



Media Release

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ANZ releases first comprehensive study into issues causing financial difficulty

ANZ today released two major new studies into adult financial literacy and the causes of financial difficulty in Australia that highlight 80% of Australians feel in control of their financial situation.

The research explores for the first time the issues which cause financial difficulty for a small group of Australians, around 2% of people, who have borrowings and feel “out of control” about money. The core issues identified by the research as causing financial difficulty are:

- ‘*unhealthy*’ ways of thinking about finances, including ‘living for today’, ‘financial disengagement’ and ‘aspirational’ spending;
- circumstances or events outside their control, such as job loss, poor health and relationship breakdown;
- very low financial skills and knowledge which disproportionately impacts many of the most vulnerable in the community including those with lower education levels, those not employed, people with lower incomes, low savings and people at both extremes of the age profile (18-24 year olds and those aged 70 years and over).

The research also highlights a wide range of factors affecting people's financial decision-making and behaviors such as family influences, social group influences, values and marketing.

ANZ said it would use the results to improve its own operations and business practices and to enhance its existing financial literacy programs. As previously announced, ANZ will spend \$3 million over the next three years on programs to help improve financial literacy and inclusion, particularly among the most vulnerable sections of the community. ANZ will also make the research results widely available to financial institutions, regulators, consumer groups and governments to encourage further discussion and action on improving financial literacy levels in Australia.

The ANZ 2005 Financial Literacy Research was launched in Melbourne today by ANZ Chief Executive Officer, John McFarlane; The Hon. Chris Pearce MP, Parliamentary Secretary to the Federal Treasurer; and Australian Securities and Investments Commission Chairman, Jeffrey Lucy. The 2005 research includes two related studies:

- a quantitative survey of 3,500 adult Australians into financial literacy, which provides an update on the benchmark study of adult financial in Australia conducted by ANZ in 2003;
- qualitative research into the causes of financial difficulty, involving 160 interviews and focus groups with people who had borrowings and had experienced financial difficulty.

ANZ Chief Executive Officer Mr John McFarlane said: “The studies take our understanding of financial literacy into new territory by providing the first comprehensive picture of the causes of financial difficulty in Australia. They provide an objective fact-base for all stakeholders to systematically address the issues in financial services that are causing the greatest problems for consumers.”

ANZ Financial Literacy Research 2005 – Key Findings

- There is a very high level of banking inclusion in Australia, as compared with some other countries, with 97% of those surveyed having an everyday banking account.
- 84% felt 'well informed' when making financial decisions, up from 80% in 2003.
- Substantially more people knew how to use, and used, newer payment methods in 2005 than in 2003. Use of electronic channels rose markedly, with the strongest rises in internet banking (from 28% to 40%), BPay (from 36% to 46%) and direct debit (from 50% to 60%).
- While the overall results confirm the Australian community is financial literate, there are certain groups that have particular challenges. The lowest levels of financial literacy were associated with those having lower education (Year 10 or less); those not working or in unskilled work; those with lower incomes (household incomes under \$20,000); those with lower savings levels (under \$5,000); single people and people at both extremes of the age profile (aged 18–24 years and 70 years and over).

Mr McFarlane commented: "While this survey confirms Australia has a good foundation of basic financial literacy skills, it highlights the challenges for a small group of people who feel out of control and who are 'at risk'. Many of those people identified financial institutions as indirectly influencing their path to financial difficulty.

"As lenders, we are a part of that wider picture and have an obligation to ensure we lend responsibly and only to those customers who we believe will be able to manage and repay the facility. And when people are in difficulty that we ensure we are appropriately responsive and flexible in assisting them.

"For our part we have initially responded by strengthening our 2006 Customer Charter and introducing a responsible lending code. This is a further step in formally recognising our own role in addressing financial issues affecting our customers and the community.

"This research also provides insights into the ways individuals can overcome financial difficulty including highlighting the powerful role community-based financial counsellors can play in assisting people to overcome the financial hardships they may face," Mr McFarlane said.

Chair of the Consumers' Federation of Australia Ms Catherine Wolthuizen said: "While this research contains encouraging signs that many in the community feel confident making financial decisions, it also highlights where consumers need more support.

"For some consumers, the best financial information could be knowing where and when to seek help to manage their finances. Future financial literacy strategies must therefore ensure access to appropriately funded frontline financial counselling and basic advice services.

"Just as early access to assistance will be one of the best ways of boosting financial literacy and inclusion, so too are moves by financial institutions to provide financial products and services on a more responsible and sustainable basis.

"Lenders need to be mindful of the mixed messages they can send consumers - promoting financial literacy on one hand, but engaging in inappropriate lending and marketing practices on the other. Offering pre-approved credit limit increases is just one example of how otherwise good work on promoting financial literacy in relation to borrowing can be undermined," Ms Wolthuizen said.

ANZ has committed to action in three specific areas to improve financial literacy in Australia including initiatives for its own customers.

ANZ Financial Literacy Commitments

- Updating the research in 2007 to provide an ongoing measurement of financial literacy.
- Integrating the learnings from the survey into its business operations. This includes a new responsible lending code; initiatives to improve overall communication with customers and training for contact centre staff to assist customers who may need assistance to better manage credit.
- Continuing to invest in community programs in partnership with community organisations aimed at improving financial literacy, particularly among the most vulnerable and disadvantaged groups. This includes specific targets in 2006 to:
 - deliver ANZ's Saver Plus matched savings program to 1,000 low income families to help improve their financial literacy, build a long term savings habit and save for their children's education;
 - fund the training of financial counsellors and community educators to deliver ANZ's MoneyMinded program to 15,000 Australians. MoneyMinded is aimed at building the financial skills, confidence and knowledge of low-income earners;
 - working with the Australian Government and Indigenous communities to improve financial literacy education and deliver ANZ's Saver Plus matched savings program through the MoneyBusiness program.

More information on these financial literacy programs can be found at www.anz.com.

The ANZ Financial Literacy Survey was overseen by a steering committee that included representatives of ANZ, ASIC and the Victorian Consumer Credit Legal Service. Full details of the survey are available at www.anz.com.

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