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BT AUSTRALIAN FINANCIAL HEALTH INDEX REVEALS HOUSEHOLDS UNDER STRAIN

Almost a third of Australian households are living from pay cheque to pay cheque and an astonishing 17 per cent would struggle to find \$500-\$1000 to deal with an emergency, according to the BT Australian Financial Health Index.

The nationwide survey of 4966 Australians conducted for financial services specialist BT by professional services firm Ernst & Young, charts the state of the nation's financial health and contains some interesting insights.

Data from the BT Index relating to household finances, reveals a deep divide between those who are financially prepared to cope with current and future household expenses and those barely able to meet their everyday commitments.

Although 41 per cent of respondents said they were able to meet their monthly expenses a third admitted they are worried about their ability to do so.

The Index also showed that Australians hoped for the best but didn't always prepare for it.

BT General Manager Deanne Stewart said the Index revealed what drives financial success but painted a mixed picture of Australians' attitude to money management and planning for the future.

"The results of this survey show very clearly that there are a large number of people struggling to cope financially day-to-day – and the problems are not always linked to the size of the pay packet," said Ms Stewart.

"In many instances people are living in the hope that they will achieve their goals rather than planning for a fulfilling and secure future. This has implications for their health and lifestyle, impacting on their levels of stress, and in the longer term influencing their enjoyment in the years after they finish work."

She said that Australians' admission of living pay cheque to pay cheque occurred even among high-income earners.

The Index also confirmed that Australians have become more conservative in their attitude towards debt with more than half always paying the full amount on their credit card and resisting the urge to meet expenses through credit.

Long-term the story is a little different. Only one-third of respondents say they have developed a plan to meet their financial goals and the same number feel confident of having a financially secure retirement.

More than half say they are unable to save as much as they would like, while 48 per cent rarely or never make contributions to a super plan.

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Ms Stewart said the BT Index indicated a clear desire by Australians to gain more control over their finances but were uncertain how to achieve this.

“Respondents generally felt they had their finances under control but 32 per cent said they would like to have more control over the next 12 months,” said Ms Stewart.

“There are simple steps that everyone can take and over time these will make a huge difference to people’s savings and peace of mind. The quite high number of people who shop without purpose for things they don’t need is just one example.

“Likewise very few people can confidently state how much they spend on food, utilities or even their mortgage. Being aware of these costs and taking an interest in the day to day is going to help people achieve their big financial goals in life.

“Surprisingly 57 per cent have no regular savings plan and this figure peaks amongst 45 to 54 year olds when they might expect to be at the height of their earning capacity.”

From a gender perspective, women are marginally better savers than men with 44 per cent of women putting money aside regularly against 42 per cent of men.

BT conducted the survey in November 2012 to gain a deeper insight into how Australians see their financial health and to better tailor its products and services to meet their financial needs. The results reinforced the view that many people were looking for help and guidance to achieve long-term financial goals.

Among the key BT Index findings relating to people’s specific financial situations the Index showed:

- 30% usually live from pay cheque to pay cheque
- 39% would not have enough savings to maintain their present lifestyle if they lost their income for 3 to 6 months
- 17% would not be able to handle a financial emergency that would cost \$500 to \$1000
- 32% worry about being able to meet normal monthly living expenses
- 56% can’t save as much as they would like to save
- 25% are concerned about the total amount they have to pay off debts each month
- 21% would have trouble borrowing \$2000 cash if they needed it
- 31% do not believe they will have a financially secure retirement
- 50% are satisfied with their present standard of living
- 35% have developed a sound plan that should enable them to achieve their financial goals

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