consistently with increasing age, from 17% to 18% for those under 34 to 38% of those aged 65 and over. Over the same range, the proportion of males who said they keep their eye on expenses "a bit" dropped from 33% of those aged 18 to 34 to 15% of those aged 50 to 64 before climbing slightly to 22% of those aged 65 and over. The pattern for females across the age groups showed some movement, but less consistently so.

Figure 41. <u>Approach to Budgeting</u>

E4. Which one of the following best describes the extent to which you control your Regular Household Expenses/ Personal Expenses?
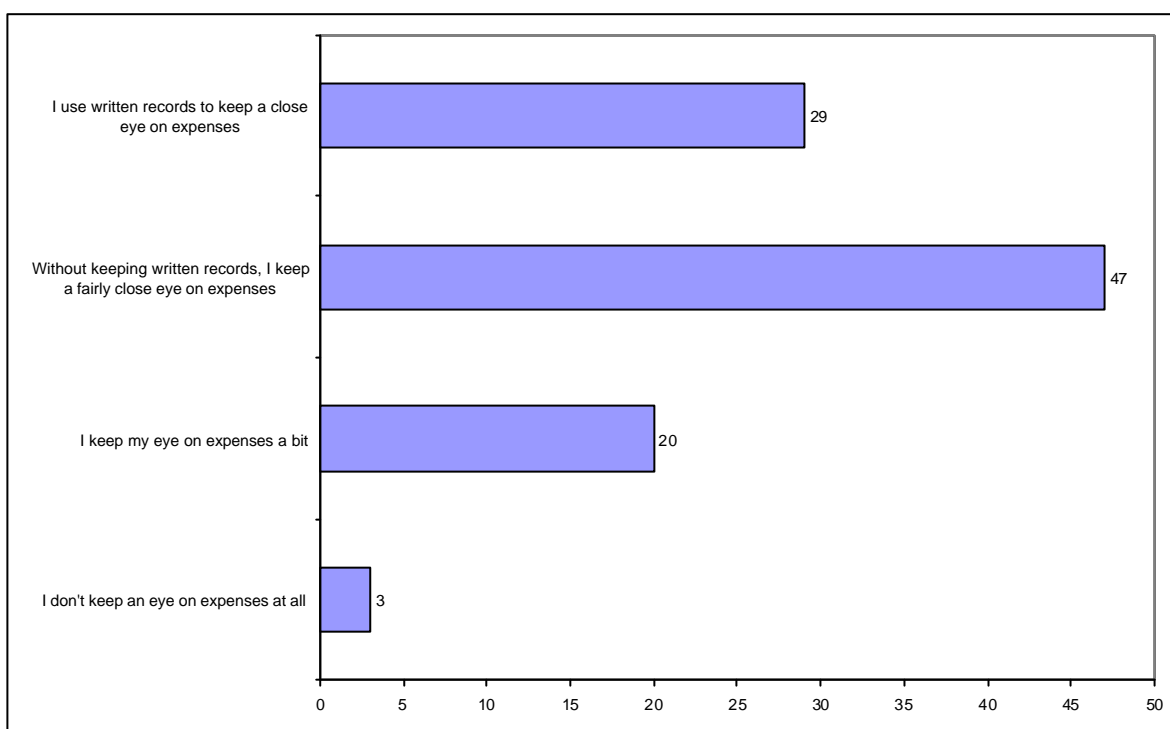
Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Singles in shared households, those employed casually, and those with non-mortgage debt of between $10,000 and $99,999 were among the groups less likely to keep an eye on expenses much.

Compared with the 23% who keep their eye on expenses only "a bit" or "not at all", the groups in the following table were above or below average.

Table 87. Demographic Profile for Those Who Keep an Eye on Expenses a Bit or Not All

E4. Which ONE of the following best describes the extent to which you control your regular household expenses/personal expenses? *Response – I Keep My Eye on Expenses a Bit or I Don't Keep an Eye on Expenses at All: 23%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Male	28	➢ Female	19
Age	–		➢ 60-69	12
Household Structure	➢ Single – live in a shared household	31	–	
Employment Status	➢ Employed – casual	35	➢ Employed – part-time ➢ Home duties	18 16
Savings Excl. Home	–		➢ $50,000 – $249,999	17
Non-mortgage Debt	➢ $10,000 – $99,999	30	–	
Home Ownership	➢ Renting residence	28	–	
Financial Literacy Quintiles	➢ Levels 1-2	31	➢ Levels 7-8 ➢ Levels 9-10	17 17

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Two additional attitudinal questions were used to assess attitudes towards budgeting.

Eighty-three percent disagreed with the statement "I spend all of my income as I get it and don't really plan for the future". Sixteen percent however agreed.

Twenty-six percent agreed that they "have problems setting money aside for major financial outlays".

Table 88.   Further Attitudes to Spending versus Planning

I would now like to read a number of statements relating to financial issues. Please tell me whether you strongly agree, agree, disagree or strongly disagree.		
	I3. I spend all of my income as I get it and don't really plan for the future	*I6. I have problems setting money aside for major financial outlays*
	%	**%**
Strongly agree	4	5
Agree	12	21
Disagree	47	52
Strongly Disagree	36	21
Can't Say	1	1
Total	100	100

Base: Total Respondents

Sample Size: 3548

Non-workers, those in casual employment, renters and those with low levels of savings were among the groups more likely to agree they spend all of their income as they get it and don't really plan for the future[*].

Compared with the 16% of people who agreed with this statement, the groups in the following table were above or below average.

Table 89.   Demographic Profile for Those Who Spend All of Their Income and Don't Plan for the Future

I3. I spend all my income as I get it and don't really plan for the future *Please tell me whether you strongly agree, agree, disagree or strongly disagree with the statement:* *Response – Strongly Agree or Agree: 16%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➤ 18–24	24	➤ 60–69	9
Household Structure	➤ Single – living in shared household ➤ Single parent	26 28	➤ Couple – no children at home	10
Employment Status	➤ Employed – casual ➤ Student ➤ Looking for work ➤ Non-worker	31 23 24 34	–	
Occupation	➤ Unskilled/farm worker	26	➤ Professional ➤ Executive/Owner (including small business & farm)	7 10
Home Ownership	➤ Renting residence	29	➤ Own residence outright	10
Home Value	–		➤ $175,000–$299,999 ➤ $500,000 or more	10 5
Mortgage Debt	–		➤ $250,000 or more	5
Gross Personal Income	➤ Under $20,000 ➤ $20,000–$34,999	23 21	➤ $50,000–$69,999 ➤ $70,000 or more	9 7
Gross Household Income	➤ Under $20,000 ➤ $20,000–$34,999	26 25	➤ $60,000–$99,999 ➤ $100,000 or more	10 9
Savings (Excl. Home)	➤ Under $5,000	33	➤ $50,000–$249,999 ➤ $250,000 or more	7 6
Financial Literacy Quintiles	➤ Levels 1–2	27	➤ Levels 9–10	7

Groups which differ most from the total population are shaded.
Base: Total Respondents   Sample Size: 3548

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[*] Spending all one's pay as one gets it may, for some people, involve clear elements of saving and planning for the future (eg, by way of automatic superannuation deductions, mortgage payments, etc). However, to agree with the question as a whole one would need to consider that one was NOT really planning for the future.

Non-workers, single parents and those with low levels of savings were more likely to agree that they had problems setting money aside for major financial outlays.

Compared with 26% of respondents who agreed with this statement, the groups in the following table were above or below average.

Table 90.   Demographic Profile for Those Who Have Problems Saving

I6. I have problems setting money aside for major financial outlays. *Please tell me whether you strongly agree, agree, disagree or strongly disagree with the statement:* *Response – Strongly Agree or Agree: 26%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 60–69	21
			➢ 70 and over	20
Household Structure	➢ Single parent	42	–	
Employment Status	➢ Non-worker	48	➢ Retired	19
	➢ Looking for work	48		
Occupation	➢ Semi-skilled	37	➢ Professional	17
Home Ownership	➢ Renting residence	38	➢ Own residence outright	20
Home Value	–		➢ $300,000–$499,999	21
			➢ $500,000 or more	18
Mortgage Debt	–		➢ $250,000 or more	11
Gross Personal Income	➢ Under $20,000	31	➢ $70,000 or more	17
Gross Household Income	➢ Under $20,000	36	➢ $60,000–$99,999	20
	➢ $20,000–$34,999	32	➢ $100,000 or more	14
Savings (Excl. Home)	➢ Under $5,000	45	➢ $50,000–$249,999	21
			➢ $250,000 or more	12
Non-mortgage Debt	➢ $500–$9,999	31	➢ Under $500	20
	➢ $10,000–$99,999	38		
Financial Literacy Quintiles	➢ Levels 1–2	40	➢ Levels 9–10	12

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

The following figure details the proportion agreeing to the statement "I spend all of my income as I get it and don't really plan for the future", or "I have problems setting money aside for major financial outlays" by personal income. Similar patterns are apparent if household income is used.

With over 40% of some income groups, and over 10% of all groups agreeing that they have problems setting money aside for major financial outlays, a significant proportion of people at all income levels felt that they had problems setting money aside for major financial outlays.

Further, while over 20% of low income earners felt that they spent all their income as they got it and did not really plan for the future, between 5% and 10% of high income earners felt that this applied to them. This reinforces the view – apparent in many aspects of this survey's results – that while financial literacy may be a more pronounced problem among low income earners, it is certainly not confined to them.

Figure 42. <u>**Proportion Spending All Income Without Planning and Having Problems Setting Money Aside for Major Outlays, By Personal Income**</u>

Would you strongly agree, agree, disagree or strongly disagree with the following statements:

I3. I spend all of my income as I get it and don't really plan for the future?

I6. I have problems setting money aside for major financial outlays?
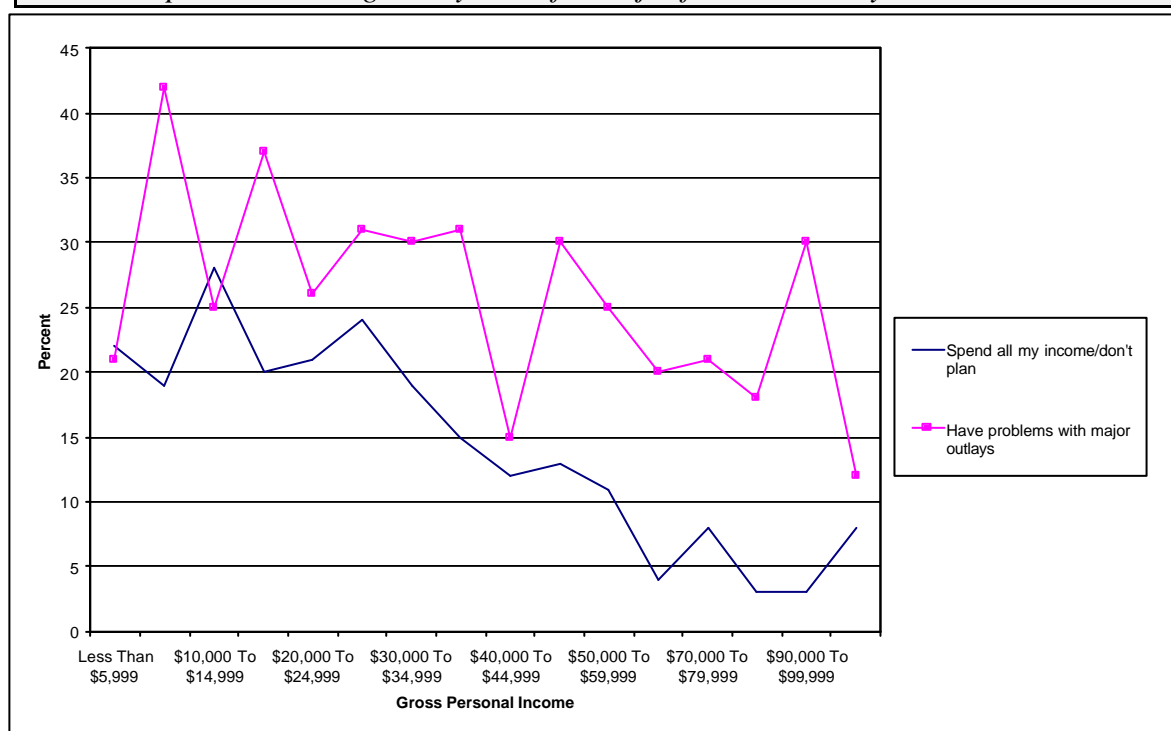
Base: Total Respondents   Sample Size: 3548

6.3.1.3.2   Spending and Credit

Attitudes toward credit and borrowing, and control over spending form one of the key dimensions of financial literacy. The Stage 2 survey addressed this with a number of questions, the overall results of which are briefly summarised below.

Seven percent of adults agreed with the statement "I feel out of control with my borrowing and credit generally", including 1% who strongly agreed with this statement. No significant differences were apparent between users of credit cards and those who do not use credit cards, however those who used store cards or loans were slightly more likely to feel out of control than were non-users of these products.

Table 91.   Feelings of Control over Borrowing and Credit, by Type of User

I4. I feel out of control with my borrowing and credit generally. *Please tell me whether you strongly agree, agree, disagree or strongly disagree with the statement:*							
	TOTAL	**Credit card users**	**Non-users of credit cards**	**Store card users**	**Non users of store cards**	**Users of loans***	**Non users of loans**
	%	**%**	**%**	**%**	**%**	**%**	**%**
Total Disagree (ie do not feel out of control)	91	92	90	89	92	89	94
Total Agree (ie feel out of control)	7	7	8	11	7	10	5
Can't Say	1	1	2	1	1	1	2

Base: Total Respondents
Sample Size: 3548
Percentages may not sum to 100% due to rounding.

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* Users of loans include those with a home equity, personal or margin loan, a loan by line of credit or overdraft or those who use a loan as a way of paying for goods and services.

Young people, renters, unskilled or farm workers, those with low savings and those with middle levels of non-mortgage debt were more likely to feel out of control with their borrowing and credit generally.

Compared with the 7% of the population who agreed with this statement, the groups in the following table were above or below average:

Table 92.   Demographic Profile - Feelings of Control over Borrowing and Credit

I4. I feel out of control with my borrowing and credit generally. *Please tell me whether you strongly agree, agree, disagree or strongly disagree with the statement:* *Response – Strongly Agree or Agree: 7%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 18–24	12	➢ 70 and over	2
Occupation	➢ Unskilled/farm worker	13	➢ Professional	2
Home Ownership	➢ Renting residence	13	–	
Savings (Excl. Home)	➢ Under $5,000	12	–	
Non-mortgage Debt	➢ $10,000–$99,999	14	–	
Financial Literacy Quintiles	➢ Levels 1–2	12	–	

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

Attitudes to credit were also explored by seeking respondents' views on the use of a credit card to purchase a DVD player. (This product was chosen as an appropriate example of discretionary expenditure to which respondents of a wide range of financial capacities could relate). There were notable differences in the responses given to this question by various sub-groups.

Overall, 30% felt that using a credit card to purchase a DVD player would be "just too likely to get you into debt", while 8% felt that it was "a good way to have something now, even if it costs you interest". Fifty-two percent of respondents held the view that it was "convenient, as long as it doesn't cost you interest", while 9% could not say.

As might be expected, financial capacity plays a significant role in explaining the differences in respondents' views, but by no means fully accounts for the variation, as the following table shows. (Similar relationships were apparent with household income.)

Table 93.   Views on Purchasing a DVD Player with a Credit Card

E3. Which one of the following statements best sums up your views of using a credit card to purchase a DVD player?			
	Total	**Respondents with Gross Personal Income under $50,000**	**Respondents with Gross Personal Income of $50,000 or more**
	%	**%**	**%**
Just too likely to get you into debt	30	37	14
Convenient, as long as it doesn't cost you interest	52	46	68
A good way to have something now, even if it costs interest	8	7	12
Can't say	9	10	6
Total	100	100	100

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

People with personal income between $50,000 and $69,999 and non–mortgage debt between $10,000 and $99,999 were more likely to hold the least cautious view towards the use of credit cards in this scenario – "a good way to have something now even if it costs you interest". Compared with the 8% of all respondents who gave this response, these were the only groups to be above or below average.

Table 94. <u>Feelings of Control over Borrowing and Credit, by Type of User</u>

E3. Which one of the following statements best sums up your views of using a credit card to purchase a DVD player? *Response – Good way to have something now, even if it costs you interest: 8%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Gross Personal Income	➢ $50,000–$69,999	13	–	
Non-mortgage Debt	➢ $10,000–$99,999	15	–	

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

One of the most notable demographic patterns is that there is a strong relationship between age and the most cautious view – "just too likely to get you into debt", as the following figure demonstrates.

Figure 43. Cautious Attitude to Credit Card Usage, By Age

> *E3. Which one of the following statements best sums up your views of using a credit card to purchase a DVD player?*
>
> *Response – Just too likely to get you into debt: 30%*
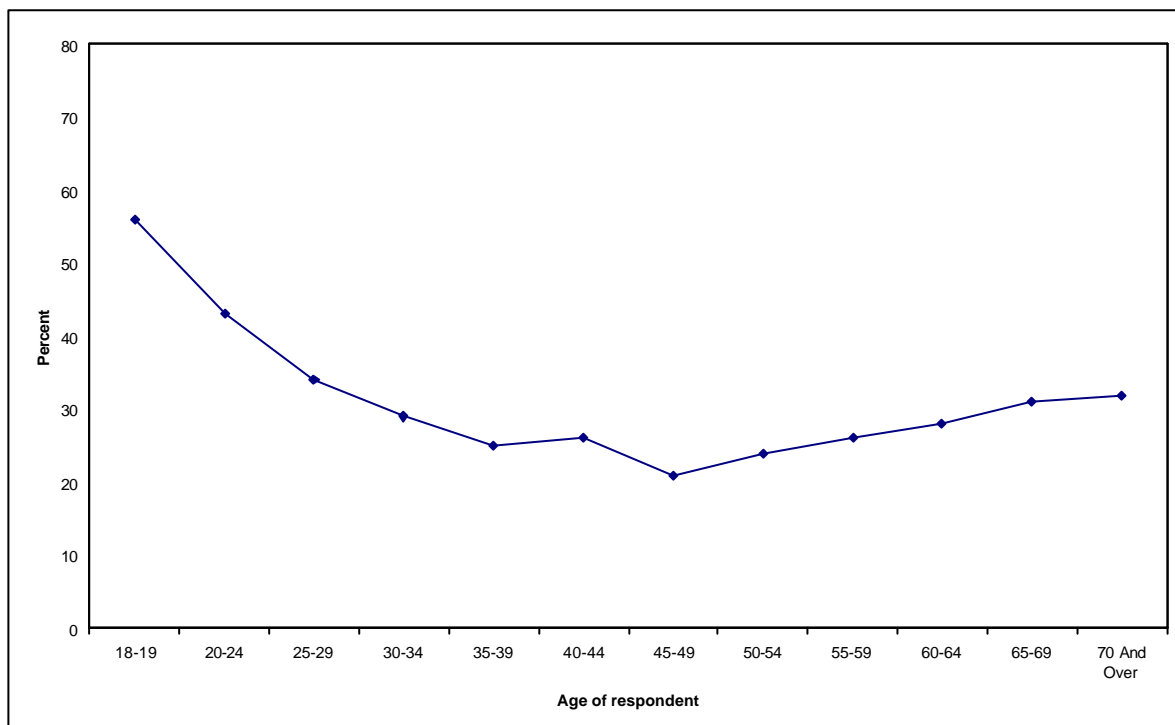
Base: Total Respondents (50% of eligible sample used)
Sample Size: 1767

Younger people, single parents and those with lower incomes and savings were also more likely to hold the conservative view of credit card usage (ie., 'Just too likely to get you into debt").

Compared with the 30% of all respondents who gave this response, the groups in the following table were above or below average.

Table 95.   Demographic Profile of Those Who Believe Purchasing a DVD Player on Credit Card Will Get You Into Debt

E3. Which one of the following statements best sums up your views of using a credit card to purchase a DVD player? *Response - Just too likely to get you into debt: 30%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Country Area	34	➢ Capital City	28
Sex	➢ Female	33	➢ Male	27
Age	➢ 18–24	47	➢ 45–59	23
Household Structure	➢ Single – living in shared household	40	➢ Couple – no children at home	23
	➢ Single parent	48		
Where Born	–		➢ Outside Australia	23
Employment Status	➢ Employed – casual	44	➢ Employed – full-time	23
	➢ Student	45		
Occupation	➢ Skilled	37	➢ Professional	15
	➢ Semi-skilled	46	➢ Executive/Owner (including small business & farm)	22
Education	➢ Less than Year 10	38	➢ Tertiary degree	17
	➢ Passed Year 10	35		
	➢ Year 11/Year 12	35		
Home Ownership	➢ Renting residence	41	–	
Home Value	➢ Under $175,000	35	➢ $175,000–$299,999	22
			➢ $300,000–$499,999	21
			➢ $500,000 or more	17
Mortgage Debt	–		➢ $50,000–$249,999	22
			➢ $250,000 or more	10
Gross Personal Income	➢ Under $20,000	40	➢ $50,000–$69,999	17
	➢ $20,000–$34,999	38	➢ $70,000 or more	9

E3. Which one of the following statements best sums up your views of using a credit card to purchase a DVD player?				
Response - Just too likely to get you into debt: 30%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Gross Household Income	➤ Under $20,000 ➤ $20,000–$34,999	46 40	➤ $60,000–$99,999 ➤ $100,000 or more	20 14
Savings (Excl. Home)	➤ Under $5,000	53	➤ $50,000–$249,999 ➤ $250,000 or more	21 10
Non-mortgage Debt	➤ Under $500	35	➤ $100,000 or more	20
Financial Literacy Quintiles	➤ Levels 1–2 ➤ Levels 3–4	44 35	➤ Levels 7–8 ➤ Levels 9–10	24 14

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

There is an inter-relationship between respondents' answers to these two questions on credit. It is notable that those who felt out of control with their borrowing and credit generally, were also significantly over-represented both amongst those with the most conservative views and the least conservative views on credit card usage. Conversely, they were very much less likely to feel that credit card usage was "convenient as long as it doesn't cost you interest". One interpretation of these results is that people may recognise that they are in difficulty, but not recognise what it is about credit that can create difficulties.

Table 96. <u>**Views on Purchasing a DVD Player with a Credit Card, By Feelings of Control over Borrowing and Credit Generally**</u>

E3. Which one of the following statements best sums up your views of using a credit card to purchase a DVD player?			
		I4. I feel out of control with my borrowing and credit generally?	
	Total	**Respondents who feel in control with borrowing and credit**	**Respondents who feel out of control with their borrowing and credit**
	%	**%**	**%**
Just too likely to get you into debt	30	29	36
Convenient, as long as it doesn't cost you interest	52	54	34
A good way to have something now, even if it costs interest	8	7	21
Can't say	9	9	9
Total	100	100	100

Base: Total Respondents

Sample Size: 3548

Percentages may not sum to 100% due to rounding.

6.4   Awareness of Risk Associated with Some Financial Products and Appreciation of the Relationship between Risk and Return

This section primarily examines the understanding of risk and return as it relates to investments and of the concept that high return equates to high risk. It also looks at the understanding of market fluctuations and the need for diversification when investing.

Risk as it relates to borrowing in a joint situation is also covered. The understanding of the taxation impact on investment returns is also covered, as is the concept of "under insurance" and what to look for when renewing insurance policies.

The basic requirements set out in the framework below were later expanded to include the questions relating to the taxation impact on investments, what to be aware of when renewing insurance, and the responsibilities with joint credit card ownership. All issues examined in this report under this topic were regarded as basic requirements.

	Objectives	*Key Findings*
BASIC REQUIREMENTS	• Awareness that high return investments are also likely to involve high risk • Understanding that market values can fall as well as rise • Awareness that if it sounds "too good to be true", then it probably isn't true • Awareness of the dangers of under-insurance • Awareness that individuals are responsible for debts of spouse/other family members with whom they have a joint financial product • Understanding of the value of diversification when investing	**Investment Risk and Return** • The concept that high returns are associated with higher than average risks was well understood with 85% of the population agreeing to the proposition • 63% understood that short-term market fluctuations can be expected even with good investments • Potential for susceptibility of investors is high with 47% of consumers indicating that they would be prepared to make some level of investment even when it was offering "well above market rates and no risk". • 51% thought it was "very important" to diversify across different investment types over a period of five years or more. A further 40% thought it was either "quite important" or "of some importance" **Insurance** • When renewing insurance only 44% of people focus on getting the level of cover right, others mainly just pay the amount or go for the lower premium • The term "Under Insurance" was understood "very well" or "fairly well" by only 54% of consumers **Co-Borrowing** • 81% of the population understood that all parties to a loan are responsible for the entire loan

	Objectives	*Key Findings*
		• The term "Co-Borrower" was understood "very well" or "fairly well" by 65% of people
		• 75% of consumers knew that a primary card holder is responsible for the debt incurred by a secondary card holder
		Taxation on Investments
		• 73% of those with investments or superannuation considered the tax implications when making an investment
		Below Ave rage Groups
		• Groups with below average knowledge of issues relating to risk and return were:
		− Those with less than $5,000 in savings or investments
		− Semi-skilled workers
		− Those with personal income under $20,000
		− Those under 25 years of age
		− Those participating in home duties
		− Females
		− Those with low education

6.4.1   Basic Requirements

6.4.1.1 Investment Risk and Return

All respondents with any investments or insurance were asked to say whether the following statement was "true" or "false":

"An investment with a high return is likely to have higher than average risks."

- 85% correctly answered "true"

- 8% incorrectly answered "false"

- 7% could not answer this question

Most people were clearly aware of the relationship between risk and return. The groups least aware of this were those participating in home duties, those with no occupation and those with low levels of savings.

Compared with the 85% of people with investments or insurance who correctly identified that "an investment with a high return is likely to have higher than average risks", the groups in the following table were above or below average.

Table 97.   <u>Demographic Profile of Those Who Believe an Investment with High Returns is Likely to Have Higher Risks</u>

F3. An investment with a high return is likely to have higher than average risks. True or False? *Response – True: 85%*				
Demographic	**Above Average Responding True**	**%**	**Below Average Responding True**	**%**
Sex	➢ Male	90	➢ Female	80
Age	–		➢ 18-24	77
Household Structure	–		➢ Single – live in shared household	80
Language Spoken at Home	–		➢ Non-English	79
Employment Status	–		➢ Employed – casual	79
			➢ Home duties	71
Occupation	➢ Professional	92	➢ Semi-skilled	79
			➢ Unskilled/farm worker	75
			➢ No occupation	73

F3. An investment with a high return is likely to have higher than average risks. True or False?

Response – True: 85%

Demographic	Above Average Responding True	%	Below Average Responding True	%
Education	➤ Tertiary degree	90	➤ Less than Year 10	80
			➤ Passed Year 10	79
Gross Personal Income	➤ $50,000 to $69,999	92	➤ Under $20,000	78
	➤ $70,000 or more	94		
Gross Household Income	➤ $100,000 or more	90	➤ Under $20,000	78
Savings Excl. Home	➤ $50,000 to $249,999	91	➤ Under $5,000	73
	➤ $250,000 or more	96		
Home Ownership	–		➤ Renting residence	79
Home Value	➤ $500,000 or more	93	–	
Mortgage Debt	➤ $250,000 or more	92	–	
Financial Literacy Quintiles	➤ Levels 7-8	90	➤ Levels 1-2	63
	➤ Levels 9-10	97		

Groups which differ most from the total population are shaded.

Base: Respondents with investments or insurance (including life insurance)

Sample Size: 3293

6.4.1.2 Market Value Fluctuations

All respondents with investments or insurance were asked to select the most accurate statement regarding fluctuations in market value, as follows.

"Which ONE of the following is the most accurate statement about fluctuations in market value?"

- 63% answered "short-term fluctuations in market value can be expected, even with good investments"

- 19% answered "good investments are always increasing in value"

- 6% answered "investments that fluctuate in value are not good in the long-term"

- 13% could not answer this question

Sixty-three percent of consumers understood that even good investments fluctuate in value. Those groups least likely to understand this were those aged 70 and over, unskilled and farm workers, semi-skilled workers and those with low levels of education.

Table 98. <u>**Demographic Profile of Those Who Believe Short-term Fluctuations can**</u>
<u>**be Expected, Even with Good Investments**</u>

F4: Which ONE of the following is the most accurate statement about fluctuations in market value? *Response – Short-term fluctuations in market value can be expected, even with good investments: 63%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Capital City	64	➢ Country Area	59
Age	➢ 35-44	68	➢ 70 and over	50
Household Structure	–		➢ Single – live alone	58
Language Spoken at Home	–		➢ Non-English	56
Employment Status	–		➢ Retired	55
Occupation	➢ Professional	81	➢ Skilled	58
	➢ Semi-professional	68	➢ Semi-skilled	50
			➢ Unskilled/farm worker	48
Education	➢ Tertiary diploma/Some university	73	➢ Less than Year 10	43
			➢ Passed Year 10	51
	➢ Tertiary degree	77	➢ Year 11/Year 12	56
Gross Personal Income	➢ $50,000 to $69,999	73	➢ Under $20,000	58
	➢ $70,000 or more	80		
Gross Household Income	➢ $100,000 or more	80	➢ Under $20,000	54
Savings Excl. Home	➢ $50,000 to $249,999	73	➢ Under $5,000	51
	➢ $250,000 or more	81		
Home Ownership	–		➢ Renting residence	58
Home Value	➢ $300,000 to $499,999	70	➢ Under $175,000	56
	➢ $500,000 or more	77		
Mortgage Debt	➢ $250,000 or more	78	–	
Financial Literacy Quintiles	➢ Levels 7-8	73	➢ Levels 1-2	33
	➢ Levels 9-10	86	➢ Levels 3-4	51

Groups which differ most from the total population are shaded.

Base: Respondents with investments or insurance (including life insurance)

Sample Size: 3293

6.4.1.3 High Return and No Risk

All respondents with investments or insurance were asked the following question regarding risks and returns of investments.

"Which ONE of the following would you recommend for an investment advertised as having a return well above market rates and no risk?"

- 46% answered "consider it "too good to be true" and not invest"

- 44% answered "invest lightly to see how it goes before investing more heavily"

- 3% answered "invest heavily to maximise your return"

- 7% could not answer the question

Forty-four percent of consumers would consider investing lightly in an investment advertised as having a return well above market rates and no risk, while a further 3% would consider investing heavily.

Forty-six percent of people with investments or insurance considered such an investment to be "too good to be true". Young people, students and those with low levels of saving were less likely to give this response.

Table 99.   Demographic Profile of Those Who Believe an Investment Advertised as Having High Returns and No Risks is Too Good to be True

F5: Which ONE of the following would you recommend for an investment advertised as having a return well above market rates and no risk? *Response - Consider it "too good to be true" and not invest: 46%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 60-69	55	➢ 18-24	23
	➢ 70 or over	57	➢ 25-34	38
Household Structure	➢ Couple – no children at home	53	➢ Single – living in shared household	33
Language Spoken at Home	–		➢ Non-English	37
Employment Status	➢ Retired	54	➢ Student	32
			➢ Home duties	39
Occupation	➢ Professional	55	➢ Sales	39
			➢ Semi-skilled	40
			➢ Unskilled/farm worker	36
Education	➢ Tertiary degree	54	➢ Year 11/Year 12	40
Gross Personal Income	➢ $70,000 or more	57	–	
Gross Household Income	➢ $100,000 or more	54	–	
Savings Excl. Home	➢ $50,000 to $249,999	52	➢ Under $5,000	32
	➢ $250,000 or more	62	➢ $5,000 to $49,999	41
Home Ownership	➢ Own residence outright	51	➢ Renting residence	35
			➢ No mortgage but considering	35
Home Value	➢ $500,000 or more	51	–	
Mortgage Debt	➢ Under $50,000	54	–	
Financial Literacy Quintiles	➢ Levels 9-10	59	➢ Levels 1-2	32
			➢ Levels 3-4	39

Groups which differ most from the total population are shaded.

Base: Respondents with investments or insurance (including life insurance)   Sample Size: 3293

6.4.1.4 Insurance Policy Renewals

All respondents with insurance (other than life insurance) were asked the following question regarding behaviour when renewing an insurance policy.

"Which ONE of the following best applies to you when renewing an insurance policy other than life insurance?"

- 44% answered "I focus on getting the level of cover right"
- 25% answered "I just pay the amount specified on the renewal notice"
- 19% answered "I focus on getting the lowest possible premium"
- 4% answered "I focus on getting the lowest possible excess"
- 7% could not answer this question

When renewing insurance policies (other than life insurance), only 44% of people focused on getting the right level of cover. Those least likely to follow this approach included those aged over 70, those in casual employment, unskilled workers and those with low levels of education.

Table 100. <u>Demographic Profile of Those Who Focus on Getting the Level of Cover Right When Renewing an Insurance Policy</u>

F1. Which ONE of the following best applies to you when renewing an insurance policy other than life insurance? *Response - I focus on getting the level of cover right: 44%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 35-44	49	➢ 18-24	38
			➢ 70 or over	36
Household Structure	–		➢ Single – live alone	39
			➢ Single – live in shared household	38
Employment Status	➢ Employed – full-time	49	➢ Employed – casual	37
Occupation	➢ Executive/Owner (including small business & farm)	50	➢ Unskilled/farm worker	37
Education	–		➢ Less than Year 10	35
Gross Personal Income	➢ $70,000 or more	57	➢ Under $20,000	39
Gross Household Income	➢ $100,000 or more	53	➢ Under $20,000	39
Savings Excl. Home	➢ $250,000 or more	55	➢ Under $5,000	38
Non-mortgage Debt	➢ $100,000 or more	54	–	
Home Ownership	–		➢ Renting residence	38
Mortgage Debt	➢ Under $50,000	50	–	
Financial Literacy Quintiles	➢ Levels 9-10	59	➢ Levels 1-2	31
			➢ Levels 3-4	36

Groups which differ most from the total population are shaded.

Base: Respondents with insurance (not including life insurance)

Sample Size: 3173

6.4.1.5 Responsibility for Joint Financial Products

6.4.1.5.1   Joint Loans

All respondents with insurance or investments were asked the following question regarding responsibility for loan repayments.

"If two people jointly take out a loan, which one of the following most accurately describes the responsibility for repayment of the loan?"

- 81% answered "both persons are responsible for repayment of the entire loan"

- 11% answered "each person is responsible for repayment of half the loan"

- 3% answered "only one person must be responsible for repayment of the entire loan"

- 1% answered "the older of the two persons is responsible for the repayment of the entire loan"

- 4% could not answer this question

The responsibilities entailed in a jointly held loan were well understood by 81% of respondents. Among the groups least likely to understand these obligations were consumers aged 70 and over, those living alone in a single household, retirees and those with less than $20,000 in household income.

Compared with the 81% of people with investments or insurance who correctly responded "that both persons are responsible for the repayment of the entire loan", the groups in the following table were above or below average.

Table 101. Demographic Profile for Loan Repayment Responsibility Knowledge

F7: If two people jointly take out a loan, which one of the following most accurately describes the responsibility for repayment of the loan? *Response – Both persons are responsible for the repayment of the entire loan: 81%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➤ 25-34 ➤ 35-44	87 87	➤ 18-24 ➤ 60-69 ➤ 70 and over	76 76 63
Household Structure	➤ Couple – children at home ➤ Children in household	88 88	➤ Single – live alone ➤ Single – live in shared household	70 76
Employment Status	➤ Employed – full-time ➤ Employed – casual ➤ Home duties	86 87 87	➤ Student ➤ Retired	71 69
Occupation	➤ Professional	86	➤ Unskilled/farm worker	72
Education	–		➤ Less than Year 10	75
Gross Personal Income	➤ $35,000 to $49,999 ➤ $70,000 or more	86 88	–	
Gross Household Income	➤ $60,000 to $99,999 ➤ $100,000 or more	89 87	➤ Under $20,000 ➤ $20,000 to $34,999	70 74
Savings Excl. Home	➤ $50,000 to $249,999	87	–	
Non-mortgage Debt	➤ $10,000 to $99,999 ➤ $100,000 or more	87 89	–	
Home Ownership	➤ Paying off residence	88	–	
Mortgage Debt	➤ Under $50,000 ➤ $50,000 to $249,999 ➤ $250,000 or more	88 87 88	–	
Financial Literacy Quintiles	➤ Levels 7-8 ➤ Levels 9-10	88 92	➤ Levels 1-2	65

Groups which differ most from the total population are shaded.

Base: Respondents with investments or insurance (including life insurance)   Sample Size: 3293

6.4.1.5.2   Credit Cards

All respondents with a credit card and insurance or investments were asked the following question regarding responsibility for debt on credit cards.

"If you, as a primary holder of a credit card, arrange for a second person to be provided with a card in your name, which ONE of the following most accurately describes your responsibility for debt incurred by that person on the card?"

- 75% answered "you are entirely responsible for any debt the other person incurs of the card"

- 9% answered "you and the other person are each responsible for half the total debt on the card"

- 6% answered "you are only responsible for the debt incurred on the card by the other person if they are less than 18 years old"

- 5% answered "you are not responsible for any debt the other person incurs on the card – they are"

- 6% could not answer this question

Most consumers (75%) were clear on the responsibilities of primary credit card holders. Those least aware of these obligations included those in unskilled occupations or with no occupation at all.

Compared to 75% of people with a credit card and insurance or investments who correctly identified that the primary card holder is entirely responsible for debt incurred by a second person with a card, the groups in the following table were above and below average.

Table 102. Demographic Profile of Those Who Believe the Primary Card Holder is Responsible for Any Debt Incurred on the Credit Card

F6. If you, as a primary holder of a credit card, arrange for a second person to be provided with a card in your name, which ONE of the following most accurately describes your responsibility for debt incurred by that person on the card?

Response – You are entirely responsible for any debt the other person incurs on the card: 75%

Demographic	Above Average Giving Response	%	Below Average Giving Response	%
Sex	➢ Male	78	➢ Female	71
Age	–		➢ 18-24	64
			➢ 70 and over	68
Household Structure	–		➢ Single – live alone	68
			➢ Single – live in shared household	69
Language Spoken at Home	–		➢ Non-English	64
Employment Status	➢ Employed – full-time	80	➢ Student	63
			➢ Retired	68
Occupation	➢ Professional	85	➢ Semi-skilled	68
			➢ Unskilled/farm worker	61
			➢ No occupation	59
Education	➢ Tertiary degree	80	➢ Less than Year 10	67
			➢ Passed Year 10	69
Gross Personal Income	➢ $50,000 to $69,000	80	➢ Under $20,000	65
	➢ $70,000 or more	87		
Gross Household Income	➢ $100,000 or more	87	➢ Under $20,000	65
Savings Excl. Home	➢ $50,000 to $249,999	80	➢ Under $5,000	67
	➢ $250,000 or more	86		
Home Value	➢ $500,000 or more	80	➢ Under $175,000	70
Mortgage Debt	➢ Under $50,000	80	–	
	➢ $250,000 or more	84		
Financial Literacy Quintiles	➢ Levels 7-8	81	➢ Levels 1-2	44
	➢ Levels 9-10	92	➢ Levels 3-4	60

Groups which differ most from the total population are shaded.

Base: Respondents with a credit card and insurance or investments   Sample Size: 2224

6.4.1.6 Diversification

All respondents with managed investments*, s*hares, term deposits or investment properties were asked the following question regarding diversification:

"Thinking about investing over five years or more, how important do you consider diversification of your funds across different types of investments?"

- 51% answered "very important"
- 28% answered "quite important"
- 12% answered "of some importance"
- 5% answered "not at all important"
- 5% could not answer this question

While 79% of consumers believed diversifying their assets over a five year period was important, those least likely to hold this view included those aged over 70, those with no occupation, those with low levels of education and those with low savings.

Table 103. <u>Demographic Profile of Those Who Believe Diversification of Funds is Important</u>

F8: Thinking about investing over five years or more, how important do you consider diversification of your funds across different types of investments? *Response – Very Important or Quite Important: 79%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 70 and over	69
Household Structure	–		➢ Single – live alone	74
Occupation	–		➢ Unskilled/farm worker	71
			➢ No occupation	68
Education	–		➢ Less than Year 10	68
Gross Personal Income	➢ $50,000 to $69,999	84	➢ Under $20,000	74
Gross Household Income	–		➢ Under $20,000	72
Savings Excl. Home	➢ $250,000 or more	84	➢ Under $5,000	69
Financial Literacy Quintiles	➢ Levels 9-10	88	➢ Levels 1-2	60
			➢ Levels 3-4	70

Groups which differ most from the total population are shaded.

Base: Respondents with Investments

Sample Size: 2187

6.4.1.7 Tax Implications

All respondents with superannuation, managed investments, shares, term deposits or investment properties were asked the following question regarding consideration of tax implications of superannuation or investments.

"Thinking about superannuation or investments, how important do you consider tax implications when making decision?"

- 45% answered "very important"
- 28% answered "quite important"
- 12% answered "of some importance"
- 5% answered "not at all important"
- 10% could not answer this question

Most respondents with investments or superannuation (73%) attached more than a little importance to the tax implications of investment decisions (45% stated "very important", 28% stated "quite important"). The demographic groups least likely to do so were those aged between 18 and 24 or over 70, those with low household income and consumers with low savings.

Table 104.　　**Demographic Profile of Those Who Believe Tax Implications are Important When Making Investment Decisions**

F9. Thinking about superannuation or investments, how important do you consider tax implications when making decision? *Response –Very Important or Quite Important: 73%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 45-59	82	➢ 18-24	61
	➢ 60-69	78	➢ 25-34	68
			➢ 70 or over	62
Household Structure	–		➢ Single – live in shared household	63
Employment Status	➢ Home duties	80	➢ Employed – casual	64
Occupation	➢ Professional	78	➢ Semi-skilled	68
	➢ Executive/Owner (including small business & farm)	81	➢ Unskilled/farm worker	67
			➢ No occupation	62
	➢ Self-employed	78		
Education	–		➢ Less than Year 10	68
Gross Personal Income	➢ $50,000 to $69,999	79	➢ Under $20,000	67
	➢ $70,000 or more	85		
Gross Household Income	➢ $60,000 to $99,999	80	➢ Under $20,000	60
	➢ $100,000 or more	82	➢ $20,000 to $34,999	68
Savings Excl. Home	➢ $50,000 to $249,999	78	➢ Under $5,000	62
	➢ $250,000 or more	85		
Non-mortgage Debt	➢ $100,000 or more	82	–	
Home Ownership	–		➢ Renting residence	63
Home Value	➢ $175,000 to $299,999	78	–	
	➢ $300,000 to $499,999	78		
	➢ $500,000 or more	81		
Mortgage Debt	➢ Under $50,000	78	–	
	➢ $50,000 to $249,999	79		
	➢ $250,000 or more	88		
Financial Literacy Quintiles	➢ Levels 7-8	79	➢ Levels 1-2	53
	➢ Levels 9-10	88	➢ Levels 3-4	65

Groups which differ most from the total population are shaded.

Base: Respondents with investments and superannuation

Sample Size: 3043

7. MATHEMATIC AND STANDARD LITERACY

In line with the framework this section assesses the ability of the adult population to correctly perform basic arithmetic with or without a calculator. The mathematical operations assessed include addition, subtraction, multiplication, division and percentages.

At the advanced competency level this section assesses the knowledge of the term "compound interest". Knowledge of this concept is also examined further in Stage 3 of this Financial Literacy study.

In addition to the framework specifications this section also assesses the understanding of a range of financial literacy terms. These have been divided according to whether knowledge of the term is considered a basic requirement of financial literacy or an advanced level competency.

Refer to Appendix 6 for further analysis of mathematic and standard literacy.

7.1 Essential Mathematical, Reading and Comprehension Skills

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Able to add, subtract, multiply and divide (with or without calculator)
	
	• Able to understand and calculate percentages (with or without calculator)
	
	• In addition to the framework, understanding of the following financial terms
	  – Bank Cheque
	  – Direct Debit
	  – Under Insurance
		• 89% of the population were able to correctly perform basic addition of two dollar amounts
		
		• 81% of the population were able to calculate the change they would receive from a specified purchase amount (basic subtraction)
		
		• 84% of the population were able to perform basic division of round thousand amounts
		
		• 87% to 89% were able to calculate basic percentages
		
		• Only 59% of adults were able to correctly perform basic multiplication of round dollar amounts (20 x $350)
		
		• Ability to correctly perform basic arithmetic varied by consumer segment
		
		• Groups below average at basic arithmetic included:
		  – Those aged 18-24 and 70 and over
		  – Those speaking a language other than English at home
		  – Those with a Year 10 education level
		  – Semi-skilled and unskilled workers
		  – Those with lower incomes
		  – Unemployed people

	Objectives	*Key Findings*
		• There was a large gap between the lowest quintile and the overall adult population in their ability to correctly calculate basic arithmetic
		• Percentages of the adult population who claimed to understand the following terms "very well" or "fairly well" were as follows:
		− Bank Cheque: 94%
		− Direct Debit: 88%
		− Under Insurance:54%

	Objectives	*Key Findings*
ADVANCED COMPETENCE	• Able to understand compound interest • In addition to the framework, understanding of the following financial terms − Charge-back on a credit card − Guarantor − Co-borrower − Indicative Rate − Mortgage Insurance − Broker − Capital Guaranteed − Master Trust	• Percentage of the adult population who claimed to understand the following terms "very well" or "fairly well" were as follows: − Compound Interest: 67% − Charge-Back on credit card: 37% − Guarantor: 94% − Co-borrower: 65% − Indicative Rate:25% − Mortgage Insurance: 76% − Broker: 72% − Capital Guaranteed: 41% − Master Trust: 15%

7.1.1   Basic Requirements

7.1.1.1 Mathematical Ability

7.1.1.1.1   Simple Addition Ability

Eighty-nine percent of adults answered the addition question correctly.

People who were less likely to answer this question correctly included those in unskilled or farm worker occupations, and those with a low level of education.

In comparison with the 89% who answered this question correctly, the groups in the following table were above or below average.

Table 105. <u>Demographic Profile for Simple Addition Ability</u>

L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days? *Response – Answered Correctly $21: 89%*				
Demographic	**Above Average Correct Arithmetic**	**%**	**Below Average Correct Arithmetic**	**%**
Age	–		➢ 70 and over	84
Language Spoken at Home	–		➢ Non-English	83
Employment Status	–		➢ Student	82
Occupation	➢ Professional	95	➢ Semi-Skilled ➢ Unskilled/farm worker ➢ No occupation	84 81 79
Education	–		➢ Less than Year 10	80
Gross Personal Income	➢ $70,000 or more	95	–	
Gross Household Income	–		➢ Under $20,000	84
Financial Literacy Quintiles	➢ Levels 7-8 ➢ Levels 9-10	94 97	➢ Levels 1-2	72

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

7.1.1.1.2   Simple Subtraction Ability

There were two subtraction arithmetic questions in this survey: one covering simple subtraction ability, and one covering subtraction. Results for these two questions were consistent when analysing the groups that performed above and below average.

Those less likely to answer correctly included older people, those who spoke a language other than English at home, those with no occupation, those with a low level of education, and unskilled or farm workers.

Compared with the 81% who answered this question correctly, the groups in the following table were above or below average.

Table 106. <u>Demographic Profile for Subtraction Ability</u>

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?				
Response – Answered Correctly $35: 81%				
Demographic	**Above Average Correct Arithmetic**	**%**	**Below Average Correct Arithmetic**	**%**
Age	–		➢ 70 and over	73
Household Structure	–		➢ Single – live alone	75
Language Spoken at Home	–		➢ Non-English	73
Employment Status	➢ Employed – full-time	87	➢ Home duties ➢ Retired ➢ Non-worker	75 75 67
Occupation	➢ Professional	91	➢ Semi-skilled ➢ Unskilled/farm worker ➢ No occupation	75 70 67
Education	➢ Tertiary degree	88	➢ Less than Year 10 ➢ Passed Year 10	70 75
Gross Personal Income	➢ $35,000 – $49,999 ➢ $50,000 – $69,999 ➢ $70,000 or more	88 91 92	➢ Under $20,000	75
Gross Household Income	➢ $35,000 – $59,999 ➢ $60,000 – $99,999 ➢ $100,000 or more	87 88 89	–	
Savings Excl. Home	➢ $50,000 – $249,999 ➢ $250,000 or more	88 92	➢ Under $5,000	76

Demographic	Above Average Correct Arithmetic	%	Below Average Correct Arithmetic	%
Non-mortgage Debt	➢ $10,000 – $99,999	86	–	
Home Ownership	➢ Paying off residence.	87	➢ Renting residence	76
Home Value	➢ $175,000 – $299,999 ➢ $500,000 or more	86 86	–	
Mortgage Debt	➢ Under $50,000 ➢ $50,000 – $249,999 ➢ $250,000 and over	86 88 93	–	
Financial Literacy Quintiles	➢ Levels 5-6 ➢ Levels 7-8 ➢ Levels 9-10	88 90 95	➢ Levels 1-2	55

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

Response – Answered Correctly $35: 81%

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

7.1.1.1.3   Ability to Subtract a Percentage

Eighty-nine percent of people, when asked a question involving a subtraction of 10% from a commodity costing $1,000, answered the question correctly.

People less likely to answer correctly included people with no occupation, those with a low level of education, or those in unskilled or farm worker occupations.

In comparison with the 89% who answered this question correctly, the groups in the following table were above or below average.

Table 107: Demographic Profile for Percentage and Subtraction Ability

L24. If a refrigerator priced at $1,000 is discounted by 10% at a sale, how much would it cost? *Response – Answered Correctly $900: 89%*				
Demographic	**Above Average Correct Arithmetic**	**%**	**Below Average Correct Arithmetic**	**%**
Gender	–		➢ Female	84
Age	–		➢ 70 and over	78
Household Structure	–		➢ Single – live alone	82
Employment Status	➢ Employed – full-time	94	➢ Looking for work ➢ Home duties ➢ Retired ➢ Non-worker	81 83 81 78
Occupation	➢ Professional	97	➢ Unskilled/farm worker ➢ No occupation	77 70
Education	➢ Tertiary diploma/Some university ➢ Tertiary degree	94 95	➢ Less than Year 10 ➢ Passed Year 10	74 84
Gross Personal Income	➢ $50,000 – $69,999 ➢ $70,000 or more	95 96	–	
Gross Household Income	➢ $60,000 – $99,999 ➢ $100,000 or more	95 96	➢ Under $20,000	81
Savings Excl. Home	➢ $50,000 – $249,999 ➢ $250,000 or more	94 97	–	
Non-mortgage Debt	➢ $10,000 – $99,999	94	–	
Home Value	➢ $500,000 or more	93	–	
Mortgage Debt	➢ $50,000 – $249,999 ➢ $250,000 or more	94 97	–	
Financial Literacy Quintiles	➢ Levels 5-6 ➢ Levels 7-8 ➢ Levels 9-10	93 98 99	➢ Levels 1-2	65

Groups which differ most from the total population are shaded.

Base: Total Respondents   Sample Size: 3548

7.1.1.1.4   Simple Multiplication Ability

Consumers displayed some difficulty with multiplication of round dollar amounts, with only 59% correctly answering a question involving multiplication of $350 * 20. Of the six basic arithmetic questions asked, multiplication recorded the lowest proportion of people answering correctly.   However, as a simple multiplication step was included in the subtraction question - which was answered considerably better - it must be considered that Australian adults do not have a particular problem with multiplication per se, but that the multiplication of $350 * 20 is relatively demanding.

Amongst those less likely to answer correctly were those with no occupation, those with low household income, those with a low level of education or those undertaking home duties.

Compared with the 59% who answered this question correctly, the groups in the following table were above or below average.

Table 108. Demographic Profile for Multiplication Ability

L21. If each of 20 share-holders was paid a dividend of $350, what is the total amount paid out in dividends? *Response – Answered Correctly $7,000: 59%*				
Demographic	**Above Average Correct Arithmetic**	**%**	**Below Average Correct Arithmetic**	**%**
Sex	➢ Male	67	➢ Female	51
Age	➢ 35–44 ➢ 45–59	64 67	➢ 18–24 ➢ 70 and over	46 49
Household Structure	➢ Couple – no children	65	➢ Single – live alone ➢ Single parent	53 48
Language Spoken at Home	–		➢ Non-English	53
Employment Status	➢ Employed – full-time ➢ Employed – part-time	66 64	➢ Home duties ➢ Retired ➢ Non-worker	45 53 49

L21. If each of 20 share-holders was paid a dividend of $350, what is the total amount paid out in dividends?

Response – Answered Correctly $7,000: 59%

Demographic	Above Average Correct Arithmetic	%	Below Average Correct Arithmetic	%
Occupation	➢ Professional	76	➢ Skilled	54
	➢ Executive/Owner (including small business & Farm)	70	➢ Semi-skilled	47
			➢ Unskilled/farm worker	46
	➢ Semi-professional	65	➢ No occupation	42
	➢ Self employed	66		
Education	➢ Tertiary diploma/Some university	67	➢ Less than Year 10	38
			➢ Passed Year 10	47
	➢ Tertiary degree	77	➢ Passed Year 11 or Year 12	54
Gross Personal Income	➢ $50,000 – $69,999	72	➢ Under $20,000	49
	➢ $70,000 or more	81		
Gross Household Income	➢ $60,000 – $99,999	69	➢ Under $20,000	45
	➢ $100,000 or more	77		
Savings Excl. Home	➢ $50,000 – $249,999	71	➢ Under $5,000	46
	➢ $250,000 or more	79		
Non-mortgage Debt	➢ $10,000 – $99,999	64	–	
	➢ $100,000 or more	67		
Home Ownership	–		➢ Renting residence	51
Home Value	➢ $300,000 – $499,999	67	–	
	➢ $500,000 or more	74		
Mortgage Debt	➢ Under $50,000	64	–	
	➢ $50,000 – $249,999	65		
	➢ $250,000 or more	75		
Financial Literacy Quintiles	➢ Levels 5-6	65	➢ Levels 1-2	23
	➢ Levels 7-8	74	➢ Levels 3-4	46
	➢ Levels 9-10	87		

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

7.1.1.1.5   Simple Division Ability

Eighty-four percent of respondents correctly answered a simple division question, involving division of $18,000 by six.

Groups less likely to answer the division question correctly included non-workers and those with a low level of education.

Table 109. <u>Demographic Profile for Division Ability</u>

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive? *Response – Answered Correctly $3,000: 84%*				
Demographic	**Above Average Correct Arithmetic**	**%**	**Below Average Correct Arithmetic**	**%**
Age	➢ 45–59	90	➢ 18–24	74
Household Structure	–		➢ Single – live in shared household	79
			➢ Single parent	78
Language Spoken at Home	–		➢ Non-English	78
Employment Status	–		➢ Home duties	76
			➢ Non-worker	73
Occupation	➢ Professional	93	➢ Unskilled/farm worker	73
	➢ Executive/Owner (including small business & farm)	89	➢ No occupation	68
	➢ Semi-professional	89		
Education	➢ Tertiary degree	92	➢ Less than Year 10	72
Gross Personal Income	➢ $50,000 – $69,999	91	–	
	➢ $70,000 or more	95		
Gross Household Income	➢ $60,000 – $99,999	90	–	
	➢ $100,000 or more	92		
Savings Excl. Home	➢ $50,000 – $249,999	93	➢ Under $5,000	76
	➢ $250,000 or more	94		
Home Ownership	–		➢ Renting residence	78
Home Value	➢ $300,000 – $499,999	89	–	
	➢ $500,000 or more	92		

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?				
Response – Answered Correctly $3,000: 84%				
Demographic	**Above Average Correct Arithmetic**	**%**	**Below Average Correct Arithmetic**	**%**
Mortgage Debt	➢ $50,000 – $249,999	89	–	
	➢ $250,000 or more	94		
Financial Literacy Quintiles	➢ Levels 5-6	89	➢ Levels 1-2	59
	➢ Levels 7-8	93		
	➢ Levels 9-10	98		

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

7.1.1.1.6   Simple Percentages Ability

Eighty-seven percent of respondents correctly answered a simple percentage question, involving calculation of 50% of $1,400.

Groups less likely to answer the percentage question correctly included students, those in unskilled or farm worker occupations and those with a low level of education.

Compared with the 87% who answered this question correctly, the groups in the following table were above or below average.

Table 110. Demographic Profile for Basic Percentages Ability

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?				
Response – Answered Correctly $700: 87%				
Demographic	**Above Average Correct Arithmetic**	**%**	**Below Average Correct Arithmetic**	**%**
Age	–		➢ 18 – 24	82
			➢ 70 and over	78
Employment Status	➢ Employed – full-time	92	➢ Student	77
			➢ Retired	80
			➢ Non-worker	78
Occupation	➢ Professional	94	➢ Semi-skilled	82
			➢ Unskilled/farm worker	72
			➢ No occupation	70
Education	➢ Tertiary diploma/Some university	92	➢ Less than Year 10	72
	➢ Tertiary degree	94	➢ Passed Year 10	82
Gross Personal Income	➢ $35,000 – $49,999	92	➢ Under $20,000	82
	➢ $50,000 – $69,999	96		
	➢ $70,000 or more	95		
Gross Household Income	➢ $60,000 – $99,999	94	–	
	➢ $100,000 or more	94		
Savings Excl. Home	➢ $50,000 – $249,999	93	➢ Under $5,000	81
	➢ $250,000 or more	97		
Non-mortgage Debt	➢ $100,000 or more	92	–	
Home Value	➢ $500,000 or more	92	–	

Demographic	Above Average Correct Arithmetic	%	Below Average Correct Arithmetic	%
Mortgage Debt	➤ $50,000 – $249,999	93	–	
	➤ $250,000 or more	98		
Financial Literacy Quintiles	➤ Levels 5-6	92	➤ Levels 1-2	61
	➤ Levels 7-8	94		
	➤ Levels 9-10	98		

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Response – Answered Correctly $700: 87%

Groups which differ most from the total population are shaded.

Base: Total Respondents

Sample Size: 3548

7.1.1.2 Understanding Basic Financial Terms

Consumers in today's financial system are faced with a wide array of terms describing financial concepts and products. Which terms they need to know will depend on their particular needs. A number of common terms were tested to gauge consumers' self-assessments of their understanding[*].

7.1.1.2.1   Bank Cheque

When asked how well they understood the term "bank cheque", 94% of consumers understood the term "very well" or "fairly well".

Amongst the groups less likely to understand the term were those in the lower age groups, students, executives or owners of small businesses or farms, and those who were considering taking out a mortgage.

Compared with the 94% understanding the term "bank cheque" "very well" or "fairly well", the groups in the following table were above or below average.

Table 111. <u>Demographic Profile for "Bank Cheque" Knowledge</u>

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L9. Bank Cheque.* *Response – Very Well or Fairly Well: 94%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Age	–		➢ 18–24	84
Household Structure	–		➢ Single – live in shared household	88
Language Spoken at Home	–		➢ Non-English	89
Employment Status	–		➢ Student	67

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[*] Actual understanding of some of these terms, rather than self-assessed understanding, was measured in the Stage 3 survey.

> *I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.*
>
> **L9. Bank Cheque.**
>
> *Response – Very Well or Fairly Well: 94%*

Demographic	Above Average Understanding	%	Below Average Understanding	%
Occupation	➢ Other white collar*	100	➢ Sales	89
			➢ Executive/Owner (including small business & farm)	82
			➢ No occupation	87
Gross Household Income	➢ $20,000 – $34,999 ➢ $35,000 – $59,999	100 99	–	
Savings Excl. Home	➢ $50,000 – $249,999	99	➢ Under $5,000	88
Home Ownership	–		➢ Renting residence	89
			➢ No mortgage but considering	86
Home Value	➢ $500,000 or more	99	–	
Mortgage Debt	➢ Under $50,000	100	–	
Financial Literacy Quintiles	–		➢ Levels 7-8	86

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.1.2.2   Direct Debit

When asked how well they understood the term "direct debit", 88% of people claimed they understood the term "very well" or "fairly well". This level was relatively high compared to levels of other terms asked about.

Amongst the groups less likely to understand the term were those aged 70 and over, students, and those with education levels less than Year 10.

In comparison with the 88% who understood the term "direct debit" "very well" or "fairly well", the groups in the following table were above or below average.

Table 112. <u>Demographic Profile for "Direct Debit" Knowledge</u>

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.				
L13. Direct Debit.				
Response – Very Well or Fairly Well: 88%				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Age	➢ 25–34	98	➢ 70 and over	65
	➢ 35–44	93		
Household Structure	➢ Single parent	97	–	
	➢ Children in household	95		
Employment Status	➢ Employed – full-time	94	➢ Student	69
	➢ Employed – part-time	95	➢ Retired	85
	➢ Non-worker	97		
Occupation	➢ Professional	99	➢ Executive/Owner (including small business & farm)	75
	➢ Other white collar*	94		
			➢ No occupation	78
Education	➢ Passed Year 10	93	➢ Less than Year 10	66
Gross Personal Income	➢ $20,000 – $34,999	96	➢ Under $20,000	80
	➢ $35,000 – $49,999	96		
	➢ $70,000 or more	95		
Gross Household Income	➢ $20,000 – $34,999	94	➢ Under $20,000	76
	➢ $35,000 – $59,999	96		
	➢ $100,000 or more	96		
Savings Excl. Home	➢ $250,000 or more	93	–	

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.

L13. Direct Debit.

Response – Very Well or Fairly Well: 88%

Demographic	Above Average Understanding	%	Below Average Understanding	%
Non-mortgage Debt	➤ $10,000 – $99,999	93	–	
Home Value	➤ $300,000 – $499,999	97	➤ Under $175,000	84
Mortgage Debt	➤ $50,000 – $249,999	93	–	
	➤ $250,000 or more	100		
Financial Literacy Quintiles	–		➤ Levels 1-2	83

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.1.2.3   Under-Insurance

When asked how well they understood the term "under-insurance", 54% of people said they understood the term "very well" or "fairly well". This term was poorly understood compared to the other terms tested under the "basic requirements".

Younger people, students and those with no occupation were among the groups less likely to understand the term.

Table 113.   Demographic Profile for "Under-Insurance" Knowledge

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.				
L17. Under-Insurance.				
Response – Very Well or Fairly Well: 54%				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Sex	–		➢ Female	49
Age	➢ 45–59 ➢ 60–69	60 64	➢ 18–24	37
Household Structure	➢ Couple – no children at home	59	➢ Single – live in shared household	43
Where Born	➢ Born outside of Australia	59	–	
Employment Status	➢ Retired	60	➢ Employed – casual ➢ Student	43 35
Occupation	➢ Professional ➢ Other white collar*	65 59	➢ Semi-skilled ➢ No occupation	45 39
Education	➢ Tertiary degree	59	–	
Gross Personal Income	➢ $70,000 or more	69	–	
Gross Household Income	➢ $100,000 or more	64	–	
Savings Excl. Home	➢ $50,000 – $49,999 ➢ $250,000 or more	61 72	➢ Under $5,000	41
Non-mortgage Debt	➢ $100,000 or more	79	–	
Home Ownership	–		➢ Renting residence	44

> *I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.*
>
> *L17. Under-Insurance.*
>
> *Response – Very Well or Fairly Well: 54%*

Demographic	Above Average Understanding	%	Below Average Understanding	%
Home Value	➤ Under $175,000 ➤ $300,000 – $499,999 ➤ $500,000 or more	59 63 64	–	
Mortgage Debt	➤ Under $50,000 ➤ $250,000 or more	66 66	–	
Financial Literacy Quintiles	➤ Levels 9-10	77	➤ Levels 1-2 ➤ Levels 3-4	40 44

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2 Advanced Competence

7.1.2.1 Understanding of Advanced Financial Terms

The following terms were identified as being an indication of an advanced competence level of financial literacy. The following sections analyse consumers' understanding of these advanced terms.

7.1.2.1.1 Compound Interest

When asked how well they understood the term "compound interest", 67% of people considered they understood the term "very well" or "fairly well".

Among the groups less likely to understand the term were unskilled or farm workers and those with low savings.

Table 114. <u>Demographic Profile for "Compound Interest" Knowledge</u>

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L15. Compound Interest.* *Response – Very Well or Fairly Well: 67%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Sex	➢ Male	75	➢ Female	59
Age	➢ 60–69 ➢ 70 and over	81 72	➢ 18–24	51
Household Structure	➢ Single – live alone	72	➢ Single parent	58
Employment Status	➢ Retired	75	➢ Employed – casual ➢ Looking for work ➢ Home duties ➢ Non-worker	52 56 54 46
Occupation	➢ Professional ➢ Other white collar*	93 74	➢ Semi-skilled ➢ Unskilled/farm worker ➢ No occupation	54 45 53
Education	➢ Tertiary diploma/Some university ➢ Tertiary degree	74 80	➢ Less than Year 10 ➢ Passed Year 10 ➢ Passed Year 11 or Year 12	54 56 62

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.

L15. Compound Interest.

Response – Very Well or Fairly Well: 67%

Demographic	Above Average Understanding	%	Below Average Understanding	%
Gross Personal Income	➢ $70,000 or more	85	➢ Under $20,000	58
Gross Household Income	➢ $100,000 or more	81	➢ Under $20,000 ➢ $20,000 – $34,999	59 61
Savings Excl. Home	➢ $50,000 – $249,999 ➢ $250,000 or more	80 92	➢ Under $5,000	47
Non-mortgage Debt	➢ $100,000 or more	82	–	
Home Ownership	➢ Own residence outright	76	➢ Renting residence ➢ No mortgage but considering	52 57
Home Value	➢ $300,000 – $499,999 ➢ $500,000 or more	78 84	–	
Mortgage Debt	➢ $250,000 or more	87	–	
Financial Literacy Quintiles	➢ Levels 5-6 ➢ Levels 7-8 ➢ Levels 9-10	74 78 89	➢ Levels 1-2 ➢ Levels 3-4	31 60

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2.1.2   Broker

Seventy-two percent of people claimed to understand the term "broker" "very well" or "fairly well".

Non-workers, those in semi-skilled occupations and those with a low level of education were among the groups less likely to understand the term.

Table 115. <u>Demographic Profile for "Broker" Knowledge</u>

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L14. Broker.* *Response – Very Well or Fairly Well: 72%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Age	➢ 60–69	80	➢ 18–24	62
			➢ 70 and over	62
Employment Status	➢ Employed – full-time	77	➢ Casual	63
			➢ Student	58
			➢ Non-worker	57
Occupation	➢ Professional	92	➢ Sales	62
	➢ Other white collar*	78	➢ Semi-skilled	53
			➢ Unskilled/farm worker	60
			➢ No occupation	55
Education	➢ Tertiary diploma/Some university	78	➢ Passed Year 10	64
			➢ Less than Year 10	55
	➢ Tertiary degree	83		
Gross Personal Income	➢ $35,000 – $49,999	77	➢ Under $20,000	62
	➢ $100,000 and over	87		
Gross Household Income	➢ $35,000 – $59,999	79	➢ Under $20,000	58
	➢ $100,000 or more	86	➢ $20,000 – $34,999	66
Savings Excl. Home	➢ $50,000 – $249,999	81	➢ Under $5,000	58
	➢ $250,000 or more	89		
Non-mortgage Debt	➢ $100,000 or more	92	–	
Home Ownership	–		➢ Renting residence	62

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.

L14. Broker.

Response – Very Well or Fairly Well: 72%

Demographic	Above Average Understanding	%	Below Average Understanding	%
Home Value	➢ $300,000 – $499,999 ➢ $500,000 or more	87 87	➢ Under $175,000	67
Mortgage Debt	➢ $250,000 or more	90	–	
Financial Literacy Quintiles	➢ Levels 5-6 ➢ Levels 7-8 ➢ Levels 9-10	80 78 88	➢ Levels 1-2	42

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2.1.3   Capital Guaranteed

When asked how well they understood the term "capital guaranteed", 41% of people believed they understood the term "very well" or "fairly well".

Amongst the groups less likely to understand the term were those in lower age groups, students, unskilled or farm workers, those with low household income and low savings.

Table 116 Demographic Profile for "Capital Guaranteed" Knowledge

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L16. Capital Guaranteed.* *Response – Very Well or Fairly Well: 41%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Sex	➢ Male	47	➢ Female	36
Age	➢ 45–59	47	➢ 18–24	25
	➢ 60–69	55	➢ 25–34	32
	➢ 70 and over	48		
Household Structure	➢ Single – live alone	47	➢ Single – live in shared household	33
	➢ Couple – no children at home	47		
Employment Status	➢ Employed – full-time	46	➢ Employed – casual	30
	➢ Retired	49	➢ Student	22
			➢ Home duties	28
Occupation	➢ Professional	65	➢ Semi-skilled	30
	➢ Other white collar*	46	➢ Unskilled/farm worker	26
	➢ Self-employed	49		
Education	➢ Tertiary degree	51	➢ Less than Year 10	34
			➢ Passed Year 10	36
Gross Personal Income	➢ $70,000 or more	64	➢ Under $20,000	29
Gross Household Income	➢ $100,000 or more	56	➢ Under $20,000	28
Savings Excl. Home	➢ $5,000 – $49,999	36	➢ Under $5,000	22
	➢ $50,000 – $249,999	58		
	➢ $250,000 or more	70		
Non-mortgage Debt	➢ $100,000 or more	54	–	

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.

L16. Capital Guaranteed.

Response – Very Well or Fairly Well: 41%

Demographic	Above Average Understanding	%	Below Average Understanding	%
Home Ownership	➢ Own residency outright	52	➢ Renting residence ➢ No mortgage but considering	29 35
Home Value	➢ $175,000 – $299,999 ➢ $300,000 – $499,999 ➢ $500,000 or more	48 54 54	➢ Under $175,000	36
Mortgage Debt	➢ $250,000 or more	57	–	
Financial Literacy Quintiles	➢ Levels 7-8 ➢ Levels 9-10	50 73	➢ Levels 1-2 ➢ Levels 3-4	12 29

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2.1.4   Master Trust

Only 15% of people said they understood the term "master trust" "very well" or "fairly well". This was the lowest scoring response of all terms in this section, with the highest being "guarantor" and "bank cheque" with 94% people understanding these terms.

Single parents, non-workers, unskilled or farm workers, those with no occupation, or those with low levels of income were among the groups less likely to understand the term, although the level of understanding was low for all groups.

Table 117. Demographic Profile for "Master Trust" Knowledge

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.				
L18. Master Trust.				
Response – Very Well or Fairly Well: 15%				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Sex	➢ Male	19	–	
Household Structure	–		➢ Single parent	6
Language Spoken at Home	➢ Non-English	20	–	
Employment Status	➢ Employed – full-time	19	➢ Employed – part-time	9
			➢ Non-worker	6
Occupation	➢ Professional	25	➢ Unskilled/farm worker	6
			➢ No occupation	6
Education	➢ Tertiary degree	23	➢ Less than Year 10	7
			➢ Passed Year 10	8
Gross Personal Income	➢ $70,000 or more	29	➢ Under $20,000	8
Gross Household Income	➢ $100,000 or more	27	➢ Under $20,000	7
Savings Excl. Home	➢ $50,000 – $249,999	21	➢ Under $5,000	8
	➢ $250,000 or more	35		
Non-mortgage Debt	➢ $100,000 or more	24	–	
Home Value	➢ $300,000 – $499,999	20	–	
	➢ $500,000 or more	25		

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.

L18. Master Trust.

Response – Very Well or Fairly Well: 15%

Demographic	Above Average Understanding	%	Below Average Understanding	%
Mortgage Debt	➢ $250,000 or more	31	–	
Financial Literacy Quintiles	➢ Levels 9-10	39	➢ Levels 1-2	4
			➢ Levels 3-4	5
			➢ Levels 5-6	9

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2.1.5   Charge-Back on Credit Card

When asked how well they understood the term "charge-back on a credit card", 37% of people considered they understood the term "very well" or "fairly well".

Among the groups less likely to understand the term were older people, retirees, those in skilled occupations, those with a low level of education, or those with low personal or household income.

Table 118. <u>Demographic Profile for "Charge-Back on Credit Card" Knowledge</u>

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L1. Charge-Back on a credit card.* *Response – Very Well or Fairly Well: 37%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Age	➢ 18–24	49	➢ 70 and over	27
Language Spoken at Home	➢ Non-English	45	–	
Employment Status	–		➢ Retired	29
Occupation	➢ Executive/Owner (including small business & farm) ➢ Other white collar*	47 42	➢ Skilled ➢ Semi-skilled	30 31
Education	➢ Tertiary diploma/Some university	45	➢ Less than Year 10 ➢ Some or finished technical/commercial	27 31
Gross Personal Income	–		➢ Under $20,000	30
Gross Household Income	➢ $100,000 or more	45	➢ Under $20,000	27
Non-mortgage Debt	➢ $100,000 or more	52	–	
Home Value	➢ $500,000 or more	44	–	
Financial Literacy Quintiles	➢ Levels 7-8 ➢ Levels 9-10	42 61	➢ Levels 1-2 ➢ Levels 3-4	21 31

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)   Sample Size: 1788

7.1.2.1.6   Guarantor

Ninety-four percent of people said they understood the term "guarantor" either "very well" or "fairly well". This level was the equal highest along with understanding of the term "bank cheque".

Younger people, those who spoke a language other than English at home, students, those with no occupation, or executives or owners of small businesses or farms were among the groups less likely to understand the term.

Table 119. Demographic Profile for "Guarantor" Knowledge

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L2. Guarantor.* *Response – Very Well or Fairly Well: 94%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Age	–		➢ 18-24	78
Household Structure	➢ Single – live at home	99	➢ Single – live in shared household	87
Language Spoken at Home	–		➢ Non-English	82
Employment Status	–		➢ Student	60
Occupation	–		➢ Executive/Owner (including small business & farm) ➢ No occupation	82 77
Education	➢ Some or finished technical/commercial	99	➢ Tertiary diploma/Some university	88
Gross Personal Income	➢ $20,000 – $34,999 ➢ $35,000 – $49,999	99 100	–	
Gross Household Income	➢ $20,000 – $34,999	99	➢ Under $20,000	89
Savings Excl. Home	➢ $50,000 – $249,999	99	➢ Under $5,000	88
Home Ownership	–		➢ No mortgage but considering	88

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.

L2. Guarantor.

Response – Very Well or Fairly Well: 94%

Demographic	Above Average Understanding	%	Below Average Understanding	%
Home Value	➤ Under $175,000 ➤ $500,000 or more	99 99	–	
Financial Literacy Quintiles	➤ Levels 3-4	99	➤ Levels 7-8	86

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2.1.7   Co-Borrower

When asked how well they understood the term "co-borrower", 65% of adults claimed they understood the term "very well" or "fairly well".

Among the groups less likely to understand the term were students, those with no occupation, those with low household income, or those over 70 years.

Table 120. <u>Demographic Profile for "Co-Borrower" Knowledge</u>

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L3. Co-Borrower.* *Response – Very Well or Fairly Well: 65%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Age	➢ 25–34	70	➢ 18–24	52
	➢ 45–59	72	➢ 70 and over	44
Employment Status	➢ Employed – full-time	74	➢ Student	44
			➢ Retired	56
Occupation	➢ Other white collar*	71	➢ Skilled	59
	➢ Professional	81	➢ No occupation	51
Education	➢ Tertiary degree	76	➢ Less than Year 10	42
Gross Personal Income	➢ $30,000 – $49,999	75	➢ Under $20,000	55
	➢ $50,000 – $69,999	74		
	➢ $70,000 and over	80		
Gross Household Income	➢ $35,000 – $59.999	72	➢ Under $20,000	52
	➢ $60,000 – $99,999	70		
	➢ $100,000 and over	81		
Savings Excl. Home	➢ $50,000 – $249,999	72	➢ Under $5,000	55
	➢ $250,000 and over	79		
Non-mortgage Debt	➢ $500 – $9,999	71	➢ Under $500	59
	➢ $10,000 – $99,999	72		
	➢ $100,000 and over	91		
Home Ownership	➢ Paying off residence	70	➢ Renting residence	60
Home Value	➢ $300,000 – $499,999	75	–	
	➢ $500,000 and over	76		
Mortgage Debt	➢ $50,000 – $249,999	73	–	
	➢ $250,000 and over	87		

> *I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.*
>
> *L3. Co-Borrower.*
>
> *Response – Very Well or Fairly Well: 65%*

Demographic	Above Average Understanding	%	Below Average Understanding	%
Financial Literacy Quintiles	➢ Levels 5-6	70	➢ Levels 1-2	41
	➢ Levels 7-8	70	➢ Levels 3-4	60
	➢ Levels 9-10	84		

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2.1.8   Indicative Rate

When asked how well they understood the term "indicative rate", 25% of people considered they understood the term "very well" or "fairly well". This was one of the least understood terms asked about.

Non-workers, students, those with no occupation, unskilled or farm workers, those with low household income or those with a low education level were among the adults less likely to understand the term.

Table 121. <u>Demographic Profile for "Indicative Rate" Knowledge</u>

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L5. Indicative Rate.* *Response – Very Well or Fairly Well: 25%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Sex	➤ Male	32	➤ Female	18
Age	➤ 35–44	30	➤ 70 and over	19
Household Structure	➤ Couple – no children at home	30	➤ Single – live alone ➤ Single – live in shared household ➤ Single parent	20 19 16
Employment Status	➤ Employed – full-time	32	➤ Student ➤ Home Duties ➤ Non-worker	8 16 7
Occupation	➤ Professional ➤ Other white collar* ➤ Self-employed	44 32 33	➤ Skilled ➤ Semi-skilled ➤ Unskilled/farm worker ➤ No occupation	19 14 10 10
Education	➤ Tertiary degree	39	➤ Less than Year 10 ➤ Passed Year 10 ➤ Tertiary diploma/Some university	8 18 19
Gross Personal Income	➤ $50,000 – $69,999 ➤ $70,000 and over	34 54	➤ Under $20,000	12
Gross Household Income	➤ $60,000 – $99,999 ➤ $100,000 and over	31 47	➤ Under $20,000 ➤ $20,000 – $34,999	9 15

> *I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.*
>
> **L5. Indicative Rate.**
>
> *Response – Very Well or Fairly Well: 25%*

Demographic	Above Average Understanding	%	Below Average Understanding	%
Savings Excl. Home	➢ $50,000 – $249,999 ➢ $250,000 and over	37 50	➢ Under $5,000 ➢ $5,000 – $49,999	12 19
Non-mortgage Debt	➢ $100,000 and over	49	–	
Home Ownership	–		➢ Renting residence	15
Home Value	➢ $300,000 – $499,999 ➢ $500,000 and over	35 48	➢ Under $175,000	19
Mortgage Debt	 ➢ $250,000 and over	 54	–	
Financial Literacy Quintiles	➢ Levels 9-10	57	➢ Levels 1-2 ➢ Levels 3-4	7 13

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

7.1.2.1.9   Mortgage Insurance

Seventy-six percent of people understood the term "mortgage insurance" "very well" or "fairly well".

Among the groups less likely to understand the term were older people, students, non-workers, those with low household income or those with a low level of education.

Table 122. Demographic Profile for "Mortgage Insurance" Knowledge

I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all. *L11. Mortgage Insurance.* *Response – Very Well or Fairly Well: 76%*				
Demographic	**Above Average Understanding**	**%**	**Below Average Understanding**	**%**
Age	➢ 25–34 ➢ 35–44 ➢ 45–59	82 87 82	➢ 18–24 ➢ 70 and over	62 50
Household Structure	➢ Couple – children at home ➢ Children in household	85 87	➢ Single – live in shared household ➢ No children in household	63 71
Where Born	➢ Born outside Australia	83	–	
Employment Status	➢ Employed – full-time ➢ Employed – part-time	86 83	➢ Student ➢ Retired ➢ Non-worker	49 62 59
Occupation	➢ Professional ➢ Other white collar*	89 84	➢ Executive/Owner (including small business & farm) ➢ Unskilled/farm worker	67 64
Education	➢ Some or finished technical/commercial ➢ Tertiary degree	86 84	➢ Less than Year 10	59
Gross Personal Income	➢ $20,000 – $34,999 ➢ $35,000 – $49,999 ➢ $50,000 – $69,999 ➢ $70,000 or more	81 86 84 90	➢ Under $20,000	66
Gross Household Income	➢ $35,000 – $59,999 ➢ $60,000 – $99,999 ➢ $100,000 or more	87 87 89	➢ Under $20,000	59

> *I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term very well, fairly well, not very well or not at all.*
>
> *L11. Mortgage Insurance.*
>
> *Response – Very Well or Fairly Well: 76%*

Demographic	Above Average Understanding	%	Below Average Understanding	%
Savings Excl. Home	➢ $50,000 – $249,999 ➢ $250,000 or more	88 91	➢ Under $5,000	63
Non-mortgage Debt	➢ $10,000 – $99,999	84	➢ Under $500	70
Home Ownership	➢ Paying off residence ➢ Own or paying off residence	90 81	➢ Renting residence	63
Home Value	➢ Under $175,000 ➢ $300,000 – $499,999 ➢ $500,000 or more	80 90 83	–	
Mortgage Debt	➢ Under $50,000 ➢ $50,000 – $249,999 ➢ $250,000 or more	92 92 99	–	
Financial Literacy Quintiles	➢ Levels 5-6 ➢ Levels 7-8 ➢ Levels 9-10	82 81 88	➢ Levels 1-2	53

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

8.   FINANCIAL RESPONSIBILITY

8.1   Ability to Make Appropriate Personal Life Choices About Financial Issues

This section examines two basic areas reflecting personal life choices in the form of peoples' understanding of the differences between long-term and short-term needs, and the ability to make informed choices when experiencing a drop in income. Other issues described in the framework will be covered in Stage 3: this includes issues such as understanding the difference between good (manageable and planned) debt and bad (unmanageable and unplanned) debt; and prioritising needs within financial capacity.

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Understand the differences between long-term and short-term needs
	
	• Ability to make informed choices when experiencing a drop in income
		Long and short-term financial plans:
		• Overall, 80% of people agreed that both short and long-term financial plans were important. Another 13% disagreed that short-term financial plans were important, and 7% disagreed that long-term financial plans were important
		• The groups most likely to disagree that long term plans were important were:
		  – Singles living alone
		  – Those with household incomes under $20,000
		• The groups disagreeing with the importance of long-term plans were those with:
		  – Savings of $250,000 or more
		  – Non-mortgage debt of $100,000 or more
		• Those most likely to disagree that short-term financial plans were important were those aged 70 and over
		• The groups most likely to agree regarding the importance of short-term financial plans were those with:
		  – No mortgage but considering
		  – Mortgage debt of $250,000 or more
		  – Household income of $60,000 to $99,999
		Managing if there was a major loss of income:
		• 76% agreed or strongly agreed that they could manage for a period of time, in the event of a major loss of income

	Objectives	*Key Findings*
		• The groups most likely to feel that they could not manage in such an event were:
		– Single parents
		– Renters
		– Those with savings of $5,000 to $49,999
		– Those with non-mortgage debt of $10,000 to $99,999
		• The groups most likely to feel they could manage in such an event were those with:
		– Their residence owned outright
		– Home value $500,000 or more
		– Household income of $100,000 or more
		– Savings of $250,000 or more
		– Non-mortgage debt of $100,000 or more
		Who people would turn to if sudden loss of income caused difficulty:
		• If a sudden loss of income caused difficulty in meeting financial commitments, 43% of people would go to a bank/financial institution, while another 39% would approach their family. A small proportion would go to a financial planner/adviser (6%) or financial counsellor (1%)
		• The groups most likely to turn to a bank/financial institution in the event of difficulty in meeting financial commitments were those:
		– Aged 45-69
		– With home value of $500,000 or more
		– With mortgage debt up to $250,000
		– With household income of $100,000 or more
		– With non-mortgage debt of $100,000 or more
		• The groups least likely to turn to a bank/financial institution in the event of such difficulties, were:
		– Those aged 18 to 24
		– Those aged 70 or over
		– Singles – living in shared household
		– Students
		– Renters
		– Those with household income under $20,000
		– Those with savings under $5,000

8.1.1   Basic Requirements

8.1.1.1 Short and Long-Term Planning

Overall, 80% of people agreed that both short and long-term plans are important. In contrast, 13% disagreed on the importance of short-term plans.

The inter-relationships between the two attitudes are summarised in Table 123.

Table 123. <u>Perceived Importance of Short-Term and Long-Term Financial Plans</u>

I would now like to read out a number of statements regarding financial issues. Please tell me whether you strongly agree, agree, disagree or strongly disagree. *I1. It is important to have a long-term financial plan.* *I2. It is important to have a short-term financial plan.*	
Perceived importance of a financial plan	**(%)**
Agree that both short and long-term plans are important	80
Agree that short-term plans are important but disagree that long-term plans are important	4
Agree that long-term plans are important but disagree that short-term plans are important	10
Disagree to both – neither type of plan is considered important	3
Can't say with regard to the importance of either	2
Total	100

Base: Total Respondents (50% of eligible sample used)
Sample Size: 1767

The demographic groups most likely to have disagreed with the importance of long-term financial planning were singles living alone and those with low household income.

Compared with the 7% of all respondents who disagreed "it was important to have a long-term financial plan", the groups in the following table were above or below average.

Table 124. **Demographic Profile of Those Who Do Not Believe "It is Important to Have a Long-Term Financial Plan"**

I would now like to read out a number of statements regarding financial issues. Please tell me whether you strongly agree, agree, disagree or strongly disagree.				
I1. It is important to have a long-term financial plan.				
Response – Disagree or Strongly Disagree: 7%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Household Structure	➢ Single – living alone	12	–	
Gross Household Income	➢ Under $20,000	13	–	
Savings (Excl. Home)	–		➢ $250,000 or more	2
Non-mortgage Debt	–		➢ $100,000 or more	2
Financial Literacy Quintiles	➢ Levels 1–2	13	–	

Groups which differ most from the total population are shaded.

Base: Total respondents (50% of eligible sample used)

Sample Size: 1767

People aged 70 and over were more likely than average to disagree that it is important to have short-term financial plans.

Compared with the 13% of all respondents who disagreed with the statement "it is important to have a short-term financial plan", the groups in the following table were above or below average.

Table 125. <u>Demographic Profile of Those Who Do Not Believe "it is Important to Have a Short-Term Financial Plan"</u>

I would now like to read out a number of statements regarding financial issues. Please tell me whether you strongly agree, agree, disagree or strongly disagree.				
I2. It is important to have a short-term financial plan.				
Response – Disagree or Strongly Disagree: 13%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 70 and over	18	–	
Home Ownership	–		➢ No mortgage but considering	8
Mortgage Debt	–		➢ $250,000 or more	6
Gross Household Income	–		➢ $60,000–$99,999	8
Financial Literacy Quintiles	➢ Levels 1–2	18	–	

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

8.1.1.2 Ability to Cope with Major Loss of Income

When asked their level of agreement with the statement "if I had a major loss of income, I could manage for a period of time", 76% of people either "agreed" or "strongly agreed". In contrast 22% disagreed with this statement.

Figure 43　Ability to Cope with Major Loss of Income

I5.　If I had a major loss of income, I could manage for a period of time – would you strongly agree, agree, disagree or strongly disagree with this statement?

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Those most likely to feel that they would not manage if there was a major loss of income included single parents, those who rent their residence, those with less than $5,000 in savings (excluding their own home) and those with non-mortgage debts of $10,000 to $99,999.

Compared with the 22% of all respondents who disagreed that they could manage for a period of time if they had a major loss of income, the groups listed in the following table were above or below average.

Table 126. <u>Demographic Profile of Those Who Do Not Believe They Could Manage If They Had a Major Loss of Income</u>

I5. If I had a major loss of income, I could manage for a period of time – would you strongly agree, agree, disagree or strongly disagree with this statement? *Response – Disagree or Strongly Disagree: 22%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 60–69	16
Household Structure	➢ Single parent	37	➢ Couple – no children at home	16
Occupation	➢ Semi-skilled ➢ Unskilled/farm worker	29 29	–	
Education	➢ Less than Year 10	29	–	
Home Ownership	➢ Renting residence	32	➢ Own residence outright	14
Home Value	–		➢ $300,000 – $499,999 ➢ $500,000 or more	17 11
Mortgage Debt	–		➢ $250,000 or more	14
Gross Personal Income	–		➢ $50,000 – $69,999 ➢ $70,000 or more	15 16
Gross Household Income	➢ Under $20,000	27	➢ $100,000 or more	11
Savings (Excl. Home)	➢ $5,000 – $49,999	36	➢ $250,000 or more	8
Non-mortgage Debt	➢ $10,000 – $99,999	31	➢ $100,000 or more	12
Financial Literacy Quintiles	➢ Levels 1–2	30	➢ Levels 9–10	14

Groups which differ most from the total population are shaded.

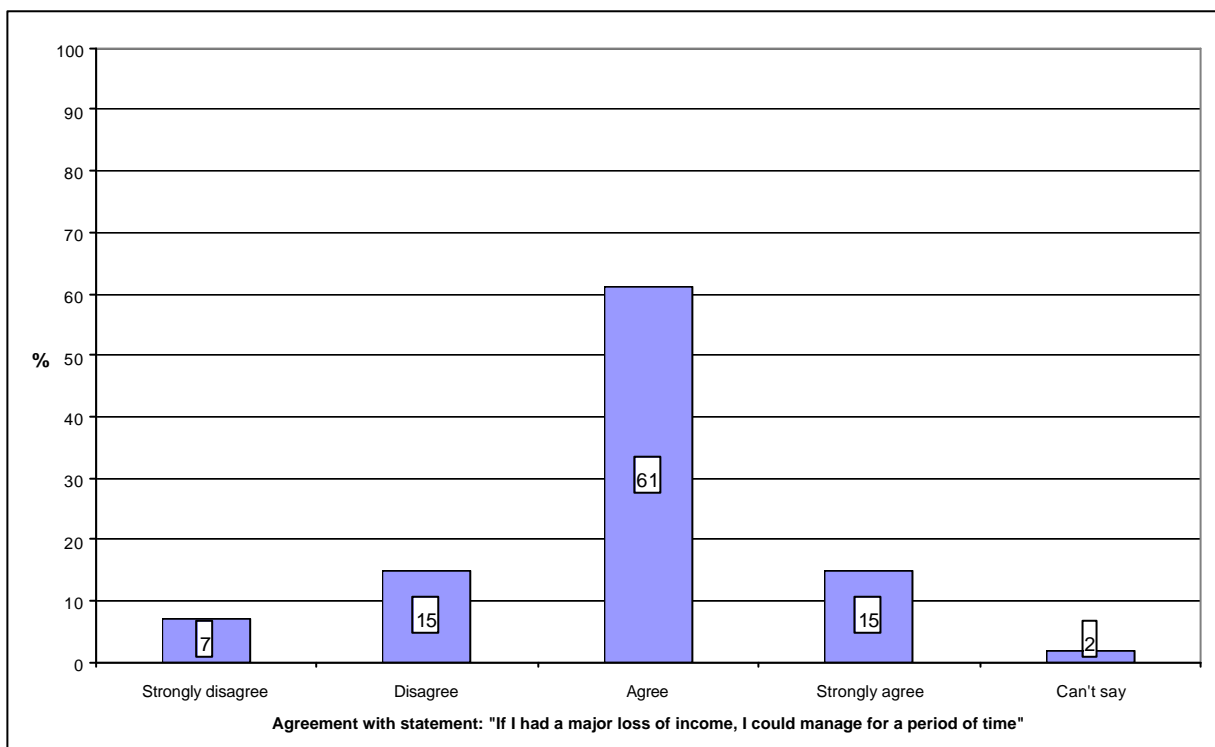Base: Total Respondents (50% of eligible sample used)   Sample Size: 1767

8.1.1.2.1   Who Would Turn to if Sudden Loss of Income

When asked who they would turn to if they experienced a sudden loss of income, the most common response was "bank/financial institution" (43%), closely followed by "family" (39%), as shown below in Table 127.

Table 127. <u>Who Would Turn To if Sudden Loss of Income</u>

I11. If a sudden loss of income caused difficulty in meeting your financial commitments, who would you go to? Who else? Anyone else?	
Who would turn to	**% of all adults**
Bank/financial institution	43
Family	39
Financial planner/adviser	6
Centrelink/Government welfare department	4
Accountant	3
Friend	3
Whoever I owed money to	2
Nobody/Work it out myself/Use my savings/Sell my assets/Sell my investments	2
Insurance company/I have (income protection) insurance	1
Financial counsellor	1
Other	3
Can't Say	11

Base: Total Respondents (50% of eligible sample used)
Sample Size: 1767

There were relatively few mentions of financial specialists (6% for "financial planner/adviser"; 3% for "accountant"; 1% for "financial counsellor").

Only 3% of respondents would turn to friends, 2% claimed they would sort things out themselves, and 1% indicated that they were covered by insurance for such an event.

Amongst the demographic groups least likely to turn to a bank or a financial institution for assistance were people aged 18 to 24, and 70 and over, single people living in shared households, students, those renting their residence, those with low household income or low savings.

While 43% of all people said they would go to a bank or financial institution, the groups in the following table were above or below average.

Table 128. Demographic Profile of Those Who Would Go to a Bank or Financial Institution If a Sudden Loss of Income Caused Difficulty

I11. If a sudden loss of income caused difficulty in meeting your financial commitments, who would you go to? Who else? Anyone else? *Response – Bank/Financial Institution: 43%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 45-59	54	➢ 18–24	25
	➢ 60–69	53	➢ 25–34	35
			➢ 70 and over	31
Household Structure	➢ Couple – no children at home	50	➢ Single – living in shared household	25
	➢ Couple – children at home	48		
Employment Status	–		➢ Student	31
			➢ Employed – casual	32
Occupation	➢ Professional	50	➢ Semi-skilled	35
Education	➢ Passed Year 10	48	–	
Home Ownership	➢ Paying off residence	51	➢ Renting residence	27
Home Value	➢ Under $175,000	48	–	
	➢ $175,000 – $299,999	52		
	➢ $500,000 or more	54		
Mortgage Debt	➢ Under $50,000	54	–	
	➢ $50,000 – $249,000	54		
Gross Personal Income	➢ $70,000 or more	52	–	
Gross Household Income	➢ $60,000 – $99,999	50	➢ Under $20,000	31
	➢ $100,000 or more	55		
Savings (Excl. Home)	➢ $50,000 – $249,999	49	➢ Under $5,000	30
	➢ $250,000 or more	52		

I11. If a sudden loss of income caused difficulty in meeting your financial commitments, who would you go to? Who else? Anyone else?				
Response – Bank/Financial Institution: 43%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Non-mortgage Debt	➢ $500 – $9,999	50	➢ Under $500	37
	➢ $100,000 or more	58		
Financial Literacy Quintiles	➢ Levels 9–10	52	➢ Levels 1–2	31
			➢ Levels 3–4	36

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

8.2   Understanding of Consumer Rights and Responsibilities

This section examines the understanding of consumers regarding their rights generally and specifically those relating to the provision of clear information about products, access to independent dispute resolution schemes, knowledge that there are controls over advisers, prospectuses, disclosure of commissions etc.

Also covered are consumer responsibilities regarding adequate disclosure for insurance and the need to safeguard PINs for transaction products.

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Understanding that consumers do have rights
	
	• Understanding that consumers have a right to clear information about products both pre-purchase and ongoing post-purchase
	
	• Awareness of, and ability to, access independent dispute resolution schemes for financial products
	
	• Understanding of consumer responsibilities and the implications of not meeting them, including:
	
	  – Duty of disclosure for risk insurance
	
	  – Safeguarding of PINs for transaction banking
		Consumer Rights
		
		• Many consumers were not clear about their rights if they have a problem with a financial institution, with only 60% indicating that they were clear about their rights in this situation. This appears to apply across all socio-economic groups
		
		• Only 59% of consumers understood that nearly all aspects of the financial services industry are covered by legislation to protect them
		
		• 80% of consumers generally felt well informed when making financial decisions
		
		• Unprompted awareness of industry specific independent dispute resolution schemes was low with the Banking Ombudsman the highest at 21%, Insurance 12%, Managed Funds/Superannuation 7% and Financial Planning 3% (although the FPA was mentioned by 11%) Dealt with in more detail in Section 8.3.1.1.4) However care should be taken in interpreting this finding as when a customer of a financial institution experiences a problem and makes a complaint, the institution is required to provide information about independent dispute resolution schemes
		
		• There were also higher levels of mentions when combined with non-specific Ombudsman responses
		
		Consumer Responsibilities
		
		• Consumers understood well that they have a duty of honest disclosure when taking out a financial product or service and may face penalties for not doing so, with 91% agreeing with this

	Objectives	*Key Findings*
		• 89% of card holders understood that they would be responsible for any unauthorised withdrawals from their account if the PIN number was on a piece of paper in their wallet when stolen

	Objectives	*Key Findings*

ADVANCED COMPETENCE	• Understanding and ability to check, before handing over money for an investment, that:
	  – Financial products should only be purchased from licensed financial businesses
	  – Advice should only be sought from persons employed by licensed advisory businesses
	  – Prospectuses must be lodged with ASIC
	  – Persons providing advice about financial products must disclose any commissions, important side-benefits and potential conflicts of interest
	• Aware of 14-day cooling-off period for insurance
		• It was "very well" understood (by 93% of people) that providers of financial products and services have a legal duty to provide clear information about their products
		
		• 59% of people understood that only licensed financial businesses are allowed to sell financial products. This represents a potential problem as it potentially exposes people to unlicensed operators
		
		• There was an incorrect understanding that the Australian Securities and Investments Commission checks the accuracy of all prospectuses with 66% of people considering this to be true. There may have been some confusion here between necessity to lodge prospectuses with ASIC as distinct from having them checked for accuracy
		
		• 72% understood that providers of professional advice about financial products must disclose if they are receiving commission as a result of their advice
		
		• Only 13% of people understood that there is a 14 day cooling-off period for insurance
		
		• Overall, the above differences were not as pronounced as for most other sections of this survey and appear to mainly be related to level of income and wealth, or a person's actual engagement and associated experience with the industry

8.2.1   Basic Requirements

8.2.1.1 Consumer Rights

A majority of consumers felt they were very clear about their rights if they had a problem with a financial institution. Those least likely to be confident about their rights included those in casual employment, those in sales, or those without a mortgage but considering taking one out.

Compared with the 60% of all consumers who were clear about their rights, the groups in the following table were above or below average.

Table 129. <u>Demographic Profile of Those Are Clear About Their Rights is They Have a Problem with a Financial Institution</u>

J6. I am clear about my rights if I have a problem with a financial institution. Would you strongly agree, agree, disagree or strongly disagree with this statement? *Response – Strongly Agree or Agree: 60%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 60-69	68	➢ 25-34	55
	➢ 70 and over	69		
Household Structure	➢ Couple – no children at home	67	–	
Language Spoken at Home	➢ Non-English	67	–	
Employment Status	➢ Retired	69	➢ Employed – casual	48
Occupation	–		➢ Sales	50
Gross Household Income	➢ $100,000 or more	65	–	
Savings Excl. Home	➢ $250,000 or more	68	–	
Non-Mortgage Debt	–		➢ $10,000 – $99,999	54
Home Ownership	–		➢ Renting residence	55
			➢ No mortgage but considering	53
Financial Literacy Quintiles	➢ Levels 7-8	69	➢ Levels 1-2	47
	➢ Levels 9-10	81	➢ Levels 3-4	47
			➢ Levels 5-6	50

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)   Sample Size: 1767

8.2.1.2 Consumer Information

Clearly, most consumers felt well informed when they make financial decisions. Among those least likely to feel well informed were those who do not work, those working in semi-skilled occupations and those renting their current residence.

In comparison with the 80% of all consumers who felt well informed, the groups in the table below were above or below average.

Table 130. <u>Demographic Profile of Those Who Generally Feel Well Informed When Making Financial Decisions</u>

J2. I generally feel well informed when making financial decisions. Would you strongly agree, agree, disagree or strongly disagree with this statement? *Response – Strongly Agree or Agree: 80%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 60-69	88	➢ 18-24	74
	➢ 70 and over	86		
Household Structure	➢ Couple – no children at home	86	➢ Single – live in shared household one	74
			➢ Single parent	74
Language Spoken at Home	–		➢ Non-English	75
Employment Status	➢ Retired	87	➢ Employed – casual	74
			➢ Non-worker	68
Occupation	➢ Professionals	87	➢ Semi-skilled	72
	➢ Executive/Owner (including small business & farm)	87	➢ No occupation	72
Gross Personal Income	➢ $70,000 or more	88	–	
Gross Household Income	➢ $100,000 or more	87	–	
Savings Excl. Home	➢ $50,000 – $249,999	85	➢ Under $5,000	73
	➢ $250,000 or more	89		
Home Ownership	–		➢ Renting residence	71
			➢ No mortgage but considering	73
Mortgage Debt	➢ $250,000 or over	90	–	
Financial Literacy Quintiles	➢ Levels 7-8	89	➢ Levels 1-2	60
	➢ Levels 9-10	96	➢ Levels 3-4	73

Groups which differ most from the total population are shaded.

Base: Total Respondents   Sample Size: 3548

8.2.1.3 Government Protection

Fifty-nine percent of consumers were aware that nearly all aspects of the financial services industry are covered by consumer protection legislation. Those least likely to be aware of this included those aged 60 and over, retirees and those with household income under $20,000.

Table 131. <u>Demographic Profile of Those Who Believe Nearly All Aspects of the Financial Services Industry are Covered by Government Legislation</u>

J8. Nearly all aspects of the financial services industry are covered by government legislation that protects consumers Would you strongly agree, agree, disagree or strongly disagree with this statement? *Response – Strongly Agree or Agree: 59%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 18-24 ➢ 25-34	66 66	➢ 60-69 ➢ 70 and over	52 47
Household Structure	➢ Single – live in shared household ➢ Couple – children at home ➢ Children in household	66 65 65	➢ Single – live alone	50
Language Spoken at Home	–		➢ Non-English	83
Employment Status	➢ Employed – full-time	65	➢ Retired	47
Education	➢ Tertiary diploma/Some university	65	–	
Gross Personal Income	➢ $50,000 – $69,999 ➢ $70,000 or over	68 69	➢ Under $20,000	54
Gross Household Income	➢ $60,000 – $99,999 ➢ $100,000 or over	67 72	➢ Under $20,000 ➢ $20,000 – $34,999	50 53
Savings Excl. Home	➢ $50,000 – $249,999	96	–	
Non-Mortgage Debt	➢ $10,000 – $99,999 ➢ $100,000 or more	67 72	➢ Under $500	54
Home Ownership	➢ Paying off residence	64	–	
Mortgage Debt	➢ $50,000 – $249,999 ➢ $250,000 or more	66 73	–	

J8. Nearly all aspects of the financial services industry are covered by government legislation that protects consumers Would you strongly agree, agree, disagree or strongly disagree with this statement? Response – Strongly Agree or Agree: 59%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Financial Literacy Quintiles	➢ Levels 9-10	72	➢ Levels 1-2	41

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Those with superannuation or other investments of any sort were asked if they thought it was the case that only licensed financial businesses are permitted to sell financial products and services. With the exception of a few products regulated at State level, only licensed financial businesses are permitted to sell financial products and services. Fifty-nine percent felt this was the case. Amongst the demographic groups least likely to be aware of this were those with no occupation, those aged 70 and over and those who are retired.

Table 132. <u>Demographic Profile of Those Who Believe Only Licensed Financial Businesses Are Allowed to Sell Financial Products</u>

J15. Only licensed financial businesses are allowed to sell financial products. *Response - True: 59%*				
Demographic	**Above Average Responding True**	**%**	**Below Average Responding True**	**%**
Age	➢ 18-24	70	➢ 45-59	53
	➢ 25-34	68	➢ 70 and over	44
Employment Status	–		➢ Retired	47
Occupation	➢ Sales	76	➢ Semi-professional	50
			➢ No occupation	42
Gross Personal Income	➢ $35,000 – $49,999	67	–	
Gross Household Income	–		➢ Under $20,000	49
Savings Excl. Home	➢ Under $5,000	69	–	
Non-Mortgage Debt	➢ $10,000 to less than $100,000	66	–	
	➢ $100,000 or more	71		
Home Ownership	➢ Renting residence	64	➢ Own residence outright	54
Home Value	–		➢ $175,000 – 299,999	54
Mortgage Debt	➢ $250,000 or more	69	–	
Financial Literacy Quintiles	➢ Levels 9-10	74	➢ Levels 1-2	43
			➢ Levels 3-4	51

Groups which differ most from the total population are shaded.

*Other White Collar excl Professionals, Owners, Sales, Semi-Professional

Base: Respondents with Superannuation or Investments (50% of eligible sample used)

Sample Size: 1527

Only 14% of consumers with superannuation or investments were aware that the Australian Securities and Investments Commission does not check the accuracy of all prospectuses lodged with it. Those least likely to believe this included females and those involved in home duties.

Table 133. <u>Demographic Profile of Those Who Believe the Australian Securities and Investments Commission Checks the Accuracy of Prospectuses Lodged</u>

J16. The Australian Securities and Investments Commission checks the accuracy of all prospectuses lodged with it. *Response – False: 14%*				
Demographic	**Above Average Responding False**	**%**	**Below Average Responding False**	**%**
Sex	➢ Male	17	➢ Female	11
Employment Status	–		➢ Home duties	8
Occupation	➢ Professional	23	–	
Gross Personal Income	➢ $70,000 or more	20	➢ $35,000 - $49,999	9

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation or Investments (50% of eligible sample uses)

Sample Size: 1527

As the Australian Securities and Investments Commission neither checks not is required to check the accuracy of all prospectuses lodged with it, it would appear that this issue is very widely misunderstood.

8.2.1.4 Legal Duties of Financial Institutions

Nearly all consumers were aware that financial institutions have a responsibility to provide consumers with clear information. No demographic group was noticeably less likely to be aware of this fact, however those in the lowest Financial Literacy quintile, as a group, were less likely to be aware of this.

Table 134. <u>Demographic Profile of Those Who Believe Providers of Financial Products and Services Legally Must Provide Clear Information</u>

J3. Providers of financial products and services have a legal duty to provide clear information to consumers. Would you strongly agree, agree, disagree or strongly disagree with this statement?				
Response – Strongly Agree or Agree: 93%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Financial Literacy Quintiles	–		➢ Levels 1-2	83

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Seventy-two percent of consumers with superannuation or investments were aware that financial advisers are required by law to disclose to consumers when they will receive a commission for providing certain advice. Those least likely to be aware of this consumer protection included those employed in home duties or in casual employment, along with those who have personal income of less than $20,000.

Compared with the 72% of all respondents with superannuation or investments who were aware of this requirement of financial advisers, the groups in the following table were above or below average.

Table 135. <u>Demographic Profile of Those Who Believe Providers of Professional Financial Advice Who Receive a Commission are Required to Tell Clients</u>

J17. If providers of providers of professional advice about Financial Products may receive a commission as a result of their advice, they are required by law to tell this to their clients. *Response – True: 72%*				
Demographic	**Above Average Responding True**	**%**	**Below Average Responding True**	**%**
Gender	➢ Male	75	➢ Female	69
Household Structure	➢ Couple – no children at home	77	–	
Employment Status	–		➢ Employed – casual	64
			➢ Home duties	61
Occupation	➢ Professional	79	➢ Skilled	67
	➢ Executive/Owner (including small business & farm)	83		
	➢ Self-employed	78		
Gross Personal Income	–		➢ Under $20,000	64
Gross Household Income	➢ $35,000 – $59,999	77	➢ $20,000 – $34,999	66
	➢ $100,000 or more	81		
Savings Excl. Home	➢ $50,000 – $249,999	82	➢ $5,000 – $49,999	67
	➢ $250,000 or more	81		
Home Ownership	–		➢ Renting residence	82
Mortgage Debt	➢ $250,000 or more	82	–	
Financial Literacy Quintiles	➢ Levels 9-10	88	➢ Levels 1-2	54
	➢ Levels 7-8	79	➢ Levels 3-4	63

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation or Investments (50% of eligible sample used)   Sample Size: 1527

8.2.1.5 Consumers' Responsibilities

Fifty-nine percent of respondents understood that a cardholder who keeps their plastic card together with their PIN number is responsible for any losses incurred if both are stolen and used. The demographic groups least likely to be aware of this fact included those aged 70 and over, those who were retired, the self-employed and those with less than a Year 10 level of education.

Table 136. <u>Demographic Profile of Those Who Believe a Person who Keeps Their PIN with Their Credit Card is Liable for Lost Money if Their Wallet is Stolen</u>

J1. A person keeps their PIN number on a piece of paper in their wallet, along with their ATM or bankcard. If the wallet is stolen and the card and PIN number are used to take money from an account, who is liable for the lost money?				
Response – Card Holder Only: 89%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 70 and over	84
Household Structure	➢ Single – live in shared household	94	–	
Employment Status	➢ Student ➢ Employed – casual	96 94	➢ Retired	84
Occupation	➢ Semi-skilled	94	➢ Self-employed	84
Education	–		➢ Less than Year 10	84
Financial Literacy Quintiles	➢ Levels 9-10	94	➢ Levels 1-2	80

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

A large proportion of consumers (91%) were also aware that they have a duty to disclose information when they take out a financial product or service. Those least likely to be aware of this responsibility included those who spoke a language other than English at home, and those with less than a Year 10 level of education.

In comparison with the 91% of all respondents who agreed that consumers have a duty of disclosure, the groups in the following table were above or below average.

Table 137. Demographic Profile of Those Who Believe Consumers Have a Duty of Honest Disclosure When Taking Out a Financial Service or Product

J7. Consumers have duty of honest disclosure when taking out a financial service or product and may face penalties for not doing so. Would you strongly agree, agree, disagree or strongly disagree with this statement?				
Response – Strongly Agree or Agree: 91%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Language Spoken at Home	–		➤ Non-English	83
Employment Status	–		➤ Looking for work	80
Education	–		➤ Less than Year 10	86
Gross Personal Income	➤ $50,000 – $69,999	96	–	
Savings Excl. Home	➤ $50,000 – $249,999	96	–	
Non-Mortgage Debt	➤ $10,000 – $99,999	96	–	
Financial Literacy Quintiles	➤ Levels 7-8 ➤ Levels 9-10	96 96	➤ Levels 1-2	76

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Respondents may have perceived the proposition that insurance customers need only provide information requested by insurance companies as somewhat ambiguous. Therefore, the correct answer will be taken to be those who answered "false" or could not answer the question. Those demographic groups least likely to give one of these "correct" answers included small business owners, farmers or executives and those with Year 10 as their highest level of education.

Compared with the 41% of all respondents with insurance or investments who gave one of these "correct" answers, the groups in the table below were above or below average.

Table 138. <u>Demographic Profile of Those Who Do Not Believe a Customer Renewing an Insurance Policy Only Needs to Answer Any Questions Asked</u>

I am going to read you a couple of statements. For each one, please tell me whether you think the statement is true or false.
F2. When renewing an insurance policy, the customer must answer any specific questions that the insurance company asks, but does not need to provide any other information.
Response – False or Can't Say: 41%

Demographic	Above Average Giving Response	%	Below Average Giving Response	%
Occupation	➤ Professional	48	➤ Executive/Owner (including small business & farm)	35
Education	–		➤ Passed Year 10	36
Savings Excl. Home	➤ $250,000 or more	48	–	

Groups which differ most from the total population are shaded.

Base: Respondents with Insurance (including Life Insurance) or Investments

Sample Size: 3293

Thirteen percent of consumers with insurance were aware that a new insurance policy could be cancelled within two weeks, with the premium fully refunded. With the exception of cover notes, renewals of existing policies and some short-term policies, new insurance policies can be cancelled with full refund of premium within a 14-day "cooling off" period. Groups less likely to know this included those with no occupation, those with large mortgage debt and those with savings of less than $5,000.

In comparison with the 13% aware that the "cooling-off" period for new insurance policies is two weeks, the groups in the table below were above or below average.

Table 139: <u>Demographic Profile New Insurance Fully Refundable Premium Period</u>

J14. As far as you are aware, within what period after taking out a new insurance policy can you cancel the contract and have your premium fully refunded? *Response - 2 Weeks: 13%*				
Demographic	**Above Average Correct**	**%**	**Below Average Correct**	**%**
Age	-		➢ 70 and over	8
Occupation	-		➢ Semi-Professional	8
			➢ No Occupation	5
Mortgage Debt	-		➢ $250,000 or more	5
Savings Excl Home	-		➢ Under $5,000	6
Financial Literacy Quintiles	➢ Levels 9-10	20	➢ Levels 1-2	5
			➢ Levels 5-6	8

Groups which differ most from the total population are shaded.

Base: Respondents with Insurance (including life insurance)

Sample Size: 1607

8.3   Ability and Confidence to Access Assistance When Things Go Wrong

This section examines consumers' level of understanding of who to turn to in the event of encountering difficulties with financial services or providers. Specific topics covered include the knowledge of who can provide assistance with problems encountered for banking-type products, insurance products, managed funds/ superannuation and financial planners. In addition to the various complaint avenues, the vital issue of how confident consumers are in making complaints was measured. The overall understanding of the regulation of the Australian finance sector was also covered.

	Objectives	*Key Findings*

BASIC REQUIREMENTS	• Understanding that the finance sector is regulated
	
	• Understanding of who one can call on to help with more complex issues (e.g. advisers; accountants)
	
	• Awareness of where/whom to contact if things go wrong (e.g. consumer complaints department of financial institution; consumer association; financial counsellor; ombudsman)
	
	• Ability to make complaints effectively
		• The extent of knowledge of how the Australian finance sector is regulated was very low with only 23% of people knowing it is "regulated by independent bodies which monitor financial institutions". Another 30% of consumers gave "can't say" as their response from a list of options that were read out
		
		• Overall, a high proportion of consumers were unable to say who they would turn to for assistance with a problem:
		  – For banking type problems, 21% of people could not say who they would turn to for assistance with a problem. The Ombudsman (banking or unspecified) was mentioned by 34% of consumers
		  – For insurance problems, 26% indicated "can't say", while 23% mentioned an ombudsman (industry or unspecified)
		  – For managed funds/superannuation 36% of people responded "can't say", while 14% mentioned an industry or unspecified ombudsman
		
		• Whilst 59% of consumers indicated that they were either "very confident" or "fairly confident" about their ability to make a complaint against a bank or financial institution, 40% of consumers said that they were either "not very confident" or "not at all confident"

	Objectives	*Key Findings*
		• Groups below average in knowing about access to assistance included:
		− Those aged 18 to 24
		− Those with less than Year 10
		− Students
		− Those with savings or investments under $5,000
		• There was a very large gap between the level of knowledge shown by adults overall for access to assistance compared to those in the lowest quintile. The lowest quintile generally had double the level of "can't say" for most issues compared to the total population. In making a complaint against a bank or financial institution, only 11% of this group indicated they were confident on this issue compared to 40% of the overall population

8.3.1   Basic Requirements

8.3.1.1 Sources of Assistance

8.3.1.1.1   Dealing with Difficulty with a Banking Type Product

Table 140 below summarises the main sources of assistance that consumers would contact if they were experiencing difficulty with a banking type product. In practice, all dispute resolution schemes require that consumers take complaints up with the relevant financial institution first. Financial institutions are required to tell consumers how to contact the relevant dispute resolution scheme if responding to a complaint with less than the consumer is seeking.

Table 140. **Sources of Assistance in Dealing with a Difficulty with a Banking Type Product**

K1. If you experienced difficulty with a banking-type product, such as a credit card or loan, that you were unable to resolve with the provider of that service, who would you contact? Who else? Anyone else?	
Source of Assistance	**% Who Would Contact**
Bank/ Financial Institution	22
Ombudsman – Industry	21
Ombudsman (Unspecified)	13
Department of Fair Trading/Consumer Affairs	8
Family	5
Solicitor	5
Accountant	4
Financial Industry Complaints Service	3
Financial Planner/ Adviser	3
Ombudsman – State Government	3
ACCC	2
Friend	2
(Local) MP/ A Politician	1
A Government Body (Unspecified)	1
An Industry Body (Unspecified)	1
Financial Counsellor	1
Other	4
Can't Say	21

Base: Respondents with a bank account, or a loan, or a mortgage, or a credit card or banking service
Sample Size: 3544

The most commonly mentioned source of assistance when experiencing a problem with a banking type product was the bank or financial institution itself. Retirees, unskilled or farm workers, those with low levels of income and saving, and those with low levels of education were more likely to mention this source of assistance.

Compared with the 22% of all respondents who would contact the bank or financial institution, the groups in the following table were above or below average.

Table 141. <u>Demographic Profile for Those Who Would Seek Help From a Bank or Financial Institution If Experiencing Difficulty with a Banking Type Product</u>

K1.	*If you experienced difficulty with a banking-type product, such as a credit card or loan, that you were unable to resolve with the provider of that service, who would you contact? Who else? Anyone else?*			
Response – Bank/ Financial Institution: 22%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 60-69	28	–	
Employment Status	➢ Retired	28	–	
Occupation	➢ Unskilled/farm worker	34	➢ Professional	15
Education	➢ Passed Year 10	29	➢ Tertiary degree	15
Gross Personal Income	➢ Under $20,000	27	➢ $50,000 – $69,999 ➢ $70,000 or more	14 15
Gross Household Income	➢ $20,000 – $34,999	28	➢ $60,000 – $99,999 ➢ $100,000 or more	15 17
Savings Excl. Home	➢ Under $5,000	27	–	
Home Value	➢ Under $175,000	27	–	
Mortgage Debt	–		➢ $50,000 – $249,999 ➢ $250,000 or more	17 16
Financial Literacy Quintiles	➢ Levels 1-2	29	➢ Levels 9-10	14

Groups which differ most from the total population are shaded.

Base: Respondents with a bank account, or a loan, or a mortgage or a credit card or a banking service

Sample Size: 3544

Twenty-one percent of respondents mentioned the Industry Ombudsman as a source of assistance. When combined with those who mentioned an unspecified ombudsman, this proportion increased to 34%, overtaking the "bank" or "financial institution" as the most commonly mentioned source.

Those more likely to mention the industry-specific ombudsman included respondents with personal income over $70,000, those with moderate to high savings and those with any level of mortgage debt, but particularly those with over $250,000 in mortgage. Those aged between 18 and 24, unskilled or farm workers, those with no occupation, and respondents with low savings were under-represented.

Compared with the 21% of all respondents who would contact the industry ombudsman, the groups in the table below were above or below average.

Table 142. <u>Demographic Profile for Those Who Would Seek Help From the Industry Ombudsman If Experiencing Difficulty with a Banking Type Product</u>

K1. If you experienced difficulty with a banking-type product, such as a credit card or loan, that you were unable to resolve with the provider of that service, who would you contact? Who else? Anyone else? *Response – Ombudsman – Industry: 21%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Capital City	23	➢ Country Area	18
Sex	➢ Male	26	➢ Female	17
Age	➢ 35-44	27	➢ 18-24	7
	➢ 45-59	27	➢ 70 and over	13
Household Structure	–		➢ Single – live in shared household	12
			➢ Single parent	15
Language Spoken at Home	–		➢ Non-English	15
Employment Status	➢ Employed – full-time	28	➢ Looking for work	15
			➢ Student	12
			➢ Home duties	11
			➢ Retired	16
			➢ Non-worker	14

K1. If you experienced difficulty with a banking-type product, such as a credit card or loan, that you were unable to resolve with the provider of that service, who would you contact? Who else? Anyone else?

Response – Ombudsman – Industry: 21%

Demographic	Above Average Giving Response	%	Below Average Giving Response	%
Occupation	➢ Professional	34	➢ Sales	15
	➢ Executive/Owner (including small business & farm)	26	➢ Semi-skilled	16
			➢ Unskilled/farm worker	9
	➢ Other white collar	26	➢ No occupation	7
Education	➢ Tertiary degree	33	➢ Less than Year 10	11
			➢ Passed Year 10	16
Gross Personal Income	➢ $35,000 – $49,999	27	➢ Under $20,000	14
	➢ $50,000 – $69,999	29		
	➢ $70,000 or more	38		
Gross Household Income	➢ $60,000 – $99,999	27	➢ Under $20,000	12
	➢ $100,000 – more	35		
Savings Excl. Home	➢ $50,000 – $249,999	31	➢ Under $5,000	8
	➢ $250,000 or more	39		
Non-mortgage Debt	➢ $100,000 or more	31	–	
Home Ownership	➢ Paying off residence	27	➢ Renting residence	13
			➢ No mortgage but considering	15
Home Value	➢ $500,000 or more	33	–	
Mortgage Debt	➢ Under $50,000	27	–	
	➢ $50,000 – $249,999	28		
	➢ $250,000 or more	40		
Financial Literacy Quintiles	➢ Levels 7-8	28	➢ Levels 1-2	6
	➢ Levels 9-10	43	➢ Levels 3-4	11

Groups which differ most from the total population are shaded.

Base: Respondents with a bank account, or loan, or mortgage, or credit card or banking service

Sample Size: 3544

Twenty-one percent of respondents were unable to say where they would seek assistance if they experienced difficulty with a banking-type product. Students, 18 to 24 year olds, those with no occupation and those with less than a year 10 level of education were more likely to be unable to say who they would contact.

Compared with the 21% of all respondents who did not know who they would contact, the groups in the following table were above or below average.

Table 143. <u>Demographic Profile for Those Who Were Unsure Where They Would Seek Help If Experiencing Difficulty with a Banking Type Product</u>

K1. If you experienced difficulty with a banking-type product, such as a credit card or loan, that you were unable to resolve with the provider of that service, who would you contact? Who else? Anyone else? *Response – Can't Say: 21%*				
Demographic	**Above Average Responding Can't Say**	**%**	**Below Average Responding Can't Say**	**%**
Age	➢ 18-24	30	➢ 45-59	15
	➢ 70 and over	28		
Household Structure	➢ Single live in shared household	26	–	
Employment Status	➢ Looking for work	27	–	
	➢ Student	31		
Occupation	➢ Sales	27	➢ Professional	16
	➢ No occupation	36	➢ Semi-professional	16
Education	➢ Less than Year 10	30	➢ Tertiary degree	15
Gross Personal Income			➢ $70,000 or more	15
Gross Household Income	➢ Under $20,000	26	➢ $100,000 or more	12
Savings Excl. Home	➢ Under $5,000	26	➢ $50,000 – $249,999	16
			➢ $250,000 or more	11
Home Ownership	➢ Renting residence	27	–	
Home Value	–		➢ $300,000 – $499,999	16
			➢ $500,000 or more	13
Mortgage Debt	–		➢ $250,000 or more	9
Financial Literacy Quintiles	➢ Levels 1-2	37	➢ Levels 7-8	14
	➢ Levels 3-4	28	➢ Levels 9-10	7

Groups which differ most from the total population are shaded.

Base: Respondents with a bank account, or loan, or mortgage, or credit card or banking service   Sample Size: 3544

8.3.1.1.2   Dealing with Difficulty with an Insurance Policy

Table 144 below shows the source of assistance that consumers would seek in the event of experiencing a problem with an insurance policy.

Table 144. Sources of Assistance in Dealing with a Difficulty with an Insurance Policy

K2. *If you experienced difficulty with an insurance company, who would you contact? Who else? Anyone else?*	
Source of Assistance	**% Who Would Contact**
Insurance Company	14
Solicitor	12
Ombudsman – Industry	12
Ombudsman (Unspecified)	11
Department of Fair Trading/Consumer Affairs	8
Insurance Council Of Australia	6
Family	4
Financial Industry Complaints Service	3
Insurance Enquiries & Complaints	3
Financial Planner/ Adviser	2
Accountant	2
Ombudsman - State Government	2
Friend	1
ACCC	1
(Local) MP/ A Politician	1
The Media	1
A Government Body (Unspecified)	1
An Industry Body (Unspecified)	1
Another Provider/ I Would Change To Another Provider	1
My Insurance Agent/ Broker	1
Other	4
Can't Say	26

Base: Respondents with insurance (50% of eligible sample used)

Sample Size: 1600

Fourteen percent of respondents indicated that they would contact their insurance company in the first instance if they had difficulty with that company. This was the most common single response (although "Industry Ombudsman" and "Unspecified Ombudsman" combined were mentioned by 23% of respondents). Among those with insurance, retirees, unskilled or farm workers, and those with low levels of education were more likely than average to contact the insurance company if they were experiencing difficulty with an insurance company.

Table 145. **Demographic Profile for Those Who Would Seek Help From the Insurance Company If Experiencing Difficulty with an Insurance Company**

K2. *If you experienced difficulty with an insurance company, who would you contact? Who else? Anyone else?* Response – Insurance Company: 14%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Employment Status	➢ Retired	20	➢ Home duties	7
Occupation	➢ Unskilled/farm worker	29	–	
Education	➢ Less than Year 10	22	➢ Some or finished technical/commercial	9
	➢ Passed Year 10	19		
Gross Household Income	–		➢ $100,000 or more	9
Non-mortgage Debt	–		➢ $100,000 or more	4
Financial Literacy Quintiles	➢ Levels 1-2	21	➢ Levels 9-10	8

Groups which differ most from the total population are shaded.

Base: Respondents with insurance (50% of eligible sample used)

Sample Size: 1600

As with banking, consumers would most commonly seek advice directly from the organisation with which they were experiencing problems, then turning to the services of a solicitor or the industry ombudsman as less frequent choices.

Consumers appear far less clear about possible sources of help with insurance difficulties as opposed to banking difficulties.

Among those with insurance, young people, those working in sales or semi-skilled occupations and those with low levels of savings were more likely to be unable to say who they would contact if they had difficulty with an insurance company.

In comparison with the 26% who did not know who they would contact, the groups in the table below were above or below average.

Table 146. <u>Demographic Profile for Those Who Were Unsure Where They Would Seek Help If Experiencing Difficulty with an Insurance Company</u>

K2. If you experienced difficulty with an insurance company, who would you contact? Who else? Anyone else? *Response – Can't Say: 26%*				
Demographic	**Above Average Responding Can't Say**	**%**	**Below Average Responding Can't Say**	**%**
Age	➤ 18-24	36	➤ 45-59	19
Occupation	➤ Sales ➤ Semi-skilled	34 33	➤ Executive/Owner (including small business & farm) ➤ Self-employed	18 19
Education	➤ Passed Year 11 or Year 12	32	➤ Tertiary diploma/Some university	20
Gross Personal Income	–		➤ $70,000 or more	19
Gross Household Income	➤ $60,000 – $99,999	31	➤ $100,000 or more	20
Savings Excl. Home	➤ Under $5,000	34	➤ $250,000 or more	16
Home Ownership	➤ Renting residence	31	–	
Home Value	–		➤ $500,000 or more	20
Financial Literacy Quintiles	➤ Levels 1-2 ➤ Levels 3-4	42 32	➤ Levels 7-8 ➤ Levels 9-10	19 12

Groups which differ most from the total population are shaded.

Base: Respondents with insurance (50% of eligible sample used)

Sample Size: 1600

8.3.1.1.3   Dealing with Difficulty with a Managed/Superannuation Fund

Table 147 below shows the sources of assistance that consumers with superannuation or managed investments would turn to if experiencing problems with a managed fund or superannuation fund.

As with the previous tables relating to banking and insurance, the most common response was to contact the body with which the person is having difficulties.   The industry ombudsman was another relatively common choice, as was a solicitor or a financial planning adviser.   As with banking and insurance, if "industry ombudsman" and "ombudsman – unspecified" are combined, this combination becomes the most frequent response.

Table 147. <u>Sources   of   Assistance   in   Dealing   with   a   Difficulty   with   a   Managed/Superannuation Fund</u>

K3. If you experienced difficulty with a managed fund or superannuation fund that you were unable to resolve with the provider, who would you contact? Who else? Anyone else?	
Source of Assistance	**% Who Would Contact**
Fund Provider	9
Solicitor	8
Financial Planner/ Adviser	7
Ombudsman – Industry	7
Ombudsman (Unspecified)	7
Accountant	6
Superannuation Complaints Tribunal	5
Department of Fair Trading/Consumer Affairs	8
Family	4
Financial Industry Complaints Service	3
Ombudsman - State Government	2
Friend	1
Financial Counsellor	1
ACCC	1
ASIC	1
APRA	1
(Local) MP/ A Politician	1

My Employer	1
Australian Securities Commission	1
A Government Body (Unspecified)	1
An Industry (Unspecified)	1
I Would Find Out Who To Contact Via The Phone Book/ Internet/ Literature Etc	1
Another Provider/ I Would Change To Another Provider	1
Other	4
Can't Say	36

Base: Respondents with superannuation or managed investments (50% of eligible sample used)
Sample Size: 1390

A considerable proportion (36%) of people with superannuation or managed investments did not know where to seek advice when experiencing a difficulty with a managed fund or superannuation fund. This was the highest level of "can't say" for any product or service investigated. People with low savings, with low education, or those in sales or semi-skilled occupations were less likely to know who to contact.

In comparison with the 36% who did not know who they would contact, the groups in the following table were above or below average.

Table 148. Demographic Profile for Those Who Were Unsure Where They Would Seek Help If Experiencing Difficulty with a Managed Fund or Superannuation Fund

K3. If you experienced difficulty with a managed fund or superannuation fund that you were unable to resolve with the provider, who would you contact? Who else? Anyone else? *Response – Can't Say: 36%*				
Demographic	**Above Average Responding Can't Say**	**%**	**Below Average Responding Can't Say**	**%**
Age	➢ 35-44	41	➢ 45-59	31
			➢ 60-69	27
Household Structure	➢ Children in household	42	➢ Couple – no children at home	27
Employment Status	–		➢ Student	20
			➢ Retired	30
Occupation	➢ Sales	45	➢ Semi-professional	29
	➢ Semi-skilled	44		
Education	➢ Passed Year 10	45	–	
Gross Personal Income	–		➢ $70,000 or more	30
Gross Household Income	➢ $50,000 – $99,999	43	➢ $100,000 or more	29
Savings Excl. Home	➢ Under $5,000	46	➢ $250,000 or more	28
Non-mortgage Debt	➢ $10,000 – $99,999	41	–	
Home Ownership	–		➢ Own residence outright	31
Home Value	–		➢ $500,000 or more	27
Financial Literacy Quintiles	➢ Levels 1-2	51	➢ Levels 7-8	30
	➢ Levels 3-4	45	➢ Levels 9-10	21

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation or Managed Investments (50% of eligible sample used)

Sample Size: 1390

8.3.1.1.4   Dealing with Difficulty with Financial Planning Adviser

Table 149 below shows the sources of assistance that people with a financial planner or adviser would contact in the event of experiencing problems with a financial planner or adviser.

In the event of such a problem, the most commonly mentioned sources of assistance were the Financial Planning Association (11%), another adviser (10%), the adviser with whom the person was having a problem (9%), or a solicitor (9%).

Table 149. <u>Sources of Assistance in Dealing with a Difficulty with a Financial Planning Adviser</u>

K4. *If you experienced difficulty with a financial planner or adviser that you were unable to resolve directly, who would you contact? Who else? Anyone else?*	
Source of Assistance	**% Who Would Contact**
Financial Planning Association	11
A Different Financial Planner/ Adviser	10
The Same Financial Planner/ Adviser	9
Solicitor	9
Their Employer/ Manager/ Director/ Head Office	8
Financial Industry Complaints Service	7
Ombudsman (Unspecified)	6
Department Of Fair Trading/Consumer Affairs	5
Family	4
Accountant	3
Ombudsman – Industry	3
An Industry Body (Unspecified)	3
A Bank	2
Friend	1
Ombudsman - State Government	1
Another Provider/ I Would Change To Another Provider	1
Australian Securities Commission	1
Other	3
Can't Say	24

Base: Respondents with a Financial Planner/Adviser (50% of eligible sample used)

Sample Size: 353

Eleven percent of people with a Financial Planner or Adviser said they would contact the Financial Planning Association if they had difficulty with a financial planner or adviser. Professionals, those with a tertiary degree, and those with personal income between $50,000 and $70,000 were more likely to contact the Financial Planning Association.

In comparison with the 11% who would contact the Financial Planning Association, the groups in the following table were above or below average.

Table 150. <u>Demographic Profile for Those Who Seek Help From Financial Planning Association If Experiencing Difficulty with Financial Planner/Adviser</u>

K4. If you experienced difficulty with a financial planner or adviser that you were unable to resolve directly, who would you contact? Who else? Anyone else? *Response – Financial Planning Association: 11%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	–		➢ Country Area	5
Occupation	➢ Professional	21	➢ Semi-skilled	3
Education	➢ Tertiary degree	20		
Gross Personal Income	➢ $50,000 – $69,999	20	➢ $20,000 – $34,999	5
Mortgage Debt	➢ $250,000 or more	31	➢ Under $50,000	3
Financial Literacy Quintiles	➢ Levels 9-10	22	➢ Levels 3-4 ➢ Levels 1-2	4 0

Groups which differ most from the total population are shaded.

Base: Respondents with a Financial Planner/Adviser (50% of eligible sample used)

Sample Size: 353

Twenty-four percent of consumers with a Financial Planner or Adviser were unable to say who they would contact when dealing with a difficulty with a financial planner or adviser. Those with low levels of education were over-represented amongst those who could not say who they would contact.

Compared with the 24% who did not know who they would contact, the groups in the table below were above or below average.

Table 151. <u>Demographic Profile for Those Who Were Unsure Where They Would Seek Help If Experiencing Difficulty with a Financial Planner or Adviser</u>

K4. *If you experienced difficulty with a financial planner or adviser that you were unable to resolve directly, who would you contact? Who else? Anyone else?* Response – Can't Say: 24%				
Demographic	**Above Average Responding Can't Say**	**%**	**Below Average Responding Can't Say**	**%**
Language Spoken at Home	–		➢ Non-English	7
Occupation	–		➢ Semi-professional	15
Education	➢ Passed Year 10	47	➢ Tertiary degree	17
Financial Literacy Quintiles	➢ Levels 1-2 ➢ Levels 3-4	42 41	➢ Levels 9-10	9

Groups which differ most from the total population are shaded.

Base: Respondents with a Financial Planner/Adviser (50% of eligible sample used)

Sample Size: 353

8.3.1.2 Confidence in Making Effective Complaint Against Bank/Financial Institution

Consumers were asked to rate their levels of confidence in knowing how to make an effective complaint against a bank or other financial institution (refer to the table below).

Fifty-nine percent of consumers were either "very" or "fairly" confident in this respect.

Table 152. <u>Confidence in Making an Effective Complaint Against a Bank/Financial Institution</u>

K6. How confident are you that you would know how to make an effective complaint against a bank or financial institution? Are you very confident, confident, not very confident or not at all confident?	
Degree of Confidence	**Percentage of Population**
Very confident	19
Fairly confident	40
Not very confident	29
Not at all confident	11
Can't say	2

Base: Total Respondents (50% of eligible sample used)
Sample Size: 1767

Compared with the 40% of all consumers who were not confident they would know how to make an effective complaint, single parents, semi-skilled workers, renters, and those with a low level of education were among the groups less likely to be confident in this respect. On the other hand, those with high personal income or household income and consumers with more than $250,000 in savings were more likely to feel confident about making a complaint.

Table 153. <u>Demographic Profile for Those Who Were Not Confident About Making an Effective Complaint Against a Bank or Financial Institution</u>

K6. How confident are you that you would know how to make an effective complaint against a bank or financial institution? Are you very confident, confident, not very confident or not at all confident? *Response – Not Very Confident or Not At All Confident: 40%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	43	➢ Male	36
Age	–		➢ 60-69	33
Household Structure	➢ Single parent	49	➢ Couple – no children at home	33
Occupation	➢ Semi-skilled	49	➢ Professional	29
			➢ Executive/Owner (including small business & farm)	32
			➢ Self-employed	29
Education	➢ Less than Year 10	46	➢ Tertiary diploma/Some university	32
	➢ Passed Year 10	47	➢ Tertiary degree	35
Gross Personal Income	–		➢ $70,000 or more	28
Gross Household Income	➢ $35,000 – $59,999	45	➢ $100,000 or more	28
Savings Excl. Home	➢ Under $5,000	45	➢ $250,000 or more	26
Home Ownership	➢ Renting residence	48	–	
Home Value	–		➢ $500,000 or more	31
Mortgage Debt	–		➢ $250,000 or more	24
Financial Literacy Quintiles	➢ Levels 1-2	61	➢ Levels 7-8	31
	➢ Levels 3-4	48	➢ Levels 9-10	11

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)   Sample Size: 1767

8.3.1.3 Knowledge of Regulation of the Australian Finance Sector

Respondents were also asked to identify the best among four des criptions of regulation of the Australian finance sector.

Twenty-three percent of consumers were aware that the Australian financial sector is Regulated By Independent Bodies Which Monitor Financial Institutions, ie. they have a correct understanding of the regulation of the finance sector.

Almost as many (22%) of consumers incorrectly believe it is only regulated to the extent that financial institutions are self-regulating, while 18% incorrectly believed it was fully regulated by Government legislation.   Thirty percent of consumers had no idea about the regulation of the finance sector.

Table 154. Knowledge of Regulation of the Australian Finance Sector

K7. Which ONE of the following best describes the Australian finance sector?	
The Australian Finance Sector is:	**Percentage of Population**
Fully deregulated	6
Only Regulated To The Extent That Financial Institutions Are Self-Regulating	22
Regulated By Independent Bodies Which Monitor Financial Institutions	**23**
Fully Regulated By Government Legislation	18
Can't Say	30

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Older people, those with no occupation, those with non-mortgage debt of more than $100,000, and those with low levels of education were among the groups less likely to realise that the Australian finance sector is regulated by independent bodies.

Table 155. <u>Demographic Profile for Those Who Believe the Australian Finance Sector is Regulated by Independent Bodies</u>

K7. Which ONE of the following best describes the Australian finance sector? Response – Regulated by independent bodies which monitor financial institutions: 23%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Male	27	➢ Female	20
Age	–		➢ 70 and over	14
Employment Status	➢ Employed – full-time	29	➢ Home duties	14
			➢ Retired	16
Occupation	➢ Professional	34	➢ No occupation	10
Education	➢ Tertiary degree	33	➢ Less than Year 10	8
			➢ Passed Year 10	18
Gross Personal Income	➢ $35,000 to $49,999	30	➢ Under $20,000	18
	➢ $50,000 to $69,999	32		
	➢ $70,000 or more	30		
Gross Household Income	➢ $35,000 to $59,999	28	➢ Under $20,000	16
	➢ $100,000 or more	32		
Savings Excl. Home	➢ $250,000 or more	40	–	
Non-mortgage Debt	–		➢ $100,000 or more	15
Home Value	➢ $500,000 or more	28	–	
Financial Literacy Quintiles	➢ Levels 9-10	34	➢ Levels 1-2	14
			➢ Levels 3-4	18

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

Thirty percent of consumers were unsure about the regulation of the Australian finance sector. Groups least able to say how the finance sector is regulated were more likely to have no occupation, low levels of education, to be performing home duties, female, or employed casually.

In comparison with 30% unsure about the regulation of the Australian finance sector, the groups in the following table were above or below average.

Table 156. <u>Demographic Profile for Those Who are Unsure About the Regulation of the Australian Finance Sector</u>

K7. *Which ONE of the following best describes the Australian finance sector?* *Response – Can't Say: 30%*				
Demographic	**Above Average Responding Can't Say**	**%**	**Below Average Responding Can't Say**	**%**
Sex	➢ Female	40	➢ Male	20
Age	–		➢ 45-59	24
Employment Status	➢ Employed – casual ➢ Home duties	40 52	➢ Employed – full-time	22
Occupation	➢ Skilled workers ➢ Semi-skilled ➢ No occupation	35 38 55	➢ Professional ➢ Executive/Owner (including small business & farm) ➢ Other white collar	17 23 25
Education	➢ Less than Year 10 ➢ Passed Year 11 or Year 12	40 36	➢ Tertiary diploma/Some university ➢ Tertiary degree	24 22
Gross Personal Income	➢ Under $20,000	37	➢ $35,000 – $49,999 ➢ $50,000 – $69,999 ➢ $70,000 or more	24 22 9
Gross Household Income	–		➢ $100,000 or more	13
Savings Excl. Home	➢ Under $5,000	36	➢ $50,000 – $249,999 ➢ $250,000 or more	23 15
Non-mortgage Debt	–		➢ $10,000 – $99,999	25
Home Ownership	➢ Renting residence	35	–	
Home Value	–		➢ $300,000 – $499,999 ➢ $500,000 or more	24 18
Mortgage Debt	–		➢ $250,000 or more	23

K7. *Which ONE of the following best describes the Australian finance sector?* Response – Can't Say: 30%				
Demographic	**Above Average Responding Can't Say**	**%**	**Below Average Responding Can't Say**	**%**
Financial Literacy Quintiles	➢ Levels 1-2	51	➢ Levels 7-8	23
			➢ Levels 9-10	12

Groups which differ most from the total population are shaded.

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1767

9.   SUPERANNUATION

This section covers the basic skills required to understand superannuation ie. the compulsory nature of employer contributions and the right of employees to make additional contributions.

It also covers aspects of advanced competence of understanding regarding the concessional taxation on superannuation and the perceived adequacy of superannuation to provide for retirement.

Important issues relating to comprehension of statements received from superannuation funds and fees and charges have also been included in this section (dealt with in detail under Section 6 Financial Competence).

9.1   Understanding of Superannuation

	Objectives	*Key Findings*
BASIC REQUIREMENTS	• Understanding that superannuation sets aside money for retirement, and involves compulsory employer contributions • Understanding that personal contributions can be made to superannuation as an option	• Of those with superannuation, 50% considered it would be adequate for their retirement • Lack of knowledge of the fees and charges that apply to superannuation was reported with 55% of fund members knowing little or nothing about them • Only 54% of those with superannuation considered that superannuation was taxed at a lower rate than other investments • 21% indicated they did not understand superannuation statements "very much" or "at all". A further 9% did not even read their statements • Only 34% of fund members knew the correct contribution level required by law to be made on their behalf • Self-employed people with superannuation were unsure as to whether they are required by law to make superannuation contributions with 44% saying "yes" and 44% saying "no" • 97% of consumers knew that employers are required to make contributions to superannuation on their behalf

	Objectives	*Key Findings*

		• 91% understood that they could make additional superannuation payments
		
		• Groups with below average knowledge of superannuation were:
		  – Those with low levels of education (less than year 10)
		  – Those with personal or household income of $35,000 or less
		  – Those in semi-skilled and unskilled occupations
		  – Aged under 25
		  – Females
		  – Part-time workers
		  – Those with savings under $50,000

9.1.1 Basic Requirements

All respondents who reported having superannuation who were under 65 and employed were asked a series of questions relating to superannuation.

9.1.1.1 Legal Requirements of Employers

Ninety-seven percent of respondents correctly thought the statement that "employers are required by law to make superannuation payments on behalf of employees" to be "true". Two percent incorrectly believed the statement to be "false", while 1% could not answer this question.

Compared with the 97% overall who correctly identified employers were required to pay superannuation for employees, only people who spoke languages other than English at home performed below average, as shown in the table below.

Table 157. <u>Demographic Profile of Those Who Believe Employees are Required by Law to Make Superannuation Payments on Behalf of Employees</u>

G1: *Employers are required by law to make superannuation payments on behalf of employees.* *Response – True: 97%*				
Demographic	**Above Average Responding True**	**%**	**Below Average Responding True**	**%**
Language Spoken at Home	–		➢ Non-English	91

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation who are under 65 and employed (not self employed)

Sample Size: 1616

9.1.1.2 Additional Payments by Employees

Ninety-one percent of those with super who were under 65 and employed correctly believed the statement that "employees cannot make superannuation payments additional to any payments made by their employer" to be "false". Five percent answered "true", while a further 3% could not answer the question.

Comparing responses for those who gave the correct response "false" to the statement "employees cannot make Superannuation payments additional to payments by their employer", young people, those who speak a language other than English at home or those with low household income performed below average.

Table 158. <u>**Demographic Profile of Those Who Believe Employees Can Make Additional Superannuation Payments**</u>

G2. *Employees cannot make Superannuation payments additional to any payments by their employer.* Response – False: 91%				
Demographic	**Above Average Responding False**	**%**	**Below Average Responding False**	**%**
Age	–		➢ 18-24	82
Language Spoken at Home	–		➢ Non-English	79
Employment Status	–		➢ Employed- casual	84
Occupation	➢ Professional	96	–	
Education	–		➢ Less than Year 10	83
Gross Personal Income	➢ $70,000 or more	96	➢ Under $20,000	84
Gross Household Income	–		➢ Under $20,000	78
Non-mortgage Debt	➢ $100,000 or more	99	–	
Financial Literacy Quintiles	➢ Levels 9-10	98	➢ Levels 1-2	73

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation who are under 65 and employed (not self employed)

Sample Size: 1616

9.1.1.3 Percentage of Employee's Salary Required

Respondents were asked to indicate "what percentage of an employee's salary an employer is required by law to make on behalf of an employee". From the options provided:

- 34% answered "9 percent" (correct response)

- 13% answered "8 percent"

- 24% gave an answer between 1 percent and 7 percent

- 6% gave an answer of 10 percent or above

- 2% gave some other answer

- 20% could not answer the question

Comparing responses for those who identified the correct percentage of an employee's salary that an employer is required to contribute to superannuation, those aged between 18 and 24, with a low household income or with low savings performed below average.

Compared with the 34% of all respondents who nominated the correct percentage employers must make on behalf of an employee, the groups in the table below were above or below average.

Table 159. <u>**Demographic Profile of Those Who Know What Percentage of an Employee's Salary an Employer is Required by Law to Make**</u>

G3: What percentage of an employee's salary is an employer required by law to make on behalf of an employee? *Response – 9 percent: 34%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Male	39	➢ Female	27
Age	➢ 45-59	41	➢ 18-24	18
	➢ 60-69	62	➢ 25-34	29
Household Structure	➢ Couple- no children at home	41	➢ Single live in shared household	23
Where Born	➢ Outside Australia	41	–	
Employment Status	–		➢ Employed – part-time ➢ Employed – casual	24 22

G3: What percentage of an employee's salary is an employer required by law to make on behalf of an employee?

Response – 9 percent: 34%

Demographic	Above Average Giving Response	%	Below Average Giving Response	%
Occupation	➢ Professionals	44	➢ Skilled workers	28
	➢ Executive/Owner (including small business & farm)	51	➢ Semi skilled workers	26
			➢ Unskilled/farm worker	25
	➢ Other white collar	39		
Education	➢ Tertiary degree	40	➢ Passed Year 11 or Year 12	27
Gross Personal Income	➢ $70,000 or more	54	➢ Under $20,000	21
			➢ $20,000 – $34,999	23
Gross Household Income	➢ $100,000 or more	47	➢ Under $20,000	20
			➢ $20,000 – $34,999	24
			➢ $35,000 – $59,999	28
Savings Excl. Home	➢ $50,000 – $249,999	47	➢ Under $5,000	19
	➢ $250,000 or more	58	➢ $5,000 - $49,999	26
Non-mortgage Debt	➢ $100,000 or more	47	–	
Home Ownership	➢ Own residence outright	39	➢ Renting residence	26
			➢ No mortgage but considering	26
Home Value	➢ $300,000 – $499,999	43	–	
	➢ $500,000 or more	50		
Mortgage Debt	➢ $250,000 or more	55	–	
Financial Literacy Quintiles	➢ Levels 7-8	44	➢ Levels 1-2	11
	➢ Levels 9-10	60	➢ Levels 3-4	16
			➢ Levels 5-6	26

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation who are under 65 and employed (not self employed) and answered true to question G1 (Employers are required by law to make Superannuation payments on behalf of employees)

Sample Size: 1574

9.1.1.4 Legal Requirements and Options for Self-employed People

Self-employed people aged less than 65 were asked "Are self-employed persons required by law to make superannuation payments?"

- 44% of those asked this question answered "yes"

- 44% answered "no"

- 12% could not answer this question

Depending on the business structure under which self-employed people are operating, they may or may not be required by law to make superannuation payments. Comparing responses for those who gave the response "no" as to whether those self-employed were required to make superannuation contributions those aged between 18 and 24, those renting, those speaking a language other than English at home and those with personal income between $50,000 and $69,999 were less likely to give this response.

Compared to 44% of all respondents who did not believe self-employed persons are required by law to make superannuation payments, the following groups were above or below average.

Table 160. <u>Demographic Profile of Those Who Believe Self-employed Persons Are Not Required by Law to Make Superannuation Payments</u>

G4. Are self-employed persons required by law to make superannuation payments? *Response – No: 44%*				
Demographic	**Above Average Responding No**	**%**	**Below Average Responding No**	**%**
Age	–		➢ 18-24	14
Household Structure	➢ Couple – children at home	53	➢ Couple – no children at home	33
Where Born	–		➢ Outside Australia	31
Language Spoken at Home	–		➢ Non-English	24
Gross Personal Income	➢ Under $20,000	64	➢ $50,000 – $69,999	30
Gross Household Income	➢ $60,000 – $99,999	56	–	

G4. Are self-employed persons required by law to make superannuation payments? Response – No: 44%				
Demographic	**Above Average Responding No**	**%**	**Below Average Responding No**	**%**
Home Ownership	–		➢ Renting residence	30
Home Value	➢ $175,000 – $299,999	58	–	
Mortgage Debt	➢ $50,000 – $249,999	56	–	
Financial Literacy Quintiles	–		➢ Levels 1-2	16

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation who are under 65 and Self employed

Sample Size: 286

Self employed people aged under 65 were also asked "What options are available for self-employed persons to make superannuation payments?"

- 33% responded "join an existing superannuation scheme"
- 32% responded "Do-It-Yourself superannuation scheme"
- 23% responded "personal superannuation scheme"
- 13% mentioned some other option
- 32% could not answer the question

Sixty percent of respondents gave one of these three responses: "join existing superannuation scheme", "Do-It-Yourself superannuation scheme" and "personal superannuation scheme" as superannuation options for self-employed. Young people, single parents, renters and those considering taking out a mortgage were less likely to give any of these options as shown below.

Table 161. Demographic Profile of Those Who Know Which Options are Available for Self-Employed Persons to Make Superannuation Payments

G5. Which options are available for self-employed persons to make superannuation payments? Response – Join an existing superannuation scheme or Do-It-Yourself superannuation scheme or Personal superannuation scheme: 60%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 45-59	68	➢ 18-24	20
			➢ 25-34	48
Household Structure	–		➢ Single parent	31
Gross Personal Income	➢ $70,000 or more	71	–	
Gross Household Income	➢ $100,000 or more	68	–	
Savings Excl. Home	➢ $50,000 – $249,999	72	–	
Home Ownership	➢ Paying off residence	66	➢ Renting residence ➢ No mortgage but considering	39 31
Home Value	➢ $500,000 or more	72	–	
Mortgage Debt	➢ $250,000 or more	72	–	

G5. Which options are available for self-employed persons to make superannuation payments? **Response – Join an existing superannuation scheme or Do-It-Yourself superannuation scheme or Personal superannuation scheme: 60%**				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Financial Literacy Quintiles	➢ Levels 9-10	81	➢ Levels 1-2	24
			➢ Levels 3-4	42

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation who are under 65 and Self employed)

Sample Size: 286

Respondents with superannuation were asked "As far as you are aware, is superannuation taxed at a lower, higher or the same rate than other investments?"

- 53% of those asked this question correctly responded "lower"

- 5% responded "higher"

- 11% responded "the same"

- 31% could not answer this question

Comparing responses for those who gave the correct[*] response "lower", older people, those performing home duties, unskilled/farm workers, those with low levels of education and low household income performed below average.

Compared with the 54% of all respondents who gave the correct response "lower", the groups in the table below were above or below average.

Table 162. <u>Demographic Profile of Those Who Believe Superannuation is Taxed at a Lower Rate than Other Investments</u>

G6. As far as you are aware is superannuation taxed at a lower, higher or the same rate than other investments? *Response – Lower: 54%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Male	61	➢ Female *	45
Age	➢ 45-59	59	➢ 18-24	42
	➢ 60-69	66	➢ 70 and over *	38
Household Structure	➢ Couple – no children at home	60	➢ Single – live in shared household	45
Employment Status	–		➢ Employed – part-time	49
			➢ Employed – casual	47
			➢ Home duties	38
Occupation	➢ Professionals	74	➢ Skilled workers	47
	➢ Executive/Owner (including small business & farm)	67	➢ Semi skilled workers	46
			➢ Unskilled/farm worker	36
	➢ Self-employed	60	➢ Sales	43

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[*] It is recognised that in certain limited cases it may be possible for people to pay a lower rate of tax on their investments than on their superannuation. It is possible, though unlikely, that some of the apparently incorrect answers to this question could reflect the particular respondent's situation.

G6. As far as you are aware is superannuation taxed at a lower, higher or the same rate than other investments?

Response – Lower: 54%

Demographic	Above Average Giving Response	%	Below Average Giving Response	%
Education	➢ Tertiary degree	67	➢ Passed Year 10	40
			➢ Passed Year 11 or Year 12	43
Gross Personal Income	➢ $50,000-$69,999	64	➢ Under $20,000	44
	➢ $70,000 or more	78	➢ $20,000 – $34,999	43
			➢ $35,000 – $49,999	49
Gross Household Income	➢ $100,000 or more	71	➢ Under $20,000	40
			➢ $20,000 – $34,999	45
Savings Excl. Home	➢ $50,000-$249,999	67	➢ Under $5,000	41
	➢ $250,000 or more	75	➢ $5,000 – $49,999	48
Home Ownership	–		➢ Renting residence	47
			➢ No mortgage but considering	47
Home Value	➢ $300,000 to $499,999	59	➢ Under $175,000	48
	➢ $500,000 or more	70		
Mortgage Debt	➢ $250,000 or more	70	–	
Financial Literacy Quintiles	➢ Levels 7-8	61	➢ Levels 1-2	20
	➢ Levels 9-10	84	➢ Levels 3-4	38

* Note higher proportion of "can't says" rather than wrong answers

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation

Sample Size: 2516

9.1.1.5 Expectations of Adequacy of Superannuation

Respondents with superannuation were provided with four statements and asked to indicate which statement best described how they expected their superannuation to provide for retirement.

- 11% of those asked this question responded "more comfortably than I'm living now"

- 39% responded "about as comfortably as I'm living now"

- 34% responded "less comfortably than I'm living now, but getting by OK"

- 12% responded "less comfortably than I'm living now, and not coping"

- 4% could not answer this question

Groups more likely to give responses "more comfortably than I'm living now" or "about as comfortably as I'm living now" to how well superannuation would provide for retirement, were more likely to be aged 45 to 59, single parents, professionals, people with tertiary degrees, or those with a mortgage debt of $250,000 or more.

Compared with the 50% of all respondents with superannuation who gave these responses, the groups in the following table were above or below average.

Table 163. <u>Demographic Profile of Those Who Expect Their Superannuation to Provide More Comfortable or About as Comfortable Retirement</u>

G7. *Which ONE of the following statements best describes how you expect your superannuation to provide for you in retirement?* *Response – More comfortably than now or About as comfortably as now: 50%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	➢ Country Area	55	➢ Capital City	48
Age	➢ 18-24	65	➢ 45-59	43
Household Structure	➢ Single – live in shared household	56	➢ Single – live alone	45
			➢ Single parent	36
Employment Status	➢ Home duties	64	–	
	➢ Retired	58		
Occupation	➢ Unskilled/farm worker	59	➢ Professional	44
	➢ No occupation	63		
Education	➢ Passed Year 11 or Year 12	56	➢ Tertiary degree	44

G7. Which ONE of the following statements best describes how you expect your superannuation to provide for you in retirement? Response – More comfortably than now or About as comfortably as now: 50%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Savings Excl. Home	➢ $250,000 or more	59	–	
Mortgage Debt	–		➢ $250,000 or more	42

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation

Sample Size: 2516

Single parents, those looking for work and people with low levels of income or savings were more likely to expect their superannuation to provide for them "less comfortably than I'm living now and not coping".

Compared with the 12% of all respondents who expected to be living less comfortably than they are living now, the groups in the following table were above or below average.

Table 164. <u>Demographic Profile of Those Who Expect Their Superannuation to Provide Less Comfortable Retirement and Not to Cope</u>

G7A. *Which ONE of the following statements best describes how you expect your superannuation to provide for you in retirement?* *Response – Less comfortably than I'm living now, and not coping: 12%*				
Demographic	**Above Average Less Comfortable**	**%**	**Below Average Less Comfortable**	**%**
Age	–		➢ 18-24 ➢ 60-69 ➢ 70 and over	6 4 4
Household Structure	➢ Single parent	29	–	
Employment Status	➢ Looking for work	20	➢ Retired	4
Occupation	–		➢ No occupation	3
Gross Household Income	➢ Under $20,000	17	–	
Savings Excl. Home	➢ Under $5,000	17	➢ $250,000 or more	7

Groups which differ most from the total population are shaded.

Base: Respondents with Superannuation

Sample Size: 2516

10. MORTGAGES

This section examines mortgages, including understanding of fixed vs. variable interest rates, understanding of terms and conditions for early termination and other variations, and the ability to use property for personal financial advantage.

It also examines understanding of the terms "redraw facility", "home equity loan" and "early termination fee", although these are not referred to within the frame work of adult financial literacy in Australia.

The results in this section pertain only to those with a mortgage or considering taking on a mortgage.

10.1 Understanding of Mortgages

	Objectives	*Key Findings*
BASIC REQUIREMENTS	• Understanding of fixed interest rates vs. variable interest rates • Understanding of terms and conditions for early termination and other variations	• The majority of mortgage holders and considerers are aware of disadvantages of fixed interest loans compared with variable interest loans • 12% of mortgage holders or considerers could not say what the disadvantages of fixed interest loans were in comparison with variable interest loans, particularly: – Those aged 70 or more – Those with household income under $20,000 – Retirees • 25% of mortgage holders and considerers believed they understood redraw facilities "not very well" or "not at all", particularly: – Unskilled/farm workers – Those with a low level of education – Those aged 70 or more • 39% of mortgage holders and considerers claimed to understand a home equity loan "not very well" or "not at all", particularly: – Unskilled/farm workers – Those with household income under $20,000 – Those with no occupation • 79% of mortgage holders and considerers believed they understood early termination fees either "very well" or "fairly well" particularly those: – Aged 18–24 or 70 or more – With household income under $20,000 – With a low level of education

10.1.1 Basic Requirements

10.1.1.1   Fixed and Variable Interest Rates

While clearly there are advantages and disadvantages to both fixed and variable interest rates, the survey took the approach of asking only about the disadvantages of fixed interest mortgages in order to gain a picture of people's understanding of the implications of both types of interest, without subjecting respondents to repetitive questions.

When asked to explain the disadvantages of fixed interest loans compared with variable interest loans (and prompted to mention as many disadvantages as they could think of), 76% suggested fixed interest rates locked a person in or stayed the same when variable interest rates could go down.   All other disadvantages were mentioned by 10% or less:

- Fee for early termination: 9%

- Higher interest rates than for variable interest loans: 5%

- Can't make extra or higher repayments/Penalties for extra payments: 2%

- Less flexibility/Restrictions/Can't vary repayments/Can't change it: 2%

- There are no disadvantages: 1%

- Cost more than variable interest loans in the long run: 1%

- No redraw facility: 1%

- Other: 5%

- Can't say: 12%

Nine percent of people identified an early termination fee as a disadvantage of fixed interest loans, while 12% of mortgage holders and considerers could not say what the disadvantages of fixed interest loans were in comparison with variable interest loans, possibly placing themselves at a financial disadvantage in handling of their mortgage.

In comparison with the overall "can't say" rate of 12% among mortgage holders and considerers, the highest proportions were found among those aged 70 or more, retirees, and those with household income under $20,000.

Compared with the 12% of mortgage holders and considerers who could not identify the relative advantages and disadvantages of fixed interest loans, the groups in the table below were above or below average.

Table 165. <u>Demographic Profile for Those Who are Unable to Compare Fixed and Variable Loans</u>

H5. *As far as you are aware, what are the disadvantages of fixed interest loans, compared with variable interest loans? What else? Anything else?* *Response – Can't Say: 12%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Sex	➢ Female	15	➢ Male	10
Age	➢ 70 or more	45	–	
	➢ 18–24	23		
Household Structure	➢ Single parent	22	–	
Where Born	➢ Outside Australia	17	–	
Employment Status	➢ Home duties	20	–	
	➢ Retired	24		
Occupation	➢ Semi-skilled worker	21	➢ Professional	6
	➢ Unskilled/farm worker	20		
Education	➢ Less than Year 10	23	➢ Tertiary degree	5
	➢ Passed Year 10	23		
Gross Personal Income	➢ Under $20,000	19	➢ $70,000 or more	2
	➢ $20,000 – $34,999	18		
Gross Household Income	➢ Under $20,000	27	➢ $100,000 or more	5
	➢ $20,000 – $34,999	22		
Savings Excl. Home	➢ Under $5,000	23	➢ $50,000 – $249,999	6
			➢ $250,000 or more	5
Home Ownership	➢ Renting residence	22	–	
	➢ No mortgage but considering	21		
Home Value	–		➢ $300,000 – $499,999	6
			➢ $500,000 or more	6
Mortgage Debt	–		➢ $250,000 or more	2
Financial Literacy Quintiles	➢ Levels 1–2	42	➢ Levels 7–8	3
	➢ Levels 3–4	19	➢ Levels 9–10	1

Groups which differ most from the total population are shaded.

Base: Respondents with or considering taking a mortgage   Sample Size: 1,646

10.1.1.2   Mortgage Terms

10.1.1.2.1 Redraw

When asked how well they understood the term "redraw facility", the most common response among mortgage holders and considerers was "very well" (43%). With 75% understanding the term "very well" or "fairly well", most of those for whom redraw facilities are of potential relevance claimed an understanding of the concept.

- Very well: 43%

- Fairly well: 32%

- Not very well: 13%

- Not at all: 11%

As mentioned, 75% of mortgage holders or considerers believed they understood about "redraw facilities" "very well" or "fairly well". Those less likely to understand were those aged 70 or more, unskilled or farm workers, and those with a low level of education, as shown below.

Table 166. <u>Demographic Profile for Redraw Facility Knowledge</u>

H2. How well do you understand what Redraw Facility means? Very well, fairly well, not very well or not at all. Response – Very Well or Fairly Well: 75%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	➢ 35-44	81	➢ 18-24	63
			➢ 45-59	70
			➢ 60-69	64
			➢ 70 and over	42
Where Born	–		➢ Outside Australia	70
Employment Status	–		➢ Looking for work	58
			➢ Retired	60
Occupation	➢ Professional	84	➢ Semi-skilled	62
	➢ Semi-professional	84	➢ Unskilled/farm worker	54
Education	➢ Tertiary diploma/Some university	86	➢ Less than Year 10	50
	➢ Tertiary degree	81	➢ Passed Year 10	64

H2. How well do you understand what Redraw Facility means? Very well, fairly well, not very well or not at all.				
Response – Very Well or Fairly Well: 75%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Gross Personal Income	➤ $50,000 – $69,999	82	➤ Under $20,000	67
	➤ $70,000 or more	86		
Gross Household Income	➤ $100,000 or more	88	➤ Under $20,000	55
			➤ $20,000 – $34,999	64
Savings Excl. Home	➤ $50,000 – $249,999	83	➤ Under $5,000	65
	➤ $250,000 or more	85		
Home Ownership	➤ Paying off residence	81	➤ Own residence outright	65
			➤ Renting residence	60
			➤ No mortgage but considering	56
Home Value	➤ $175,000 – $299,999	81	➤ Under $175,000	68
	➤ $300,000 – $499,999	82		
	➤ $500,000 or more	84		
Mortgage Debt	➤ $50,000 – $249,999	83	➤ Under $50,000	68
	➤ $250,000 or more	88		
Financial Literacy Quintiles	➤ Levels 7-8	87	➤ Levels 1-2	39
	➤ Levels 9-10	95	➤ Levels 3-4	62

Groups which differ most from the total population are shaded.

Base: Respondents with or considering taking a mortgage

Sample Size: 1646

10.1.1.2.2 Home Equity Loans

The most common response among mortgage holders and considerers when asked how well they understood the term "home equity loan" was "fairly well" (32%), closely followed by "very well" (29%). Although the majority (61%) therefore considered that they understood the term "very well" or "fairly well", a substantial 39% understood it "not very well" or "not at all".

In comparison with the 61% claiming to understand what a "home equity loan"[*] is "very well" or "fairly well", the lowest proportions were found among unskilled or farm workers, those with no occupation, or those with low household income, as shown below.

Table 167. Demographic Profile for Home Equity Loan Knowledge

H3. How well do you understand what Home Equity Loan means? Very well, fairly well, not very well or not at all well. *Response – Very Well or Fairly Well: 61%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Geography	–		➢ Country Area	54
Gender	➢ Male	69	➢ Female	54
Age	➢ 35-44	68	➢ 18-24	45
			➢ 25-34	53
Household Structure	–		➢ Single – live in shared household	52
			➢ Single parent	52
Employment Status	–		➢ Employed – part-time	53
			➢ Employed – casual	47
			➢ Home duties	49
Occupation	➢ Professional	74	➢ Sales	50
	➢ Executive/Owner (including small business & farm)	71	➢ Semi-skilled	52
			➢ Unskilled/farm worker	40
			➢ No occupation	35
	➢ Self-employed	67		
Education	➢ Tertiary degree	67	➢ Less than Year 10	48
			➢ Passed Year 10	54
Gross Personal Income	➢ $70,000 or more	81	➢ Under $20,000	48
			➢ $20,000 – $34,999	49

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[*] The term 'home equity loan' may, in fact, be used in different ways by different financial institutions. Some confusion concerning the term, therefore, may be understandable.

H3. How well do you understand what Home Equity Loan means? Very well, fairly well, not very well or not at all well.				
Response – Very Well or Fairly Well: 61%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Gross Household Income	➢ $100,000 or more	74	➢ Under $20,000	38
			➢ $20,000 – $34,999	47
			➢ $35,000 – $59,999	55
Savings Excl. Home	➢ $50,000 – $249,999	69	➢ Under $5,000	41
	➢ $250,000 or more	79		
Non-Mortgage Debt	➢ $100,000 or more	71	–	
Home Ownership	–		➢ Renting residence	44
			➢ No mortgage but considering	42
Home Value	➢ $300,000 – $499,999	70	➢ Under $175,000	54
	➢ $500,000 or more	74		
Mortgage Debt	➢ $250,000 or more	80	–	
Financial Literacy Quintiles	➢ Levels 7-8	72	➢ Levels 1-2	25
	➢ Levels 8-9	91	➢ Levels 3-4	41
			➢ Levels 5-6	55

Groups which differ most from the total population are shaded.

Base: Respondents with or considering taking a mortgage

Sample Size: 1646

10.1.1.2.3 Early Termination

When those with a mortgage or those considering taking out a mortgage were asked how well they understood the term "early termination fee", the most common response among mortgage holders and considerers was "very well" (45%).   Seventy-nine percent understood the term "very well" or "fairly well".

- Very well: 45%

- Fairly well: 34%

- Not very well: 14%

- Not at all: 7%

In comparison with the 79% believing they understood about "early termination fees" "very well" or "fairly well", the lowest proportions were found among those aged 18–24, those aged 70 or more, those with a low level of education or those with low household income.

Table 168. Demographic Profile for Early Termination Fee Knowledge

H4. How well do you understand what Early Termination Fee means? Very well, fairly well, not very well or not at all well. *Response – Very Well or Fairly Well: 79%*				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Age	–		➢ 18-24 ➢ 70 or more	61 55
Occupation	➢ Professional	86	➢ Semi-skilled ➢ Unskilled/farm worker	66 63
Education	➢ Tertiary degree	86	➢ Less than Year 10 ➢ Passed Year 10	60 72
Gross Personal Income	➢ $50,000 – $69,999 ➢ $70,000 or more	85 88	➢ Under $20,000	73
Gross Household Income	➢ $100,000 or more	87	➢ Under $20,000 ➢ $20,000 – $34,999	61 70
Savings Excl. Home	➢ $50,000 – $249,999 ➢ $250,000 or more	86 91	➢ Under $5,000	70
Home Ownership	–		➢ Renting residence ➢ No mortgage but considering	70 67

H4. How well do you understand what Early Termination Fee means? Very well, fairly well, not very well or not at all well. Response – Very Well or Fairly Well: 79%				
Demographic	**Above Average Giving Response**	**%**	**Below Average Giving Response**	**%**
Home Value	➢ $175,000 – $299,999 ➢ $300,000 – $499,999 ➢ $500,000 or more	84 84 91	➢ Under $175,000	72
Mortgage Debt	➢ $50,000 – $249,999 ➢ $250,000 or more	84 86	–	
Financial Literacy Quintiles	➢ Levels 7-8 ➢ Levels 9-10	90 98	➢ Levels 1-2 ➢ Levels 3-4	42 71

Groups which differ most from the total population are shaded.

Base: Respondents with a mortgage

Sample Size: 1646

GLOSSARY

Significance testing for "Above" and "Below" Average Description

In order to ensure a concise and consistent method of selecting demographic groups which were *different* from the total population, demographics are described as *above average* or *below average* in the tables and text throughout this report according to the following criteria:

- If the sub-group proportion was at least 5% more or less than the proportion for the total group being analysed, and

- index was at least 5 points more or less than for the total group being analysed (100), and

- the result was significantly different (at 95% confidence level)

For Gender and Geography variables only, the criteria were:

- the proportion was at least 5% more or less than proportion for the other group being analysed (rather than for the total population), and

- the index was at least 5 points more or less than total group being analysed (100), and

- the result was significantly different (at 95% confidence level)

Where one of the groups qualified, results for the alternative were also shown in the Demographic Profile Tables.

Retirement Planning

Based on question DEM19: *"What is the total amount of money you now have, either on your own or jointly with someone else, in all savings and investments, including superannuation but excluding your own home - that is, in bank, building society or credit union accounts or other investments?"* combined with respondent's age, people were grouped into those with and without adequate levels to be able to fund their own retirement.

Groups with low "savings for age"

Based on previous work conducted by Roy Morgan Research[1], which involved actuarial estimations, the groups deemed to have inadequate levels of savings and investments were those:

- Aged 35 or more with less than $50,000 in savings and investments
- Aged 40 or more with less than $100,000 in savings and investments
- Aged 55 or more with less than $250,000 in savings and investments

People falling into these groups made up 1,291 of the 2,398 respondents aged 35 or more, or almost 54% of the weighted population.

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[1] Unpublished internal research, Roy Morgan Research, 2002

APPENDIX 1 – KEY STAKEHOLDERS IN STAGE 1

Key Stakeholders interviewed during Stage 1 of Adult Financial Literacy Project

NAME	POSITION	ORGANISATION
Ms Nicola Howell	Policy Officer	Consumer Credit Legal Centre
Ms Karen Cox	Co-ordinator	Consumer Credit Legal Centre
Ms Kathy Avram	Senior Lecturer	Faculty of Business & Economics, Monash University
Mr Bruce Bonyhady	Managing Director, ANZ Investments	ANZ Funds Management
Mr Chris Field	Executive Director	Consumer Law Centre Victoria
Dr Elizabeth Lanyon	Associate Dean (Development)	Faculty of Law, Monash University
Ms Jenny Lawton	Financial Counsellor	Carlton/Fitzroy Financial Counselling Service
Mr Michael Long	Senior Research Fellow	Centre for Economics of Education & Training, Monash University
Ms Alison Maynard	Chief Executive Officer	Financial Industry Complaints Service
Mr Sam Parrino	Chief Executive	Insurance Enquiries & Complaints
Ms Jan Pentland	Financial Counsellor	Financial & Consumer Rights Council
Mr Simon Smith	Consumer Issues Consultant	AAMI
Mr Robin Bowerman	Editor	Personal Investor Magazine
Mr Robert Gottliebson	Chief Commentator	Business Review Weekly
Mr Colin Neave	Ombudsman	Australian Banking Industry Ombudsman
Ms Diane Carmody	General Manager	Australian Banking Industry Ombudsman
Ms Elisabeth Wentworth	General Counsel	Australian Banking Industry Ombudsman
Ms Narelle Brown	Vice President	Financial Counsellors Association of NSW
Mr Tony Devlin	Manager	Credit Line Financial Counselling Services
Mr Robert Drummond	General Manager – Regulation	Insurance Council of Australia
Mr Ian Gilbert	Director	Australian Bankers' Association
Mr Ron Hardaker	Executive Director	Australian Finance Conference
Ms Margaret Raffan	Principal Policy Officer	Department of Fair Trading, NSW Consumer Protection Agency
Ms Phillipa Smith	Chief Executive Officer	Association of Superannuation Funds of Australia
Ms Lynn Ralph	Chief Executive Officer	Investment & Financial Services Association
Ms Susan Brooks	Chief Compliance Officer	Westpac Banking Corporation
Ms Carolyn Bond	Manager	Consumer Credit Legal Service
Dr Valerie Braithwaite	Director, Centre for Tax System Integrity	Australian National University
Mr Wayne Byrne	Financial Advisor	Vanzwan & Associates
Mr Russ Campbell	Manager, Financial Services Provider Conduct Unit	The Treasury
Mr Daryl Dixon	Writer and Consultant	Daryl Dixon Advisory Services
Mr Graeme McDonald	Chairperson	Superannuation Complaints Tribunal
Ms Clare Nairn	Assistant Commissioner	Australian Taxation Office

APPENDIX 2 – ADULT FINANCIAL LITERACY FRAMEWORK

**Adult Financial Literacy – Australia
Framework of Skills and Knowledge**

**(based on an amended version of the framework produced by
the Adult Financial Literacy Advisory Group, UK, and
revised in light of comment from key stakeholders)**

Mathematical Literacy and Standard Literacy		
	Basic requirements	**Advanced competence**
Essential mathematical, reading and comprehension skills	• Ability to add, subtract, multiply and divide (with or without calculator) • Ability to understand and calculate percentages (with or without calculator) • Ability to read and comprehend basic English	• Ability to understand compound interest • Ability to understand averages

Financial Understanding		
	Basic requirements	**Advanced competence**

Understanding of what money is and how money is exchanged	• Understanding of the range of ways to pay for goods and services, including:
	  – Cash
	  – Cheques
	  – Money orders
	  – Credit cards
	  – Debit cards
	  – Store cards
	  – EFTPOS
	  – Direct debit
	  – Loans
	  – Laybys
	• Ability to compare the advantages and disadvantages of different forms of payment
		• Understanding of the implications and key features of unsecured credit and debt, including both fixed:
		  – Personal loans
		  – Lease
		  – Hire purchase
		  …and revolving:
		  – Credit cards
		  – Store cards
		  – Overdrafts
		  – Other "line of credit" facilities
		• Understanding of ways to compare interest rates and the effects of fees and other charges
		• Understanding that some loans and purchase agreements are secured whilst others are unsecured, and the implications for default
		• Understanding of the concept and implications of personal guarantor and co-borrower arrangements
		• Understanding of how credit records are generated and the implications of bad records for future borrowing

Understanding of where money comes from and goes	• Ability to read a pay-slip • Recognition of household expenses and regular financial commitments	• Understanding of how companies and other organisations are financed, including shares

Financial Competence		
	Basic requirements	**Advanced competence**

Understanding of the main features of basic financial services	• Awareness of the availability and basic features of:
	   – Basic banking
	   – Electronic banking (e.g. ATMs; EFTPOS; telephone banking; Internet banking)
	   – Mortgages
	   – Superannuation
	   – Other investments (e.g. shares; term deposits; managed investments; life insurance with an investment element)
	   – Risk insurance products (e.g. house and contents insurance, including coverage and exclusions; health insurance)
	• Awareness of the sorts of fees that apply to these services
	• Awareness of the trade-off between fees and return
	• Awareness that one should shop around before purchasing financial products
	• Understanding that superannuation sets aside money for retirement, and involves compulsory employer contributions
	• Understanding that personal contributions can be made to superannuation as an option
	• Ability to check that an employer has been making compulsory contributions to superannuation
	• Understanding of fixed interest rates vs. variable interest rates as they apply to mortgages
	• Understanding of terms and conditions for early termination and other variations within mortgages
		• Ability to make strategic use, to maximise personal financial advantage, of:
		   – Basic banking
		   – Electronic banking (e.g. ATMs; EFTPOS; telephone banking; Internet banking)
		   – Mortgages
		   – Superannuation
		   – Other investments (e.g. shares; term deposits; managed investments; life insurance with an investment element)
		   – Risk insurance products (e.g. house and contents insurance, including coverage and exclusions; health insurance)
		• Ability to check records (e.g. Annual Statements) from superannuation funds to determine whether current contribution levels and % returns are appropriate for anticipated needs
		• Knowledge concerning what constitutes an adequate level of insurance for total and permanent disablement or death benefit, and ability to check that a superannuation fund is providing it
		• Understanding that taxation can be minimised through personal contributions to superannuation vs. other forms of investment
		• Ability to use property for personal financial advantage (e.g. purchase investment property)

Financial Competence (continued)

	Basic requirements	Advanced competence

Ability to understand financial records and appreciation of the importance of reading and retaining them	• Ability to check accuracy of official financial records, such as:
	  – Bank statements
	  – ATM service statements
	  – Credit card statements
	  – Superannuation statements
	  – Insurance policies and renewal notices (e.g. understand coverage, exclusions and duty of disclosure)
	  – Loan documentation
	• Understanding of the need to keep records
		• Ability to reconcile a bank statement to allow for items not yet reconciled
		• Ability to read an Annual Statement from a superannuation fund to see the asset classes invested in and % return over time
		• Understanding of official financial records, such as prospectuses and Annual Statement for investment products
		• Understanding of the need to monitor performance of investments over time

Attitudes to spending money and saving	• Understanding of the purpose of saving • Understanding of why you need to save for retirement • Understanding that there is a variety of places and ways in which to save money • Understanding of how to use budgets to plan and control personal spending • Ability to forecast and recognise the impact of irregular major financial outlays (e.g. vehicle registration; holidays)	• Ability to budget strategically to make payments as late as possible and keep money earning interest as long as possible
Awareness of risks associated with some financial products and appreciation of the relationship between risk and return	• Understanding of the purpose of insurance • Awareness that both savings and borrowing are offered on differing terms and interest rates that vary over time • Awareness that high return investments are also likely to involve high risk • Understanding that market values can fall as well as rise • Awareness that if it sounds "too good to be true", then it probably isn't true • Awareness of the dangers of under-insurance • Awareness that individuals are responsible for debts of spouse/other family members with whom they have a joint financial product • Understanding of the value of diversification when investing	• Ability to identify potential risks and determine whether they need to be eliminated or mitigated against • Understanding of managed investments • Understanding of guarantees on investments • Understanding that short-term ups and downs in value are less important for long-term investments • Understanding of currency issues, including the impact of fluctuations in exchange rate for the Australian dollar

Financial Responsibility		
	Basic requirements	**Advanced competence**
Ability to make appropriate personal life choices about financial issues	• Understanding of the difference between long-term and short-term needs • Ability to prioritise different needs to balance income and expenditure within financial capacity • Understanding of the difference between good (manageable and planned) debt and bad (unmanageable and unplanned) debt • Ability to make informed choices when experiencing a drop in income	• Ability to assess the financial implications of personal life choices in terms of career choices and life-long learning opportunities

Understanding of consumer rights and responsibilities	• Understanding that consumers do have rights
	• Understanding that consumers have a right to clear information about products both pre-purchase and ongoing post-purchase
	• Awareness of and ability to access independent dispute resolution schemes for financial products
	• Understanding of consumer responsibilities and the implications of not meeting them, including:
	  – Duty of disclosure for risk insurance
	  – Safeguarding of PINs for transaction banking
		• Understanding and ability to check, before handing over money for an investment, that:
		  – Financial products should only be purchased from licensed financial businesses
		  – Advice should only be sought from persons employed by licensed advisory businesses
		  – Prospectuses must be lodged with ASIC
		  – Persons providing advice about financial products must disclose any commissions, important side-benefits and potential conflicts of interest
		• Awareness of 14-day cooling-off period for insurance

Ability and confidence to access assistance when things go wrong	• Understanding that the finance sector is regulated • Understanding of who one can call on to help with more complex issues (e.g. advisers; accountants) • Awareness of where/whom to contact if things go wrong (e.g. consumer complaints department of financial institution; consumer association; financial counsellor; ombudsman) • Ability to make complaints effectively • Awareness of the distinction between financial advisers charging fee-for-service vs. taking commission, and understanding of its implications	• Broad understanding of the level of regulation of the finance sector • Understanding that regulation of the finance sector is no guarantee of the safety of all financial products • Ability to assess and compare different sources of financial advice and information • Understanding of the processes and procedures for resolving disputes

APPENDIX 3 – SAMPLE DEMOGRAPHICS

1.   SAMPLE DEMOGRAPHICS

During interviewing, broad quotas were applied for age, sex, and State/Territory to ensure that the sample was representative of the entire Australian population.

Sample was drawn from electronic White Pages 2001 and randomly selected for contact, with only one respondent per household.

Characteristics of the unweighted sample, comprising 3,548 adult Australians, are detailed below.

1.1   Unweighted Sample by Sex and age

The sample comprised 1,754 males (49%) and 1,794 females (51%), representing an approximately even distribution of the sexes, as shown below in Figure 44.

Figure 44. Unweighted Sample by Sex
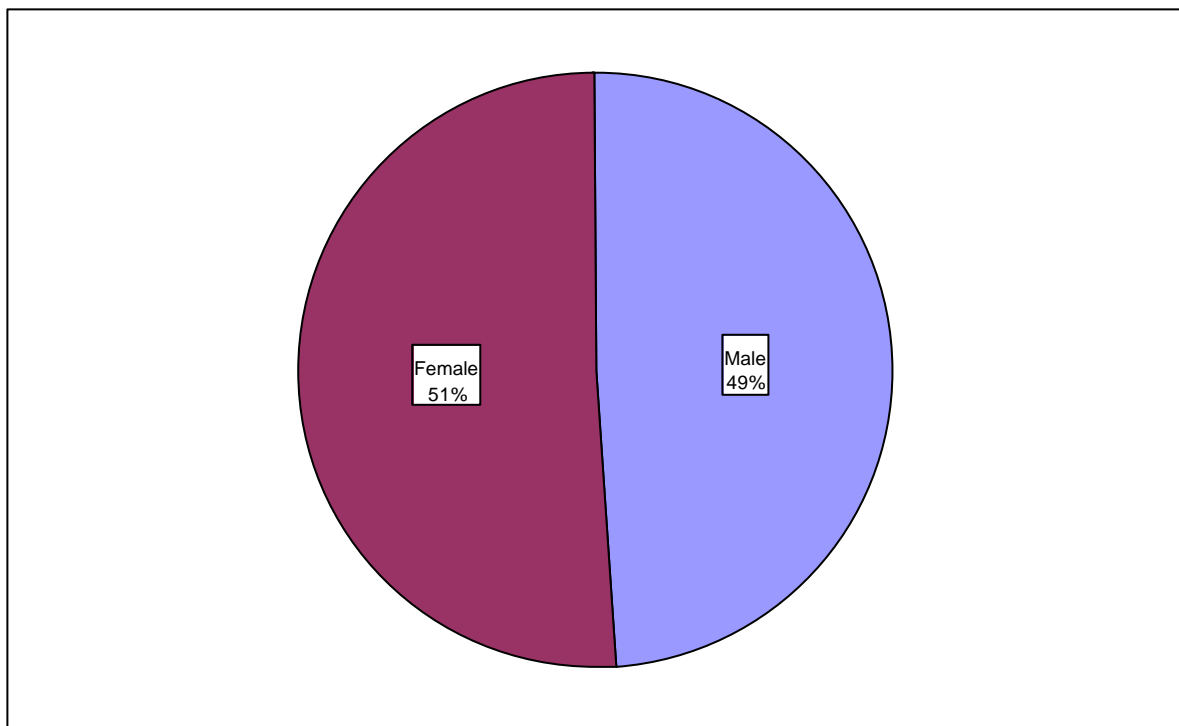
Base: Total Respondents
Sample Size: 3548

Figure 45, below, graphically reveals the distribution of age within the sample.

Figure 45 Unweighted Sample by Age
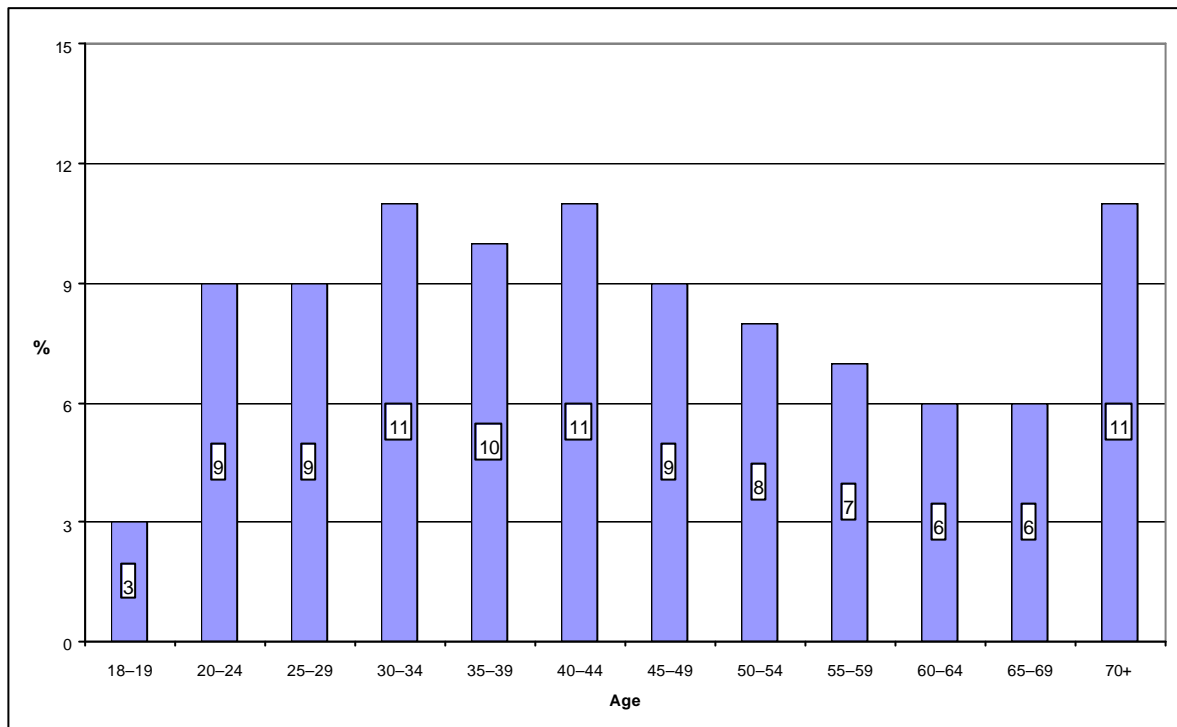
Base: Total Respondents
Sample Size: 3548

Please note that throughout this report, due to similarities in characteristics and to reduce data, age was often reported on within the following broad bands:

- 18–24

- 25–34

- 35–44

- 45–59

- 60–69

- 70 and over

Age was distributed approximately evenly across the sexes, as shown below in Table 169.

Table 169. <u>Unweighted Sample by Age within Sex</u>

Age	Sex			
	Male (%)	**Female (%)**	**Male**	**Female**
18–19	4	3	72	48
20–24	9	9	164	170
25–29	10	9	168	156
30–34	10	11	182	190
35–39	10	9	180	166
40–44	11	11	191	199
45–49	8	9	148	157
50–54	8	9	139	158
55–59	7	7	124	125
60–64	7	6	118	99
65–69	5	7	88	118
70+	10	12	180	208
Total	**100**	**100**	**1754**	**1794**

Base: Total Respondents

Sample Size: 3548

Percentages may not sum to 100% due to rounding

1.2   Unweighted Sample by State/Territory

Breakdown of the unweighted sample by State/Territory, as shown below in Table 170, reveals that it was closely in proportion to distribution of the general Australian adult population by State/Territory.

Table 170. <u>Unweighted Sample by State/Territory</u>

State/Territory	Number	%
NSW/ACT	1,242	35
VIC	891	25
QLD	633	18
SA/NT	317	9
WA	356	10
TAS	109	3
Total	**3,548**	**100**

Base: Total Respondents
Sample Size: 3548

1.3   Unweighted Sample by Capital City/Country Areas

Breakdown of the unweighted sample by location (inside or outside capital city), as shown below in Figure 46, reveals that it was in proportion to distribution of the general Australian adult population.

Figure 46.   Unweighted Sample by Capital City/Country Areas

Region recorded at point of contact.
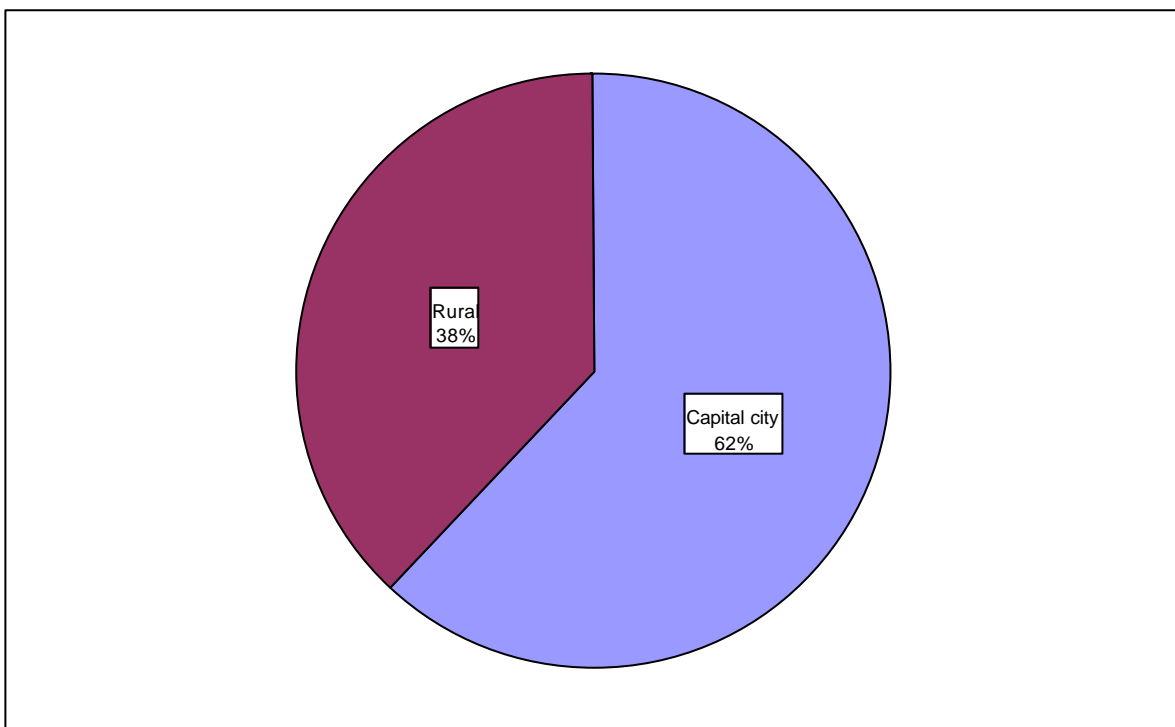
Base: Total Respondents

Sample Size: 3548 (Rural 1341 respondents), (Capital Cities 2207)

1.4 Unweighted Sample by Household Situation

The composition of the unweighted sample in respect of household situation (refer table below), as summarised in the following five categories:

- Single – living alone

- Single – living in a shared household

- Single parent

- Couple – children at home

- Couple – no children at home

Table 171. Unweighted Sample by Household Situation

DEM3. Which of the following best describes your household situation?

Household situation	Number	%
Single – living alone	659	19
Single – living in a shared household	416	12
Single parent	243	7
Couple – children at home	1,287	36
Couple – no children at home	930	26
Other/Can't say	13	<1
Total	**3,548**	**100**

Base: Total Respondents
Sample Size: 3548

1.5   Unweighted Sample by Work Status

Distribution of work status within the unweighted sample is shown in Table 172 below.

Table 172. <u>Unweighted Sample by Work Status</u>

> *DEM 4. Are you now in paid employment?*
>
> *IF YES, ASK: Is that full-time, for 35 hours or more a week, part-time, or casual?*
>
> *IF NO, ASK: Are you now looking for a paid job?*
>
> *IF LOOKING, ASK: A full-time job for 35 hours or more a week, a part-time job, or a casual job?*
>
> *IF NOT LOOKING, ASK: Are you a student, home duties, retired, or a non-worker?*

Work status	Number	%
Employed on full-time basis	1,499	42
Employed on part-time basis	465	13
Employed on casual basis	227	6
Looking for full-time job	107	3
Looking for part-time job	35	1
Looking for casual job	9	<1
Student	120	3
Home duties	256	7
Retired	746	21
Non-worker	84	2
Total	**3,548**	**100**

Base: Total Respondents.

Sample Size: 3548

Percentages may not sum to 100% due to rounding

Due to the small proportions looking for part-time and casual jobs, the total proportion looking for work (full-time, part-time or casual job) is often reported throughout this report.

Due to the way these questions were asked, a respondent could only be classified as one of the above work status categories.

1.6   Unweighted Sample by Occupation

All respondents were asked to name their main <u>or last</u> occupation, with distribution within the unweighted sample shown in Table 173 below.

Table 173. <u>Unweighted Sample by Occupation</u>

DEM6. What is your /was your last/main occupation – the position and industry?

Occupation	Number	%
Professional	391	11
Owners or executives	58	2
Owners of small businesses	163	5
Sales	232	7
Semi-professional	424	12
Other white collar	785	22
Skilled	610	17
Semi-skilled	398	11
Unskilled	273	8
Farm owners	39	1
Farm workers	31	1
No occupation	144	4
Total	**3,548**	**100**

Base: Total Respondents.

Sample Size: 3548

Percentages may not sum to 100% due to rounding

A respondent could only be classified as one of the above occupation categories.

Further, because this question was asked of all respondents, whether currently in employment or not, <u>the proportion having an occupation (96%) is well in excess of the 62% currently in employment</u>, being representative of people who have <u>ever</u> been employed rather than just those currently employed – an important distinction at times when considering results.

Due to similarities in characteristics, small sub-group sizes, and to reduce data, occupation has been reported with the following groups combined:

- Owners or executives and owners of small businesses
- Unskilled occupation and farm workers

1.7   Unweighted Sample by Self-employment in Main/Last Occupation

In order to establish whether or not a respondent was self-employed, the 96% of respondents having named a main/last occupation were asked whether they were, or had been, self-employed in that occupation.

Figure 47, below, reveals that 17% of the unweighted sample were currently self-employed in their main occupation or had been self-employed in their last occupation.

Figure 47.   Unweighted Sample by Self-employment in Main/Last Occupation

DEM 8. IF OCCUPATION MENTIONED, ASK: Are you/were you/self-employed in this occupation?
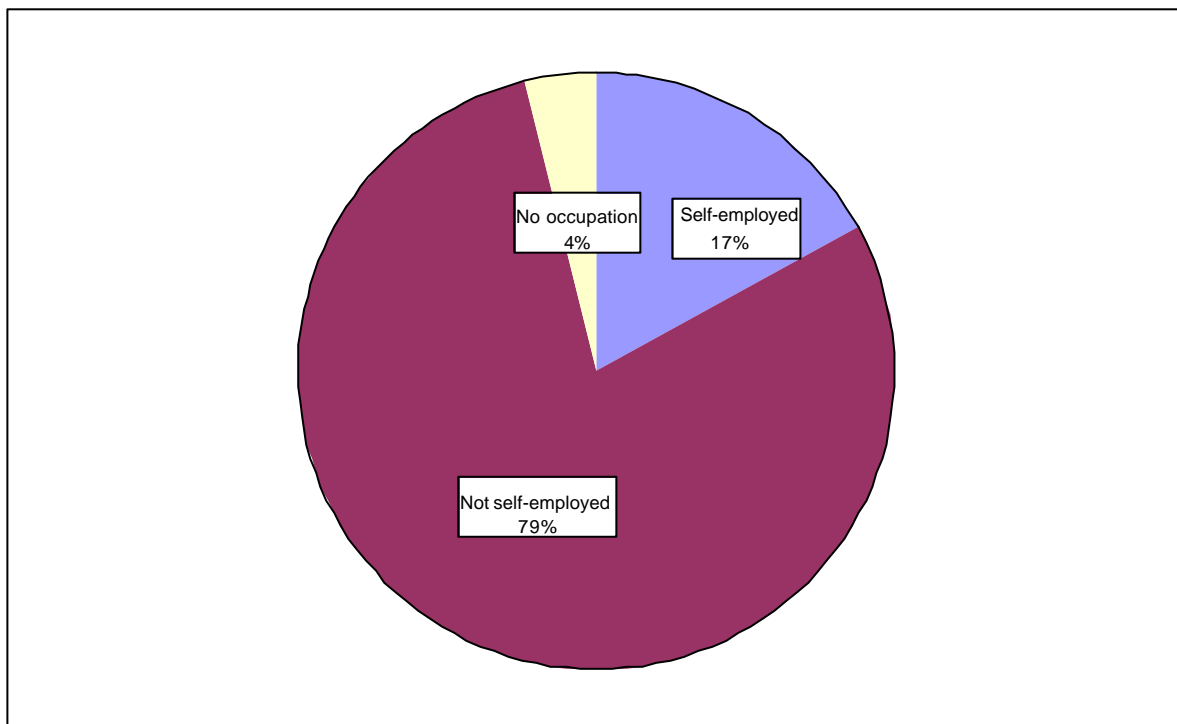
Base: Total Respondents

Sample Size: 3548 (No Occupation 144), (Self-employed 591), (Not Self-employed 2813)

As this question was asked of all respondents, whether currently in employment or not, 17% represents the sum of those currently self employed and those not currently in a job who were self-employed in their most recent job.

1.8   Unweighted Sample by Occupation in Finance

In order to establish whether or not a respondent had a background in finance, respondents who specified an occupation other than one necessarily involved in finance were asked whether they were working in finance in this occupation.

As shown in Figure 48 below, 7% of the unweighted sample were currently working in finance in their main occupation, or had worked in finance in their last occupation.

Figure 48.   Unweighted Sample by Occupation in Finance

DEM7. IF OCCUPATION NOT CLEARLY IN FINANCE, ASK: Are/were you working in finance, such as working in a bank, being an accountant, financial planner/adviser or working in superannuation?
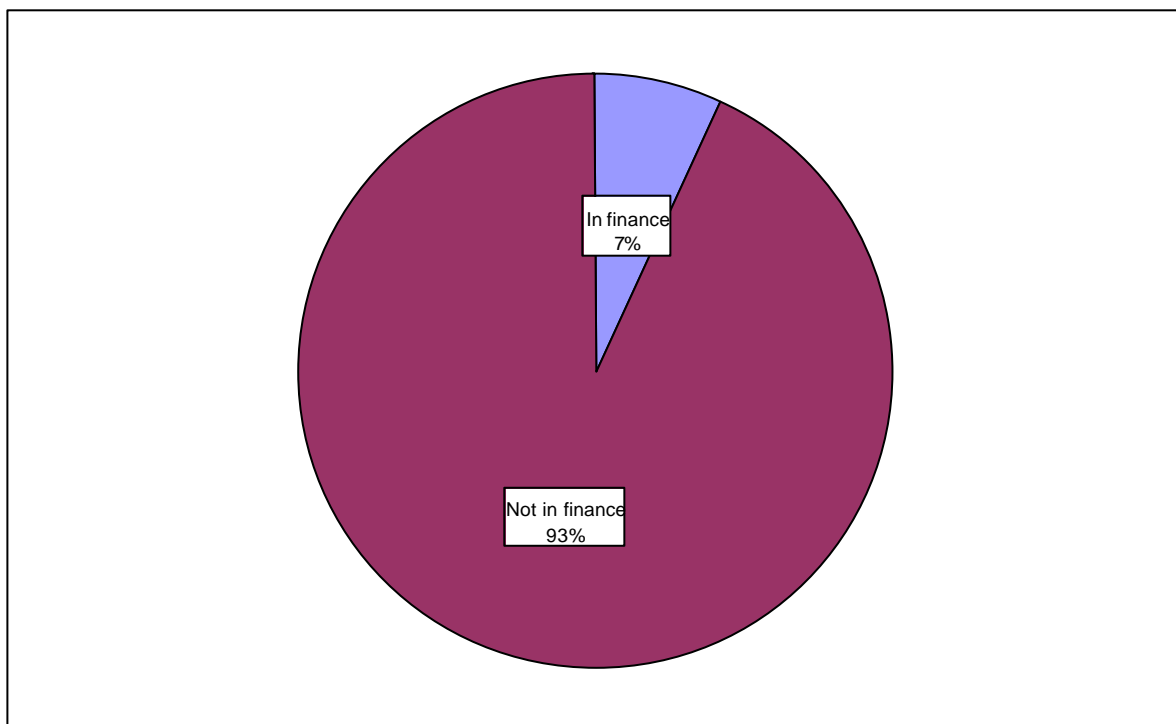
Base: Total Respondents
Sample Size: 3548

As this question was asked of all respondents, whether currently in employment or not, 7% represents the sum of those currently employed in finance, and those not currently in a job in finance.

1.9   Unweighted Sample by Highest Level of Education Reached

All respondents were asked to name the highest level of education they had reached, with the distribution within the unweighted sample shown in Table 174 below.

Table 174. <u>Unweighted Sample by Highest Level of Education Reached</u>

DEM9. What is the highest level of education you have reached?

Highest level of education	Number	%
Primary school	64	2
Some secondary school	342	10
Some technical or commercial	28	1
Passed Year 10/4th Form/Intermediate	569	16
Passed Year 11/5th Form/Leaving	345	10
Finished technical school, commercial college or TAFE	343	10
Finished/Now studying Year 12/6th Form/VCE/HSC/Matric.	559	16
Tertiary diploma	168	5
Some tertiary study	206	6
Tertiary degree	904	25
Other	20	1
Total	**3,548**	**100**

Base: Total respondents.

Sample Size: 3548

Percentages may not sum to 100% due to rounding

A respondent could only be classified as one of the above highest level of education categories.

Due to similarities in characteristics, small sub-group sizes and to reduce data, highest level of education is reported with the following groups combined:

- Primary and some secondary school
- Some technical or commercial and finished technical school, commercial college or TAFE
- Tertiary diploma and some tertiary study

1.10 Unweighted Sample by Number of Children Under 16 Living in Household

All respondents were asked to specify the number of children aged under 16 living in their household, with distribution within the unweighted sample shown in Table 175 below.

Table 175. <u>Unweighted Sample by Number of Children Under 16 Living in Household</u>

DEM10. *How many children aged under 16 live in your household?*

Number of children under 16 living in household	Number	%
No children under 16 living in household	2,347	66
1 child under 16 living in household	452	13
2 children under 16 living in household	483	14
3+ children under 16 living in household	266	7
Total	**3,548**	**100**

Base: Total Respondents
Sample Size: 3548

1.11 Unweighted Sample by Home Ownership Status

The distribution of home ownership status within the unweighted sample is shown below in Table 176.

Table 176. <u>Unweighted Sample by Home Ownership Status</u>

DEM11. *Do you or your family own your residence outright, or are you paying it off, or are you renting it?*

Home ownership status	Number	%
Own residence outright	1,510	43
Paying residence off	1,178	33
Renting residence	809	23
Other/Can't say	51	1
Total	**3,548**	**100**

Base: Total Respondents
Sample Size: 3548

1.12 Unweighted Sample by Current Value of Own Home

The 76% of respondents who were paying their home off or owned it outright were asked the current value of their homes, with the distribution shown below in Table 177.

Table 177. <u>Unweighted Sample by Current Value of Own Home</u>

DEM12. *What is the approximate current value of your home?*

Current value of own home	Number	% of all adults	% of those paying off or owning own home outright
Not paying off or owning own home outright	860	24	–
Under $100,000	183	5	6
$100,000–$124,999	152	4	6
$125,000–$149,999	160	5	6
$150,000–$174,999	226	6	8
$175,000–$199,999	178	5	6
$200,000–$224,999	230	6	8
$225,000–$249,999	90	3	3
$250,000–$274,999	182	5	7
$275,000–$299,999	79	2	3
$300,000–$324,999	178	5	7
$325,000–$349,999	60	2	2
$350,000–$374,999	104	3	4
$375,000–$399,999	40	1	1
$400,000–$424,999	116	3	4
$425,000–$449,999	46	1	2
$450,000–$474,999	31	1	1
$475,000–$499,999	15	<1	<1
$500,000–$549,999	78	2	3
$550,000–$599,999	18	1	1
$600,000–$649,999	56	2	2
$650,000–$699,999	26	1	1
$700,000–$749,999	40	1	2
$750,000–$799,999	15	<1	1
$800,000–$849,999	30	1	1
$850,000–$899,999	30	1	1
$900,000–$949,999	15	<1	<1
$950,000–$999,999	5	<1	<1
$1,000,000 or more	45	1	2
Can't say	272	8	10
Total	**3,548**	**100**	**100**

Base: Total Respondents/those paying off or owning own home outright

Sample Size: 3548

Percentages may not sum to 100% due to rounding

Please note that throughout this report, due to similarities in characteristics of the groups current value of own home is often reported on within the following broad bands:

- Under $175,000

- $175,000 to $299,999

- $300,000 to $499,999

- $500,000 or more

1.13 Unweighted Sample by Country of Birth

The distribution of country of birth for all respondents is shown below in Table 178, listing separately only those within which at least 1% of the unweighted sample were born.

Table 178. <u>Unweighted Sample by Country of Birth</u>

DEM13. In which country were you born?

Country of birth	Number	%
Australia	2,858	81
UK (England, Scotland, Wales, Northern Ireland)	284	8
New Zealand	76	2
Italy	20	1
Other	310	9
Total	**3,548**	**100**

Base: Total Respondents

Sample Size: 3548

Percentages may not sum to 100% due to rounding

Please note that throughout this report due to similarities in characteristics and to reduce data, country of birth is often reported on within the following bands:

- Born in Australia
- Born outside Australia

1.14 Unweighted Sample by Language Spoken at Home

The distribution of language spoken at home is shown below in Table 179, listing separately only those spoken at home by at least 1% of the unweighted sample.

Table 179. <u>Unweighted Sample by Language Spoken at Home</u>

DEM14. Do you speak a language other than English at home?
IF YES, ASK: What is that language? (IF MORE THAN ONE, THE ONE SPOKEN MOST OFTEN)

Language spoken at home	Number	%
English only	3,193	90
Italian	56	2
German	23	1
Other	276	8
Total	**3,548**	**100**

Base: Total Respondents

Sample Size: 3548

Percentages may not sum to 100% due to rounding

Please note that throughout this report, language spoken at home is often reported on just in terms of whether or not English is spoken at home.

1.15 Unweighted Sample by Gross Annual Personal Income

Table 180, below, provides the distribution of gross annual personal income within the unweighted sample.

Table 180. <u>Unweighted Sample by Gross Annual Personal Income</u>

DEM15. Would you mind telling me your approximate annual income from all sources before tax? IF CAN'T SAY OR REFUSED, ASK: Well, could you tell me whether your income would be over $50,000 or under $50,000 per annum?

Gross annual personal income	Number	%
Less than $5,999	189	5
$6,000–$9,999	194	5
$10,000–$14,999	274	8
$15,000–$19,999	235	7
$20,000–$24,999	216	6
$25,000–$29,999	209	6
$30,000–$34,999	231	7
$35,000–$39,999	162	5
$40,000–$44,999	175	5
$45,000–$49,999	140	4
Under $50,000 (unspecified)	424	12
$50,000 or more (unspecified)	117	3
$50,000–$59,999	282	8
$60,000–$69,999	141	4
$70,000–$79,999	110	3
$80,000–$89,999	76	2
$90,000–$99,999	47	1
$100,000 or more	157	4
Can't say/refused	169	5
Total	**3,548**	**100**

Base: Total Respondents
Sample Size: 3548

Please note that throughout this report, due to similar characteristics and to reduce data, gross annual personal income is often reported in the following groups:

- Under $20,000
- $20,000 to $34,999
- $35,000 to $49,999
- $50,000 to $69,999
- $70,000 or more

1.16 Unweighted Sample by Gross Annual Household Income

Gross annual household income within the unweighted sample is shown in Table 181 below.

Table 181. <u>Unweighted Sample by Gross Annual Household Income</u>

DEM17. Would you mind telling me your approximate annual household income from all sources before tax? IF CAN'T SAY OR REFUSED, ASK: Well, could you tell me whether your household income would be over $100,000 or under $100,000 per annum?

Gross annual household income	Number	%
Less than $5,999	37	<1
$6,000–$9,999	90	3
$10,000–$14,999	180	5
$15,000–$19,999	186	5
$20,000–$24,999	149	4
$25,000–$29,999	157	4
$30,000–$34,999	165	5
$35,000–$39,999	121	3
$40,000–$44,999	157	4
$45,000–$49,999	123	3
Under $50,000 (unspecified)	202	6
$50,000 or more (unspecified)	26	1
$50,000–$59,999	244	7
$60,000–$69,999	194	5
$70,000–$79,999	174	5
$80,000–$89,999	158	4
$90,000–$99,999	106	3
Under $100,000 (unspecified)	286	8
$100,000 or more	540	15
Can't say/refused	253	7
Total	**3,548**	**100**

Base: Total Respondents

Sample Size: 3548

Percentages may not sum to 100% due to rounding

Please note that this question was not asked of respondents without partners, for whom gross annual household income (already established) was considered synonymous with gross annual personal income.

Due to similar characteristics and to reduce data, gross annual household income is often reported on in the following groups:

- Under $20,000
- $20,000 to $34,999
- $35,000 to $59,999
- $60,000 to $99,999
- $100,000 or more

1.17 Unweighted Sample by Total Savings

Table 182, below, provides the distribution of total savings (including superannuation but excluding own home) within the unweighted sample.

Table 182. Unweighted Sample by Total Savings

DEM19. What is the total amount of money you now have, either on your own or jointly with someone else, in all savings and investments, including superannuation but excluding your own home – that is, in all bank, building society or credit union accounts or other investments? IF CAN'T SAY OR REFUSED, ASK: Well, could you tell me whether it would be over $100,000 or under $100,000 per annum?

Total savings	Number	%
Less than $100	204	6
$100–$499	82	2
$500–$999	67	2
$1,000–$1,999	104	3
$2,000–$4,999	169	5
$5,000–$9,999	189	5
$10,000–$19,999	258	7
$20,000–$49,999	354	10
$50,000–$99,999	269	8
Under $100,000 (unspecified)	559	16
$100,000 or more (unspecified)	249	7
$100,000–$249,999	316	9
$250,000–$499,999	204	6
$500,000–$749,999	94	3
$750,000–$999,999	34	1
$1,000,000 or more	55	2
Can't Say/Refused	341	10
Total	**3,548**	**100**

Base: Total Respondents
Sample Size: 3548
Percentages may not sum to 100% due to rounding

Please note that throughout this report, due to similar characteristics and to reduce data, total savings is often reported in the following groups:

- Under $5,000
- $5,000 to $49,999
- $50,000 to $249,999
- $250,000 or more

1.18   Unweighted Sample by Total Mortgage Debt

The 37% of respondents with a mortgage (for own home or investment property) were asked their total mortgage debt, with the distribution shown below in Table 183.

Table 183. Unweighted Sample by Total Mortgage Debt

DEM20A. What is the total amount of money you now owe, either on your own or jointly with someone else, on any mortgages currently held?

Total mortgage debt	Number	% of all adults	% of those with mortgages
Don't have a mortgage	2,227	63	–
Less than $100	43	1	3
$100–$499	5	<1	<1
$500–$999	5	<1	<1
$1,000–$1,999	4	<1	<1
$2,000–$4,999	7	<1	<1
$5,000–$9,999	17	<1	1
$10,000–$19,999	36	1	3
$20,000–$49,999	161	5	12
$50,000–$99,999	302	9	23
$100,000–$249,999	447	13	35
$250,000–$499,999	120	3	9
$500,000–$749,999	30	1	2
$750,000–$999,999	6	<1	<1
$1,000,000 or more	9	<1	1
Can't Say/Refused	129	4	10
Total	**3,548**	**100**	**100**

Base: Total Respondents/those with mortgages

Sample Size: 3548

Percentages may not sum to 100% due to rounding

Please note that throughout this report, due to similar characteristics and to reduce data, total mortgage debt is often reported in the following groups:

- Under $50,000
- $50,000 to $249,999
- $250,000 or more

1.19 Unweighted Sample by Total Non-Mortgage Debt

The distribution of total non-mortgage debt within the unweighted sample is shown in Table 184, below.

Table 184. Unweighted Sample by Total Non-Mortgage Debt

DEM21. "Apart from any mortgages currently held, what is the total amount of money you now owe, either on your own or jointly with someone else, on all your loans, credit cards, etc.? IF CAN'T SAY OR REFUSED, ASK: Well, could you tell me whether it would be over $100,000 or under $100,000 per annum?"

Total non-mortgage debt	Number	%
Less than $100	1,432	40
$100–$499	159	4
$500–$999	154	4
$1,000–$1,999	225	6
$2,000–$4,999	331	9
$5,000–$9,999	213	6
$10,000–$19,999	295	8
$20,000–$49,999	207	6
$50,000–$99,999	70	2
Under $100,000 (unspecified)	118	3
$100,000 or more (unspecified)	20	1
$100,000–$249,999	81	2
$250,000–$499,999	23	1
$500,000–$749,999	5	<1
$750,000–$999,999	–	–
$1,000,000 or more	3	<1
Can't Say/Refused	212	6
Total	**3,548**	**100**

Base: Total Respondents
Sample Size: 3548
Percentages may not sum to 100% due to rounding

Please note that throughout this report, due to similar characteristics and to reduce data, total non-mortgage debt is often reported in the following groups:

- Under $500
- $500 to $9,999
- $10,000 to $99,999
- $100,000 or more

APPENDIX 4 – QUESTIONNAIRE

QUESTIONS WHICH CONTRIBUTED TO
FINANCIAL LITERACY QUINTILE SCORING

C2A	F4a	J15
D1A	F4b	J16
D1B	F4	J17
D1C	F5a	K1
D1D	F5B	K2
D1E	F5	K3
D1G	F6a	K4
D1H	F6b	K6
D1I	F6	L1
D1J	F7	L2
D1K	F8	L3
D1L	F9	L5
D1M	G1	L9
D1N	G2	L11
D1O	G3	L13
D1P	G6	L14
D16	H2	L15
D17A	H3	L16
D18A	H4	L17
D19A	I7	L18
D20A	I9	L19
D21A	J1	L20
D22A	J2	L21
D23A	J3	L22
D26	J6	L23
D27	J7	L24
F3	J8	

APPENDIX 5 – ADMINISTRATION OF QUESTIONNAIRE

ADMINISTRATION OF QUESTIONNAIRE

- Administration to all respondents:
    - Demographics
    - Section A
    - Section B
    - Questions D1A, D1C, D1L, D1M, D2, D3, D10, D11, D17, D24A, D25A, D26 and D27 (remainder of Section D asked only of 50% of respondents, as outlined below)
    - Question E2 (remainder of Section E asked only of 50% of respondents, as outlined below)
    - Questions I3, I4, I7 and I8 (remainder of Section I asked only of 50% of respondents, as outlined below)
    - Question J2 (remainder of Section J asked only of 50% of respondents, as outlined below)
    - Question K1 (remainder of Section K asked only of 50% of respondents, as outlined below)
    - Questions L19, L20, L21, L22, L23 and L24 (remainder of Section L asked only of 50% of respondents, as outlined below)
- Administration to qualifying respondents only, as indicated in brackets:
    - Section F (if have any insurance or investments)
    - Section G (if have superannuation)
    - Section H (if have or considering taking out a mortgage)
- Random administration to 50% of respondents of any two of the following four:
    - Section C and Section L
    - Section D
    - Section E and Section K
    - Section I and Section J

APPENDIX 6 – MATHEMATIC AND STANDARD LITERACY

1.   ADDITIONAL ANALYSIS FOR MATHEMATIC LITERACY

1.1   Financial Literacy Quintiles

In order to analyse the large amount of data available in the most concise manner, additional analysis has been completed for this section which is structured by demographic variables, rather than by financial terms.

The significant[1] differences for the Financial Literacy quintiles that scored above average for addition were level 7-8 (94%), and level 9-10 (97%), for subtraction they were level 5-6 (88%), level 7-8 (90%) and level 9-10 (95%), for multiplication they were level 5-6 (65%), level 7-8 (74%) and level 9-10 (87%), for division they were level 5-6 (89%), level 7-8 (93%) and level 9-10 (98%), and for percentages they were level 5-6 (92%), level 7-8 (94%) and level 9-10 (98%).

The significant differences for the Financial Literacy quintiles that scored below average for addition were level 1-2 (72%), for subtraction they were level 1-2 (55%), for multiplication they were level 1-2 (23%) and level 3-4 (46%), for division they were level 1-2 (59%) and for percentages they were level 1-2 (61%).

The top 3 Financial Literacy quintiles 5-6, 7-8 and 9-10 were significantly more likely to answer correctly across all of the mathematical assessment questions than the general population. Even across these high-performing segments the proportion of each segment that answered correctly increased from quintile 5-6 through to quintile 9-10.

The lowest Financial Literacy quintile 1-2 exhibited far more difficulty in correctly answering basic arithmetic questions and were significantly less likely to give the correct answer for every mathematical operation.

The performance of the Financial Literacy quintile 3-4 varied across the different mathematical operations. This segment performed poorly in multiplication, subtraction and division but were slightly better at basic addition and percentages, gaining average scores for these operations.

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[1] Refer Glossary for criteria for determining significant differences.

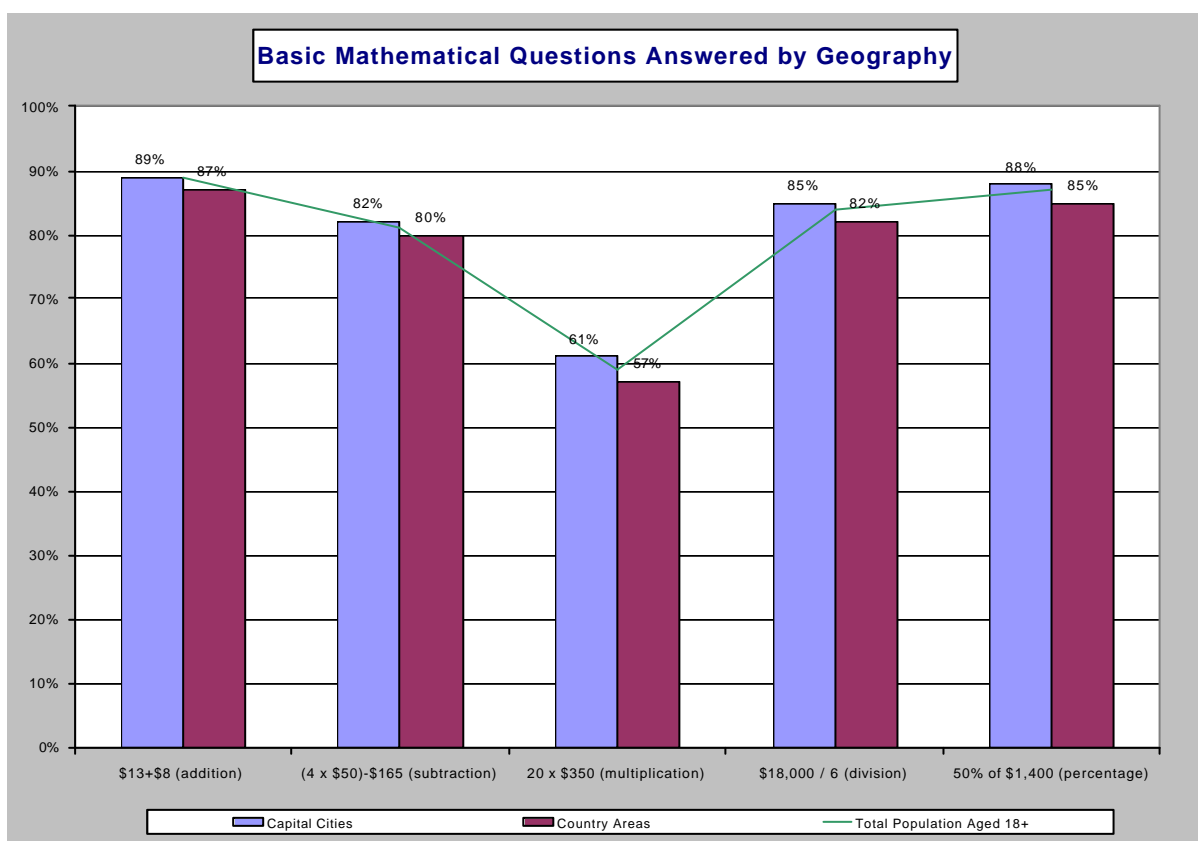**Table 185.   Mathematical Ability of Financial Literacy Quintiles**

L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Operation being Assessed	Financial Literacy Quintiles (percentage answered correctly)				
	Levels 1-2	Levels 3-4	Levels 5-6	Levels 7-8	Levels 9-10
Addition $13+ $8	72%	88%	92%	94%	97%
Subtraction (4*$50) - $165	55%	77%	88%	90%	95%
Multiplication 20 * $350	23%	46%	65%	74%	87%
Division $18,000/6	59%	80%	89%	93%	98%
Percentages 50% of $1,400	61%	87%	92%	94%	98%

Base: Total Respondents
Sample Size: 3548

1.2   Geography

Overall people living in Capital Cities performed slightly better than those living in Country Areas in their level of understanding the basic mathe matical questions. However, there were no significant differences between the two groups.
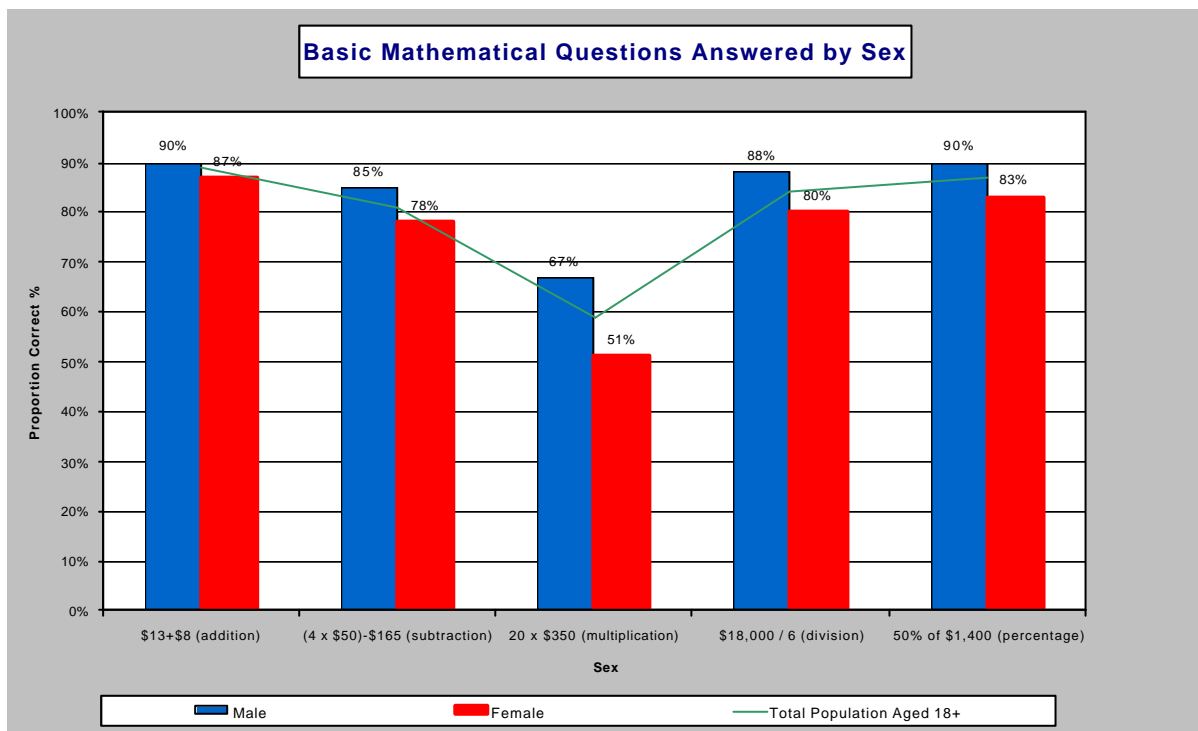

L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered by Geography

	$13+$8 (addition)	(4 x $50)-$165 (subtraction)	20 x $350 (multiplication)	$18,000 / 6 (division)	50% of $1,400 (percentage)
Capital Cities	89%	82%	61%	85%	88%
Country Areas	87%	80%	57%	82%	85%

Base: Total Respondents
Sample Size: 3548

Differences (although not significant) were:

- For the mathematical problem "$13+$18", those living in Capital Cities (89%) scored relatively better than those living in Country Areas (87%)

- For the mathematical problem "(4 x $50)-$165", those living in Capital Cities (82%) scored relatively better than those living in Country Areas (80%)

- For the mathematical problem "20 x $350" both geographical regions scored low, with those living in Capital Cities (61%) scoring relatively better than those living in Country Areas (57%)

- For the mathematical problem "$18,000/6", those living in Capital Cities (85%) scored relatively better than those living in Country Areas (82%)

- For the mathematical problem "50% of $1,400", those living in Capital Cities (88%) scored relatively better than those living in Country Areas (85%)

1.3   Sex

The only significant differences between the sexes was for multiplication where males answered above average (67%) and females answered below average (51%).
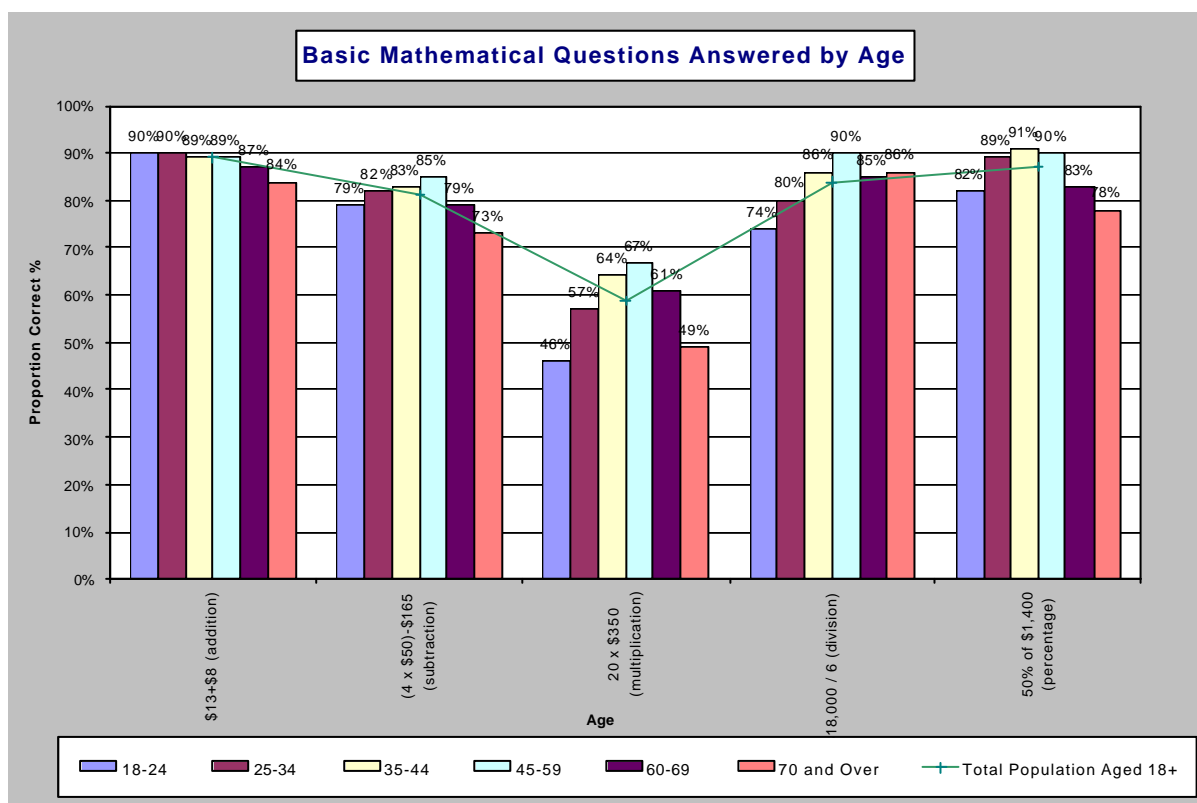
> *L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?*
>
> *L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?*
>
> *L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?*
>
> *L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?*
>
> *L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?*

Base: Total Respondents
Sample Size: 3548

Differences (although not significant) were:

- For the mathematical problem "$13+$18", Males (90%) scored relatively better than Females (87%)
- For the mathematical problem "(4 x $50)-$165", Males (85%) scored relatively better than Females (78%)
- For the mathematical problem "$18,000/6", Males (88%) scored relatively better than Females (80%)
- For the mathematical problem "50% of $1,400", Males (90%) scored relatively better than Females (83%)

1.4   Age

Ability to perform basic mathematical functions correctly varied with age. Those between 35 to 44 years of age and those 45 to 59 years of age displayed a higher ability and understanding for all functions.

There were significant differences between the age groups for all mathematical functions. Those between the age of 18 to 24 scored below average for multiplication (46%) below average for division (74%) and below average for percentages (82%). Those who were 70 and over scored below average for addition (84%), subtraction (73%), multiplication (49%) and percentages (78%).

> *L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?*
>
> *L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?*
>
> *L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?*
>
> *L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?*
>
> *L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?*

Basic Mathematical Questions Answered by Age

Base: Total Respondents
Sample Size: 3548

1.5   Where Born

There were no significant differences between the two groups. Generally, people whose country of birth is Australia showed a slightly better understanding of the mathematical assessment questions than those who were born outside of Australia.


L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered Correctly by Place of Birth
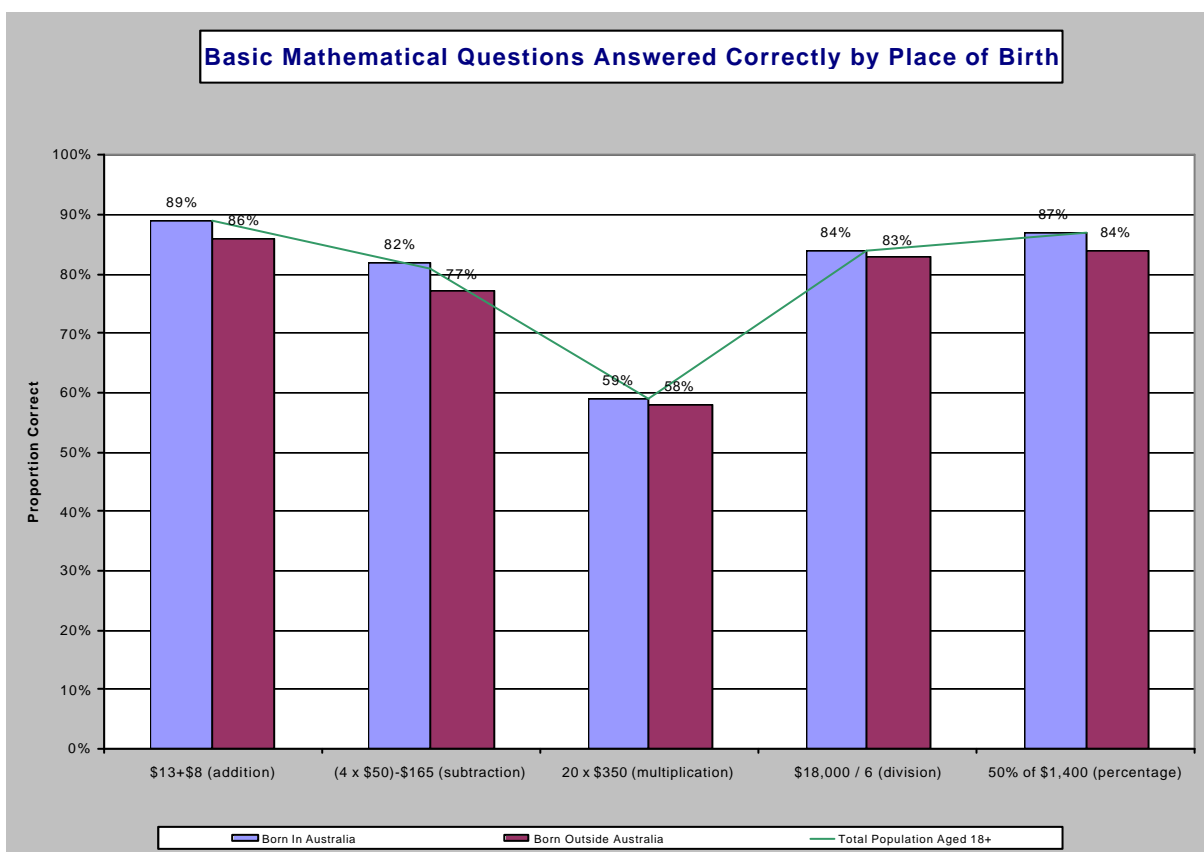
Base: Total Respondents
Sample Size: 3548

Differences (although not significant) included:

- For the mathematical problem "$13+$18", those born in Australia (89%) scored relatively better than those not born in Australia (86%)

- For the mathematical problem "(4 x $50)-$165", those born in Australia (82%) scored relatively better than those not born in Australia (77%)

- For the mathematical problem "20 x $350", both groups scored relatively lower in comparison to the other mathematical functions, with those born in Australia (59%) scoring marginally better than those not born in Australia (58%)

- For the mathematical problem "$18,000/6", those born in Australia (84%) scored marginally better than those not born in Australia (83%)

- For the mathematical problem "50% of $1,400", those born in Australia (87%) scored relatively better than those not born in Australia (84%)

1.6   Language Spoken at Home

Generally, people who spoke English at home showed a slightly better understanding than those who spoke another language at home of the mathematical assessment questions.

Those who spoke a language other than English at home scored below average in addition (83%), subtraction (73%), multiplication (53%) and division (78%).
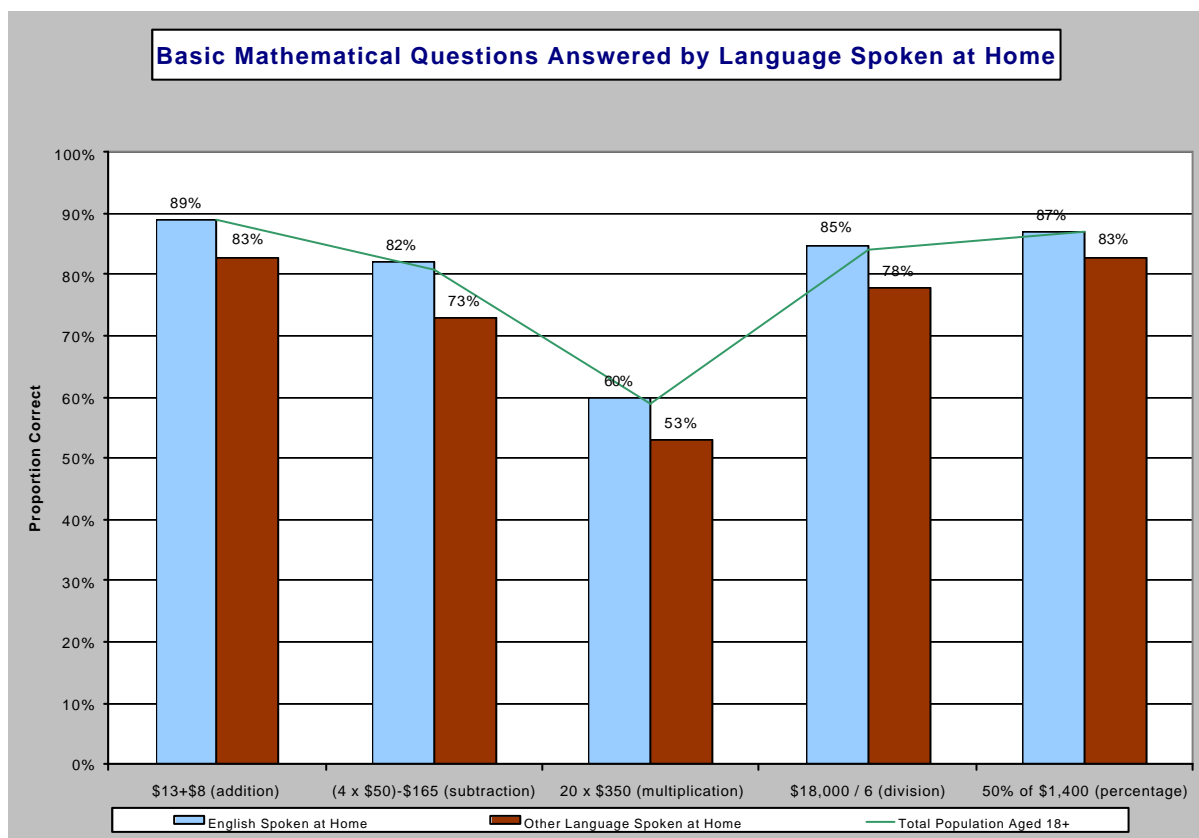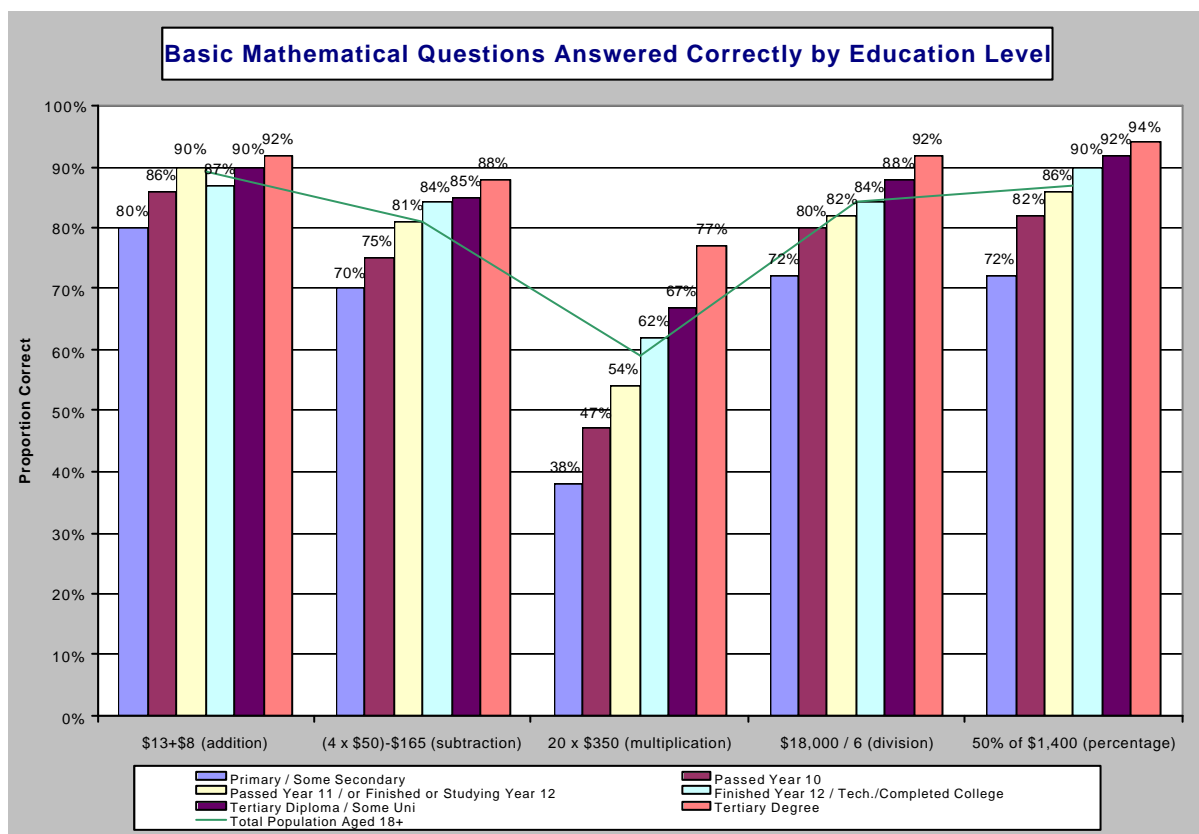

L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered by Language Spoken at Home

Legend: English Spoken at Home | Other Language Spoken at Home | Total Population Aged 18+

Categories: $13+$8 (addition) — 89%, 83% | (4 x $50)-$165 (subtraction) — 82%, 73% | 20 x $350 (multiplication) — 60%, 53% | $18,000 / 6 (division) — 85%, 78% | 50% of $1,400 (percentage) — 87%, 83%

Base: Total Respondents
Sample Size: 3548

1.7   Employment Status

People who were employed were more likely to answer the mathematical questions correctly than those who were students, those performing home duties, non-workers and retirees, except for the division question where retirees fared better.

1.8   Occupation

Those in semi-skilled and unskilled occupations were less likely to answer the mathematical questions correctly, while those in professional and semi-professional occupations were more likely to answer the questions correctly.

1.9   Education Level

There were significant differences between education level, with those having a higher education level being more likely to answer the mathematical questions correctly.
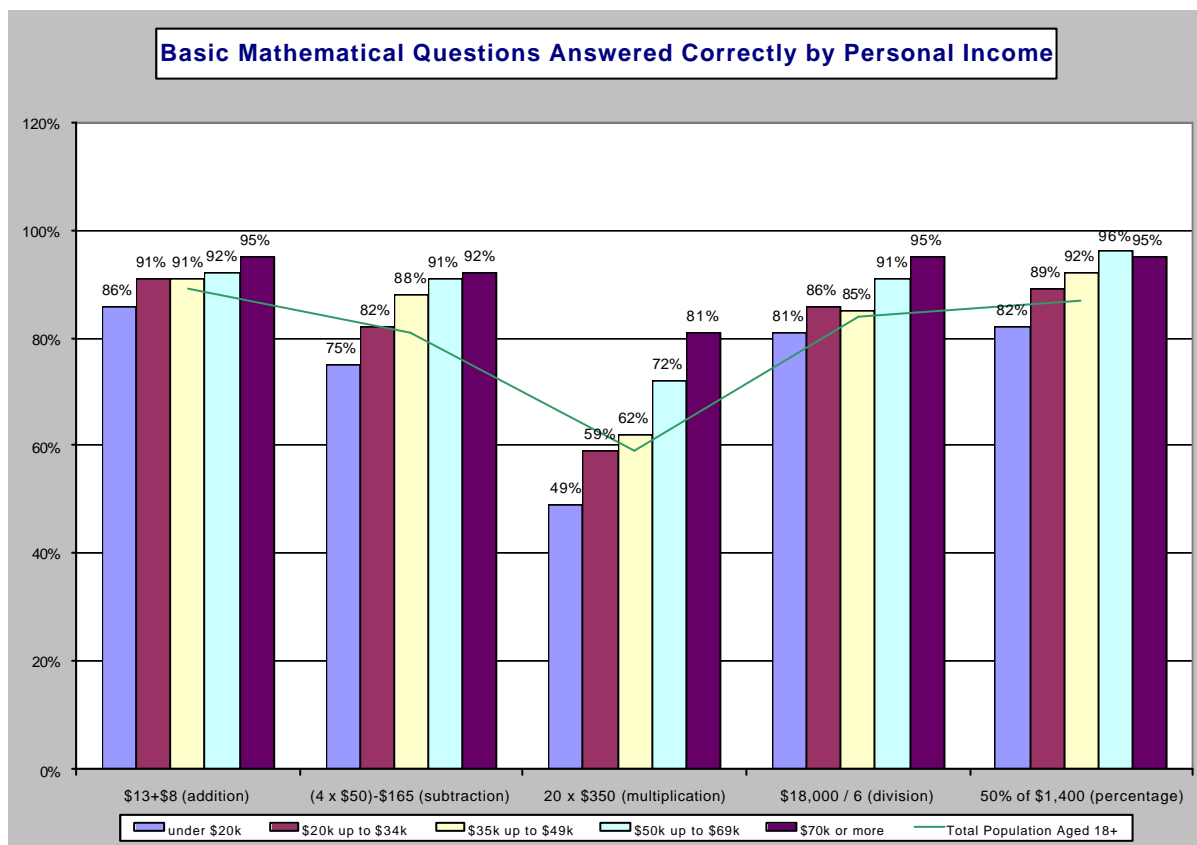
L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Base: Total Respondents

Sample Size: 3548

1.10   Personal Income

Respondents' ability to answer the mathematical assessment questions varied with personal income. Generally, higher income respondents answered the questions correctly more often than lower income respondents.

L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered Correctly by Personal Income

Base: Total Respondents
Sample Size: 3548

1.11 Household Income

Respondents from higher income households were more likely to correctly answer the mathematical questions more often than those from lower income households. There were significant differences between household income levels and the ability to correctly answer the mathematical assessment questions.
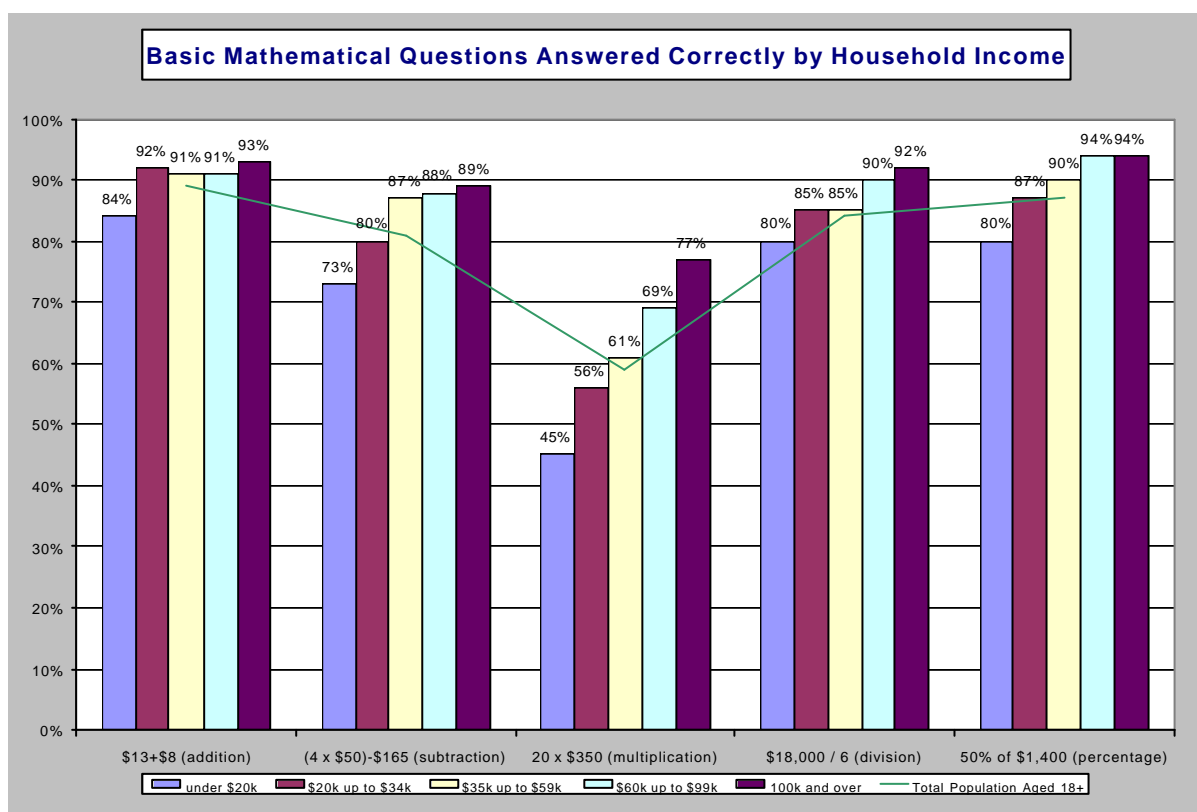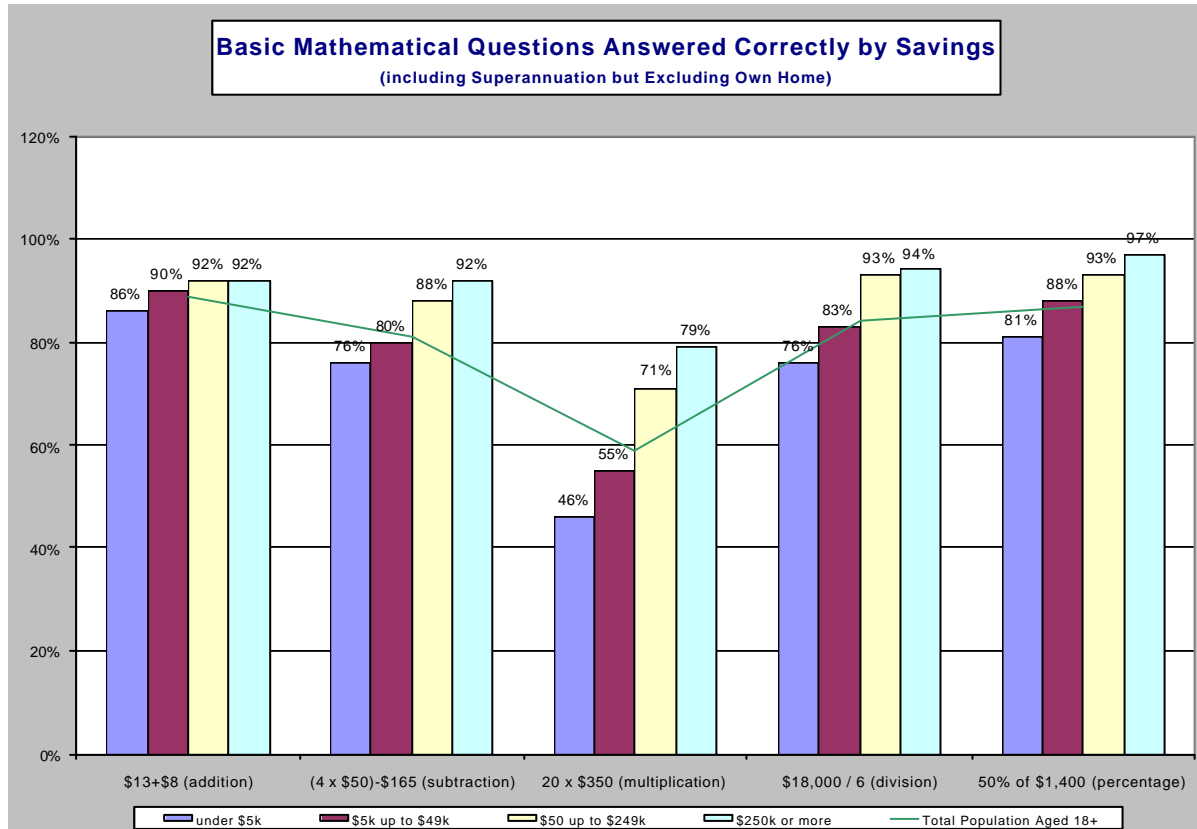
L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered Correctly by Household Income

Base: Total Respondents
Sample Size: 3548

1.12   Savings (Including Superannuation but Excluding Own Home)

There were significant differences when looking at savings. Groups with higher savings were more likely to answer all the mathematical questions correctly than those with lower savings.

Those with savings of $250,000 or more scored above average for subtraction (92%), multiplication (79%), division (94%) and percentages (97%). Those with savings of under $5,000 scored below average for subtraction (76%), division (76%) and percentages (81%).
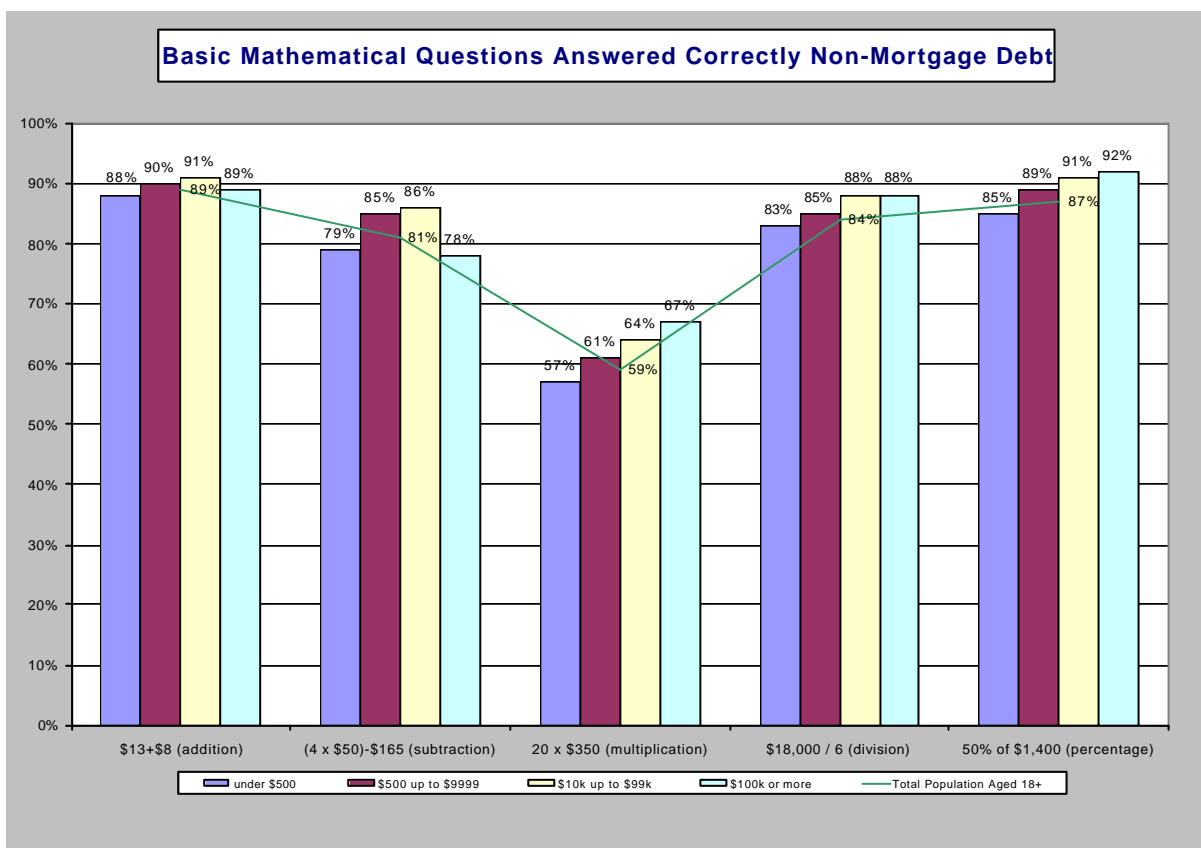
> *L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?*
>
> *L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?*
>
> *L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?*
>
> *L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?*
>
> *L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?*

Basic Mathematical Questions Answered Correctly by Savings
(including Superannuation but Excluding Own Home)

Base: Total Respondents
Sample Size: 3548

1.13   Non-Mortgage Debt

Respondents' ability to answer this mathematical question increased as Non-Mortgage Debt increased, (except for the question "(4 x $50) - $165" where respondents with a Non-Mortgage debt of $100,000 or more were less likely to give a correct answer).

L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered Correctly Non-Mortgage Debt

Base: Total Respondents
Sample Size: 3548

1.14　Home Ownership

Groups who were paying off their homes generally performed better in the mathematical questions than those who were renting, owned their home outright or who had no mortgage but were considering taking one out.
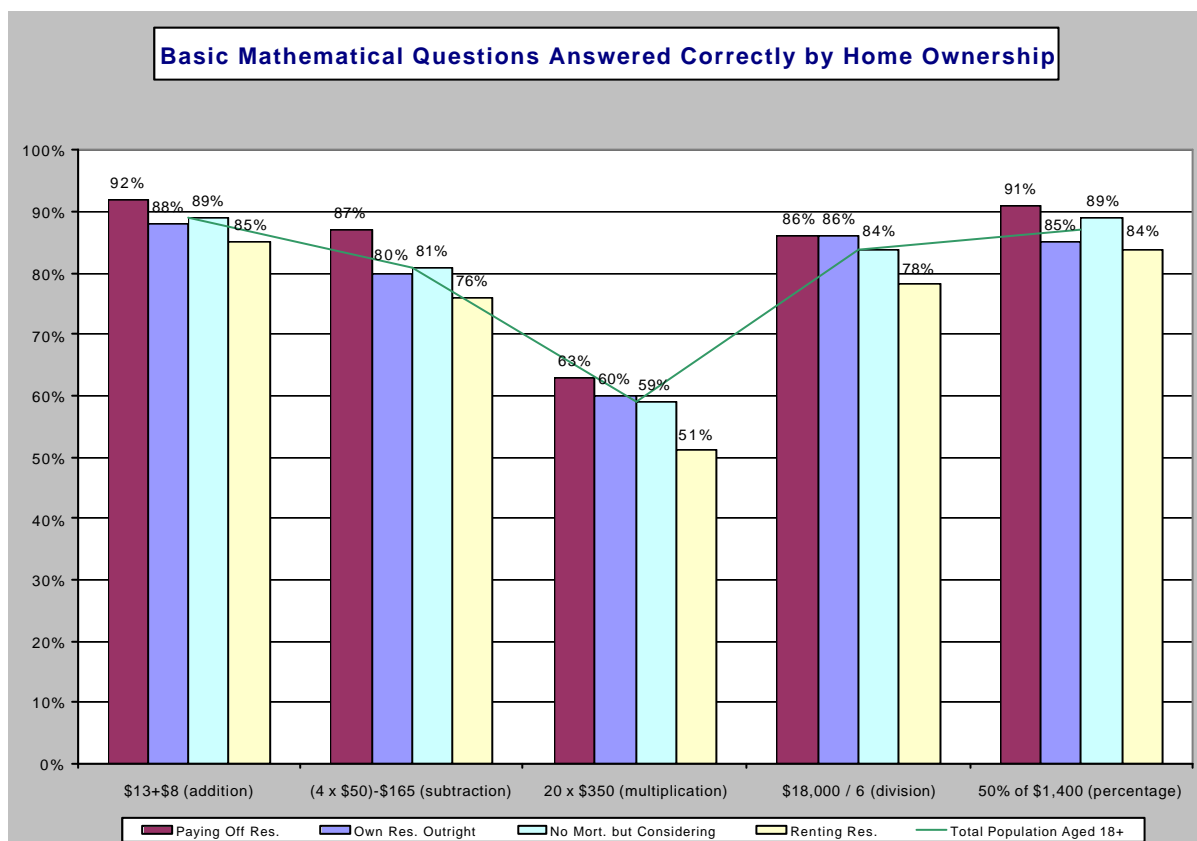

L19.　If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20.　If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21.　If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22.　If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23.　If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered Correctly by Home Ownership

Legend: Paying Off Res. | Own Res. Outright | No Mort. but Considering | Renting Res. | Total Population Aged 18+

Base:　Total Respondents
Sample Size:　3548

1.15   Home Value

Ability to answer the mathematical assessment questions correctly generally increased with the value of the respondents' home. People whose homes were valued at or over $500,000 answered the questions correctly more often than those whose homes were worth less than $500,000.
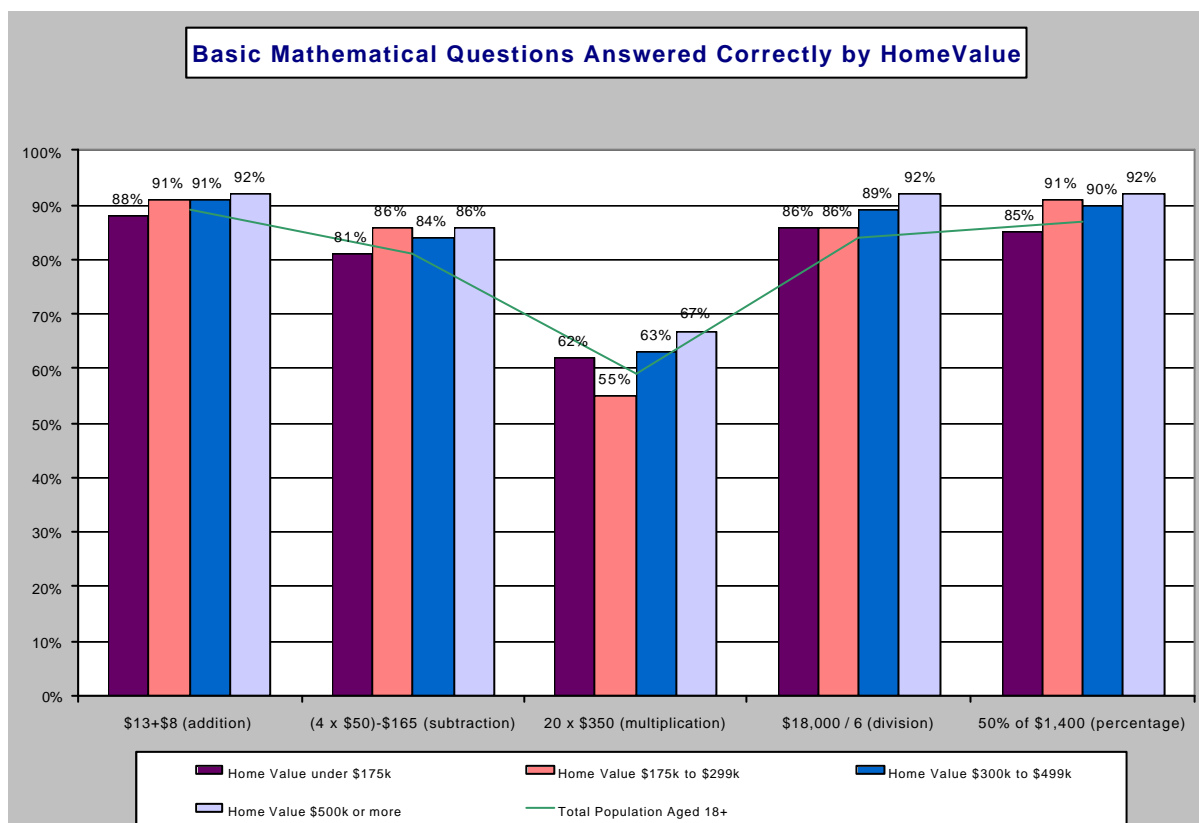

L19. If a person spent $13 on lunch one day but only $8 the next day, how much did they spend on lunch over the two days?

L20. If a person pays for goods valued at $165 with four $50 notes, how much change would they receive?

L21. If each of 20 share-holders is paid a dividend of $350, what is the total amount paid out in dividends?

L22. If a lottery win of $18,000 is shared equally between six people, how much will each person receive?

L23. If a person takes home $1,400 a month and 50% of this goes on rent, what is their monthly rent?

Basic Mathematical Questions Answered Correctly by HomeValue

Legend:
- Home Value under $175k
- Home Value $175k to $299k
- Home Value $300k to $499k
- Home Value $500k or more
- Total Population Aged 18+

	$13+$8 (addition)	(4 x $50)-$165 (subtraction)	20 x $350 (multiplication)	$18,000 / 6 (division)	50% of $1,400 (percentage)
Home Value under $175k	88%	81%	62%	86%	85%
Home Value $175k to $299k	91%	86%	55%	86%	91%
Home Value $300k to $499k	91%	84%	63%	89%	90%
Home Value $500k or more	92%	86%	67%	92%	92%

Base: Total Respondents

Sample Size: 3548

2.   ADDITIONAL ANALYSIS FOR STANDARD LITERACY
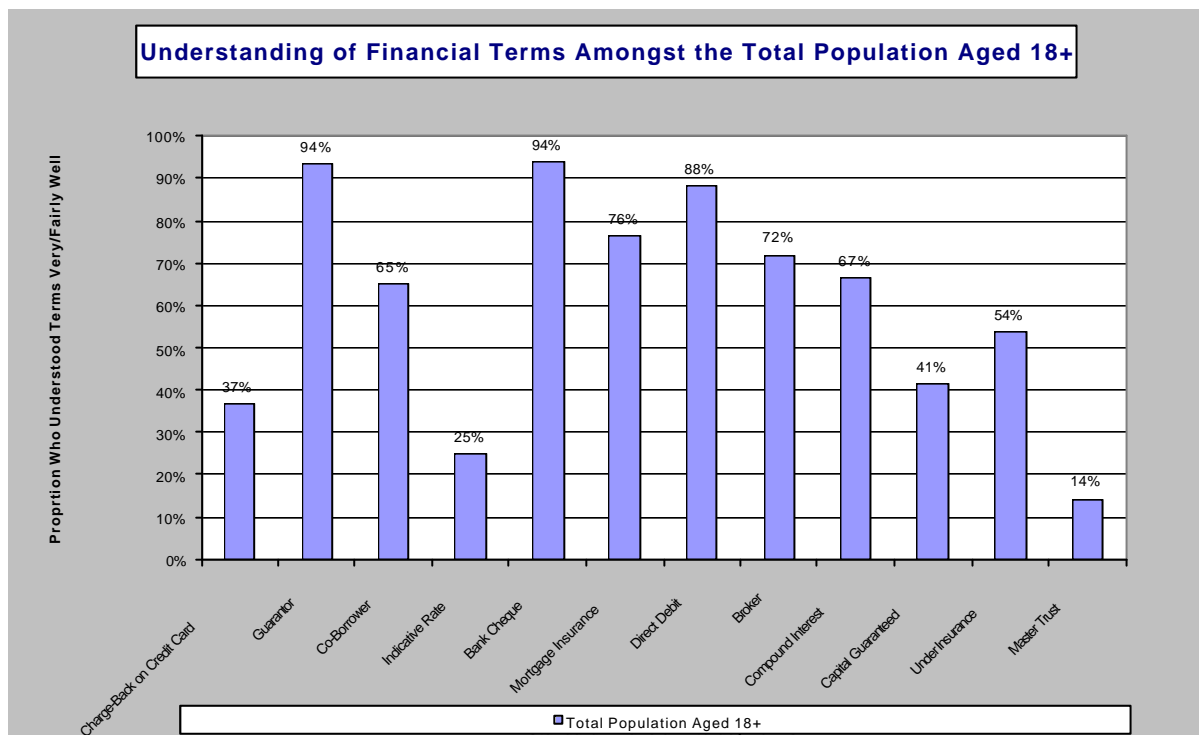
2.1   Financial Literacy Quintiles

- Compared to the rest of the population, those in the Financial Literacy quintile 1-2 had particular difficulty understanding all of the following financial terms:

    - Charge Back on a Credit Card (21% v 37%)
    - Direct Debit (83% v 88%)
    - Co-Borrower (41% v 65%)
    - Indicative Rate (7% v 25%)
    - Mortgage Insurance (53% v 76%)
    - Broker (42% v 72%)
    - Compound Interest (31% v 67%)
    - Capital Guaranteed (12% v 41%)
    - Under Insurance (40% v 54%)

- Compared to the rest of the population, those in the Financial Literacy quintile 3-4 had particular difficulty understanding the terms:

    - Charge Back on Credit Card (31% v 37%)
    - Co-Borrower (60% v 65%)
    - Indicative Rate (13% v 25%)
    - Compound Interest (60% v 67%)
    - Capital Guaranteed (29% v 41%)
    - Under Insurance (44% v 54%)
    - Master Trust (5% v 14%)

2.2   All Respondents

The graph below illustrates the proportion of respondents who would answered either "very well" or "fairly well" as their level of understanding of the twelve financial terms presented.

L1-18.   I'm going to read out a list of financial terms.   For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.

Understanding of Financial Terms Amongst the Total Population Aged 18+

Proprtion Who Understood Terms Very/Fairly Well

- Charge-Back on Credit Card: 37%
- Guarantor: 94%
- Co-Borrower: 65%
- Indicative Rate: 25%
- Bank Cheque: 94%
- Mortgage Insurance: 76%
- Direct Debit: 88%
- Broker: 72%
- Compound Interest: 67%
- Capital Guaranteed: 41%
- Under Insurance: 54%
- Master Trust: 14%

☐ Total Population Aged 18+

Base: Total Respondents (50% of eligible sample used)
Sample Size: 1788

The graph illustrates:

- A relatively low proportion of the total population aged 18 and over understood the standard financial terms "charge-back on credit cards" (37%), "indicative rate" (25%), "capital guaranteed" (41%) and "master trust" (14%)

- A relatively high proportion of the total population aged 18 and over understood the standard financial terms "guarantor" (94%), "bank cheque" (94%) and "direct debit" (88%)

2.3   Geography

- Overall, there was little difference and no statistically significant differences between those living in Capital Cities as opposed to those living in Country Areas and their level of understanding of standard financial terms.

2.4   Sex

The graph below illustrates the differences between men and women in their understanding of the standard financial terms.

L1-18.   I'm going to read out a list of financial terms.   For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.
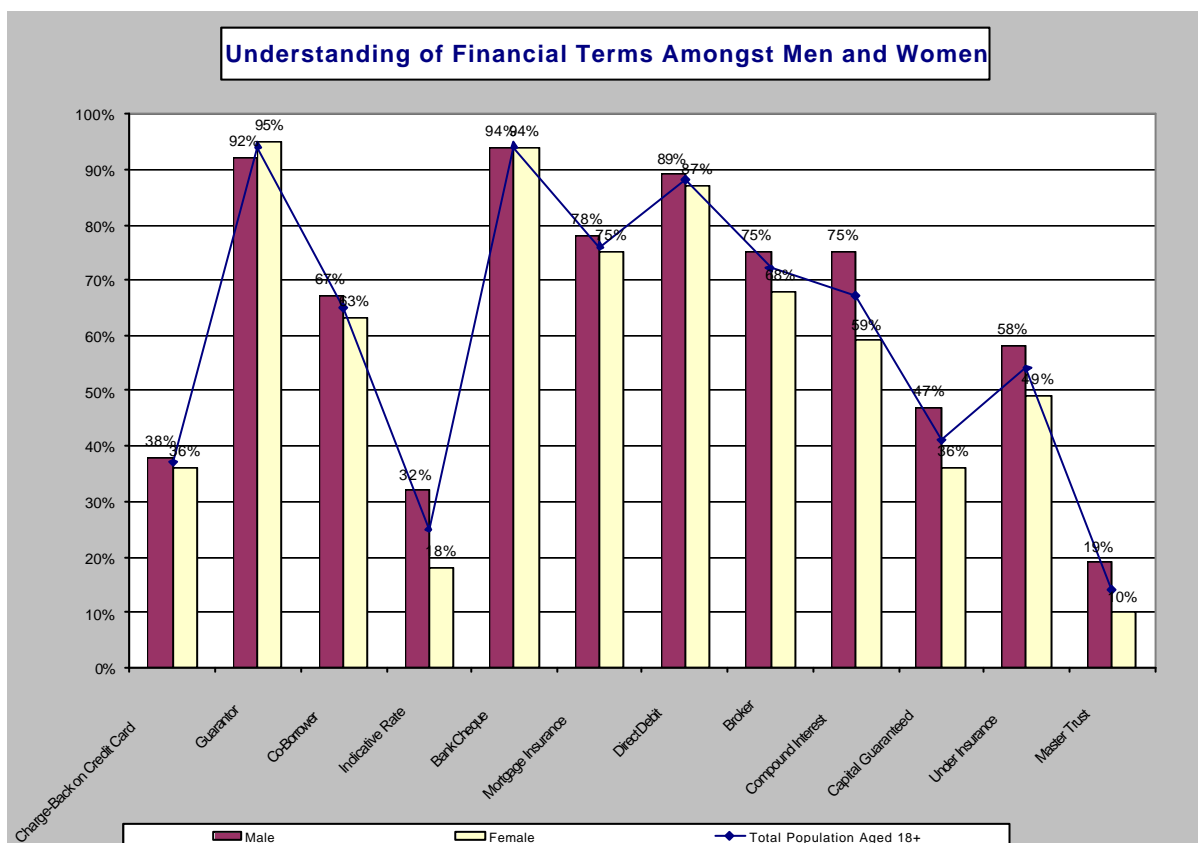
Base: Total Respondents (50% of eligible sample used)
Sample Size: 1788

Differences (although not significant) where men scored better than women included the financial terms:

- "Indicative Rate" with men (32%) compared to women (18%)
- "Broker" with men (75%) compared to women (68%)
- "Compound Interest" with men (75%) compared to women (59%)
- "Capital Guaranteed" with men (47%) compared to women (36%)
- "Under Insurance" with men (58%) compared to women (49%)
- "Master Trust" with men (19%) compared to women (10%)

2.5   Age

A demographic profile according to age illustrates that the younger and older age groups (notably those aged 18 to 24 years of age and 70 and over) were more likely to struggle with their understanding of the standard financial terms compared to the total population aged 18+.

The significant differences between the age groups that scored above average are for the financial literacy terms:

- "Mortgage Insurance" 25 to 34 years of age, 35 to 44 years of age and 45 to 59 years of age
- "Direct Debit" 25 to 34 years of age and 35 to 44 years of age

The significant differences between the age groups that scored below average are for the financial literacy terms:

- "Charge-Back on Credit Card" 70 and over,
- "Co-Borrower" 70 and over,
- "Indicative Rate" 70 and over,
- "Capital Guaranteed" 18 up to 24 years of age and 25 up to 34 years of age,

and

- "Under Insurance" 18 up to 24 years of age
- (refer demographic tables at the end of this section).

2.6   Where Born

Generally, respondents who were born outside of Australia showed a slightly better understanding of financial terms than those who were born in Australia.

However, the only significant differences by place of birth are for the financial terms "mortgage insurance" and "under insurance" (refer demographic tables at the end of this section).

L1-18. I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.

Understanding of Financial Terms by Place of Birth
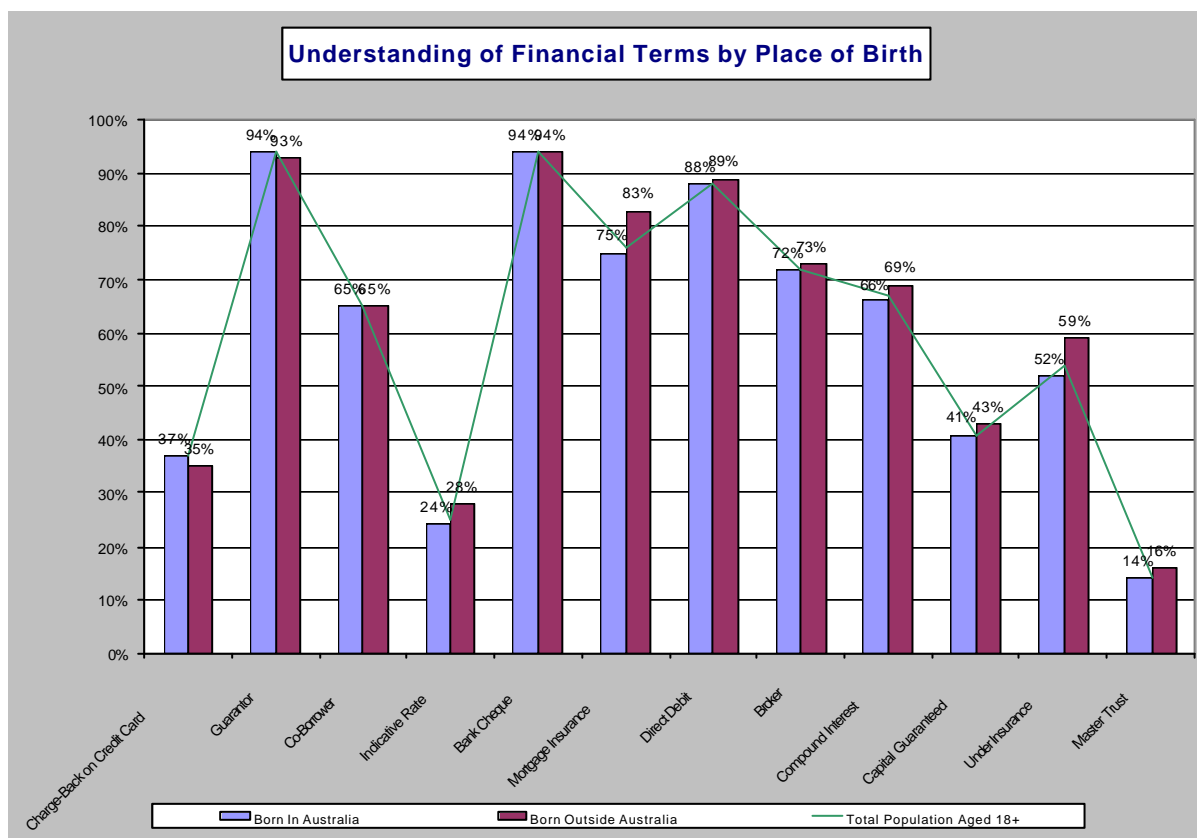
Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

2.7   Language Spoken at Home

There were differences between respondents who spoke a language other than English at home and those who spoke only English at home in their understanding of financial terms, but these differences where not consistent.

Those who spoke a language other than English at home scored above average for the terms "charge-back on a credit card" and for "master trust", below average for the terms "guarantor" and for "bank cheque" (refer demographic tables at the end of this section).

l1-18. I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.


Understanding of Financial Terms by Language Spoken at Home
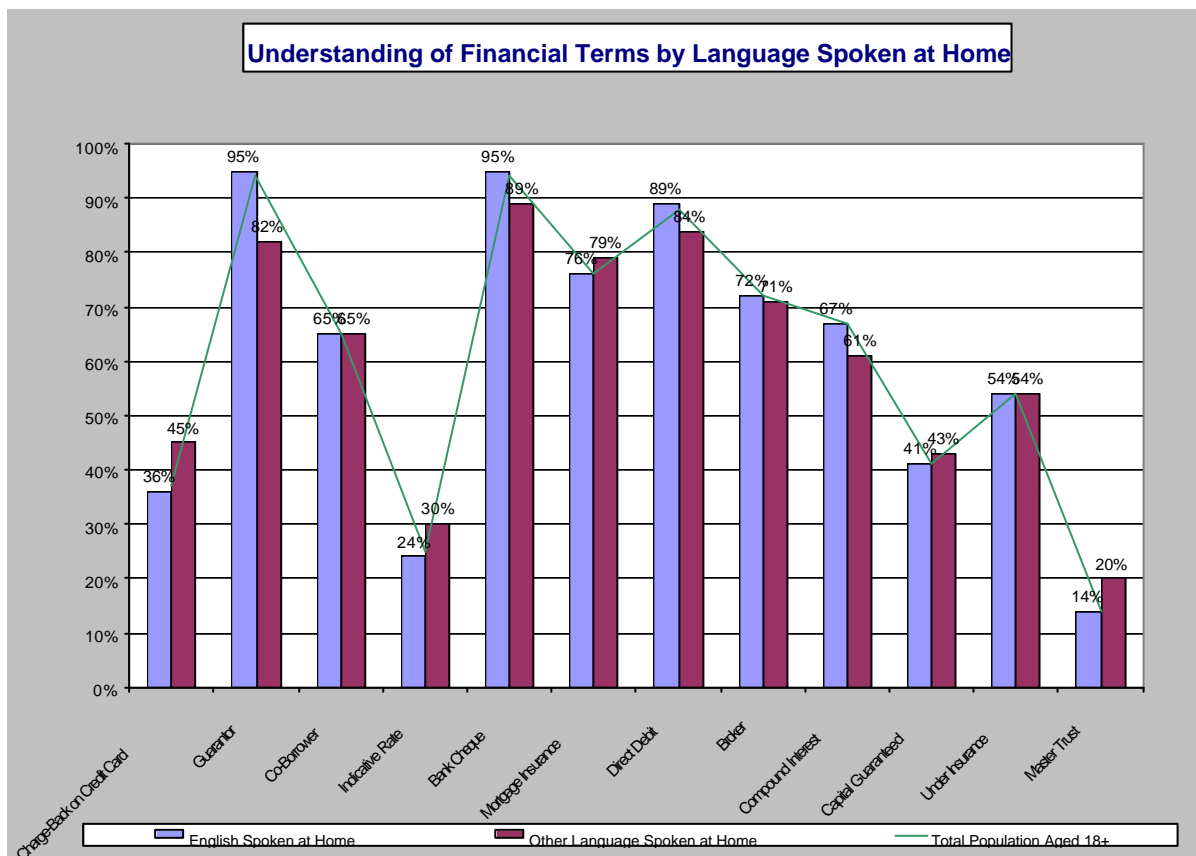
Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788

2.8   Employment Status

Those not working were an little more likely to struggle with their understanding of the standard financial terms compared to the total population aged 18+. Those who struggled in particular included students and non-workers. In contrast, those in full-time work performed particularly well.

L1-18.   I'm going to read out a list of financial terms.   For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.
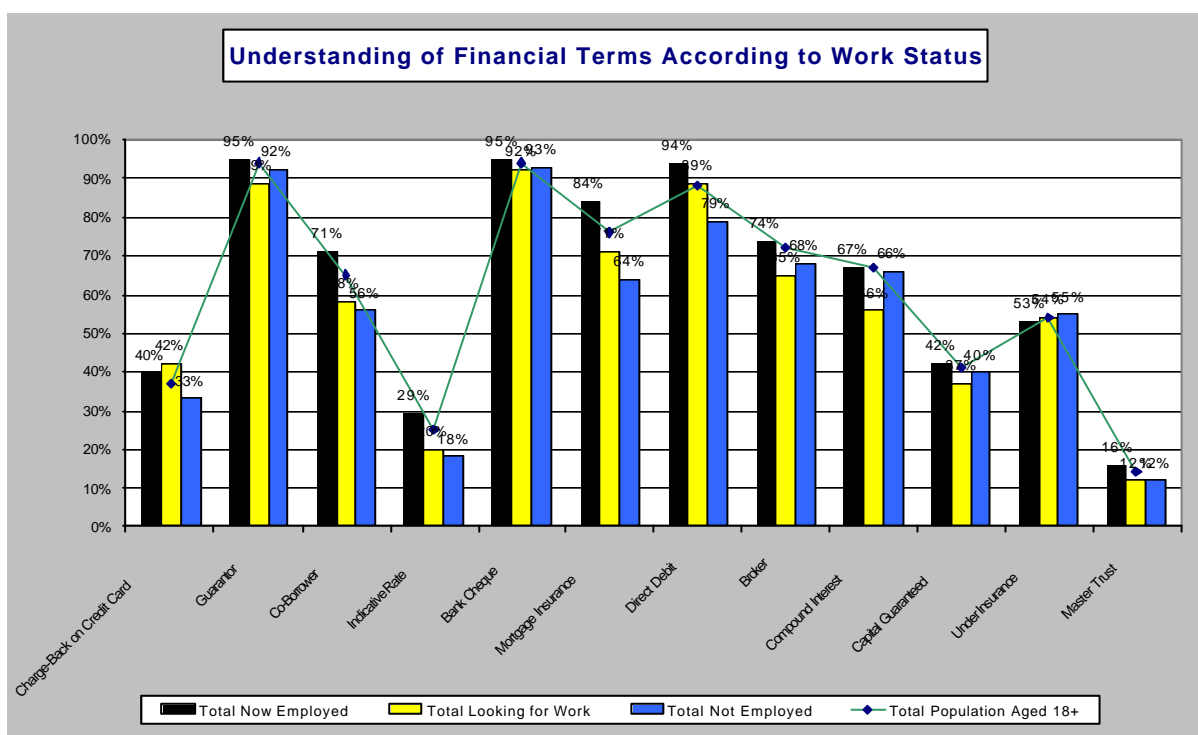
Base: Respondents not Employed (50% of eligible sample used)

Sample Size: 1788

Of those in the Unemployed Group (Student, Home Duties, Retired, Non-Worker), students and non-workers scored lowest with the financial terms assessment questions.

> *L1-18.   I'm going to read out a list of financial terms.   For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All*
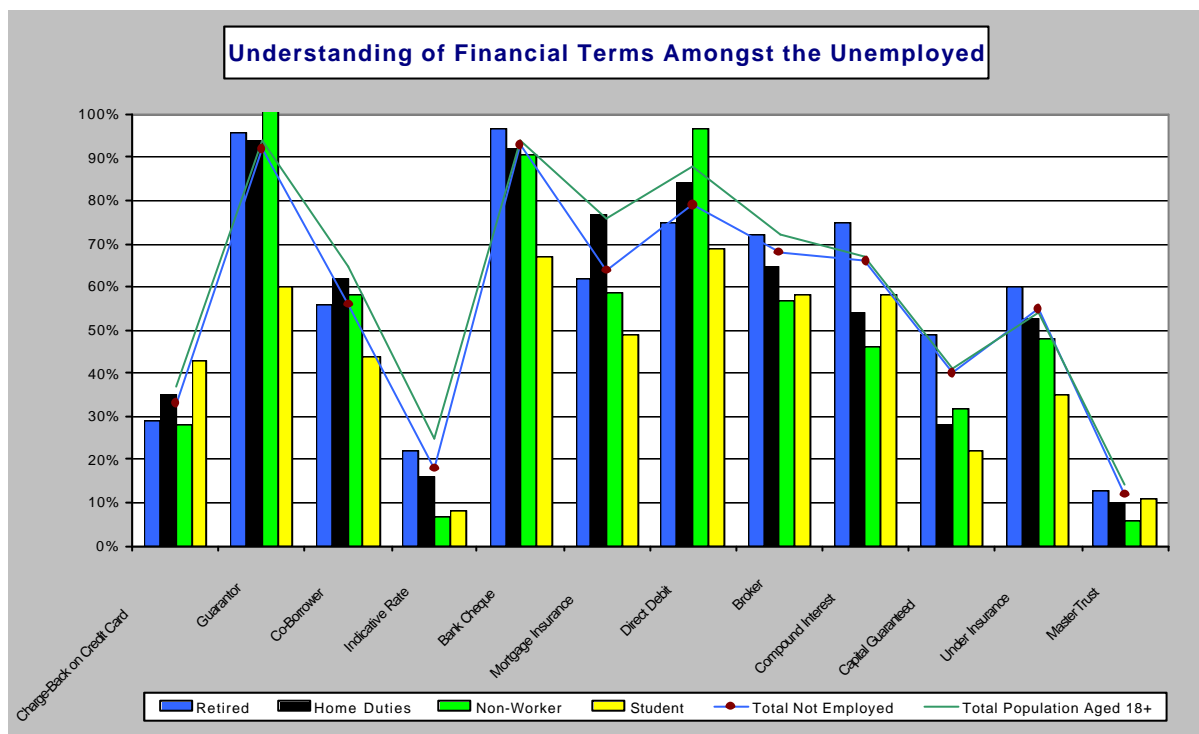
Base: Respondents not Employed (50% of eligible sample used)
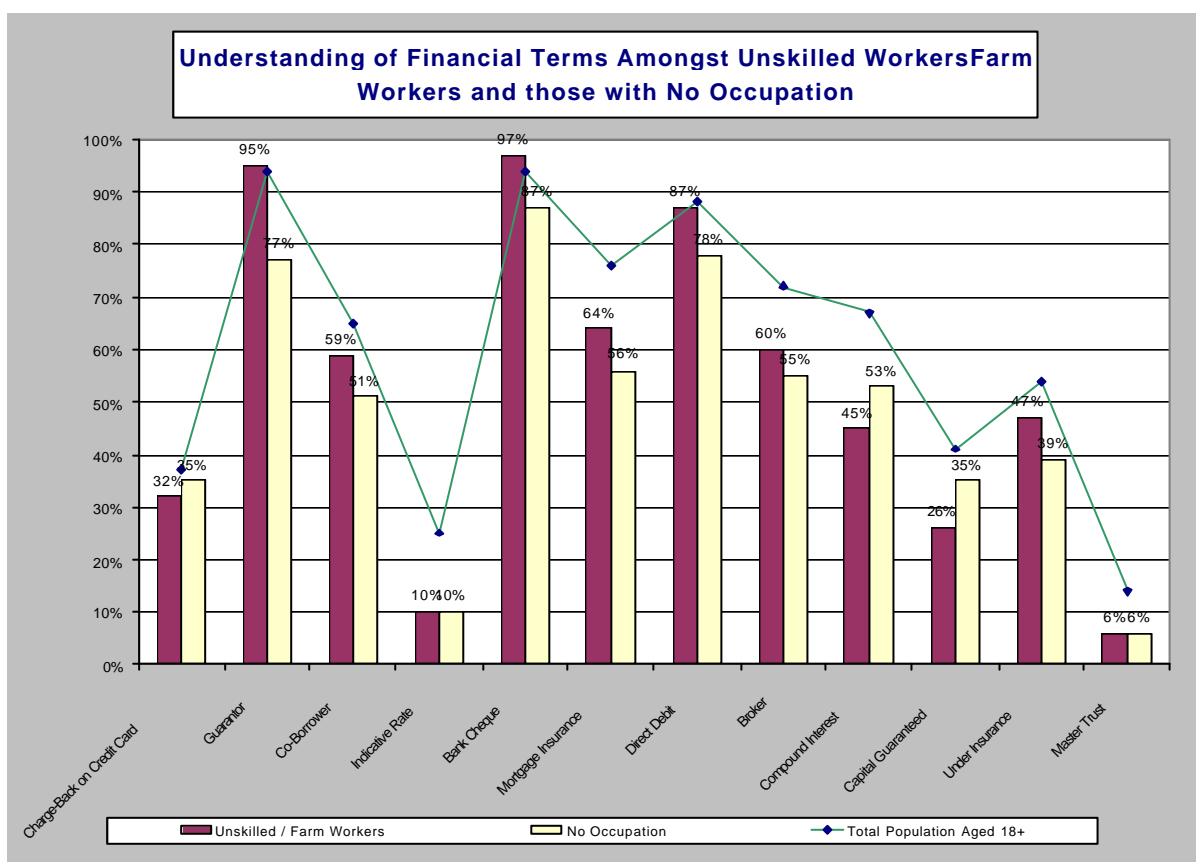
Sample Size: 682

Differences (although not significant) include:

- Compared to the rest of the population (18+), those that were Non-Workers particularly had difficulty understanding the terms "charge-back on credit card" (28% v 37%), "indicative rate" (7% v 25%), "broker" (57% v 72%), "compound interest" (46% v 67%) and "master trust" (6% v 14%)

- Compared to the rest of the population (18+), those that were Students particularly had difficulty understanding the terms "guarantor" (60% v 94%), "indicative rate" (8% v 25%), "co-borrower" (44% v 65%), "bank cheque" (67% v 94%), "mortgage insurance" (49% v 76%), "direct debit" (69% v 88%), "broker" (58% v 72%) and "under insurance" (35% v 54%)

2.9   Occupation

Unskilled workers (including farm workers) and those with no occupation were more likely to struggle in their understanding of financial terms compared to the total population aged 18+. Skilled and semi-skilled workers also struggled on a number of terms. In contrast, white-collar workers performed particularly well.

L1-18. I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.


Base: Respondents that are unskilled or farm workers or have no occupation

Sample Size: 238

2.10   Education

Those with less than a year 10 pass were more likely to struggle with their understanding of the financial terms compared to the total population (aged 18+). In contrast those with a degree from university scored highly with the financial terms questions.

L1-18.   I'm going to read out a list of financial terms.   For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.
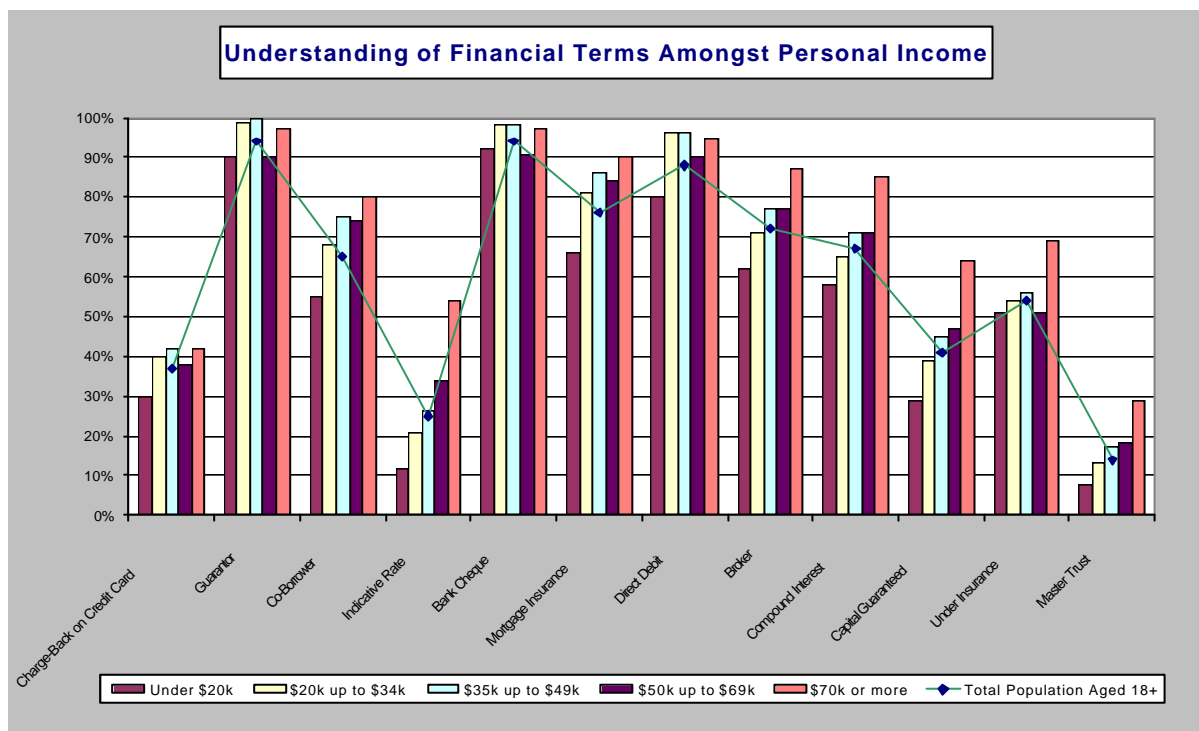

Understanding of Standard Financial Literacy by Education
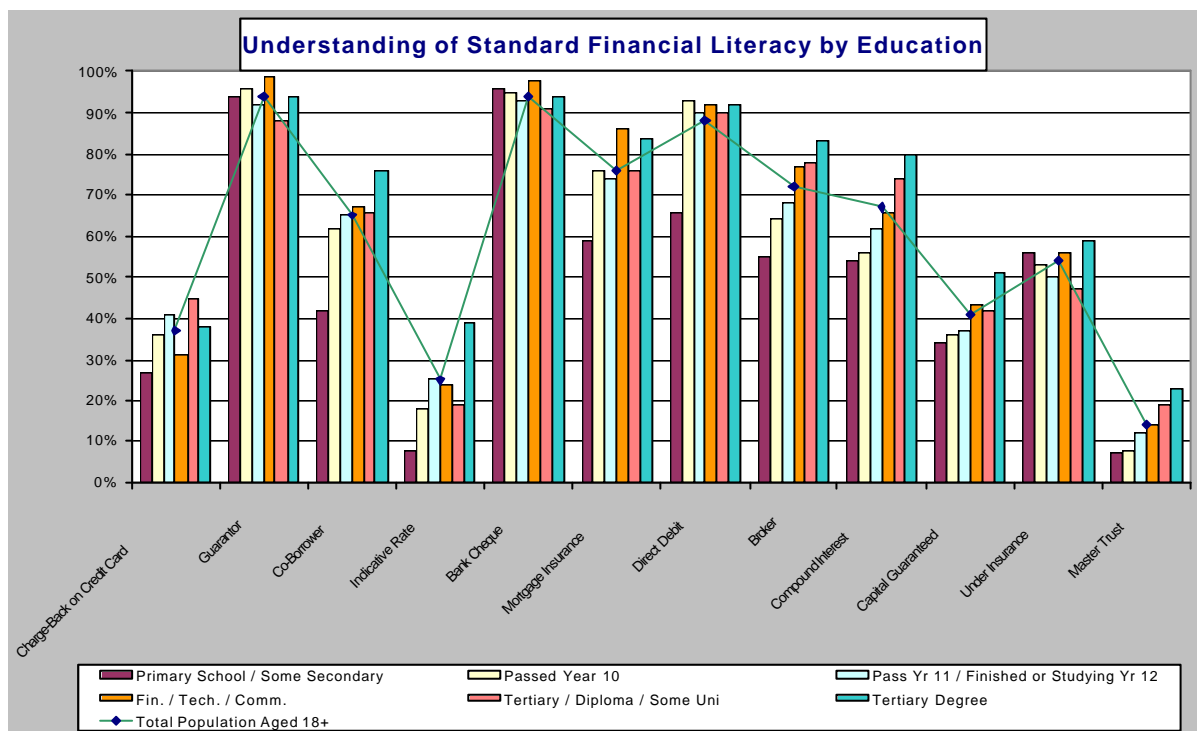
Base: Total Respondents (50% of eligible sample used)
Sample Size: 1788

2.11   Personal Income

Those earning less than $20,000 per annum were more likely to struggle with their understanding of the standard financial terms compared to the total population aged 18+.

L1-18. I'm going to read out a list of financial terms. For each one, please tell me whether you understand the term Very Well, Fairly Well, Not Very Well or Not At All.

Understanding of Financial Terms Amongst Personal Income

Legend: Under $20k | $20k up to $34k | $35k up to $49k | $50k up to $69k | $70k or more | Total Population Aged 18+

Base: Total Respondents (50% of eligible sample used)

Sample Size: 1788