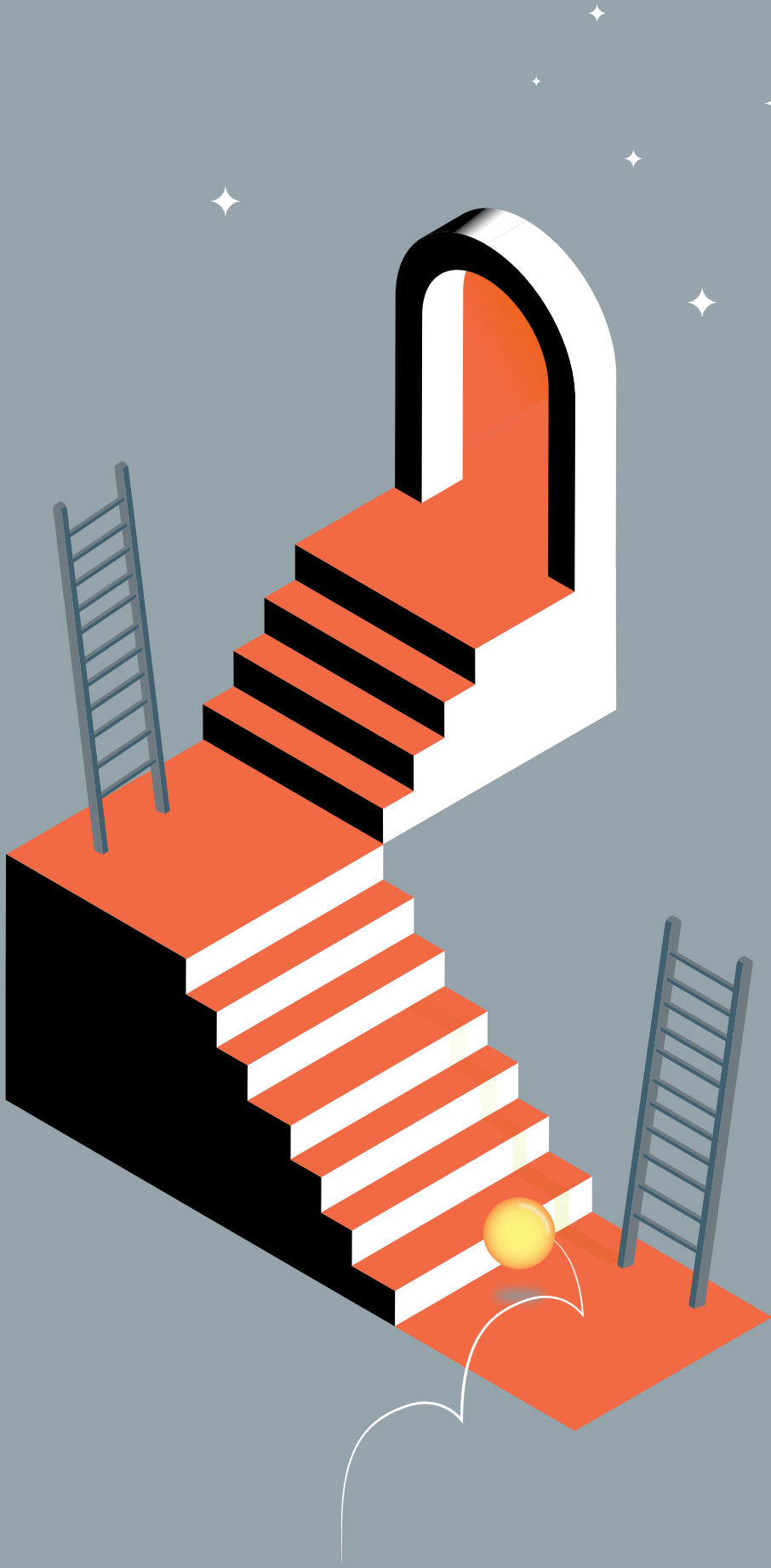


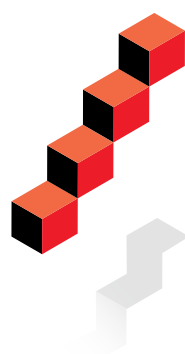
August 2016

Financial Resilience in Australia 2015



**Understanding
Financial
Resilience**





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CSI Foreword

Resilience is a valuable commodity. The ability to recover from a setback is vital in preventing longer-term damage. As the saying goes, a stitch in time saves nine.

All too often we focus on repairing damage once it's done. I think this is broadly true across policy, government and not-for-profit service delivery, across a wide range of health and social services interventions. It's also often the case in our own behaviours – humankind tends not to seek help or self-improvement until we cannot ignore the problem.

There are many fields in which the evidence is clear that a more preventative focus has the potential to greatly reduce the downstream (social and economic) cost.

In this year's *Financial Resilience in Australia* report our focus is moving from financial exclusion to financial resilience.

From our earlier work we know that up to one in six Australians does not have meaningful access to financial services to see them through in the face of an incident like a large mobile phone bill, or a fridge breakdown. This does not need to have the impact it often does.

Why do some of the most disadvantaged in our community have to pay two or three times the price of a new fridge, because of the often, high-costs of easily accessible short-term credit? The longer term relationship and wellbeing costs can be even greater.

Our focus should be developing the capabilities and accessible resources so that Australians can effectively manage their finances, whatever their current income.

If we can address these issues in a tangible field like financial resilience, we might also create a stepping stone towards a more preventative focus in other areas of disadvantage too.

My thanks and congratulations to NAB for supporting this research since 2011, and to CSI's research team for another outstanding report.

Andrew Young
CEO, Centre for Social Impact

NAB Foreword

Life is full of events – some good, some not so good. Some events, such as a promotion, can be good for your finances. But others, like an unexpected bill aren't so good. Even some of life's great events such as marriage or a new baby can strain finances.

At NAB we understand this. Helping customers better prepare for life's little and big surprises is an important part of what we do.

We know that our role with customers is about more than money. We can have a conversation. We can help people build their ability to get through life's financial shocks. We can help them get back on track as quickly as possible.

As a bank, we help people access credit. During our 13-year partnership with Good Shepherd Microfinance, we have written more than 138,000 no-interest and low-interest loans. We have provided \$170 million to help more than 421,000 people. Help them to pay for essential goods and services. Things such as unexpected medical expenses, car repairs or replacement computers.

Our hardship team, NAB Assist, helped more than 20,000 customers last year. We provide domestic violence grants of up to \$2500 to help people leave violent homes. Together with Kildonan UnitingCare we connect vulnerable customers with specialised support services. In the first half of 2016 alone we provided \$320,000 to help customers affected by natural disasters.

We constantly look for better ways to help customers weather life's storms.

But the impact of our work does not stop there. By helping our customers become more financially resilient, we also help others. We contribute to a stronger, more financially resilient economy, one from which business also benefits.

To better understand our customers and to help us have more meaningful discussions with them, we asked the Centre for Social Impact, to look at how prepared Australians are to withstand financial shocks. How able they are to bounce back – and why some people bounce back better or faster than others.

This research will help us better understand our customers and inform the development of our financial inclusion programs to assist those most vulnerable.

We plan to share this research with others so that they, in turn, can better understand and serve their communities.

Jodi Geddes

General Manager, Corporate Responsibility



Research

Research team

The project research team consists of Chris Connolly, Dr Kerrie-Anne Ho, Axelle Marjolin, Professor Kristy Muir, Dr Rebecca Reeve and Dr Fanny Salignac.

Report citation

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View reports at:

www.nab.com.au/financialresilience

and

www.csi.edu.au/financialresilience

The UNSW Human Research Ethics Committee has granted ethical approval of this research project (on 14/07/2015).

Acknowledgements

The following organisations and individuals have provided valuable contributions to this research.

Centre for Social Impact
www.csi.edu.au

At the Centre for Social Impact we believe in a stronger society for all. Our mission is to improve the delivery of beneficial social impact in Australia. We take a systems approach to developing innovative solutions to the biggest social challenges today, with a vision for a better Australia tomorrow. Through our research, teaching, events and advocacy, we aim to ensure knowledge translates to impact. The Centre for Social Impact is a collaboration of UNSW Australia, Swinburne University of Technology and The University of Western Australia.

NAB

www.nab.com.au

For more than 150 years, we have been helping our customers with their money. Today, we have more than 35,000 people serving 10 million customers at more than 800 locations in Australia, New Zealand and around the world. We have built our business on understanding our customers and supporting them. We aim to take the hard work out of banking. As Australia's largest business bank, we work with small, medium and large businesses to help them start, run and grow. We fund some of the most important infrastructure in our communities – including schools, hospitals and roads.

At NAB, we take our role in society seriously and we're proudly passionate about being responsible, inclusive and socially innovative. We know that the role we can play in the lives of our customers is about more than money. We can help people to build their resilience to withstand life's big and little "shocks" and help them get back on track as quickly as possible. We can help our customers with new insights, and use our skills, resources and networks to build their capabilities. And we set out to challenge the norm, to look for opportunities to and take strong leadership on the big issues facing our customers and communities, and to lead social change through new ways of doing business.

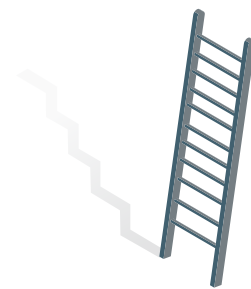
Roy Morgan Research
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Roy Morgan Research is a full service independent research organisation specialising in omnibus and syndicated data. Roy Morgan Research has more than 65 years' experience in collecting objective, independent information on consumers.

The authors would also like to acknowledge the strong Advisory Committee who helped to guide this report. Among others, this included Miles Larbey, Judith Waller and Rebecca Mar from ASIC; Adam Mooney, Vinita Godinho and Michelle Crawford from Good Shepherd Microfinance; Andrew Black, Jolanta Willington, Adam Rix and Lishani Naidu from the Australian Government Department of Social Services. We would also like to thank Eliza Anderson, Elliot Anderson, Corinne Proske and Dean Pearson from the National Australia Bank for their contribution, advice and support.

01

Key Highlights



What is financial resilience?

Financial resilience is the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity. Resources are appropriate if they are suitable to meet a person's needs, they are acceptable if they are agreeable to the people they aim to support, and they are

accessible if people are able to obtain them. We have identified the resources that work together to enable financial resilience and will reference these throughout the report. These are outlined below, and include: economic resources, financial products and services, financial knowledge, and behaviour, and social capital.

ECONOMIC RESOURCES

- Savings
- Debt management
- Ability to meet living expenses
- Ability to raise funds in an emergency
- Income level

FINANCIAL PRODUCTS & SERVICES

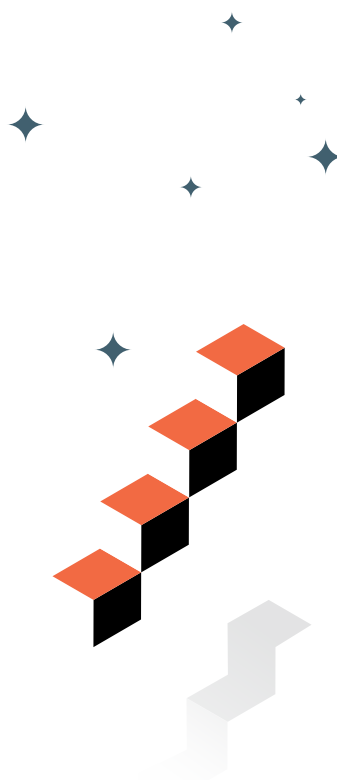
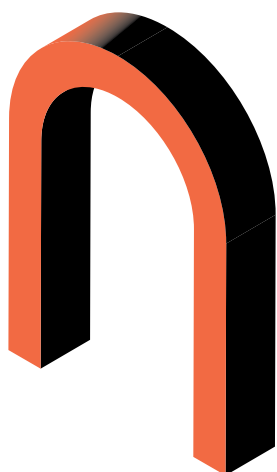
- Access to a bank account
- Access to credit & needs met
- Access to insurance & needs met

FINANCIAL KNOWLEDGE & BEHAVIOUR

- Knowledge of financial products & services
- Confidence using financial products & services
- Willingness to seek financial advice
- Proactive financial actions

SOCIAL CAPITAL

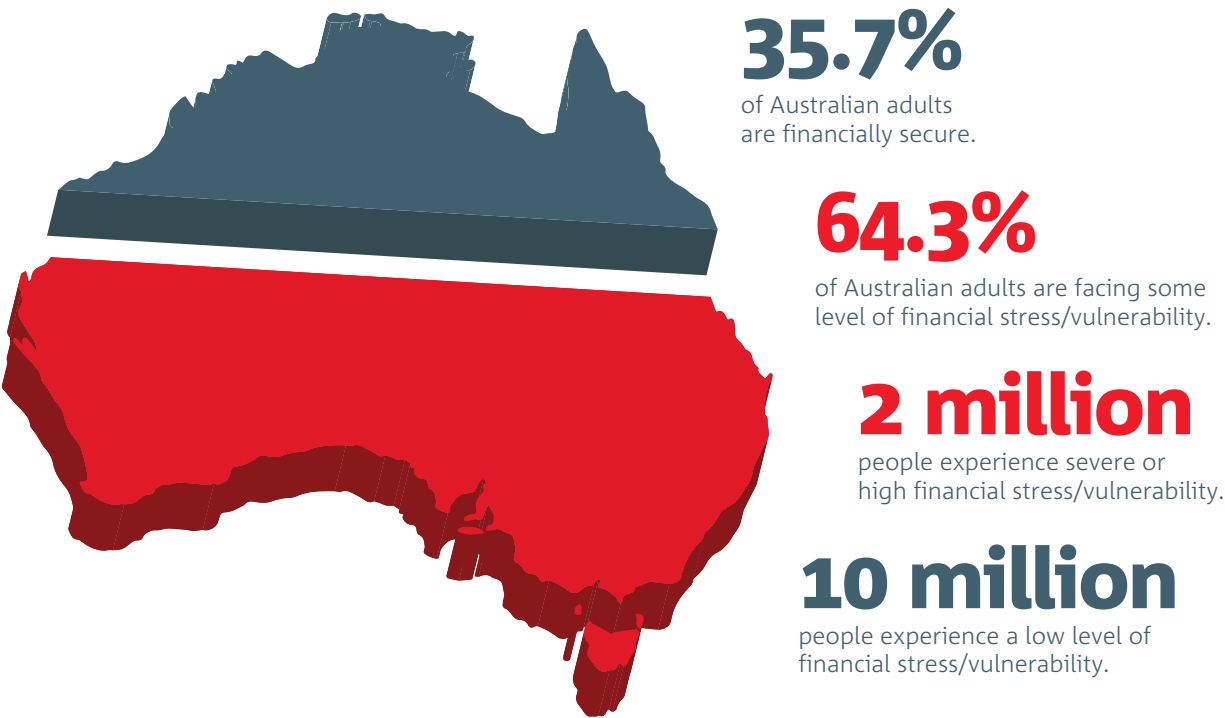
- Social connections
- Access to social support in times of crisis
- Access to community and government support when needed



What is the financial resilience of the Australian population?

We assessed the financial resilience of the Australian population across a spectrum with four categories: severe financial stress/vulnerability, high financial stress/vulnerability, low financial stress/vulnerability, and financial security.

What is the financial resilience of the Australian population?



48% of people only have a 'basic understanding' of financial products and services.



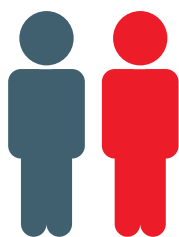
Almost 1 in 10 people have 'no understanding' of financial products and services (9%).



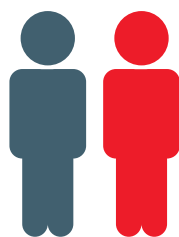
1 in 4 people report having experienced difficulties accessing financial services in the last 12 months.

On average, the population is most vulnerable in financial knowledge and behaviour, which shows the importance of improving people's understanding of financial concepts (i.e. financial literacy) and their ability to apply that knowledge (i.e. financial capability).

What are we doing well?



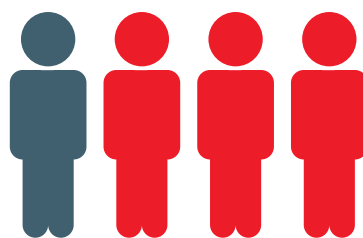
1 in 2 people follow a budget (49.1%).



1 in 2 people make extra repayments on personal loans (56.8%).

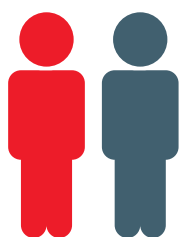


1 in 4 people report seeking professional financial advice (25.8%).

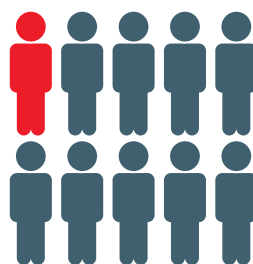


1 in 4 people make extra repayments on home loans (28.5%).

Where could we improve?



1 in 2 people have limited to no savings.



1 in 10 people have no savings at all.



1 in 6 people (over 17%) people report being over-indebted or just managing to meet their repayments.



More than 1 in 5 people report having minimal (18.3%) social connections or being isolated or alone (3.7%) most of the time. Isolation is recognised as a key negative factor in resilience.

On average, the population are least vulnerable in accessing financial products and services. However, 1 in 5 people (20.2%) had no access to any credit in the previous 12 months and 12.4% said they have an unmet need for credit.

8.7%

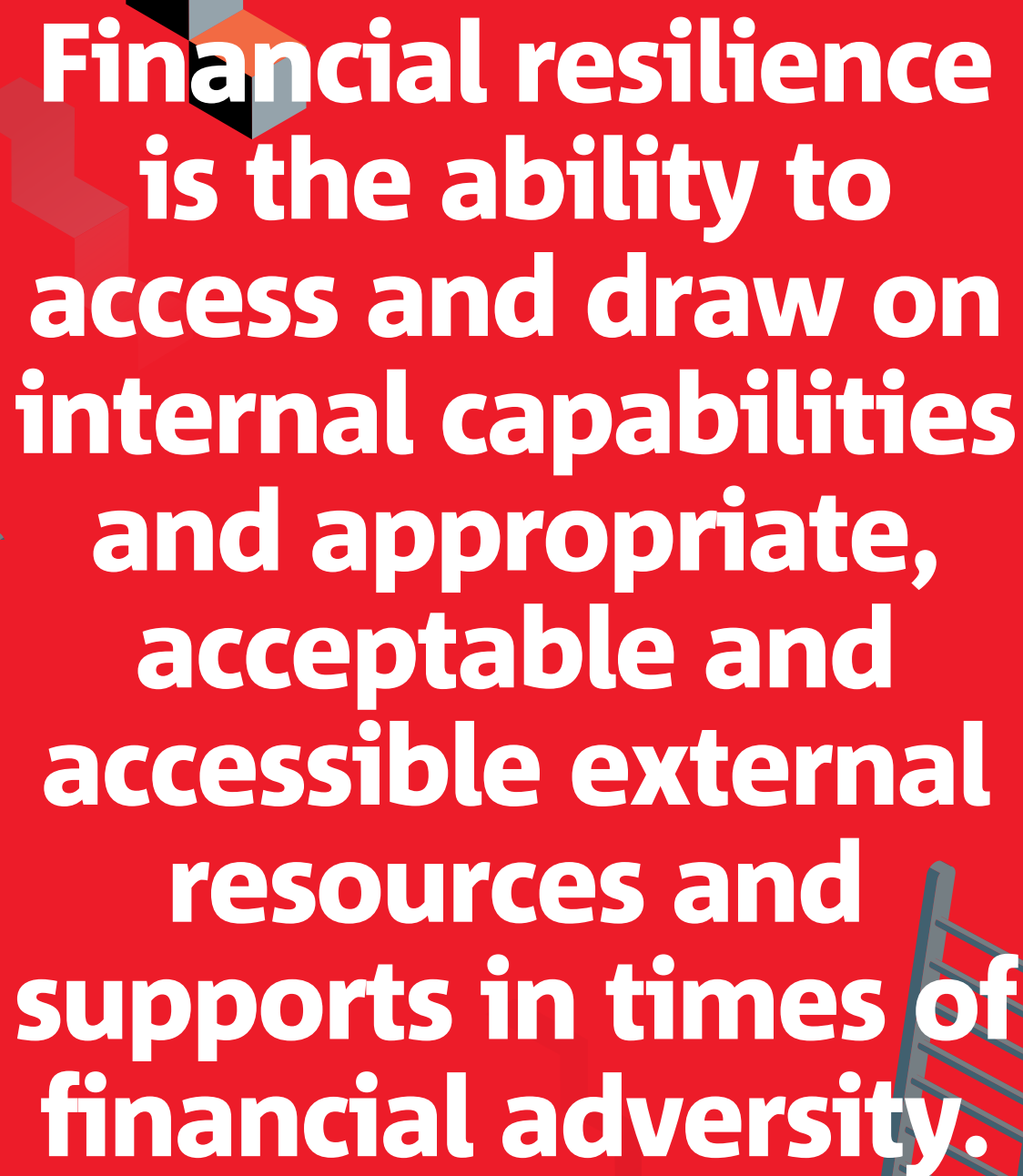
of Australian adults report having no access to any type of insurance.

9.7%

of Australian adults express having an unmet need for insurance.

3.2%

of Australian adults state that they need support but have no access to any form of community or government support.



**Financial resilience
is the ability to
access and draw on
internal capabilities
and appropriate,
acceptable and
accessible external
resources and
supports in times of
financial adversity.**

Executive Summary



Financial resilience is the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity.

This project developed a multi-dimensional framework to identify what contributes to financial resilience, and a survey to measure financial resilience in Australia and identify vulnerable population groups.

Financial resilience is about access to four groups of resources:

1. **Economic resources** (savings, debt management, meeting costs of living, raising funds in an emergency, income level);
2. **Financial products and services** (access to and demand for financial products and services);
3. **Financial knowledge and behaviour** (knowledge and understanding of financial products and services and ability/willingness to apply that knowledge); and
4. **Social capital** (family, friend, community, and government networks and supports).

The financial resilience of the Australian population was determined through an online survey of 1,496 respondents aged 18+ in September 2015. The survey was conducted by Roy Morgan Research and weighted to be representative of the Australian population.

Overall, around 2 million people experience severe or high financial stress/vulnerability. This means that more than 1 in 10 adults in Australia are likely to be facing financial issues such as:

- **limited economic resources** resulting in problems paying debts and/or meeting cost of living expenses;
- low or very low levels of **financial products and services** such as limited access to or unmet demand for credit or insurance;
- limited **financial knowledge** and confidence; and
- low levels of **social capital** such as social support in times of crisis.

A further 1 in 2 people (53.2%) face a low level of financial stress with the remainder of the population (35.7%) identified as financially secure.

In assessing financial resilience, the combination of these four groups of resources should be considered as a whole. However, it is also useful to look at how people fare within the individual components:

- Almost half of the population is vulnerable in regard to **financial knowledge and behaviour**, with close to 48% of people reporting that they only have a 'basic understanding' of financial products and services and more than 9% reporting that they have 'no understanding'.
- **Economic resources** are also low for many people. In the event of a financial shock, national savings levels are very poor – with nearly half the population (46.6%) having two months or less worth of savings available, including 9.7% who reported having no savings at all. In addition, more than 17% of people reported being over-indebted or just managing to repay their debt.
- The level of unmet (current) demand for **financial products and services** remains moderate. Only 9.7% of the population expressed a current unmet need for insurance and only 12.4% of the population expressed a current unmet need for credit.
- Finally, some people experienced added risk with low levels of **social capital**. For example, more than 18% of people reported minimal social connections; nearly 4% reported that they were isolated or alone most of the time; and 3.2% reported needing community or government support, but do not have access to any services.

When the intersections between the individual components are examined, clear findings emerge:

- People with low levels or very low levels of financial products and services are more likely than the population to have very low or low levels of economic resources, financial knowledge and behaviour and social capital.
- People with very low levels of financial knowledge and behaviour are more likely than the population to have very low or low economic resources, financial products and services and social capital.
- However, a sizable proportion of people with very low or low financial knowledge and behaviour have moderate or high levels of financial products and services.
- While the majority of people with low or very low levels of economic resources have moderate or high levels of financial products and services, they are overrepresented in the group of people who miss out on these products and services. Most people with very low or low economic resources also have low or very low levels of financial knowledge and behaviour and they are overrepresented in the group who have very low or low levels of social capital.
- Most of the population have moderate or high levels of social capital, but those with very low or low levels of social capital are also more likely than the population to have low or very low economic resources, financial products and services and financial knowledge and behaviour.

Who's doing better? Who's faring worse?

Gender

While women and men have similar overall resilience, women have lower levels of economic resources but higher levels of social capital than men. This implies that financial resilience initiatives need to focus on different aspects for women and men.

Age

On average, financial resilience improves with age. However, when controlling for other differences, such as income, mental health and housing, young people aged 18 to 24 are predicted to have higher levels of financial resilience compared to people aged 30 to 49 years. This highlights that factors other than age itself are affecting young people's financial resilience.

Location

People living in the Australian Capital Territory (ACT), on average, have higher levels of financial resilience than people living in other states/territories. The ACT also has the highest proportion of people with moderate or high levels of economic resources, financial products and services, and financial knowledge and behaviour. On the other hand, people living in Victoria have the highest level of social capital, on average. Except for the ACT, location does not significantly impact the level of financial resilience.

Country of birth

People born overseas in a non-English speaking country have much lower levels of financial products and services and social capital, than people born in English speaking countries, including Australia. There are however, almost no differences with regards to country of birth in the economic resources component. This suggests that factors other than economic resources, such as language barriers, are possibly affecting an individual's financial resilience.

Income

Financial resilience increases with income. People with annual income below \$20,000 are less likely to be financially secure and have lower financial resilience compared to people in increasing income brackets. In addition, people with higher income levels fared better in all financial resilience components, including social capital. Income plays an important direct and indirect role in financial resilience.

Labour force status

People who are unemployed or underemployed have lower financial resilience than people employed full time or satisfied with their hours of work. Like income, employment appears to be related to financial resilience through more than providing access to economic resources: it can affect people's perception of their capacity to engage with, and manage financial products and services, as well as impact their social capital.

Education

Financial resilience improves with educational attainment. As such, higher education levels are a protective factor for financial security. People with a degree or higher are more likely to be financially secure than people having Year 12 (or equivalent) as their highest level of educational attainment.

Housing

Housing type is one of the clearest indicators of vulnerability on the financial resilience spectrum. Unsurprisingly, homelessness is a strong predictor of severe or high financial stress/vulnerability.

Mental health

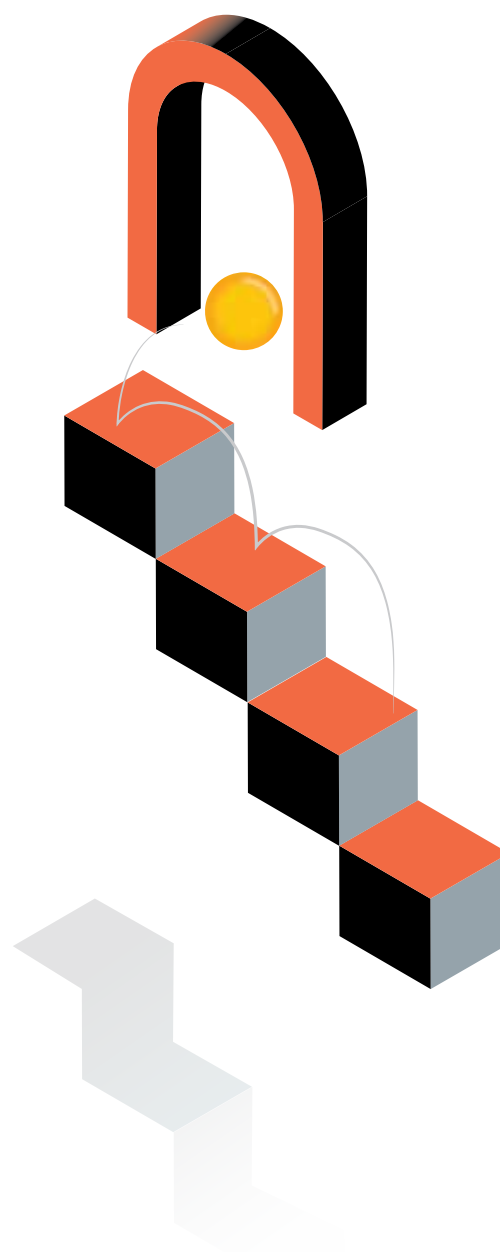
People with a probable serious mental illness fare consistently worse than people with no probable serious mental illness in all financial resilience components. People with a probable serious mental illness are at least 1.5 times as likely as people with no probable serious mental illness to have very low or low levels of economic resources, financial products and services, financial knowledge and behaviour, and social capital.

Optimism

People who are optimistic are more likely to be doing better than people classified as neutral or pessimistic in all components of financial resilience. In addition, people who are pessimistic are more likely to be in severe or high financial stress.

Implications and next steps

This report has moved beyond traditional measures of financial exclusion to a broader multi-dimensional framework of financial resilience. This study highlights that addressing only one dimension of financial resilience, such as access to financial products and services or only financial knowledge and behaviour will not be sufficient to improve financial resilience. It also establishes a baseline for understanding the current level of financial resilience in Australia, and who is more at risk, and how it improves, or not, in the future.



Resilience relies heavily on an individual's access to internal resources and appropriate external resources.



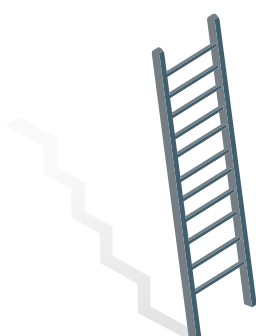
03 Introduction

This report measures financial resilience in Australia by combining a range of resources to understand the population's ability to cope financially. It is one of the first published studies of its kind in the world and aims to deepen our understanding of the challenges in building financial resilience and how to measure it.

This report builds on previous research on financial inclusion and exclusion (which only measures access to financial products and services) and the large body of work on financial literacy to incorporate a holistic approach. It combines access to and demand for financial products and services with economic resources, financial knowledge and behaviour, and social capital.

What is financial resilience?

Financial resilience is the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity.¹ Resources are appropriate if they are suitable to meet a person's needs, they are acceptable if they are agreeable to the people they aim to support, and they are accessible if people are able to obtain them. Internal resources include skills, traits and behaviours (e.g. financial literacy).² External resources may be formal (e.g. a credit product from a financial institution)³ or informal (e.g. a loan from a family member or friend in an emergency)⁴ or exist somewhere in-between (e.g. support from a community initiative⁵ or having enough money to pay bills).



Background

The Centre for Social Impact (CSI) has partnered with NAB over five years to measure financial exclusion in Australia, based on access to financial products and services. While understanding access is important, the existing financial exclusion research had limitations. For example it could not:

- Differentiate between people choosing to be financially excluded and people forced into exclusion;
- Identify different ways vulnerable consumers move to positions of greater strength and opportunity or become increasingly at risk/vulnerable;
- Assess the extent to which people are financially able to cope with financial shocks/challenges and who is most/least at risk; and
- Reliably compare interventions or determine which interventions are most effective, because of a lack of shared measurement.

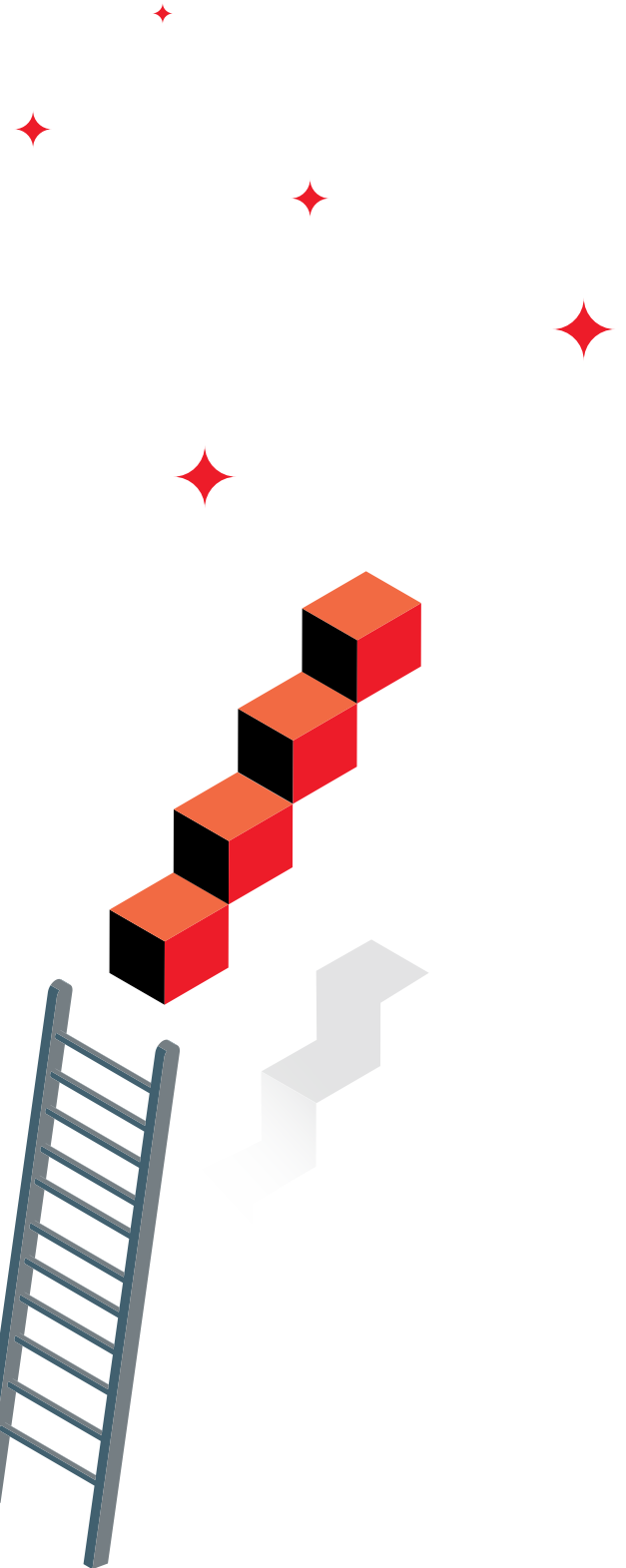
During a multi-stakeholder workshop in November 2014, the research team proposed a new approach based on the concept of measuring the 'financial resilience' of individuals. Financial resilience is a relatively new concept, but resilience as a concept along with interventions that aim to build resilience have been used in a range of sectors for many years.

The main difference between financial exclusion and financial resilience is that financial exclusion measures access to financial products and services only, whereas financial resilience combines and measures four components for coping with financial adversity.⁶ By taking into account both demand for and access to financial products and services as well as other resources, this new approach aims to overcome some of the limitations of only measuring financial exclusion.

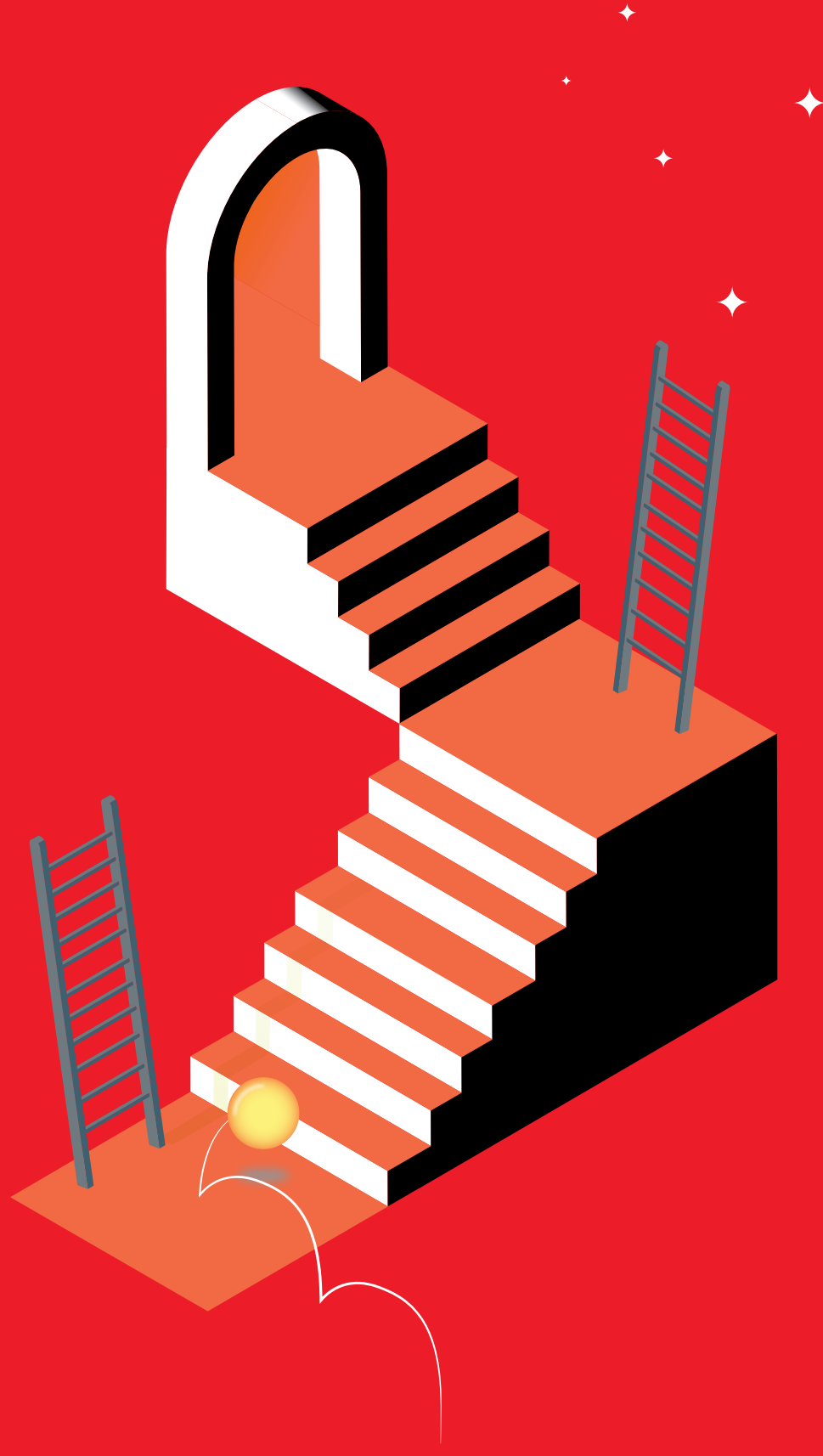
The project

This is the first report of a multi-year, multi-task project that aims to understand financial resilience among people living in Australia and to identify where resources should be invested to best increase people's ability to cope with financial adversity. The project achieves this through four steps:

1. Conceptualising financial resilience;
2. Developing a methodology to measure financial resilience in Australia and identify vulnerable groups;
3. Determining people's levels of financial resilience in Australia; and
4. Developing a shared impact measurement tool to determine which interventions/ programs are most effective for different groups and to help inform resource investment.







04 Conceptualising Financial Resilience

‘Resilience’ has been developed and incorporated into many fields including health, natural disasters, education and community infrastructure. It is a dynamic process that enables individuals to “bounce back after adverse events and experiences, to adapt to changing circumstances and to deal with environmental stress”.⁷ As such, it is best characterised by adaptability⁸ rather than stability⁹ – i.e. “the process of ‘bouncing back’ from harm rather than immunity from harm”.¹⁰ Bouncing back depends on an individual’s ability to “adjust to a disturbance, moderate potential damage, take advantage of opportunities and cope with the consequences of the transformation that occurs”.¹¹

Resilience relies heavily on an individual’s access to internal resources (e.g. financial literacy) and appropriate external resources (e.g. enough money to pay bills or access appropriate financial products and services).¹²

This project conceptualises the resources necessary for financial resilience around four components (Figure 1):

- **Economic resources:** an individual’s level of savings; debt management; their capacity to meet cost of living expenses; their ability to raise funds in an emergency; and their level of income.
- **Financial products and services:** an individual’s access to financial products and services – a bank account, credit and insurance – as well as demand for these products.
- **Financial knowledge and behaviour:** an individual’s knowledge and understanding about money and financial products and services (financial literacy) and their ability and willingness to apply that knowledge (financial capability).
- **Social capital:** an individual’s connection to, or isolation from, social networks; their level of social support in times of crisis; and their need for and access to community and/or government supports.

Financial knowledge and behaviour encapsulates the internal resources relevant to financial resilience and is consistent with the large body of work undertaken around financial literacy and capability.¹³

Economic resources, financial products and services and social capital make up the external resources affecting financial resilience. Social capital is an important resource; an individual’s network of relationships can help to provide access to and sources of “information, advice, and assistance”¹⁴ (e.g. an informal loan when an emergency occurs) thereby reducing stress and promoting adaptation under changing conditions.¹⁵

It is important to note that while theoretically the components can be classified as separate internal and external resources, in practice, the relationship between the four quadrants of financial resilience is dynamic. For example, an individual’s ability to raise emergency funds might depend on either their access to support networks or relevant financial products and services.

Figure 1:
Financial resilience framework components



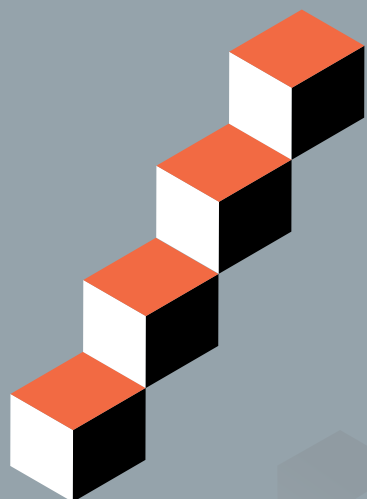
Individuals, however, do not have access to these resources on an equal basis. Social and economic disparities mean that these factors are often outside the individual's control, which we refer to as vulnerability. People can experience multiple and interacting vulnerabilities.¹⁶ These vulnerabilities include, but are not limited to:

- **Economic status:** It is widely recognised that the poor are generally more vulnerable. For example, more of their assets are tangible and of lower quality (e.g. small possessions rather than financial investments), making them more likely to be affected by financial shocks.¹⁷ Individuals on a low income or who have lost their jobs can face significant economic pressures.¹⁸
- **Minority status:** Individuals who are part of racial and ethnic minorities are more likely to be susceptible to discrimination and live in more disadvantaged areas. Recurring patterns of

discrimination can decrease individuals' ability to respond to adverse events and may influence "how people assess risk, weigh options, make decisions, and carry them out".¹⁹

- **Age and disability:** Age can be a factor in determining a person's ability to adapt in the face of adversity and people with a disability often experience restricted access to financial products and services.²⁰

Vulnerabilities rarely occur in isolation and are likely to intersect.²¹ Tools to measure financial resilience and interventions designed to enhance financial resilience must therefore be multi-dimensional and understand and take into account the context of the individual.²²



**Vulnerabilities
rarely occur in
isolation and are
likely to intersect.**





05 Methodology

This project began with a workshop to identify the limitations of financial exclusion and a detailed literature review to conceptualise financial resilience. Based on the literature review, a multi-dimensional framework and survey were developed to measure financial resilience in Australia and enable the identification of vulnerable groups. Regression analyses were also conducted to assess the relationships between particular demographic factors and financial resilience.

The financial resilience framework

A multi-dimensional framework was developed that incorporated the four components of financial resilience identified through our review of the literature:²³

1. **Economic Resources;**
2. **Financial Products and Services;**
3. **Financial Knowledge & Behaviour; and**
4. **Social Capital.**

The framework was then used to develop a corresponding survey that included four to five 'scoring questions' for each component.²⁴ The answers to the questions within each component were scored and the average used to determine people's resource levels on a four point scale for the corresponding component:

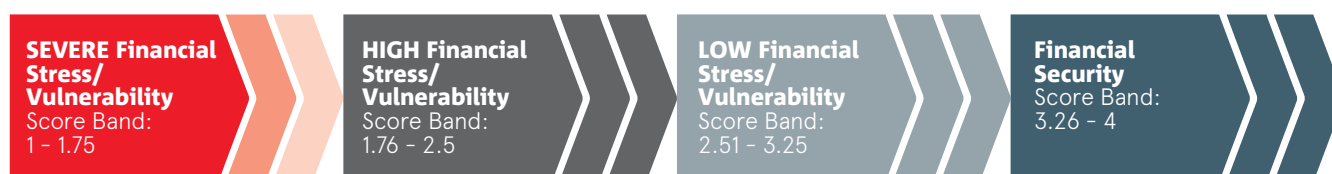
VERY LOW, LOW, MODERATE, or HIGH levels of resources.

The scores from each component were aggregated and averaged to determine a mean financial resilience score (on a scale of 1 to 4). The mean financial resilience score was used to place people on a financial resilience spectrum. This spectrum is broken down into four categories from severe financial stress and vulnerability to financial security. The categories and corresponding score band are described in Figure 2, and discussed in greater detail in Appendix 3 of the report.

The population mean financial resilience score, as well as the population mean score for each of the four components of financial resilience, were calculated by averaging scores across all respondents. The full scoring system is set out in Appendix 3, cross referenced to the corresponding survey questions provided in Appendix 4.

Questions on demographic characteristics were also included in the survey. This enables an understanding of different levels of financial resilience within and between different population groups.

Figure 2:
The financial resilience spectrum categories



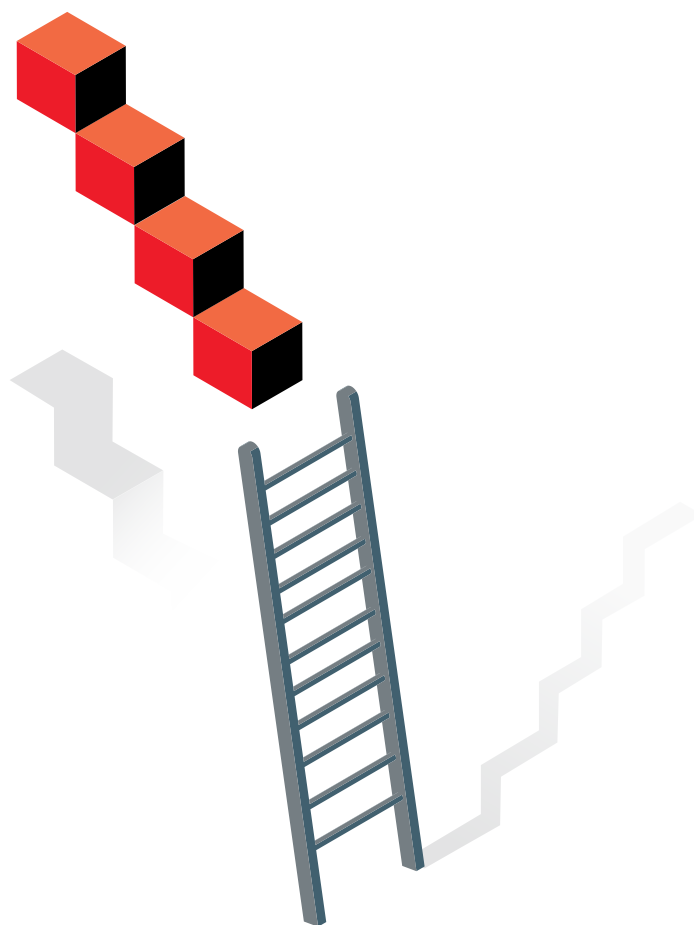
Data collection

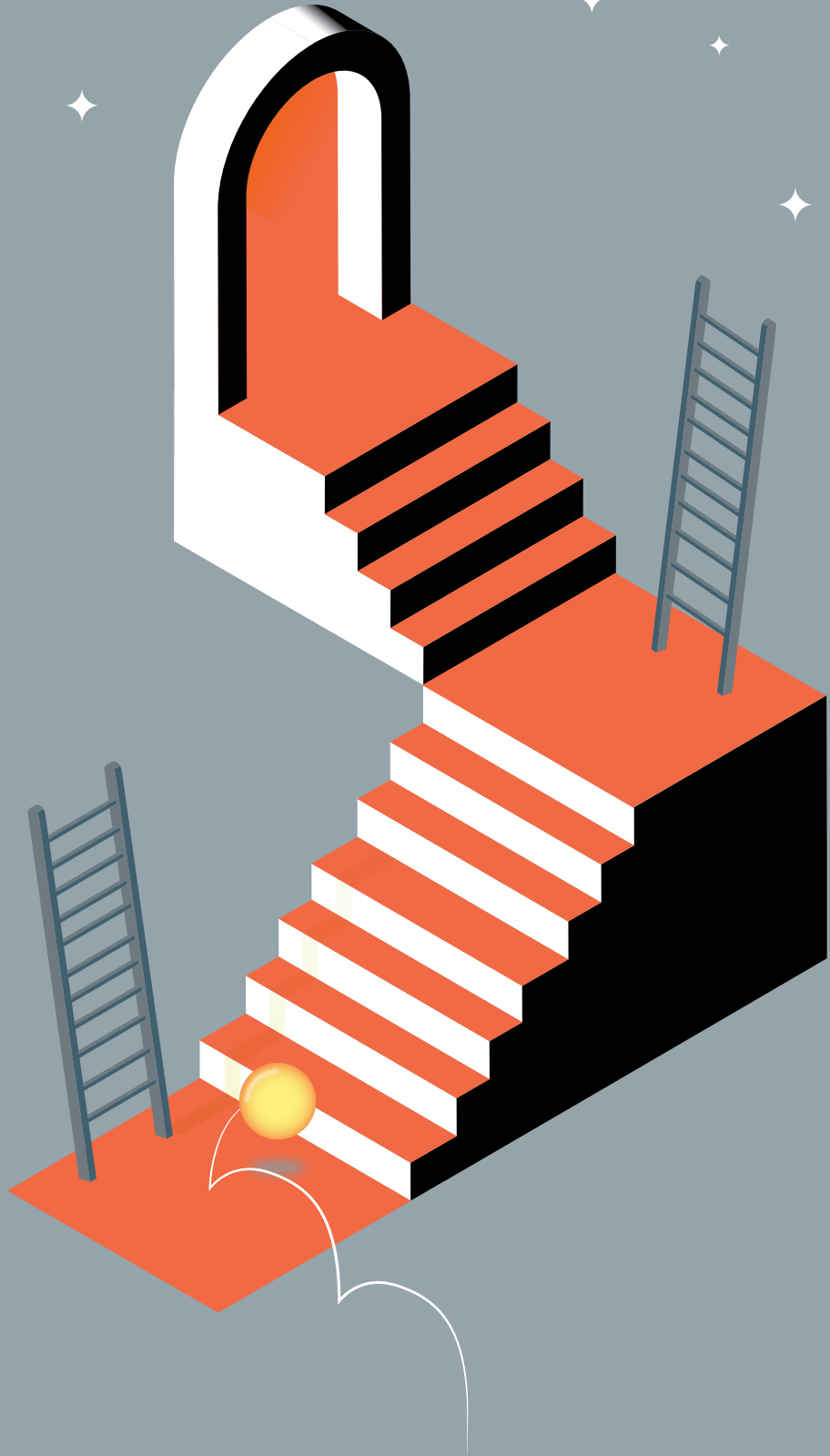
The findings are based on the responses of 1,496 interviews conducted by Roy Morgan Research, and weighted to be representative of the adult Australian population. Roy Morgan Research conducted the survey using OzPanel, a robust online consumer panel. OzPanel is unique in that the panel is primarily recruited via random, representative, address-based sampling from the Roy Morgan Single Source survey, which incorporates approximately 50,000 interviews predominantly face-to-face in both city and country areas each year with people aged 14+.

A total of 1,496 respondents aged 18+ completed the survey online in September 2015. The survey was based on a representative sample across age, gender and geographic locations. The data collected was weighted against these demographics to be representative of the Australian population aged 18+. Further details of the sample can be found in Appendix 1.

Regression analysis

Regression modelling was undertaken in Stata 13.1 to explore the independent association between particular factors and overall financial resilience. This includes scenario analyses predicting financial resilience scores for people with combinations of factors to identify particular groups at risk of financial stress due to cumulative disadvantage. Whilst these models demonstrate associations rather than causality, they nevertheless help to identify which groups in society are the most likely to benefit from policies and programs to improve financial resilience, and who are the most likely to be doing well.







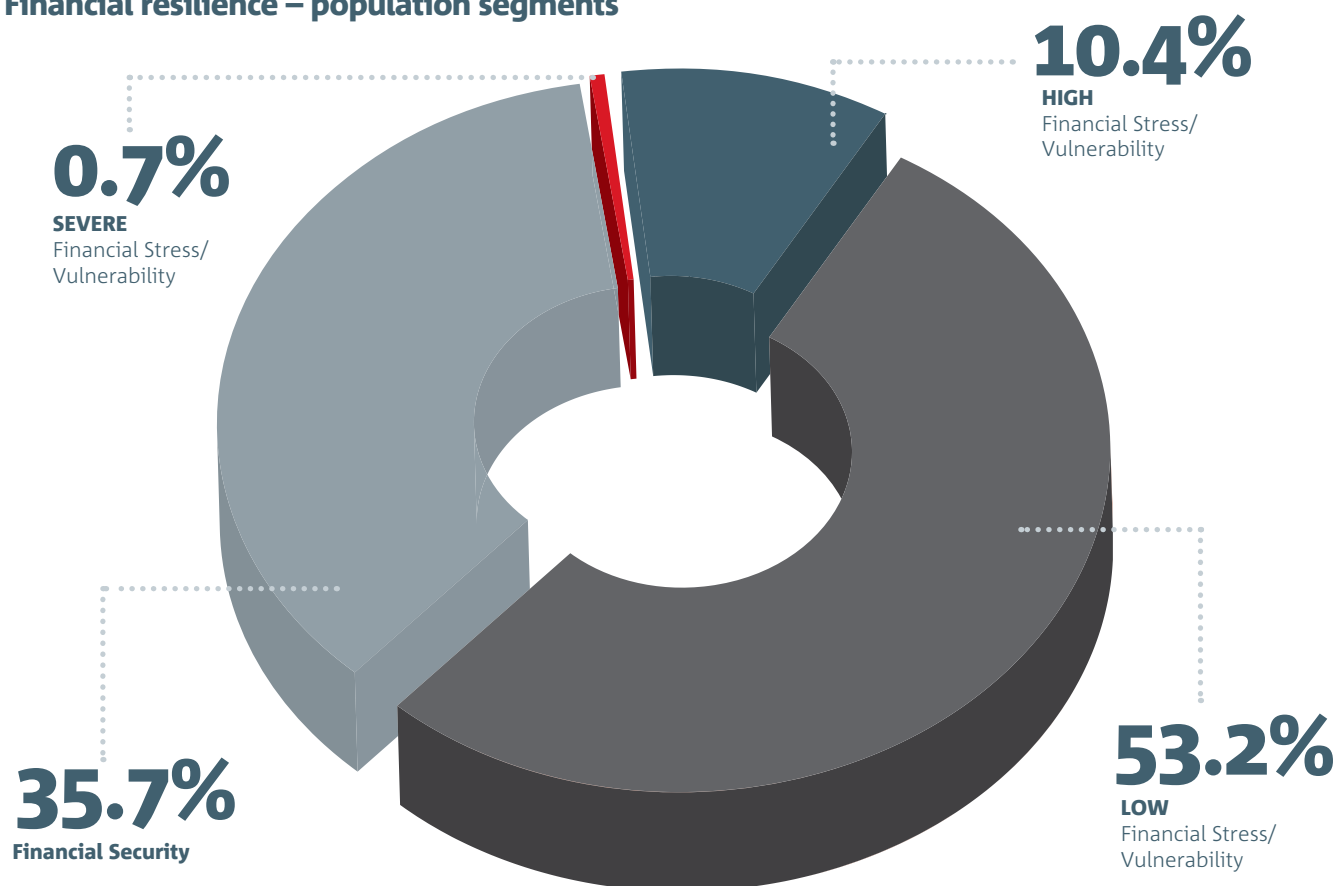
**More than 1 in 10
Australians aged 18
and over experience
severe or high
financial stress/
vulnerability.**

06

Financial Resilience in Australia

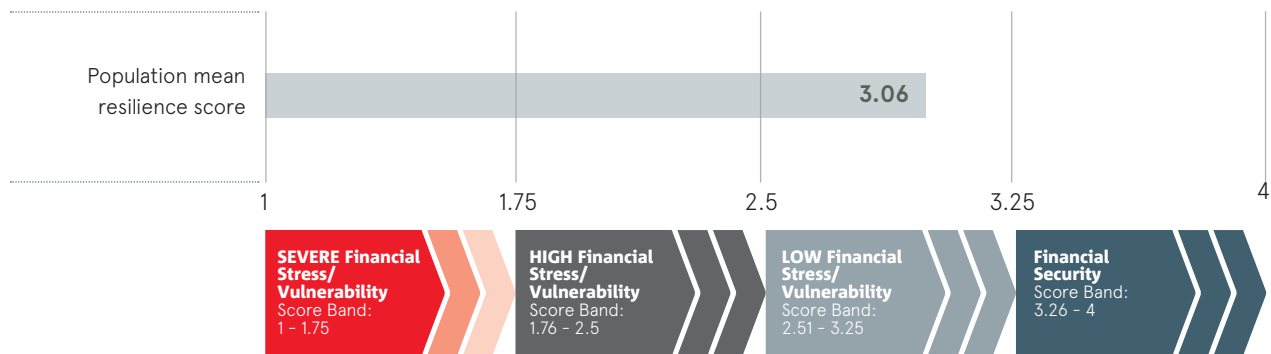
More than 1 in 10 Australians aged 18 and over (around 2 million people) experience severe or high financial stress/vulnerability. 10.4% (1,896,000 people) experience high financial stress/vulnerability and 0.7% of the population (126,000 people) experience severe financial stress/vulnerability. An additional 5 in 10 Australians are in low financial stress/vulnerability, leaving less than 4 in 10 Australians financially secure (Figure 3).

Figure 3:
Financial resilience – population segments



This is reflected in the overall financial resilience mean of 3.06 suggesting that, on average, the Australian adult population experiences low levels of financial stress/vulnerability.

Figure 4:
Mean population score for financial resilience



Source: Roy Morgan Research 2015 - Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+

Which groups are doing better or worse?

A similar proportion of men and women are represented in each financial resilience category. Differences by gender become stark when the components of financial resilience are explored (in the following sections). Younger people (aged under 35 years) are more likely to experience high or severe financial stress/vulnerability than older people. People born in a non-English speaking country are more likely to experience high or severe financial stress/vulnerability compared to people born in an English speaking country, including Australia (16.6% compared to 10.4%) respectively.

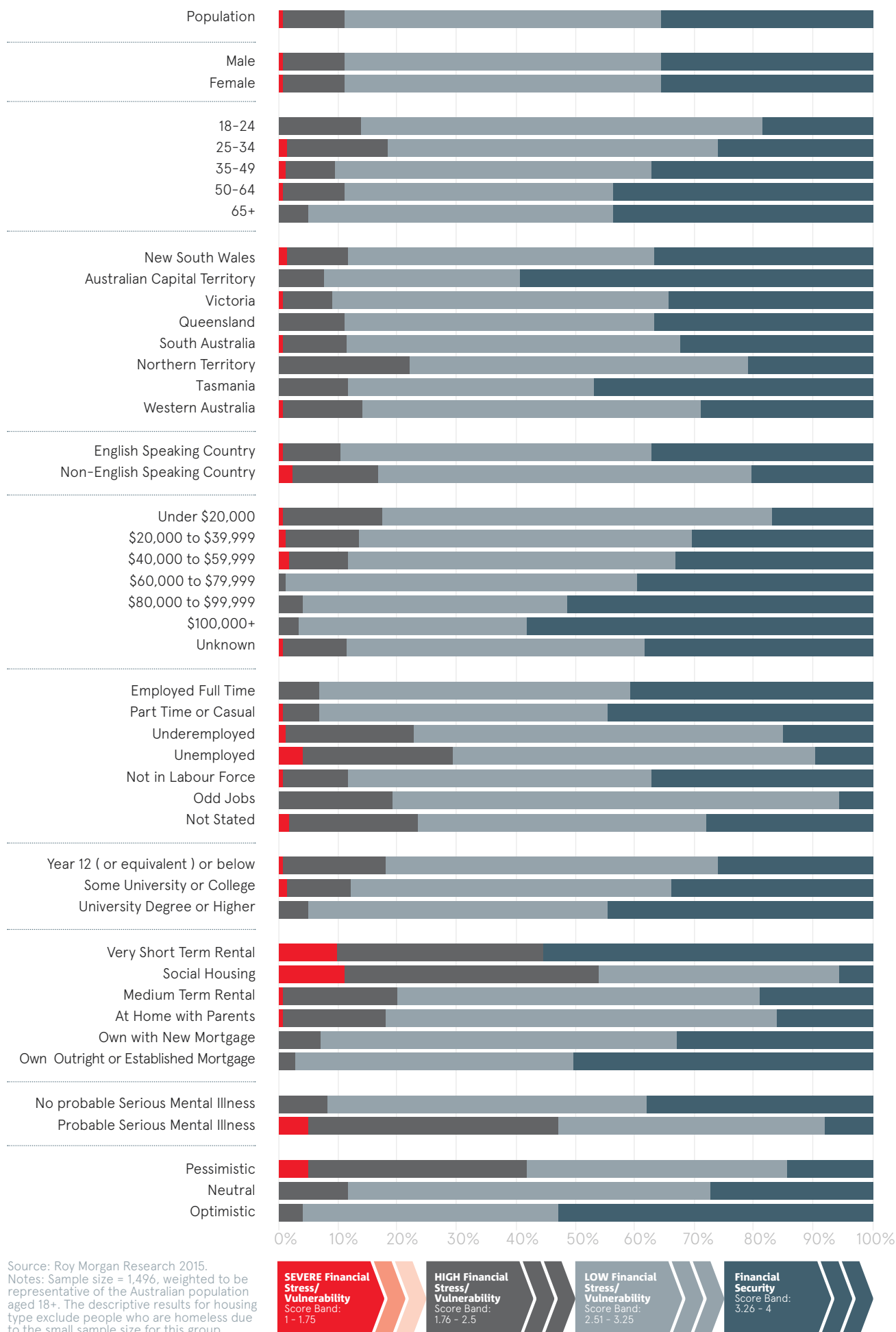
Expectedly, people in lower income brackets (under \$60,000 per year), those who are unemployed or underemployed, and with Year 12 (or equivalent) or lower as their highest level of education, have the largest proportions of people in high or severe financial stress/vulnerability compared to those on higher incomes, who are

employed or have higher levels of educational attainment. People living in social housing are more likely to be experiencing high or severe financial stress/vulnerability than people living in other types of accommodation measured.

Mental health also correlates with financial resilience. Almost half (47.0%) of all people with a probable serious mental illness are in severe or high financial stress/vulnerability, compared to 8.0% of people with no probable serious mental illness. Finally, 41.7% of people classified as pessimistic are in high or severe financial stress/vulnerability, in contrast to 11.7% and 3.8% of people classified as neutral and optimistic respectively.

The relationship between particular characteristics and overall financial resilience is further explored in Chapter 6.

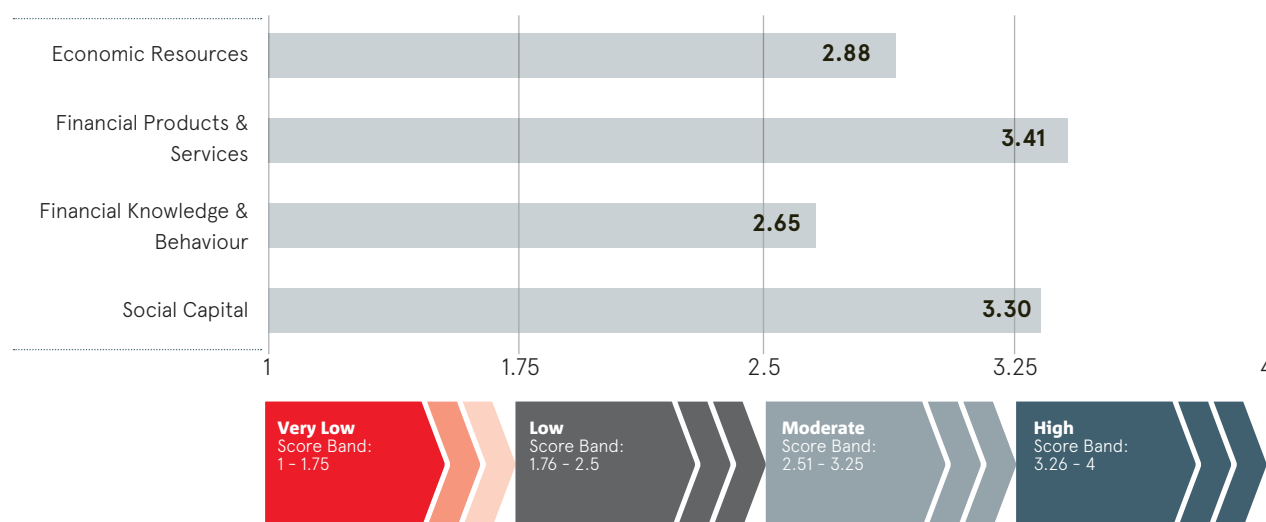
Figure 5: **Financial resilience by demographic characteristics**



Financial resilience components

When considering the components of financial resilience, Australians fare best in terms of their access to financial products and services, followed by social capital, economic resources and financial knowledge and behaviour.

Figure 6:
Mean population scores for financial resilience components

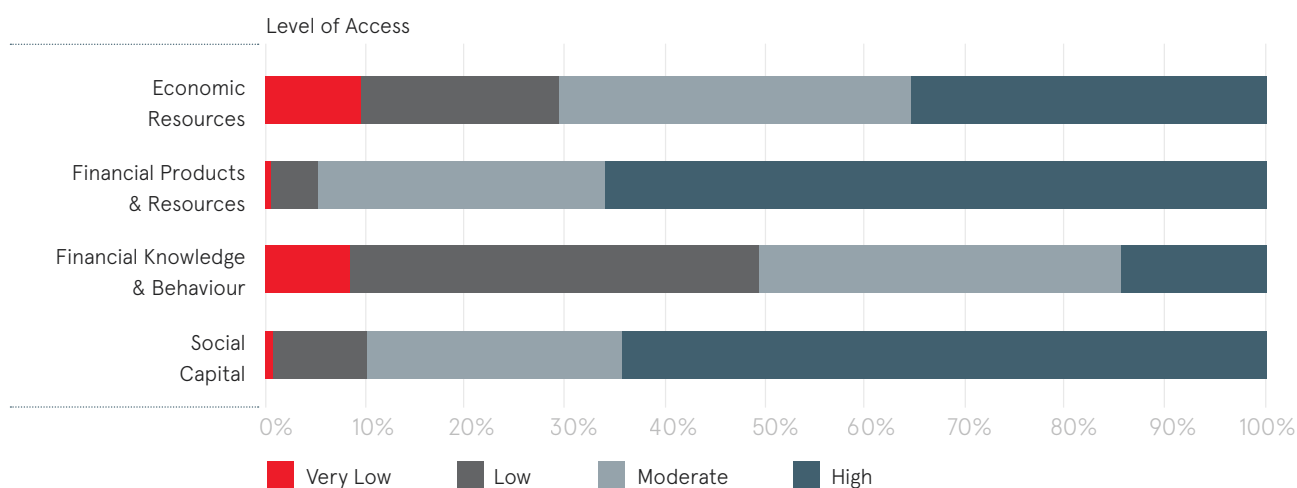


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496, weighted to be representative of the Australian population aged 18+.

Examining the degree of access the Australian population has to each of the financial resilience components further demonstrates the weaknesses in economic resources and knowledge and behaviour. One in two people have low or very low levels of financial knowledge and behaviour, and

29.5% have low or very low levels of economic resources to draw on. In comparison, almost all respondents scored moderately or highly in accessing financial products and services (94.4%) and in levels of social capital (89.5%; Figure 7).

Figure 7:
Population's level of access to the financial resilience components



Source: Roy Morgan Research 2015 - Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

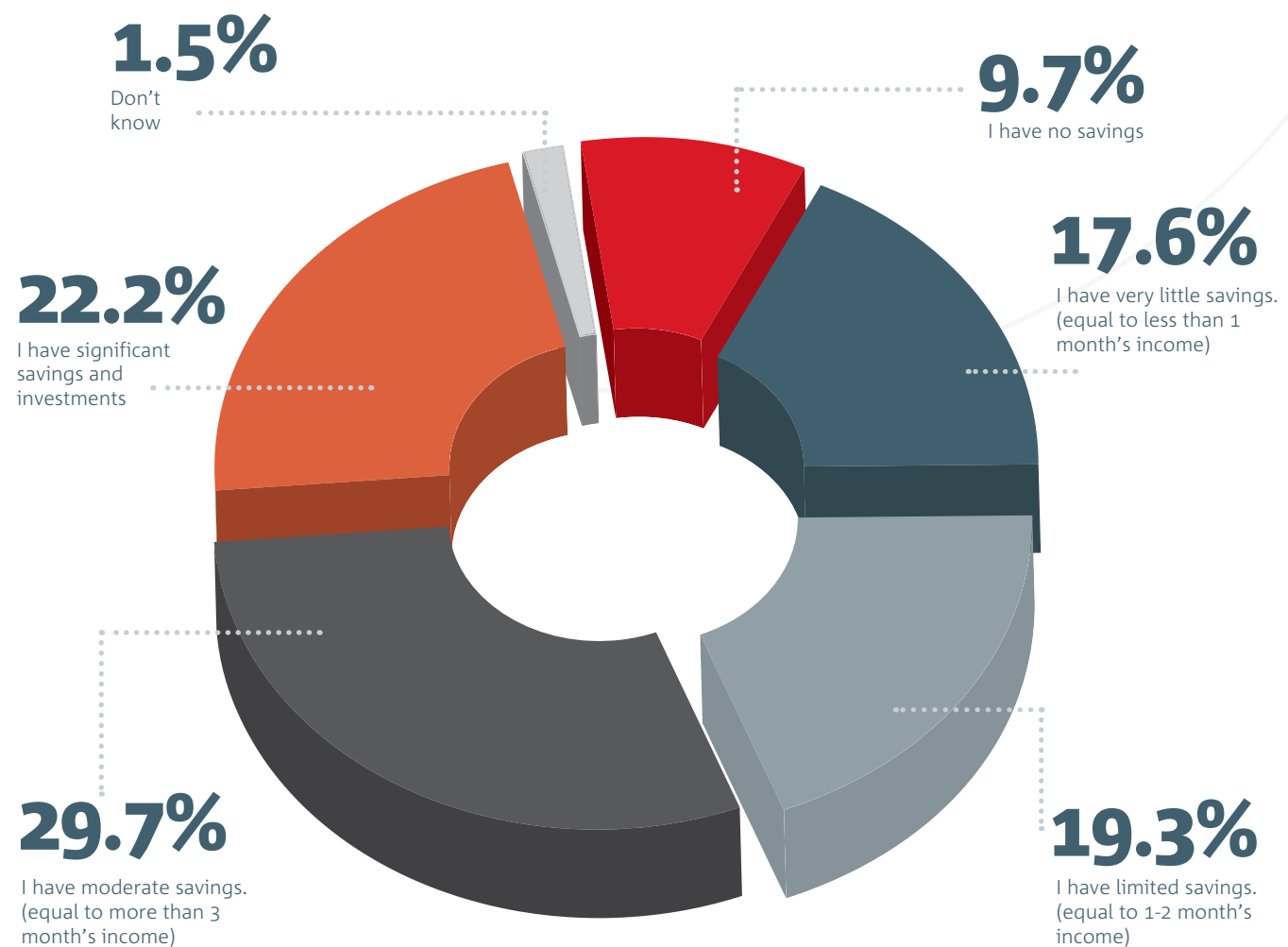


To further understand the type of resources Australians have access to, and highlight those they lack, we look at each component of financial resilience individually.

Economic resources

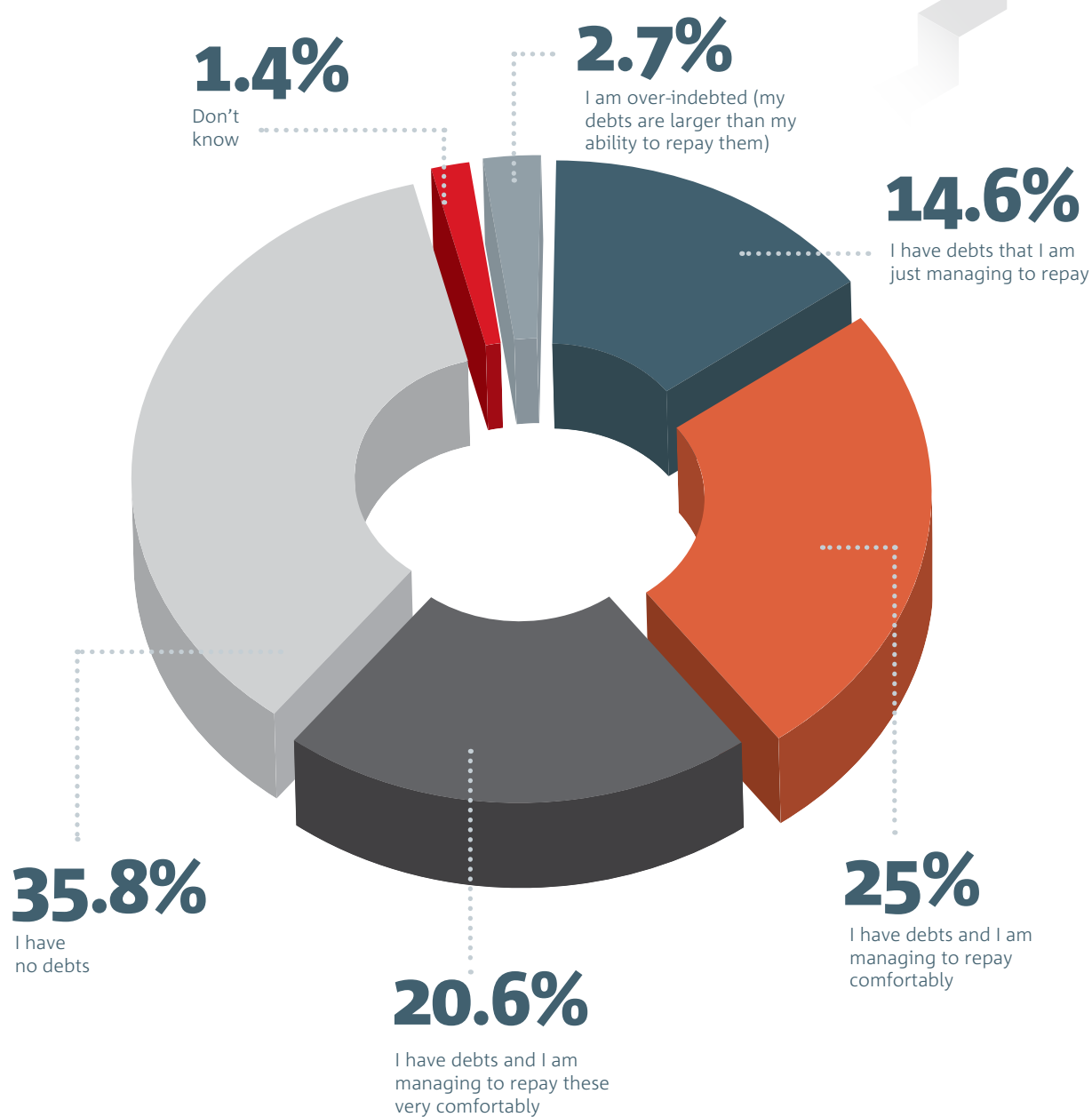
The economic resources component asked questions about income, savings, and the ability to meet financial repayments, or raise funds in an emergency. Around 1 in 5 (22.2%) people reported having significant savings and investments. However, almost 1 in 2 (46.6%) reported having limited to no savings. Specifically, 9.7% reported no savings at all, 17.6% reported very little savings, and 19.3% reported limited savings (Figure 8).

Figure 8:
Current level of savings



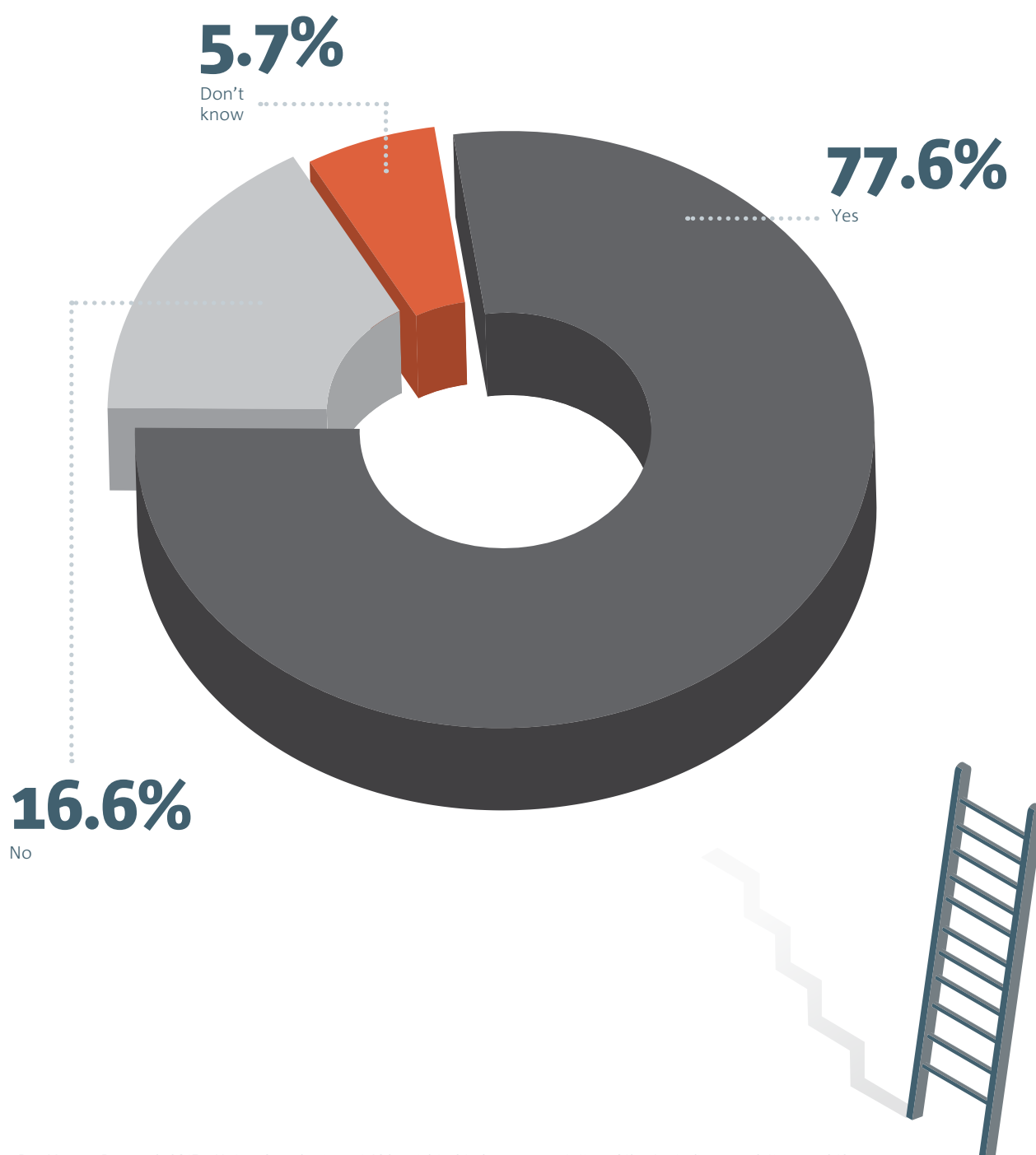
Further, while the majority of people surveyed self-reported managing their levels of current debt, 17.3% reported being either over-indebted or just managing to repay (Figure 9).

Figure 9:
Current level of debt



Similarly, while 77.6% of respondents advised that they could raise \$2,000 within a week in case of an emergency, 16.6% said that they could not (Figure 10).

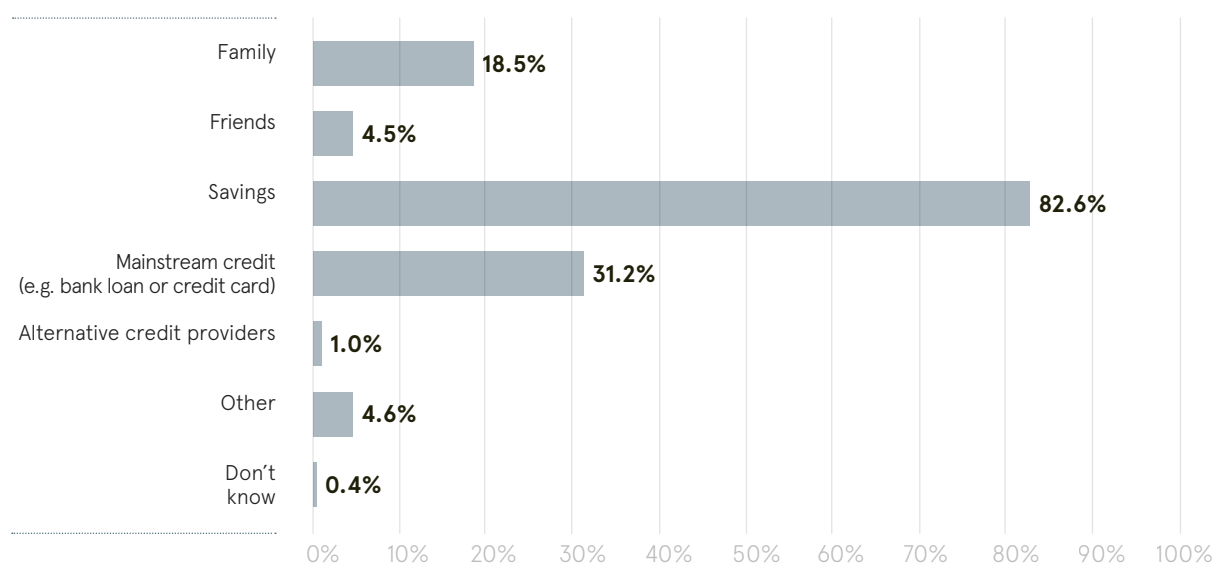
Figure 10:
Able to raise \$2,000 in a week in case of emergency



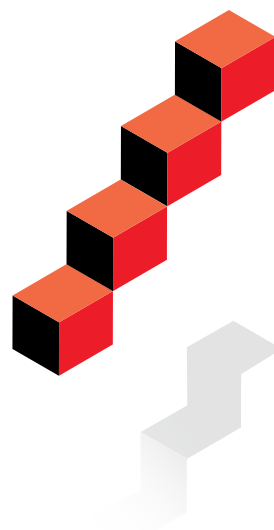
Source: Roy Morgan Research 2015 - Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+. Total adds to >100% due to rounding.

Of the group who *could* raise the funds in an emergency, they were most likely to do this through savings (82.6%), mainstream credit (31.2%) and then family (18.5%) and friends (4.5%). Only 1.0% reported that they would use alternative credit providers (Figure 11).

Figure 11:
Raising \$2,000 within a week in case of emergency

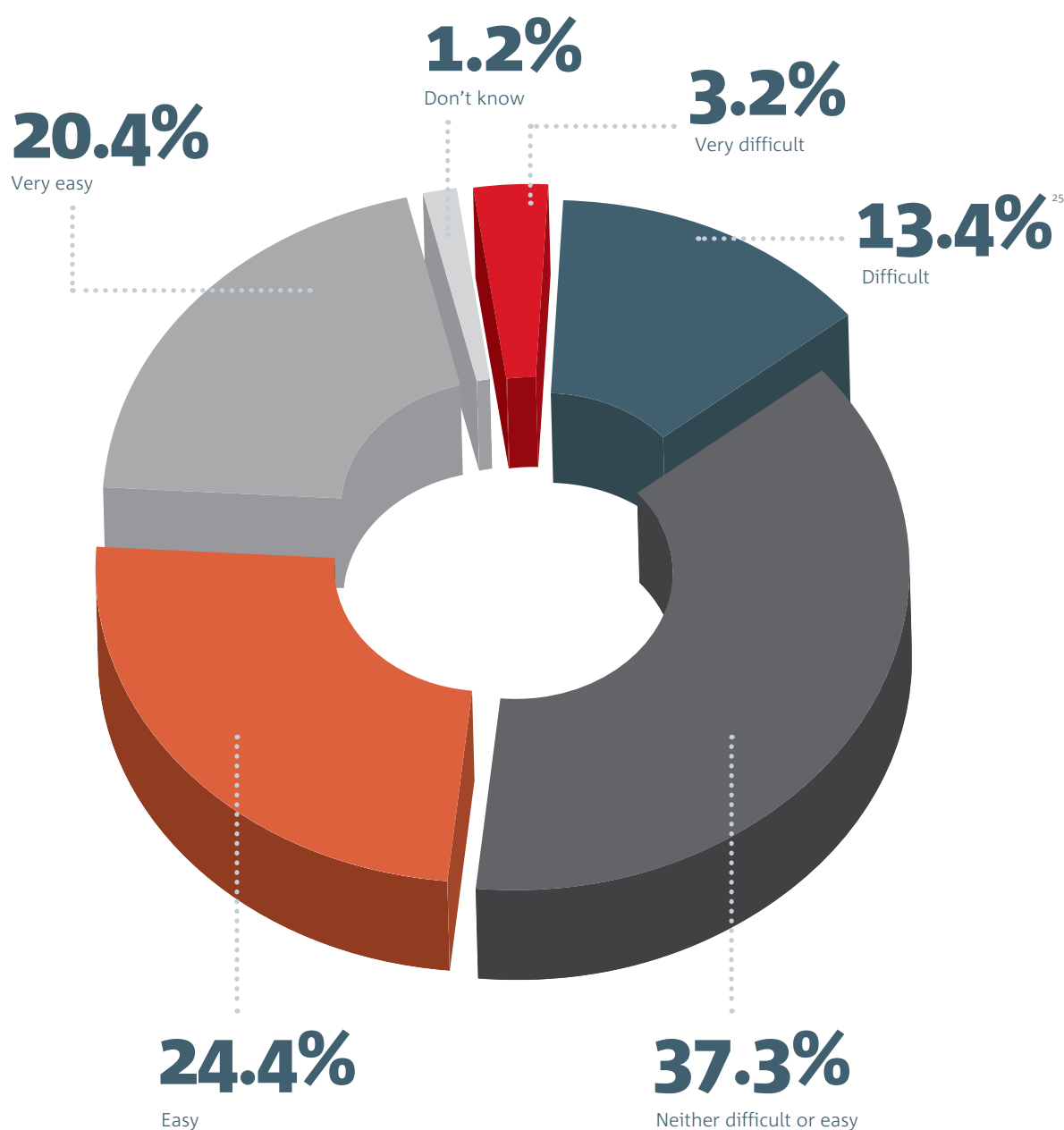


Source: Roy Morgan Research 2015. Notes: Sample size = 1,161 weighted to be representative of the Australian population aged 18+. Total does not add up to 100% as individuals could indicate multiple responses.



Respondents were also asked about their ability to meet cost of living expenses. While, 44.8% of people found it easy or very easy to meet their living expenses, 16.6% reported it was difficult or very difficult (Figure 12).

Figure 12:
Level of difficulty in meeting cost of living expenses



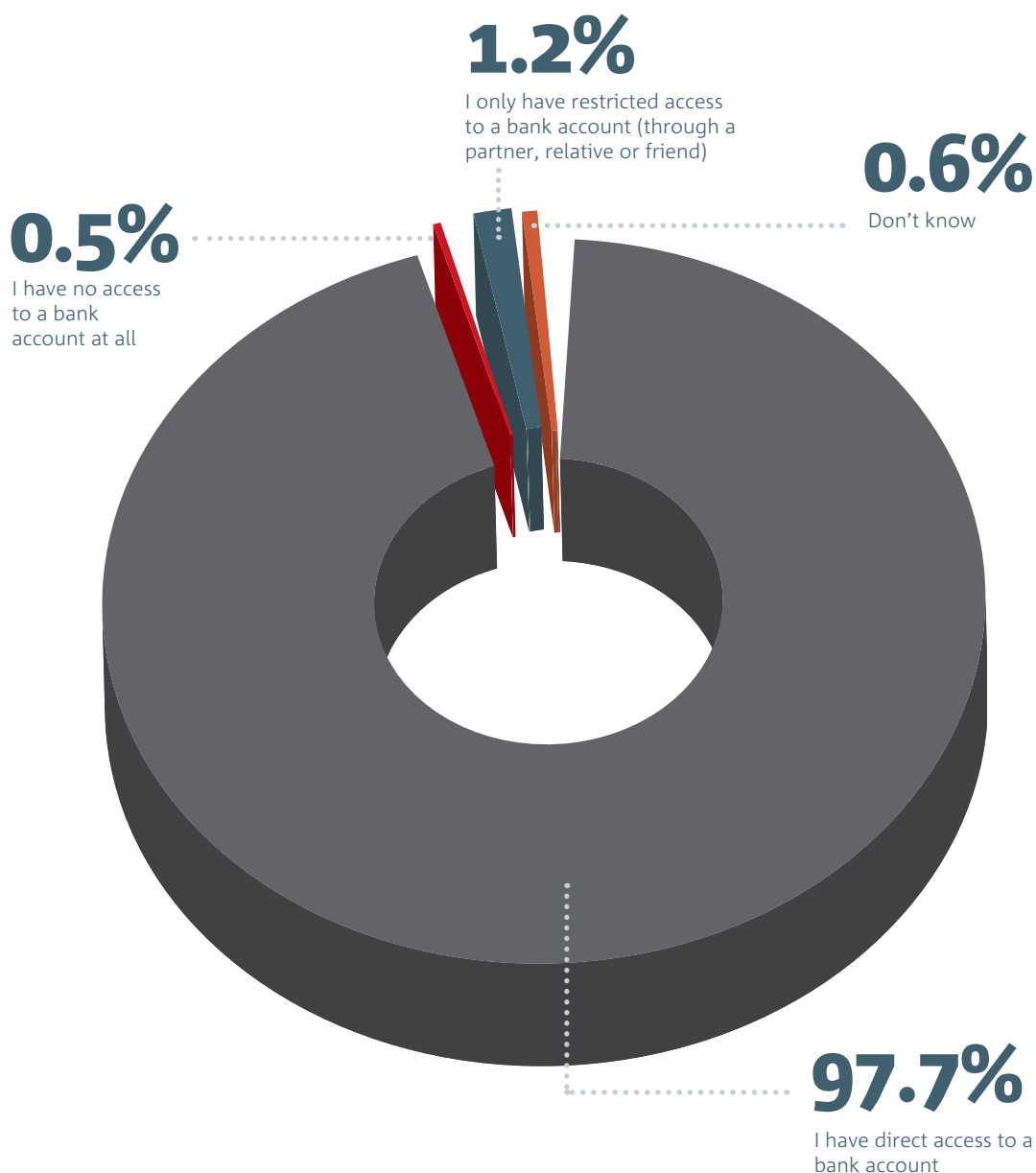
Source: Roy Morgan Research 2015 - Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+. Total adds to >100% due to rounding.

Financial products and services

The financial products and services component builds and expands on the previous financial inclusion research. While it looks at access to the same three basic financial products and services – a bank account, credit and insurance – this survey also considers different types of credit as well as demand for these products.

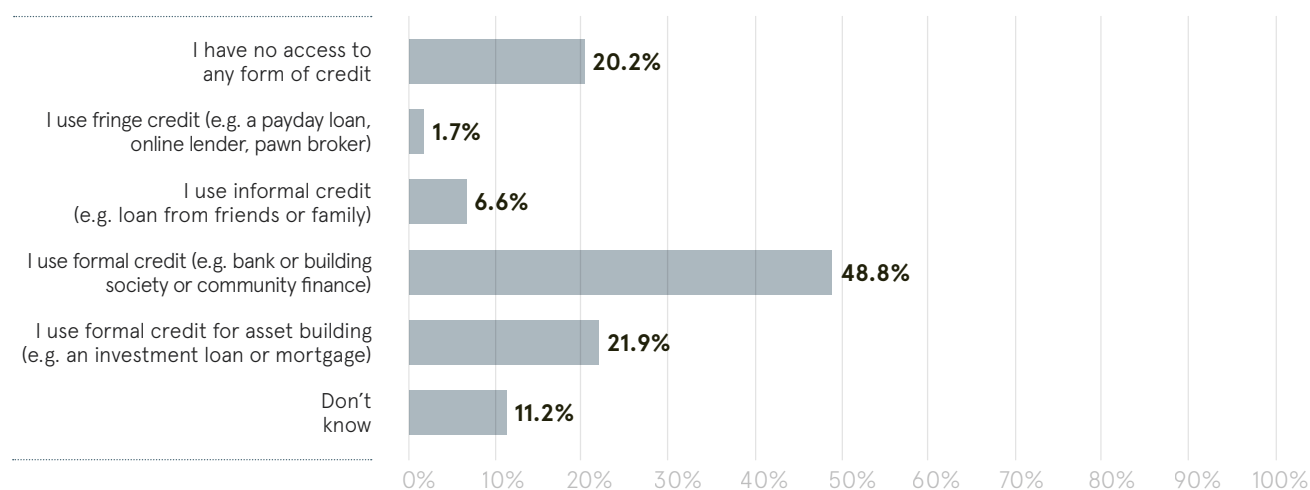
Consistent with previous studies,²⁶ almost all respondents indicated having direct access to a bank account (97.7%), with a further 1.2% having restricted access (Figure 13).

Figure 13:
Ability to access a bank account in the last 12 months



Most respondents were also able to access credit in the last 12 months, with the majority (70.7%) doing so through formal credit options, 6.6% borrowed money from friends or family, and 1.7% accessed credit through fringe lenders (Figure 14).

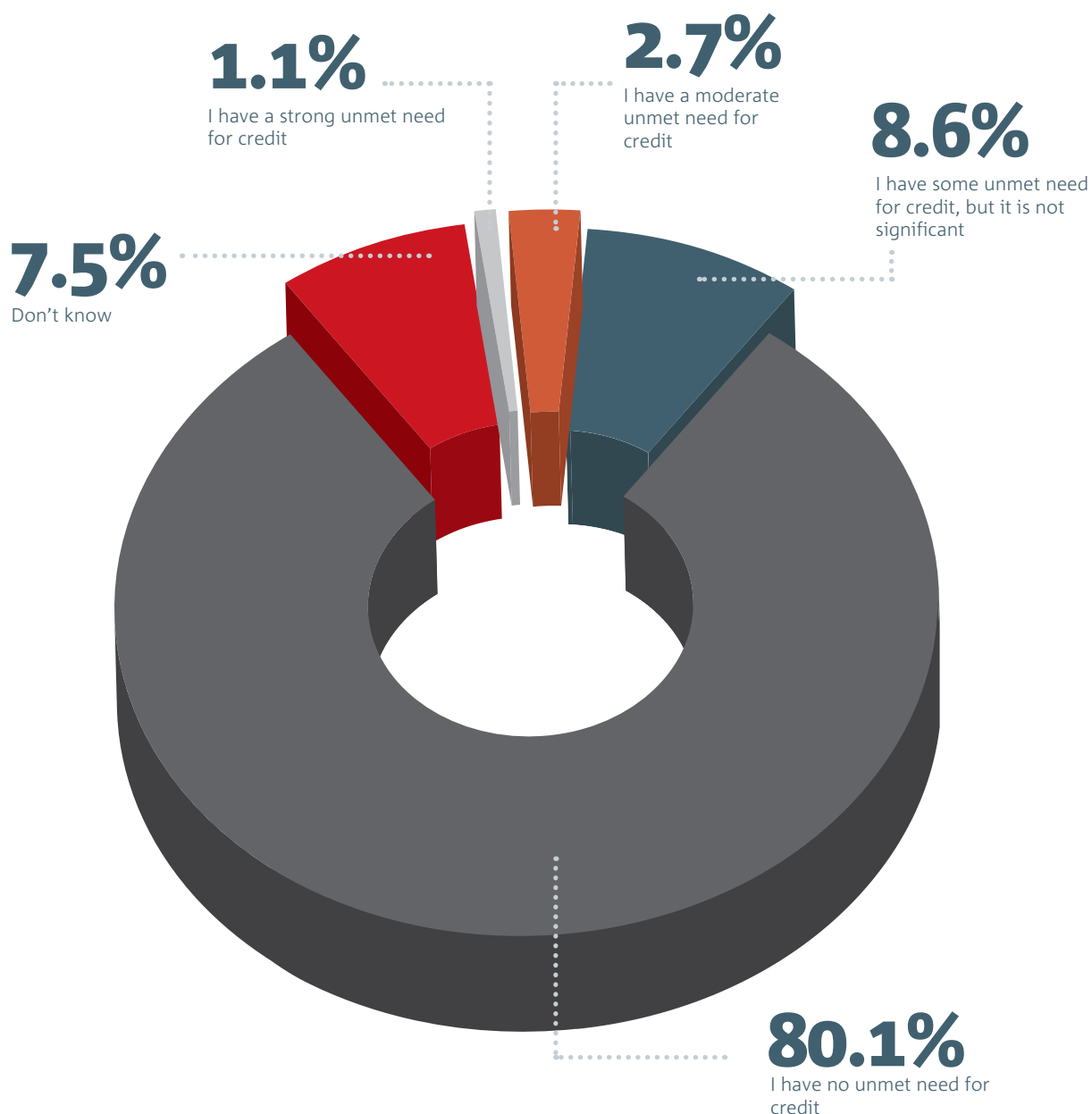
Figure 14:
Ability to access credit in the last 12 months



Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+. Total does not add up to 100% as individuals could indicate multiple responses.

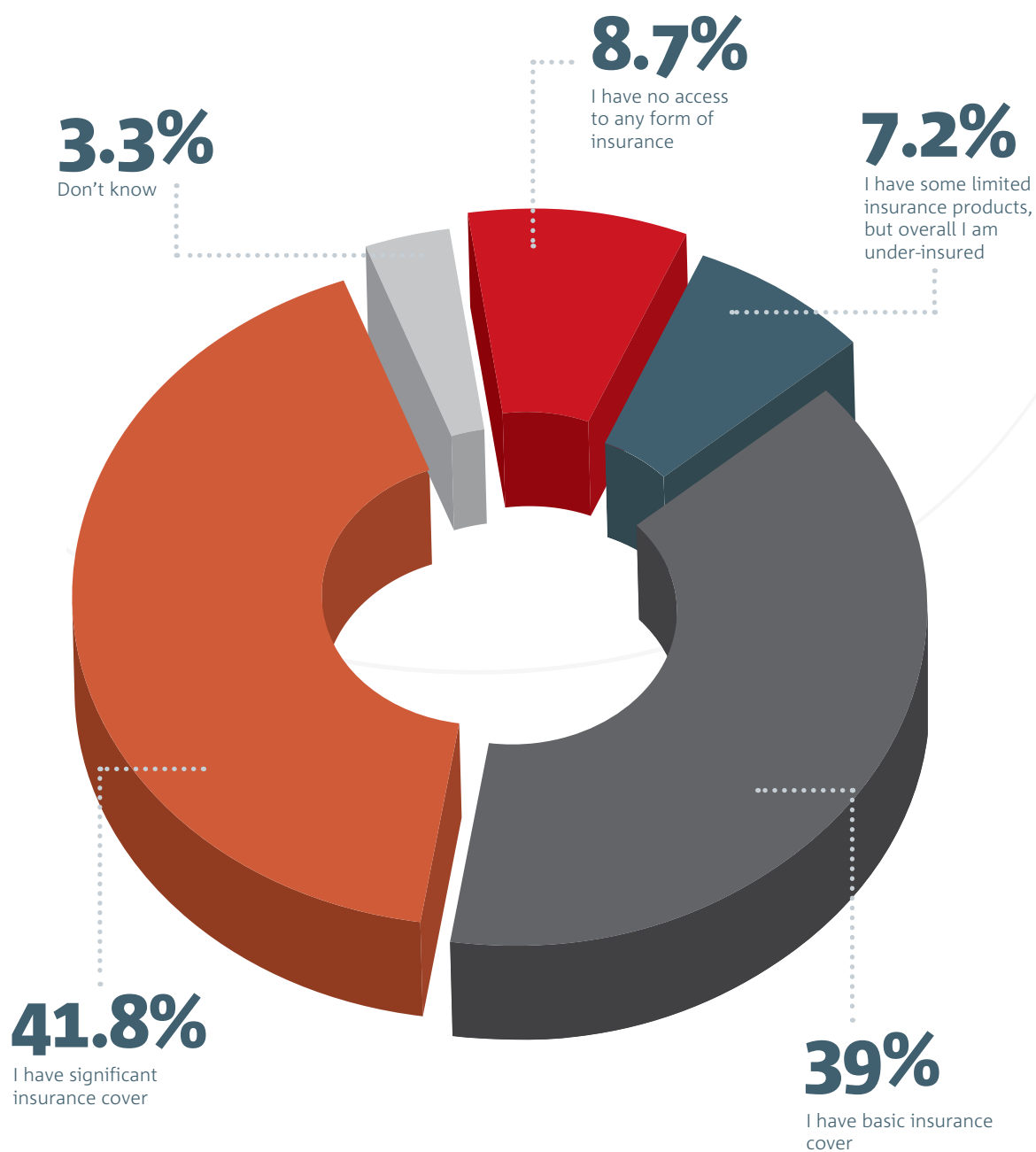
The demand for credit reflected a similar picture; just over 1 in 10 respondents reported an unmet need for credit. Particularly, 1.1% had a strong unmet need, 2.7% had a moderate unmet need and 8.6% had some unmet but not significant need for credit (Figure 15). Note, respondents with current debt issues or other indicators of financial stress may have indicated 'no unmet credit need' as any type of credit might increase their difficulties.

Figure 15:
Current unmet need for credit



Around 81% of respondents reported having access to basic or significant insurance cover and 3.3% said they did not know, leaving approximately 16% of respondents with no or an inappropriate level of insurance (Figure 16).

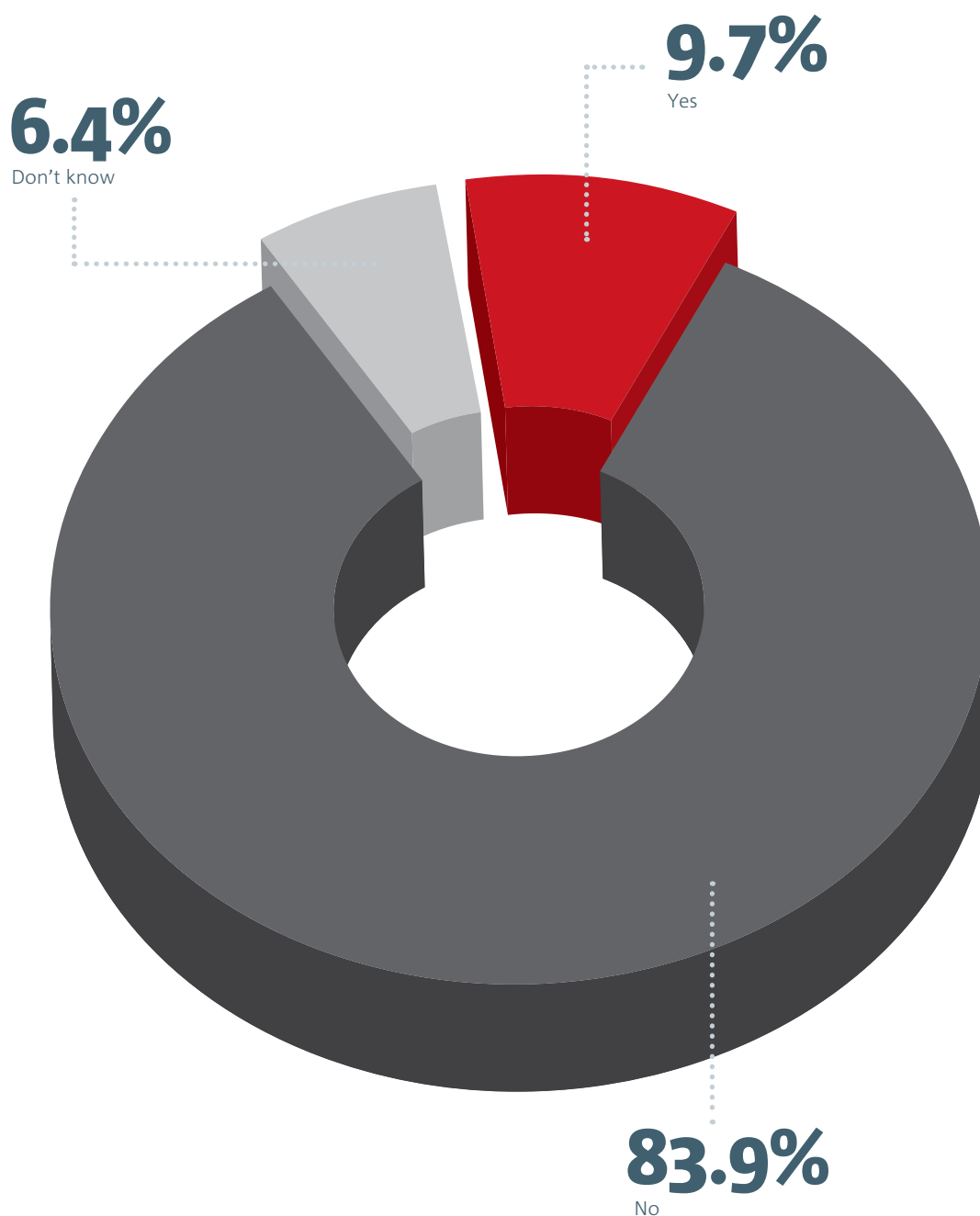
Figure 16:
Ability to access insurance in the last 12 months



Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

Almost 1 in 10 respondents indicated that their insurance needs were currently not being met (Figure 17). Note, however, that respondents may have been reluctant to take on any type of insurance, especially where it is perceived to be beyond their financial means.

Figure 17:
Insurance needs not currently met

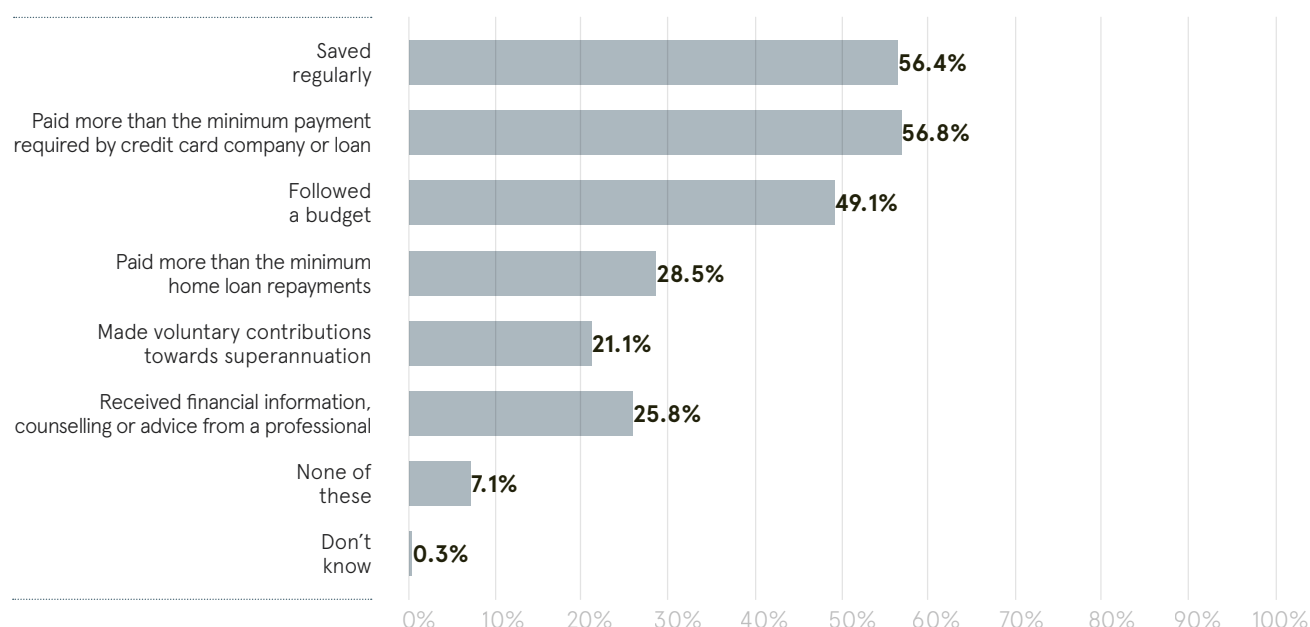


Financial knowledge and behaviour

The financial knowledge and behaviour component asked questions about knowledge, confidence, and specific behaviour related to financial services. Although the overall results for the financial knowledge and behaviour component are the lowest in this study, there are encouraging signs that some individuals are engaging in positive financial behaviour, such as making extra payments on

loans and seeking professional advice. Particularly, more than half of the respondents reported saving regularly and/or making additional repayments on credit card bills or loans, and just under half reported following a budget. In addition, 1 in 4 reported receiving financial information, counselling or advice from a professional and 1 in 5 made voluntary contributions to their superannuation (Figure 18).

Figure 18:
Financial actions taken in the last 12 months

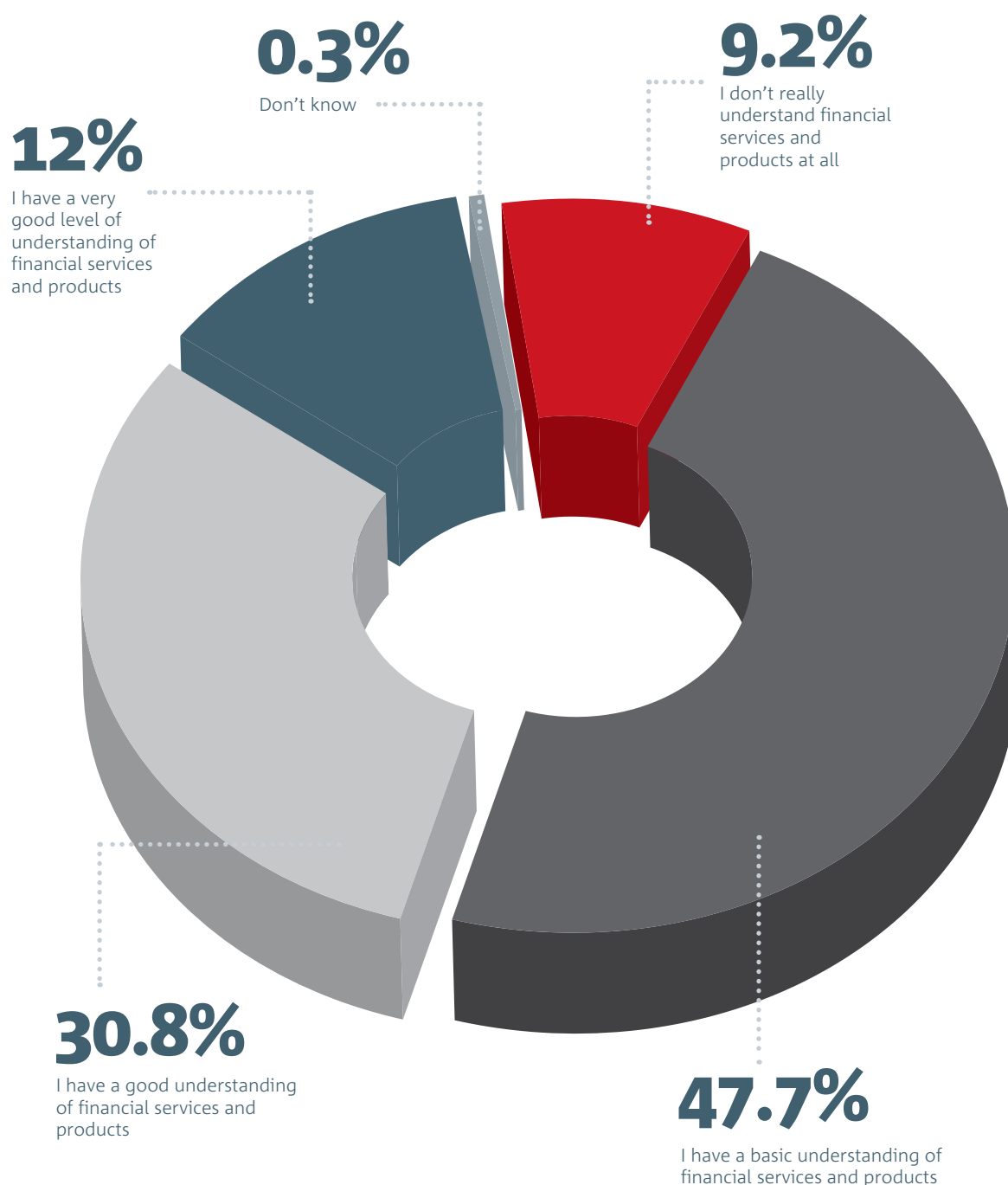


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+. Total does not add up to 100% as individuals could indicate multiple responses.

However, a different picture emerges when looking at people's reported level of financial knowledge; over half of respondents indicated that they had a basic or no understanding of financial products

and services. Under a third (30.8%) reported having a good understanding of financial products and services, and 12.0% reported a very good understanding (Figure 19).

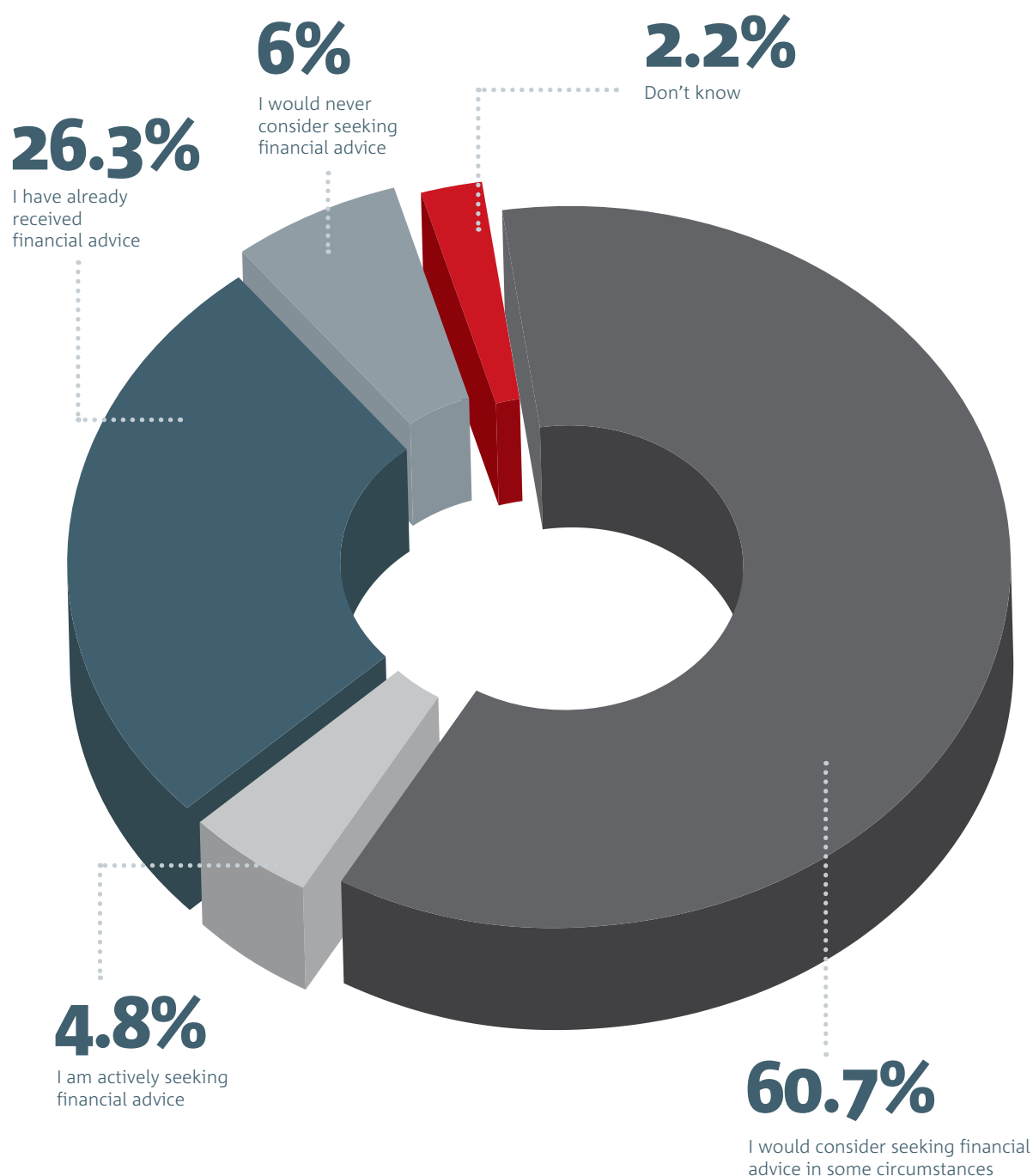
Figure 19:
Level of knowledge of financial services and products



Nonetheless, when asked about their attitude towards seeking financial advice, 60.7% of respondents said they would consider seeking financial advice in some circumstances. Just over

one in four (26.3%) reported receiving financial advice in the past and 4.8% were actively seeking financial advice at the time (Figure 20).

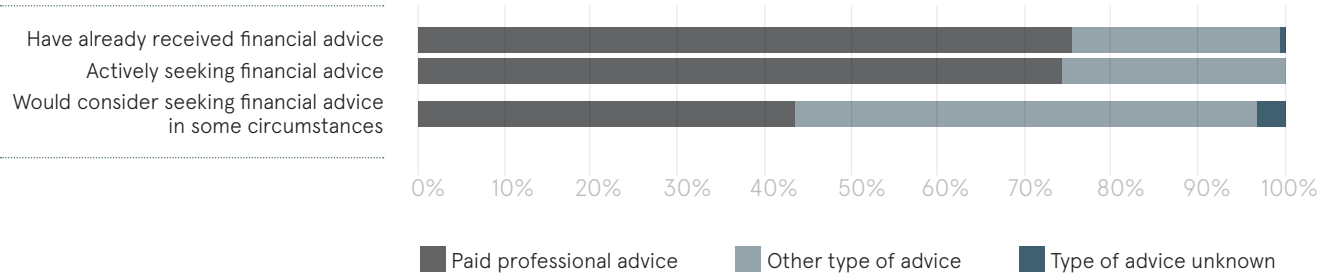
Figure 20:
Attitude towards seeking financial advice



Three in four people (75.2%) who had received financial advice in the past had done so through a paid professional. Similarly, 74.3% of those actively seeking advice were looking for a paid professional.

Further, only 43.5% of people who said they would consider seeking financial advice would choose a paid professional (Figure 21).

Figure 21:
Source of financial advice

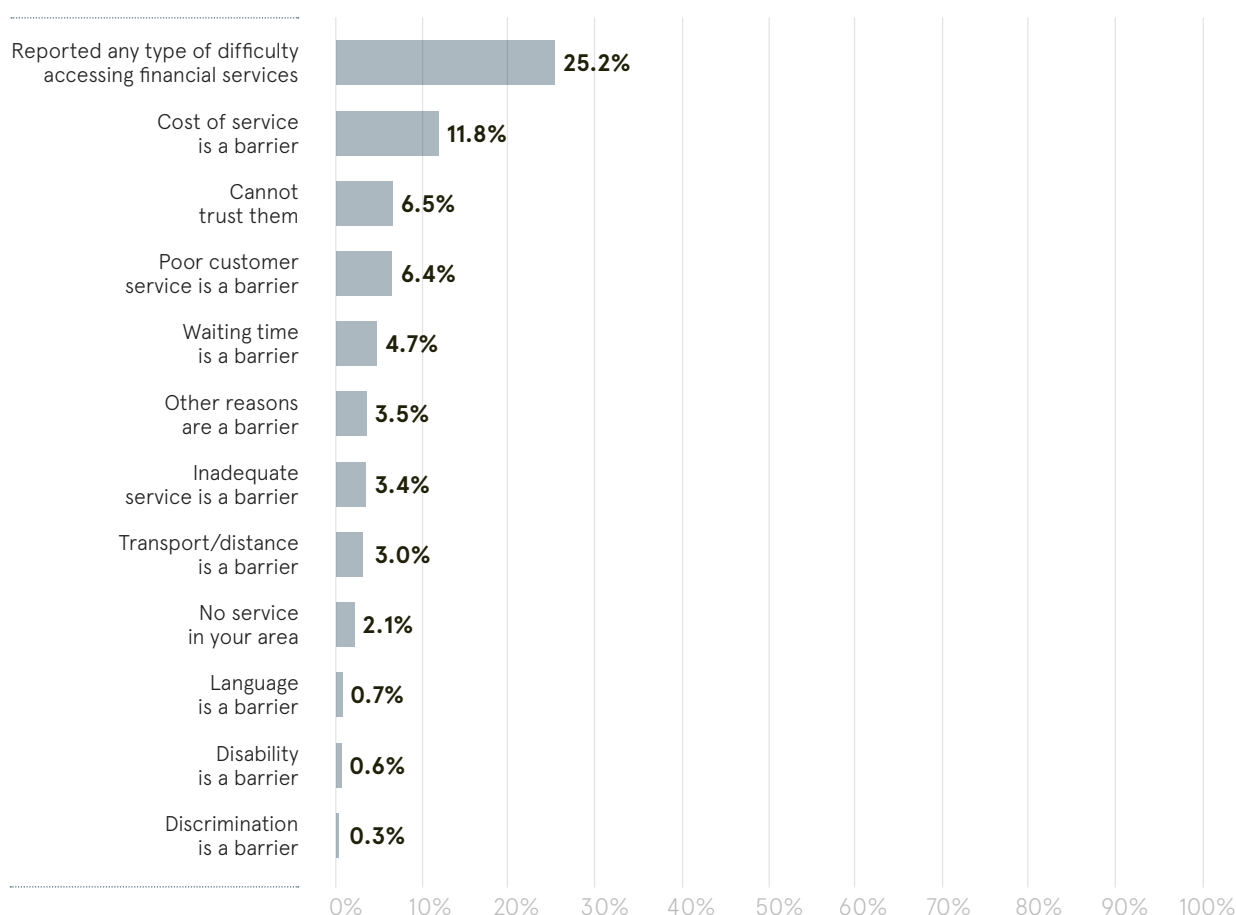


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+. The options in the original question were not mutually exclusive. However, in the above 'paid advice' includes anyone who selected paid advice (irrespective of whether they also chose another option). 'Other type of advice' captures those who selected other but did not select paid or type unknown.

25.2% of respondents indicated they faced some type of barrier accessing financial services. Cost was found to be the most common barrier to accessing financial services. More than 1 in 10 people (11.8%) surveyed said cost was a prohibitive barrier to accessing financial services. Other reasons included a lack of trust (6.5%), poor customer service (6.4%),

waiting times (4.7%), inadequate service (3.4%), lack of transportation (3.0%), no service in the local area (2.1%) and a small proportion reported experiencing language, disability and/or discrimination barriers (0.7%, 0.6%, 0.3% respectively; Figure 22).

Figure 22:
Types of difficulties experienced accessing financial services

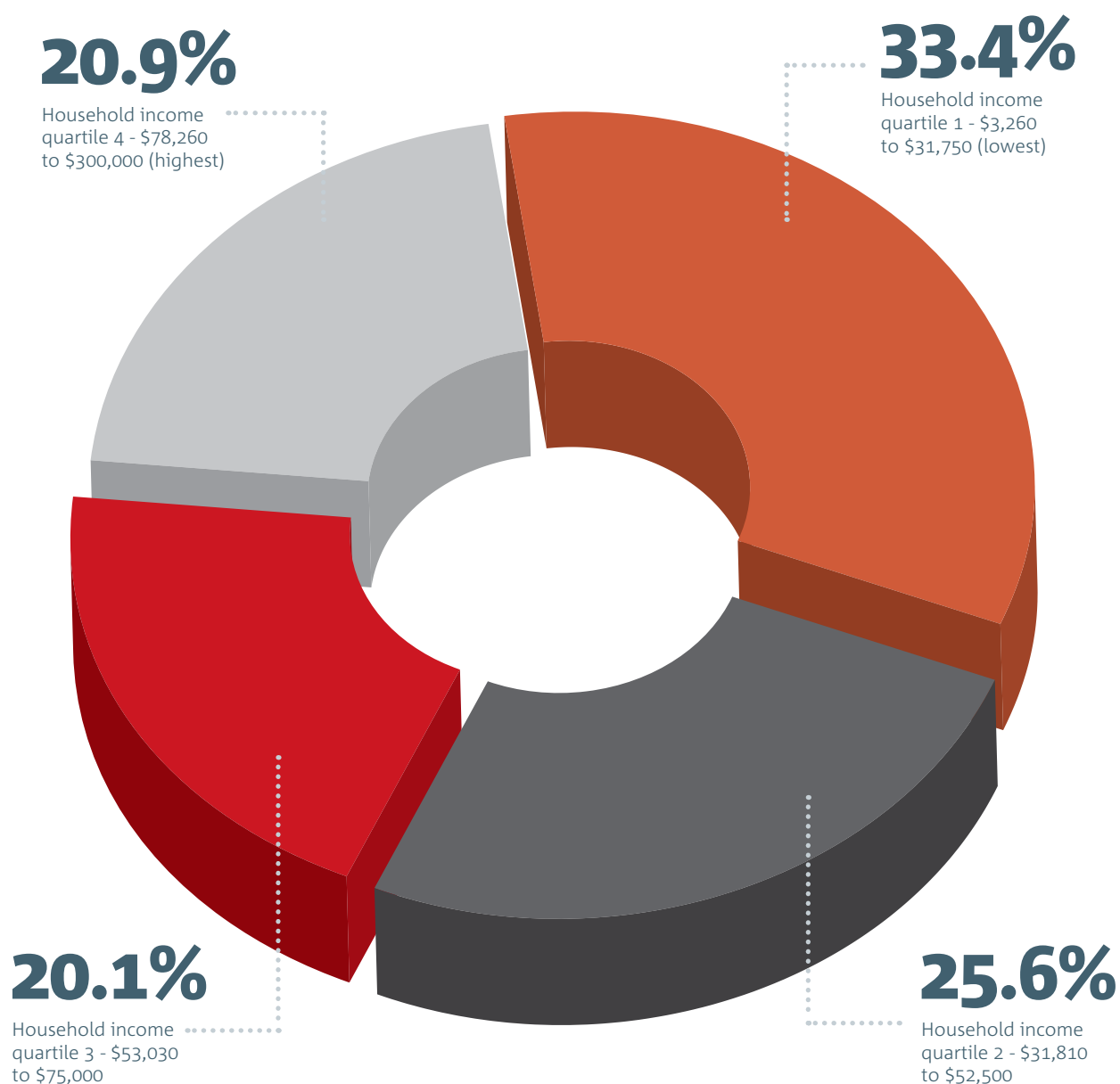


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+. Total of individual barriers does not add up to 25.2% (any barriers) as individuals could indicate multiple responses.

Irrespective of the type of barrier people faced in accessing financial services, those who experienced barriers fared worse on the financial resilience spectrum than those who did not ($p < 0.000$). The mean financial resilience score was 2.83 for people who face any difficulties accessing financial services, compared to 3.13 for those who do not face barriers to access ($p < 0.000$). People from the

lowest two income quartiles were overrepresented among the group who experienced cost as a barrier to accessing financial services (59.0%). But 41% of people who reported cost of accessing financial services as a barrier were in the highest two household income quartiles (Figure 23).

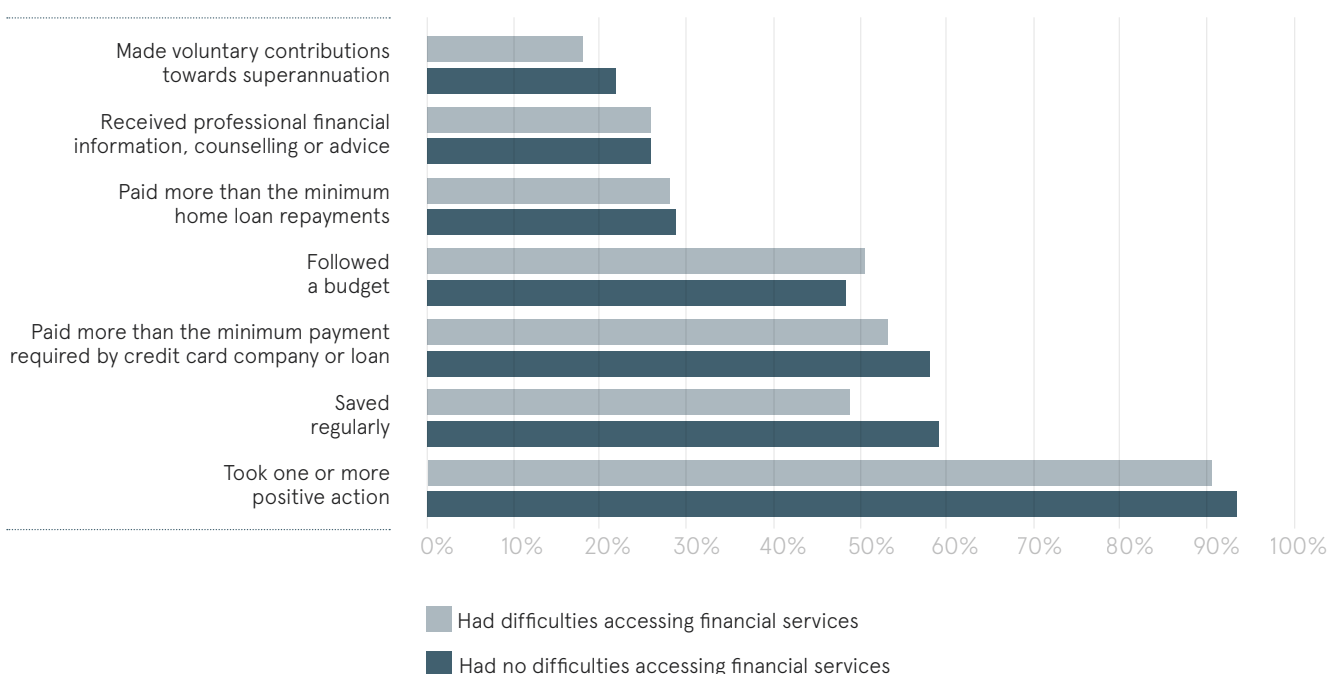
Figure 23:
Proportion of people experiencing difficulties accessing financial services by household income quartiles



People who experienced difficulties accessing financial services were only very slightly less likely to undertake positive financial behaviours over the last 12 months than those who did not report any access difficulties (90.6% compared to 93.7% respectively; Figure 24). When the type of actions taken are compared by the two groups, those who were more likely to report experiencing difficulties accessing financial services were consistently

slightly lower than those who did not report barriers, except for the proportion who reported following a budget (50.8% of the group who experienced barriers compared to 48.5% of those who did not), and the proportion who reported receiving professional advice (26.0% of the group who experienced barriers compared to 25.7% of those who did not)

Figure 24:
Proportion of people who took positive financial actions in the last 12 months

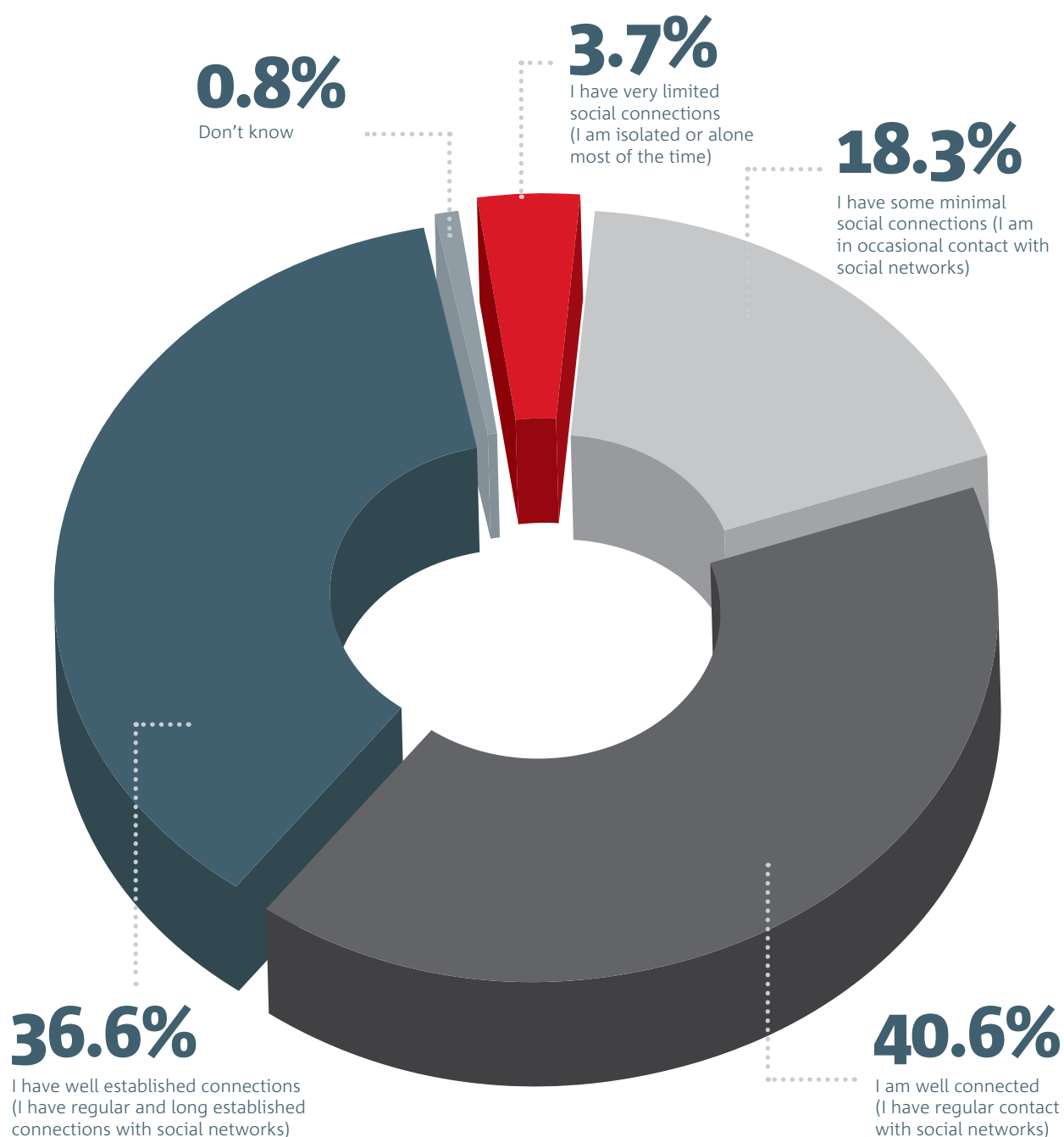


Social capital

The social capital component considered social connections and isolation, the ability to access support from social networks, and community and Government support. When asked about their social connections in the past 12 months, 3 in 4

people (77.2%) reported having at least regular contact with social networks. However, 18.3% reported minimal social connections and 3.7% that they were isolated or alone most of the time (Figure 25).

Figure 25:
Level of access to social connections in the last 12 months

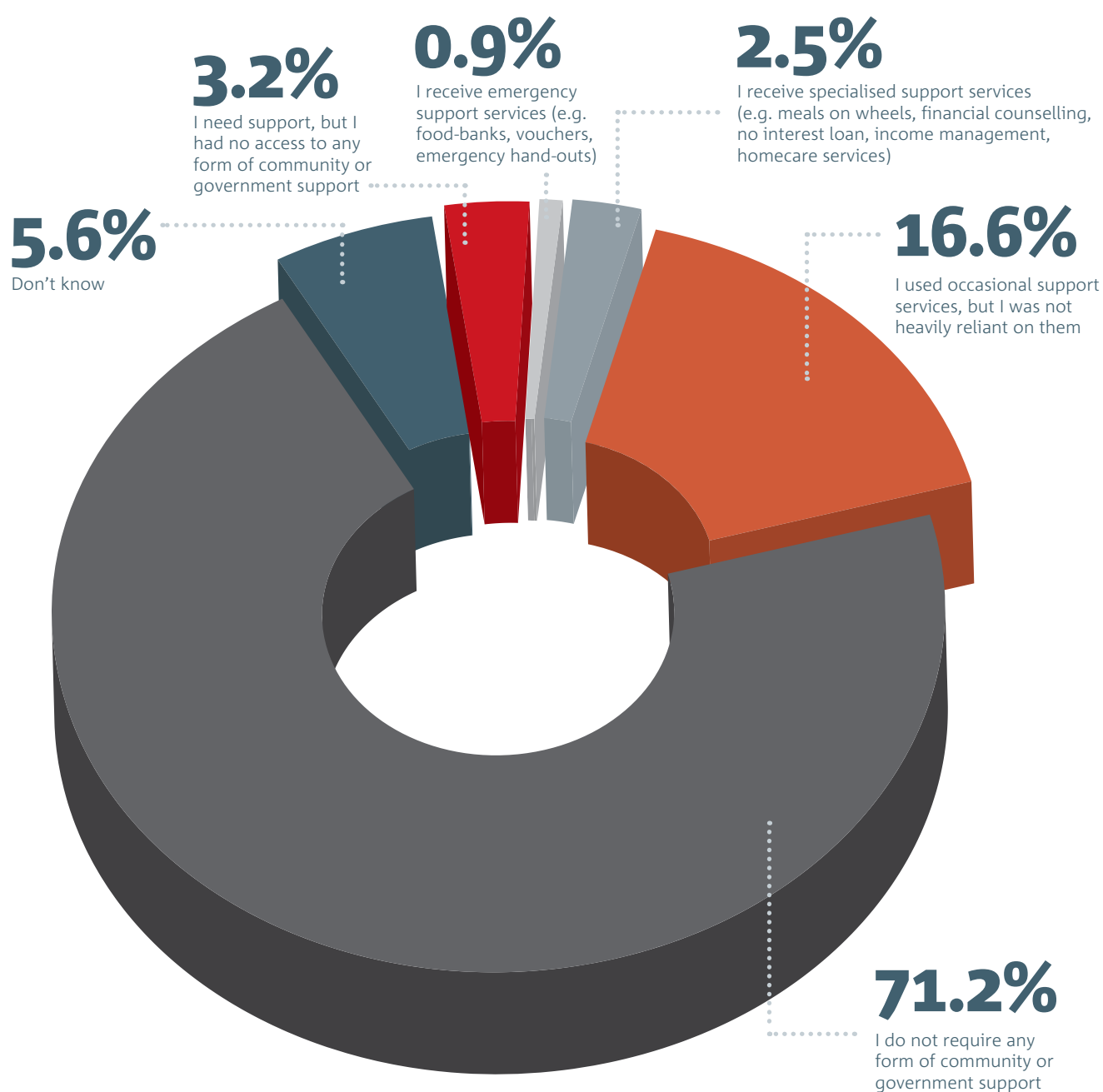


Most of the respondents (71.2%) also reported not requiring any form of community or government support in the last 12 months. On the other hand, 16.6% reported using occasional support services and a further 3.4% reported receiving

emergency or specialist support services. A further 3.2% of respondents reported that they needed but had no access to any form of community or government support (Figure 26).

Figure 26:

Ability to access support from community or government organisations in the last 12 months



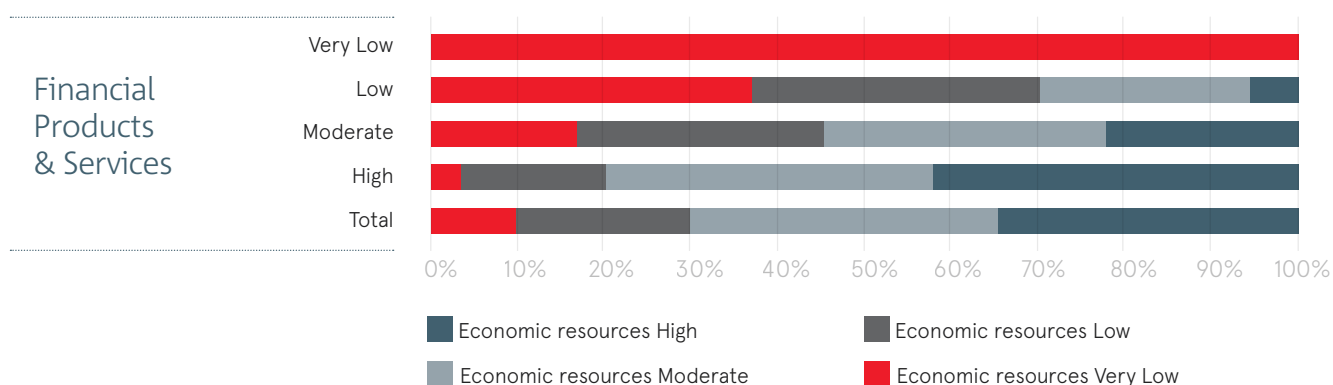
Exploring intersections between the financial resilience components

While each of the components can be looked at individually, it is important to recognise the interactions between them.²⁷ This provides a more in-depth understanding of particular strengths and vulnerabilities within groups.

There is a clear relationship between economic resources and people's levels of financial products and services. Over 2 in 3 (70.4%) people with low levels of financial products and services have low

or very low economic resources, compared to only 19.0% of those with high levels of financial products or services. All people with very low financial products and services have very low economic resources, compared to 36.6% of those with low financial products and services, 16.6% with moderate financial products and services and 2.8% of those with high financial products and services (Figure 27).

Figure 27:
Level of financial products and services by level of economic resources

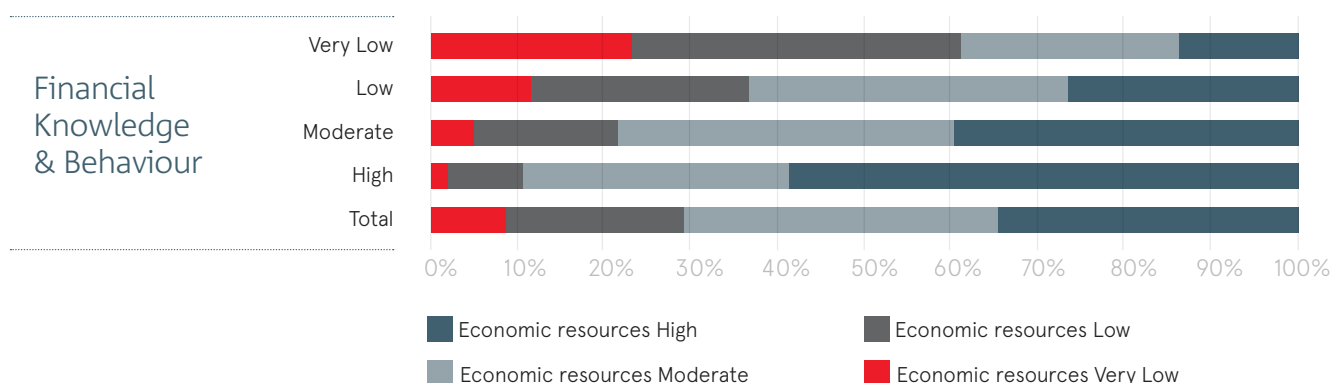


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

Similarly, there is a relationship between financial knowledge and behaviour and people's levels of economic resources. Over half of people (61.2%) with very low levels of financial knowledge and behaviour have low or very low levels of economic resources, compared to 10.2% of those with high levels of financial knowledge and behaviour. However, increasing levels of financial knowledge

and behaviour should not just be focused on those with low economic resources. Almost 4 in 10 (38.8%) people with very low levels of financial knowledge and behaviour and 6 in 10 (63.6%) of those with low levels of financial knowledge and behaviour had high or moderate economic resources (Figure 28).

Figure 28:
Level of financial knowledge and behavior by level of economic resources

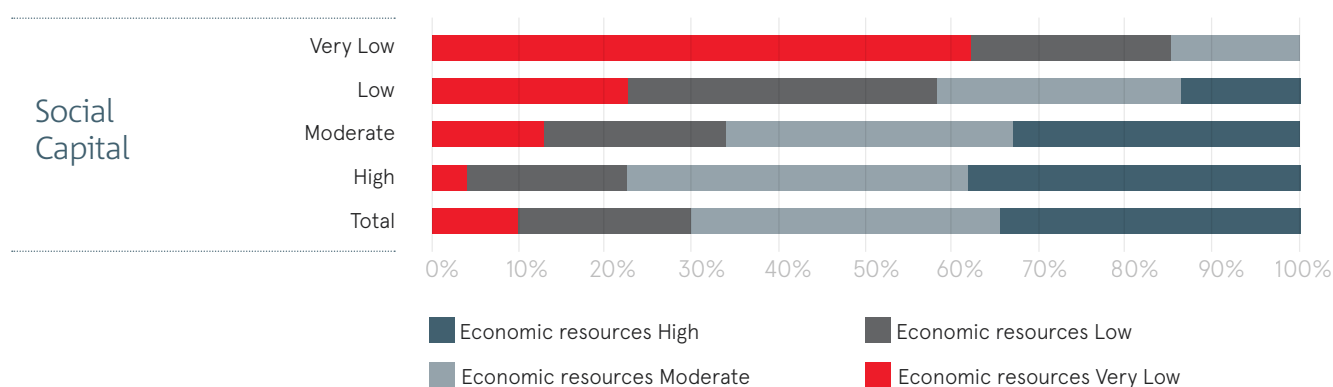


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

Economic resources were also related to people's levels of social capital, but there were smaller differences between groups. Of concern is the high proportion of people with very low social capital levels who have very low or low economic resources (85.1% of the group). This compares with 22.5% of the group with high levels of social capital

and 29.5% of the population (Figure 29). While a number of people with moderate or high levels of social capital have low economic resources, those with low economic resources who cannot rely on their social networks, are particularly vulnerable – especially when combined with low levels of financial products and resources.

Figure 29:
Level of social capital by economic resources

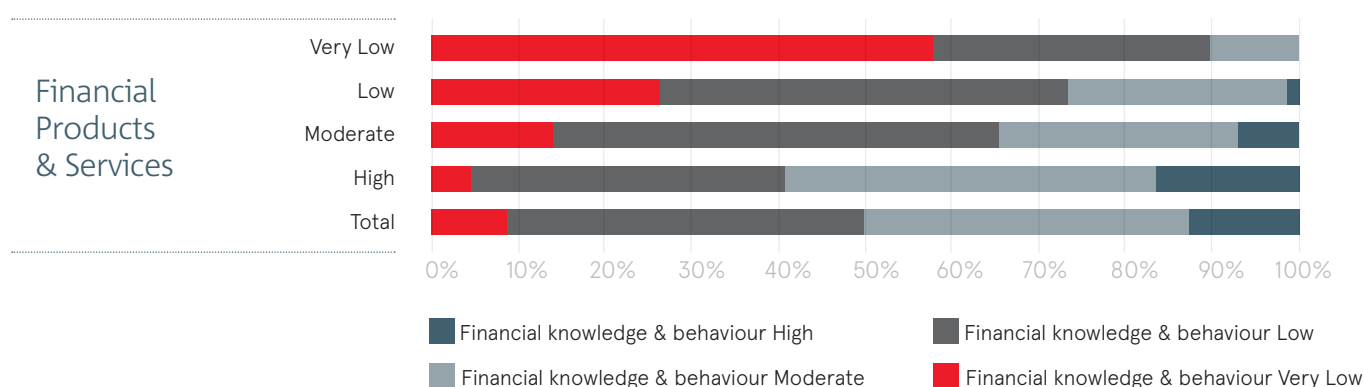


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

There is a relationship between people's levels of financial products and services and their financial knowledge and behaviour. Almost all those with very low levels of financial products and services had low or very low levels of financial knowledge and behaviour (89.8%). Higher levels of financial products and services, however, did not necessarily

mean higher levels of knowledge and behaviour. Around 6 in 10 people with moderate levels of financial products and services (65.5%) and 4 in 10 people with high levels of financial products and services (41.0%), have low or very low levels of financial knowledge and behaviour (Figure 30).

Figure 30:
Level of financial products and services by level of financial knowledge and behaviour

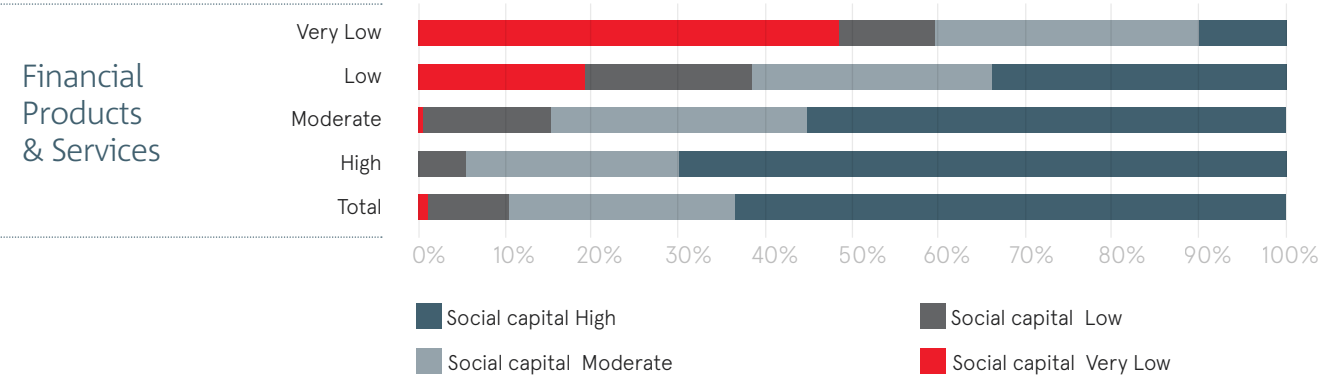


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

Levels of financial products and services are also related to levels of social capital. Most people (89.5%) have high or moderate levels of social capital. However, people with high levels of

financial products and services are more likely to have moderate or high levels of social capital (94.5%) than people with low (61.4%) or very low (41.1%) financial products and services (Figure 31).

Figure 31:
Level of financial products and services by level of social capital

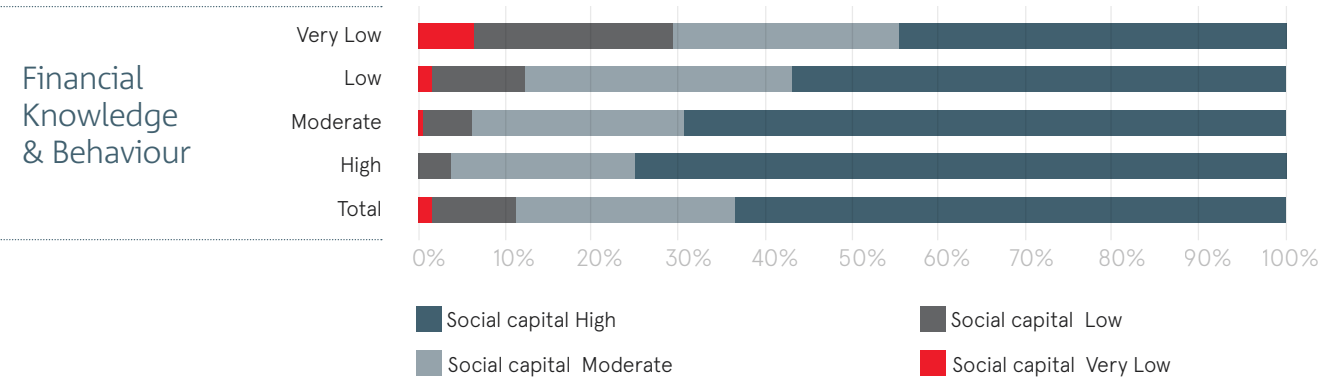


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

Levels of financial knowledge and behaviour compared to social capital levels followed similar trends – most people with high or moderate levels of financial knowledge and behaviour had high or moderate levels of social capital (96.4% and 93.9% respectively). While over two-thirds of

people with very low (71.0%) or low (87.4%) levels of financial knowledge and behaviour had moderate or high levels of social capital, they were still underrepresented when compared to the other groups and the population overall (89.5%; Figure 32).

Figure 32:
Level of financial knowledge and behaviour by level of social capital



Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

People who are most at risk of low levels of financial resilience experience low levels of resources across multiple components. In summary (full results can be found in Appendix 5):

- People with low levels or very low levels of financial products and services are more likely than the population to have low or very low levels of economic resources; financial knowledge and behaviour and social capital.
 - Of people with very low levels of financial products and services: 100% have very low/low economic resources (compared to 29.5% of the population); 89.9% have very low/low financial knowledge and behaviour (compared to 50% of the population) and 58.8% have low/very low levels of social capital (compared to 10.4% of the population).
 - Of people with low levels of financial products and services, 70.4% have very low/low economic resources; 73.5% have very low/low financial knowledge and behaviour and 38.6% have very low/low social capital.
- People with very low levels of financial knowledge and behaviour are more likely than the population to have very low or low economic resources, financial products and services and social capital.
 - Of people with very low financial knowledge and behaviour: 61.2% have very low/low economic resources (compared to 29.5% of the population); 19.8% have very low/low financial products and services (compared to 5.7% of the population); and 29.0% have very low/low social capital (compared to 10.4% of the population).
- A sizable proportion of people with very low or low financial knowledge and behaviour have moderate (46.1% of people with very low and 35.7% of people with low financial knowledge and behaviour) or high (34.0% of people with very low and 58.1% of people with low financial knowledge and behaviour) levels of financial products and services.
- While the majority of people with low or very low levels of economic resources have moderate or high levels of financial products and services, they are overrepresented in the group of people who miss out on these products and services. Most people with very low or low economic resources also have low or very low levels of financial knowledge and behaviour and they are overrepresented in the group who have very low or low levels of social capital.
 - Of those with very low economic resources, 27.3% have very low/low financial products and services; 75.3% have very low/low financial knowledge and behaviour; and 33.9% very low/low social capital (compared to 5.6%, 50.0% and 10.4% of the population respectively).
 - Of those with low economic resources, 8.2% have very low/low financial products and services, 65.9% very low/low financial knowledge and behaviour; and 17.0% very low/low social capital.
- Most of the population have moderate or high levels of social capital, but those with very low or low levels of social capital are also more likely than the population to have low or very low economic resources, financial products and services and financial knowledge and behaviour.
 - Of those with very low social capital, 85.1% have very low/low economic resources; 66.2% have very low/low financial products and services and 69.4% have very low/low financial knowledge and behaviour (compared to 29.5%; 5.6% and 50.0% of the population respectively).
 - Of those with low social capital, 57.7% have very low/low economic resources, 12.2% very low/low financial products and services and 74.8% very low/low financial knowledge and behaviour.

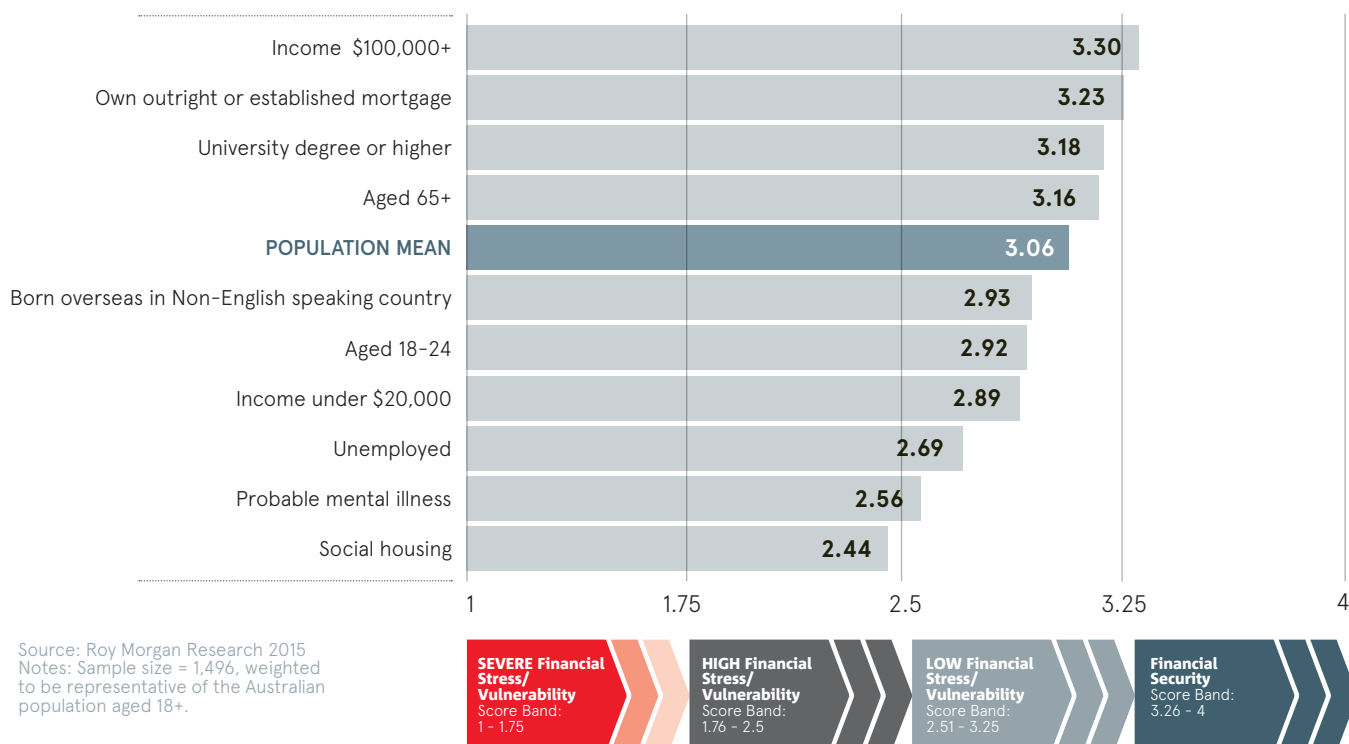


Over half of respondents indicated that they had a basic or no understanding of financial products and services.

Detailed Demographic Results by Financial Resilience Components

The following sections examine financial resilience by different demographic characteristics.²⁸ On average, financial resilience is lower amongst people living in social housing, those with poor mental health, people unemployed, who have a very low personal income (under \$20,000 per year), who are 18 to 24 years old, and people who were born overseas in a non-English speaking country (Figure 33). People 65 and over, those with a university degree or higher education, those with a yearly income over \$100,000 and those who owned a house – outright or with an established mortgage – have higher levels of financial resilience than the population as a whole (population mean).

Figure 33:
Key demographic indicators – mean financial resilience scores



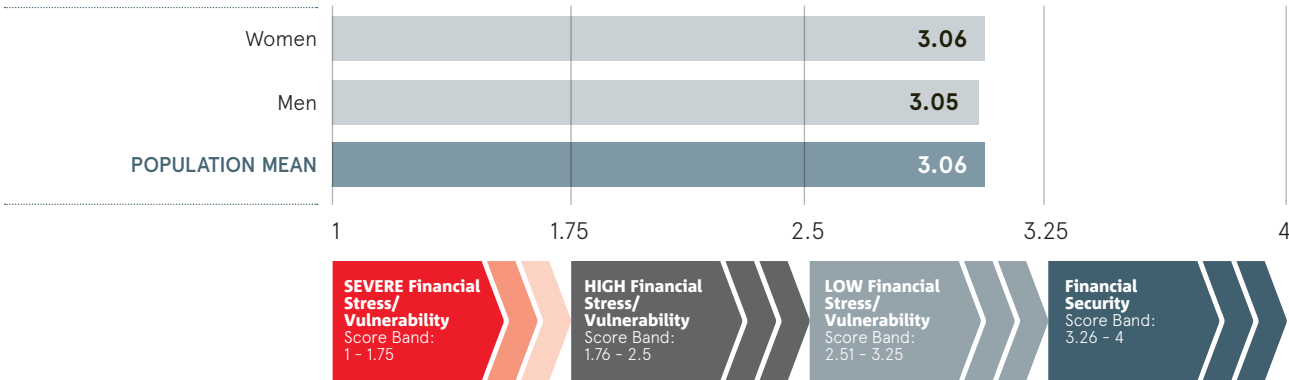
The following sections summarise some of the key findings regarding financial resilience and specific demographic factors.

Gender

Gender does not have a strong association with the overall financial resilience results. Indeed, the overall mean financial resilience scores for males and females are almost identical (3.06 for males

and 3.05 for females (Figure 34). Previous research has found gender is often a key demographic indicator of financial exclusion when it is combined with other factors, and this may also be the case for financial resilience.²⁹

Figure 34:
Financial resilience score – gender



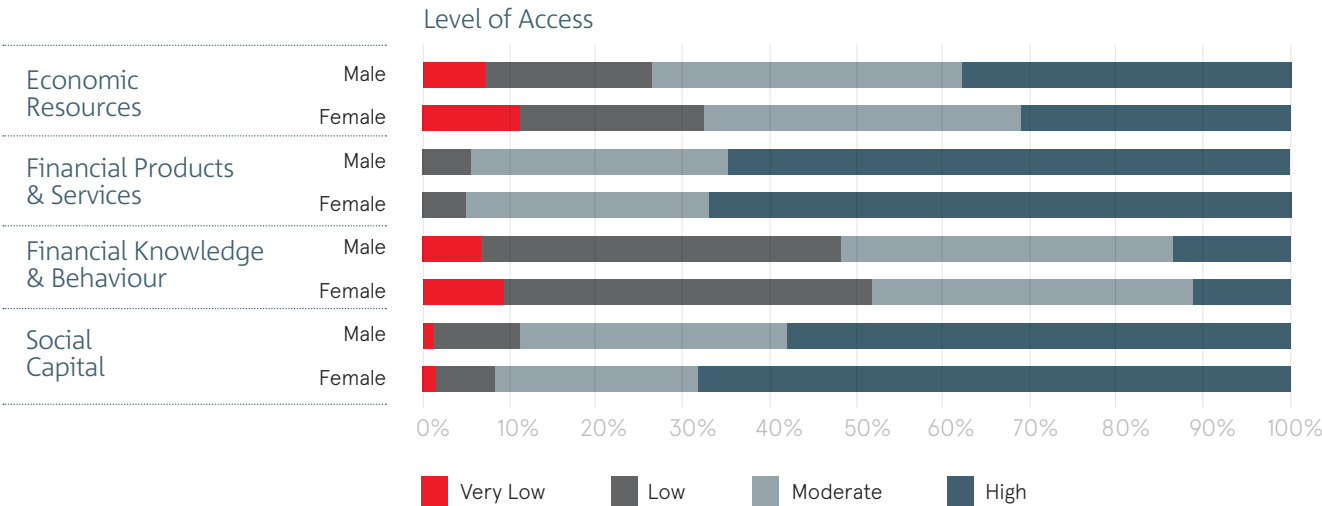
Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

However, the overall result hides some interesting and important differences.

Figure 35 compares the scores of men and women in each of the four components of financial resilience. While the overall mean financial resilience scores are similar for men and women, a higher proportion of women than men have very low or low levels of economic resources and financial

knowledge and behaviour. On the other hand, a higher proportion of men than women experience low levels of social capital. This may imply that programs targeting women should focus on improving economic resources, such as personal savings, and/or increasing financial knowledge, whilst those aimed at men may be more effective if focussed on improving their social capital levels, including providing access to community and government support.

Figure 35:
Level of access to the financial resilience components by gender

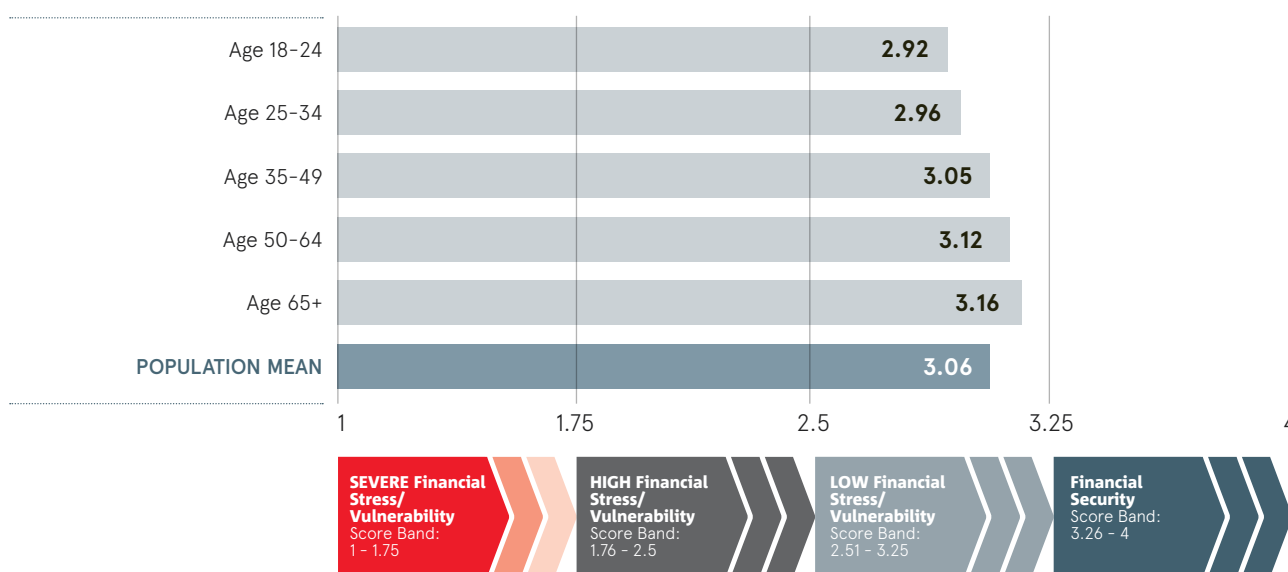


Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

Age

Financial resilience scores appear to improve 'smoothly' with age (Figure 36). For example, the group aged 18 to 24 has an average financial resilience score of only 2.92, while the group aged 65 and over has an average score of 3.16.

Figure 36:
Financial resilience – age



Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

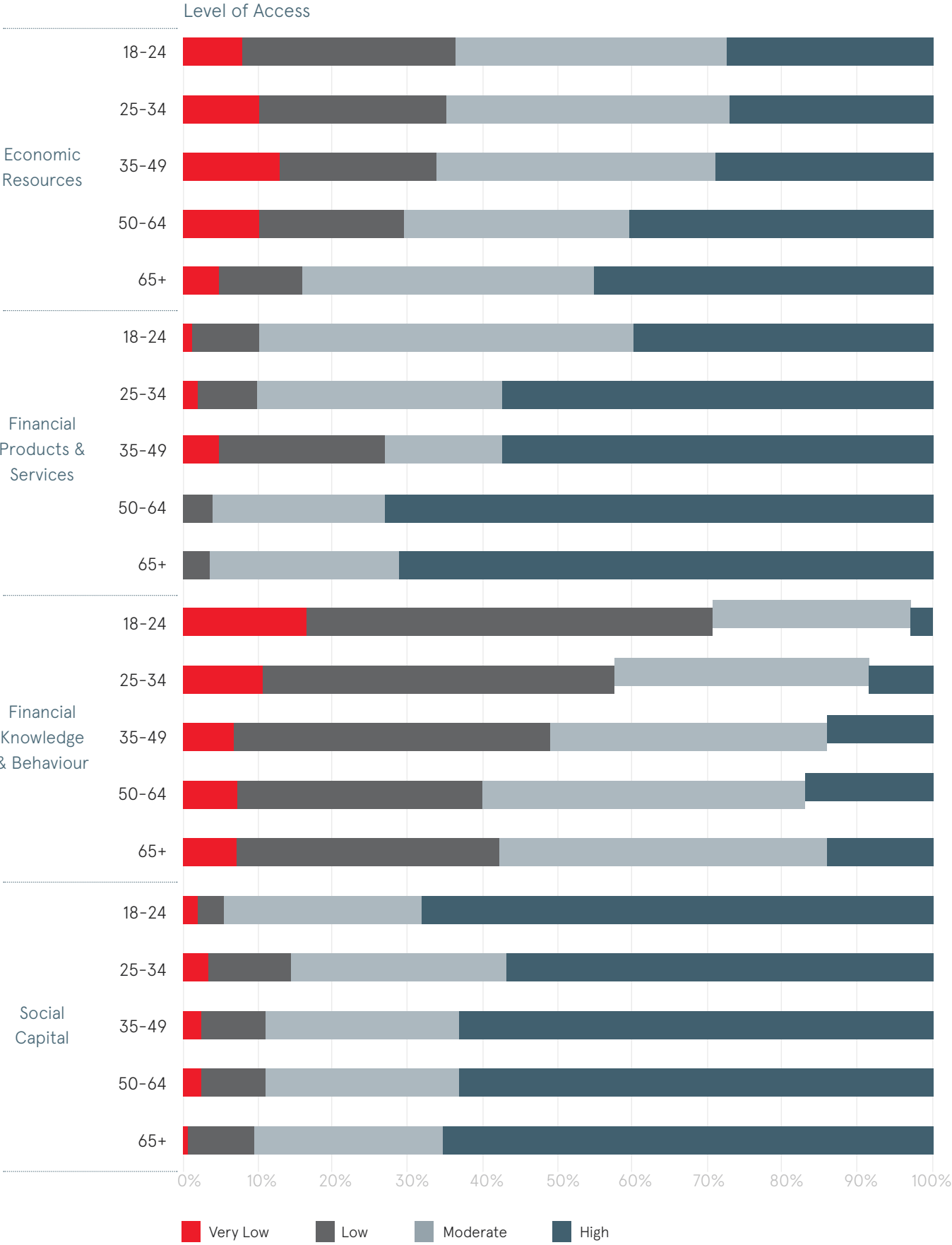
Examining the financial resilience components for each age group provides a more detailed understanding of the relationship between age and financial resilience (Figure 37).

While overall financial resilience seems to improve consistently with age, no age group systematically outperforms the others in all the components. For example, 35 to 49 year olds are more likely than other age groups to have very low scores for economic resources. On the other hand, 25 to 34 year olds have the lowest level of social capital compared to other age groups. Further, 18 to 24 year olds have particularly poor results in the financial knowledge and behaviour component, with 16.2% and 54.4% having very low scores and low scores respectively.

Nonetheless, except for social capital, results do seem to improve with increased age. This highlights that experience might contribute to building resilience, and that age potentially increases access to products and services supporting financial resilience. Further, the regression results presented in Chapter 6 suggest that other factors such as housing, income and employment may underpin the differences in financial resilience by age.



Figure 37:
Level of access to the financial resilience components by age



Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

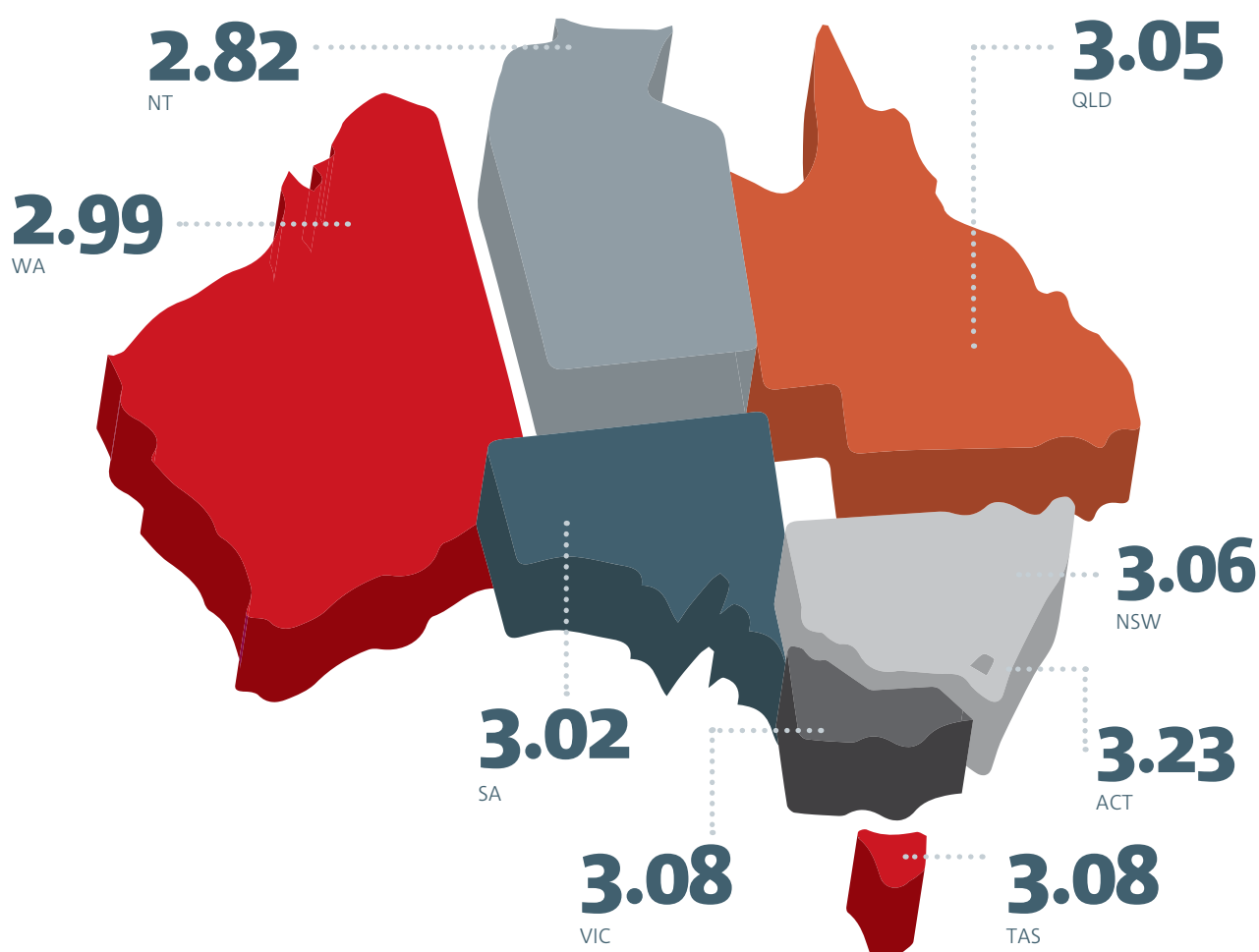
Location

As this is the first data that has been collected on financial resilience in Australia, it is useful to examine the level of resilience in different geographic locations. In this initial report only state and territory differentiations are examined.

Figure 38 shows the mean financial resilience scores for each state and territory. Half the states and territories have an overall resilience score at least as high as the population average, with people living in the Australian Capital Territory

having the highest overall resilience score (3.23) and Northern Territory the lowest (2.82; however, these sample sizes are small and this should be interpreted cautiously). Further research is needed to better understand the relationship between geography and financial resilience. The next chapter begins to unpack the relationship between geography and other demographic factors in affecting financial resilience.

Figure 38:
Financial resilience – states and territories

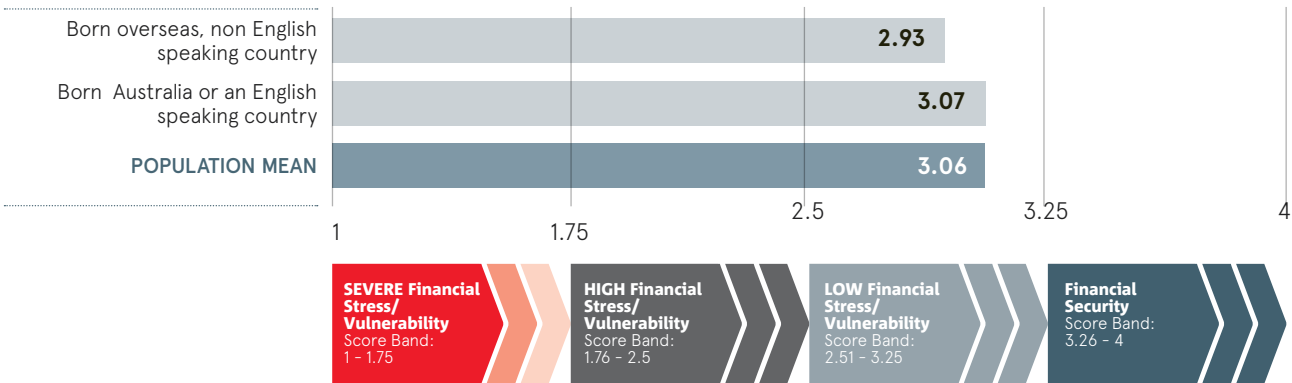


Country of birth

People born overseas in non-English speaking countries have lower average scores for financial resilience than those born in Australia or in an English speaking country (Figure 39).

This is consistent with our knowledge of financial exclusion, where people born overseas have lower levels of access to financial products, especially insurance.

Figure 39:
Financial resilience – country of birth



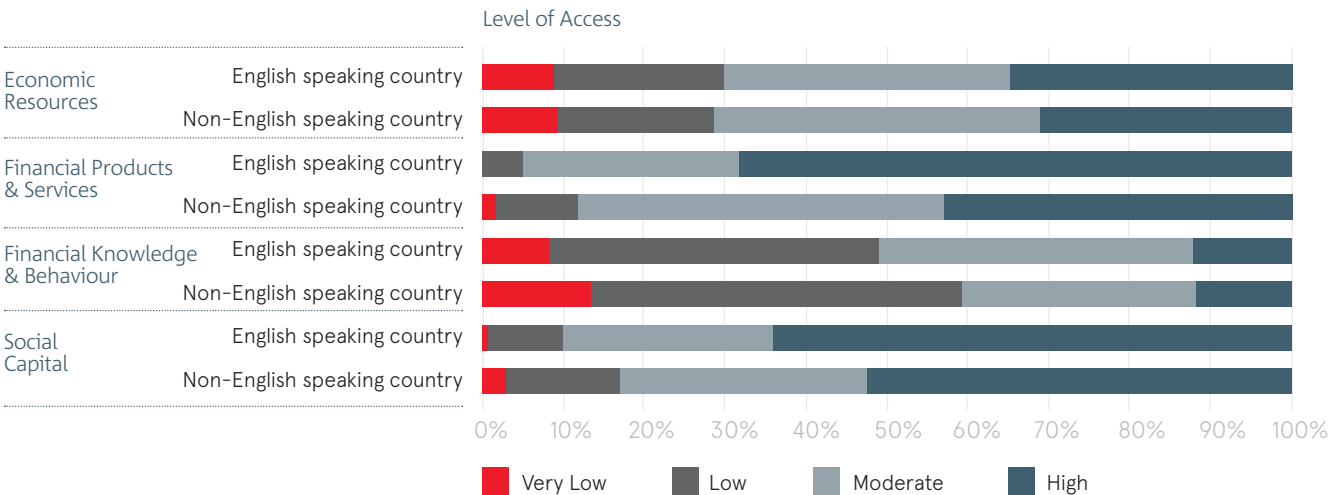
Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

The greatest differences between people born in an English speaking country and those born in a non-English speaking country occur in the financial products and services and social capital components of resilience (Figure 40). In both, the proportion of people born in a non-English speaking country with very low and low scores is approximately double the proportion of people born in an English speaking country, including Australia. People born overseas in non-English speaking countries also have low or very

low financial knowledge and behaviour scores, on average. Interestingly, there are almost no differences with regards to country of birth in the economic resources component.³⁰

These results suggest that factors other than economic reasons might affect an individual's financial resilience, such as not knowing the product exists, language barriers, or due to influences from the cultural, political and social systems in their country of birth.

Figure 40:
Level of access to the financial resilience components by country of birth



Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

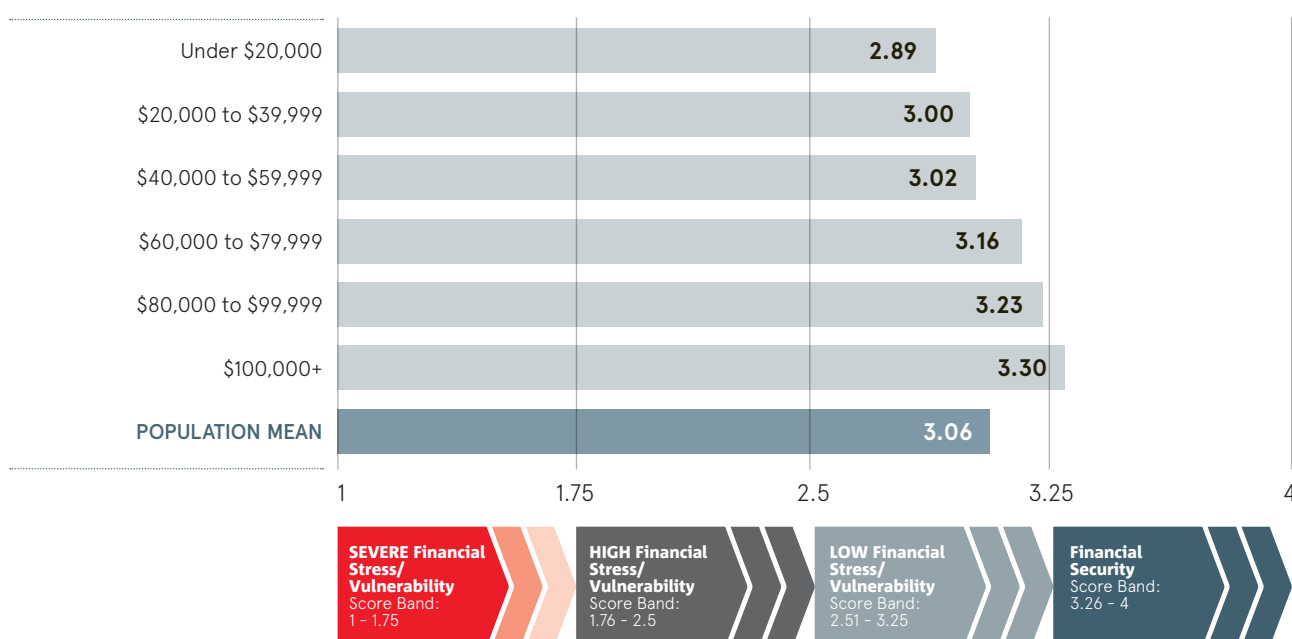
Income

Unsurprisingly, income is associated with financial resilience. Figure 41 shows the overall mean financial resilience scores for six personal income brackets.

People earning less than \$20,000 a year have an average financial resilience score of 2.89, in

contrast to an average score of 3.30 for people earning over \$100,000 a year. The overall trend is for financial resilience scores to improve with increased income. Indeed, overall mean financial resilience scores are below the population mean (3.06) for annual income brackets below \$60,000.

Figure 41:
Financial resilience – income



Source: Roy Morgan Research 2015. Notes: Sample size = 773 (excludes 723 respondents who did not indicate their income level) weighted to be representative of the Australian population aged 18+.



Figure 42 compares the financial resilience components by income brackets. People in the higher personal income bracket are expectedly more likely to have higher levels of economic resources and financial products and services than other income groups. In fact, in both the economic resources and financial products and services components, the proportion of people in the moderate or high categories is highest for people earning \$100,000 or more a year, and steadily decreases as income decreases.

Similar results are observed in the financial knowledge and behaviour component; the proportion of people in the moderate or high

categories also consistently increases with income, except for the \$40,000 to \$59,000 annual income group. The differences between the highest and lowest earners are however more pronounced in the financial knowledge and behaviour component than in the economic resources or financial products and services components. There are, for example, twice as many people in the moderate or high categories in the \$100,000 or more income bracket than in the under \$20,000 for this component. This is consistent with international findings from the Standard & Poor's Ratings Services global financial literacy survey that found that financial skills improve with income.³¹

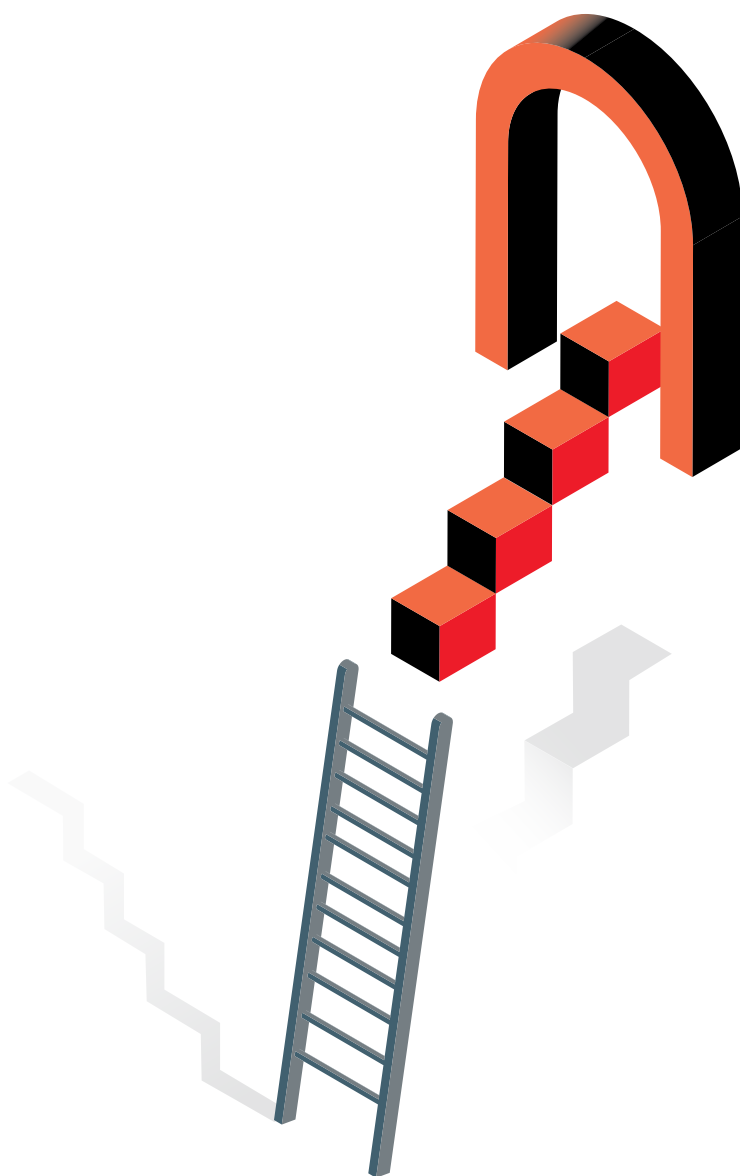
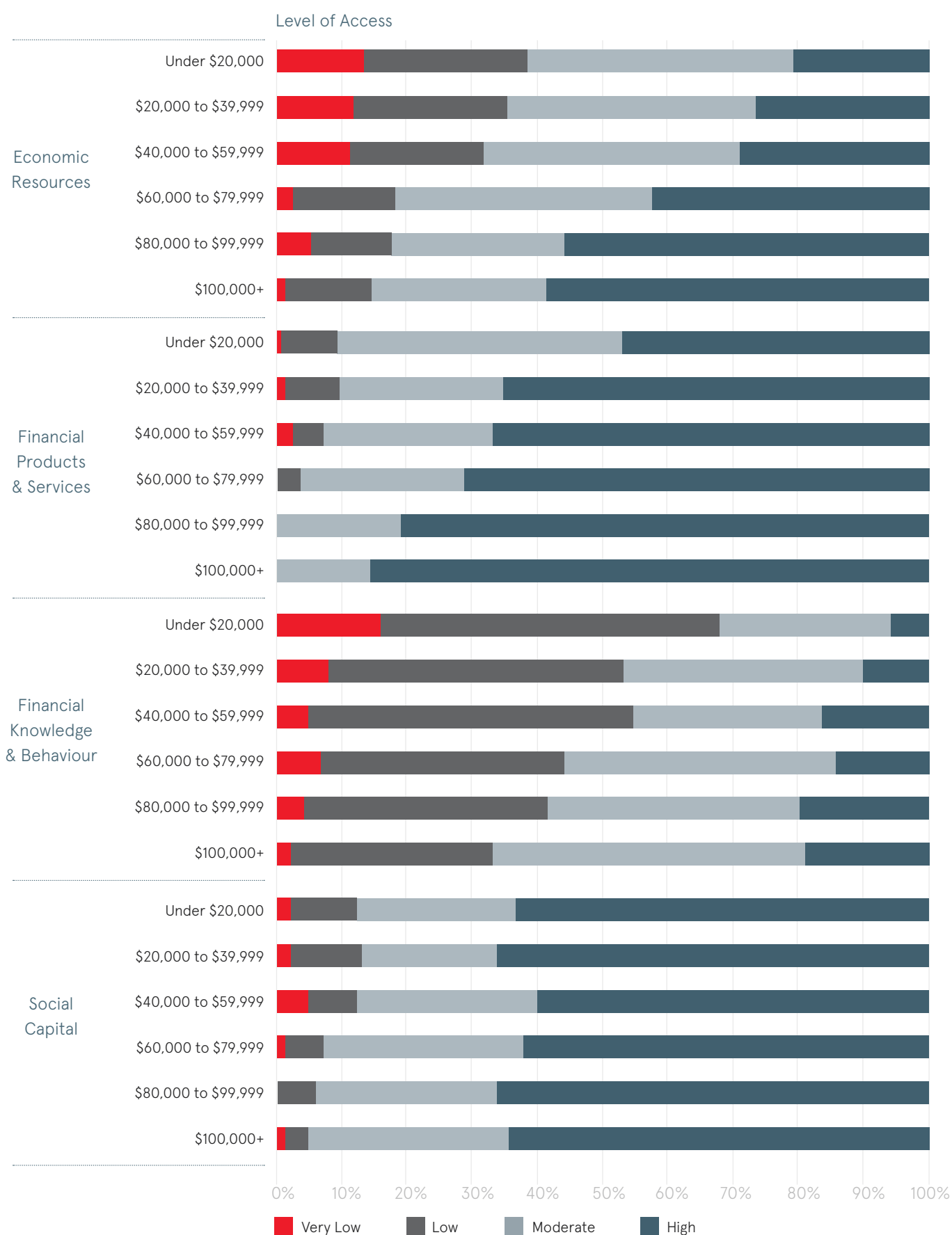


Figure 42:
Level of access to the financial resilience components by income



Source: Roy Morgan Research 2015. Notes: Sample size = 773 (excludes 723 respondents who did not indicate their income level) weighted to be representative of the Australian population aged 18+.

Labour force status

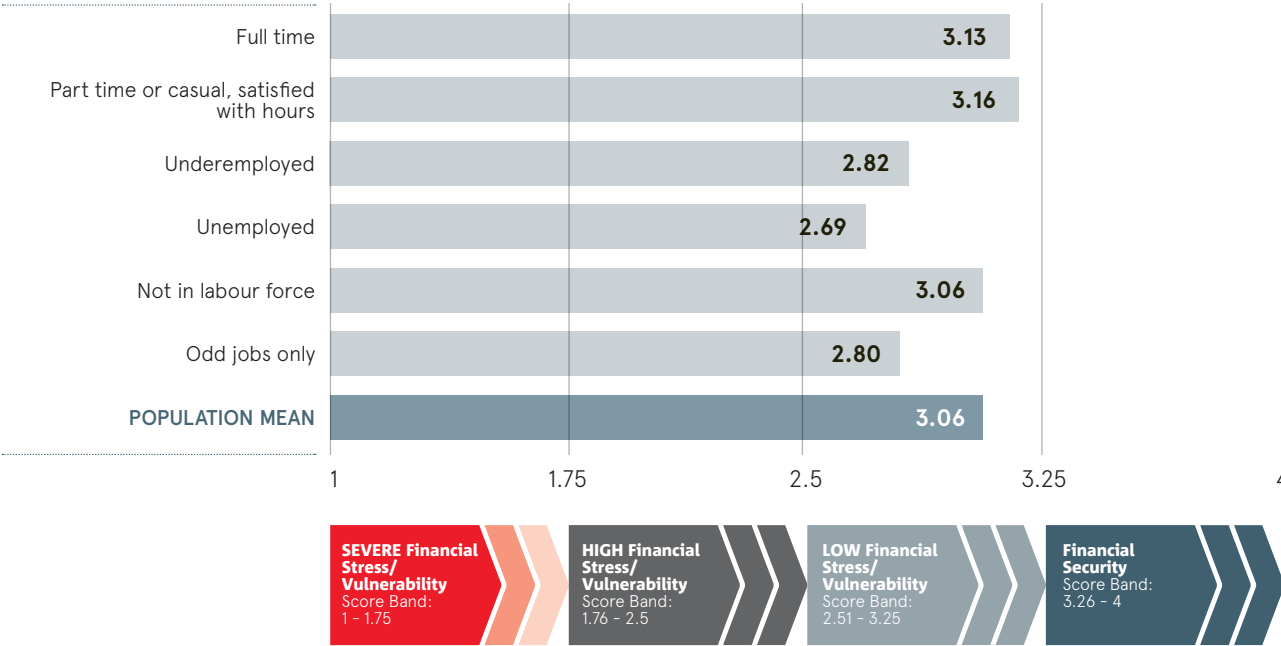
People’s labour force status – whether they are in paid work or looking for paid work, and the conditions under which they are employed – influence their level of financial resilience. People employed part-time or casual and satisfied with their working hours and people working full time have the highest resilience scores (3.16 and 3.13 respectively) compared to people in other labour force categories (Figure 43).

Interestingly, people who are out of the labour force (not employed and not looking for work) have a resilience score as high as the population mean. Around two in three respondents who are not in

the labour force said they were retired (223/368), which may help to explain this; the majority of retirees are established home owners.

People who are unemployed and underemployed (i.e. they want more paid working hours) have the lowest resilience scores (2.69 and 2.82 respectively; Figure 43). On average, the unemployed, underemployed and people working odd jobs have lower financial resilience scores than the population. This shows that having a job is not necessarily a protective factor if the hours or income is insufficient to meet people’s needs. This is consistent with research on the working poor.³²

Figure 43:
Financial resilience by employment status



Source: Roy Morgan Research 2015. Notes: Sample size = 1, 444 (excludes 52 people who did not state their employment status) weighted to be representative of the Australian population aged 18+.

Over half of people who are unemployed (57.7%), underemployed (53.1%) or working odd jobs (50.4%) have low or very low economic resources. This is not surprising as employment is typically related to access to economic resources, including income, savings and the capacity to meet living expenses which often influence access to financial products and services.

A large proportion of people working odd jobs (37.1%) have low or very low levels of financial products and services (i.e. poor access to financial products and services). This group fares the poorest compared to people in other employment situations. One in five unemployed people (20.7%) also have low or very low levels of financial products and services. Given the low levels of unmet demand for financial products and services (Figure 15 and Figure 17), this might reflect people's willingness, or lack thereof, to access financial products and services based on their self-assessment of their financial situation; or a lack of appropriate products for them.³³ For example, people may choose not to access financial products and services because they do not think they have enough resources to manage the products and services or there are no appropriate, affordable financial products and services for them in the market.³⁴

This is reinforced by the fact that 69.1% of people working odd jobs have low levels of financial knowledge and behaviour scores. Similarly, 70.6% of people who are unemployed score low or very low for financial knowledge and behaviour.

People who are unemployed fare worst in social capital resources out of all labour force categories considered, with 24.8% having low or very low social capital resources compared to 6.6% of those employed full time. This is consistent with the recognised effects of unemployment, particularly long term unemployment, on social participation.³⁵

Taken together, these results suggest that labour force status is related to financial resilience through more than providing access to economic resources. It can also affect people's perception of their capacity to engage with, and manage financial products and services, as well as impact on their social capital.

The findings also emphasise the relevance of underemployment and the importance of distinguishing those who want more hours from other part time and casual workers who do not want further paid work and who may have adequate resources.

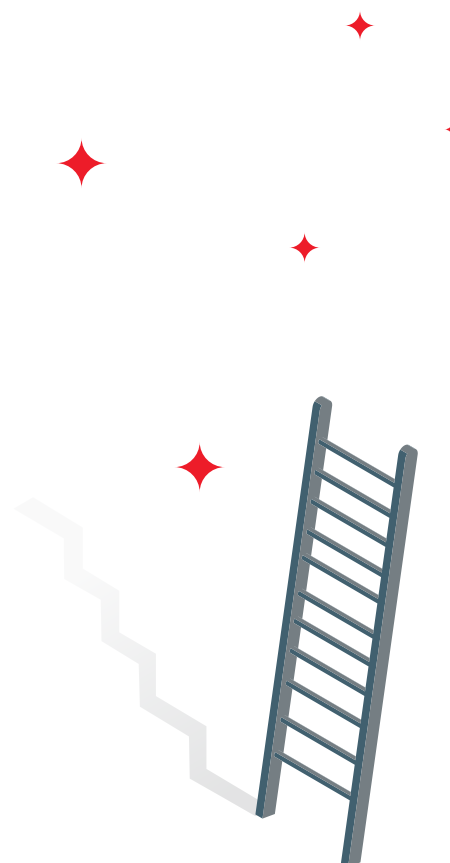
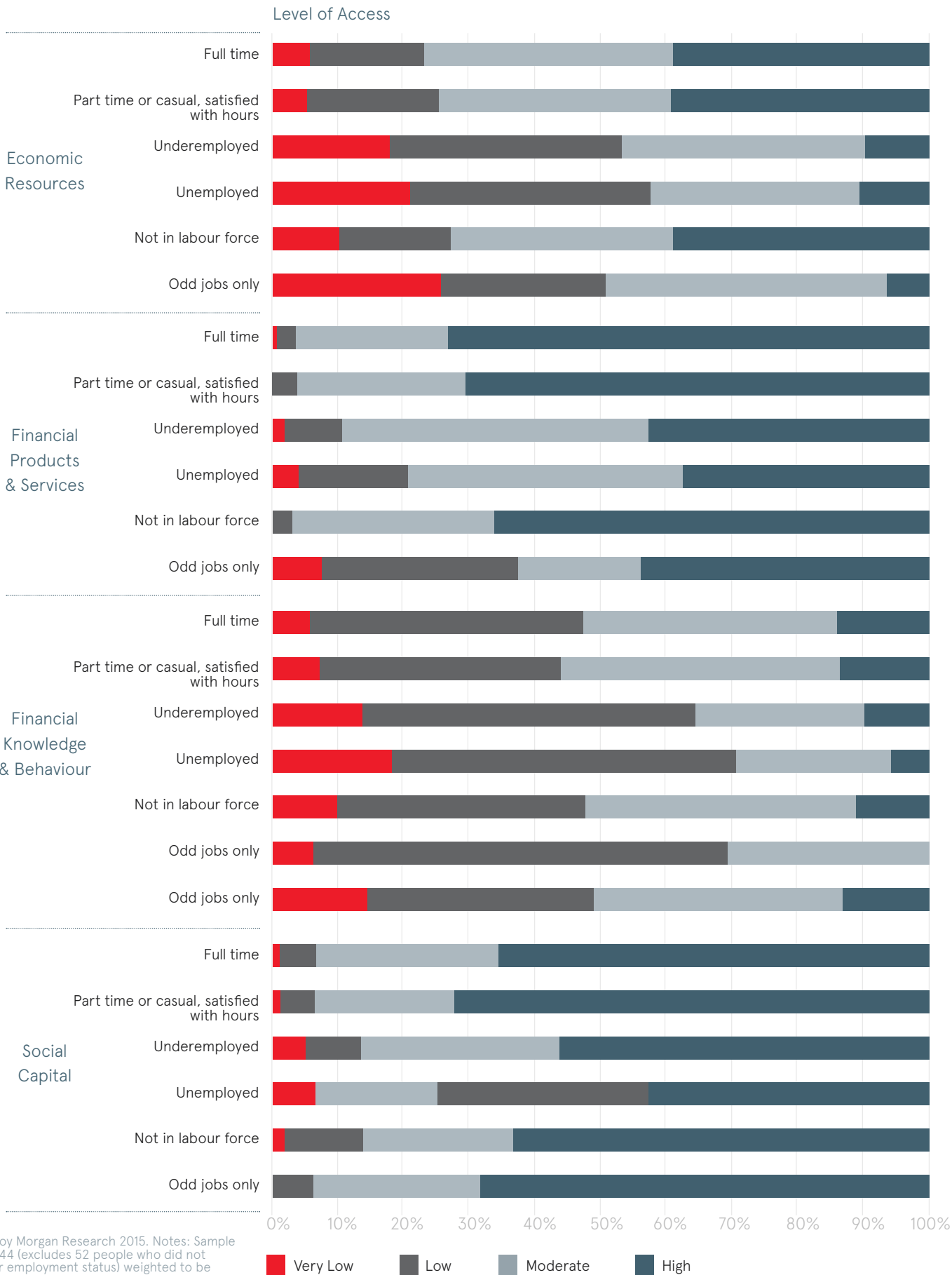


Figure 44:
Level of access to the financial resilience components by employment status

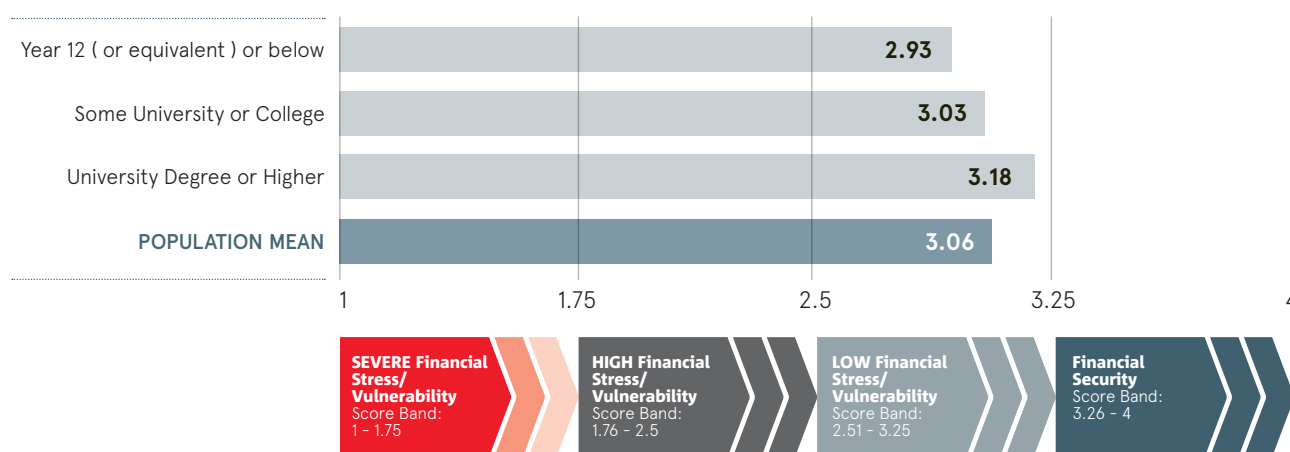


Source: Roy Morgan Research 2015. Notes: Sample size = 1,444 (excludes 52 people who did not state their employment status) weighted to be representative of the Australian population aged 18+.

Highest level of education

The mean financial resilience scores were analysed for three educational attainment brackets collected by Roy Morgan Research: 1) Year 12 (or equivalent) or lower; 2) some University or College education; 3) a University degree or higher. As Figure 45 illustrates, higher levels of educational attainment are associated with higher financial resilience scores.

Figure 45:
Financial resilience – highest level of education reached



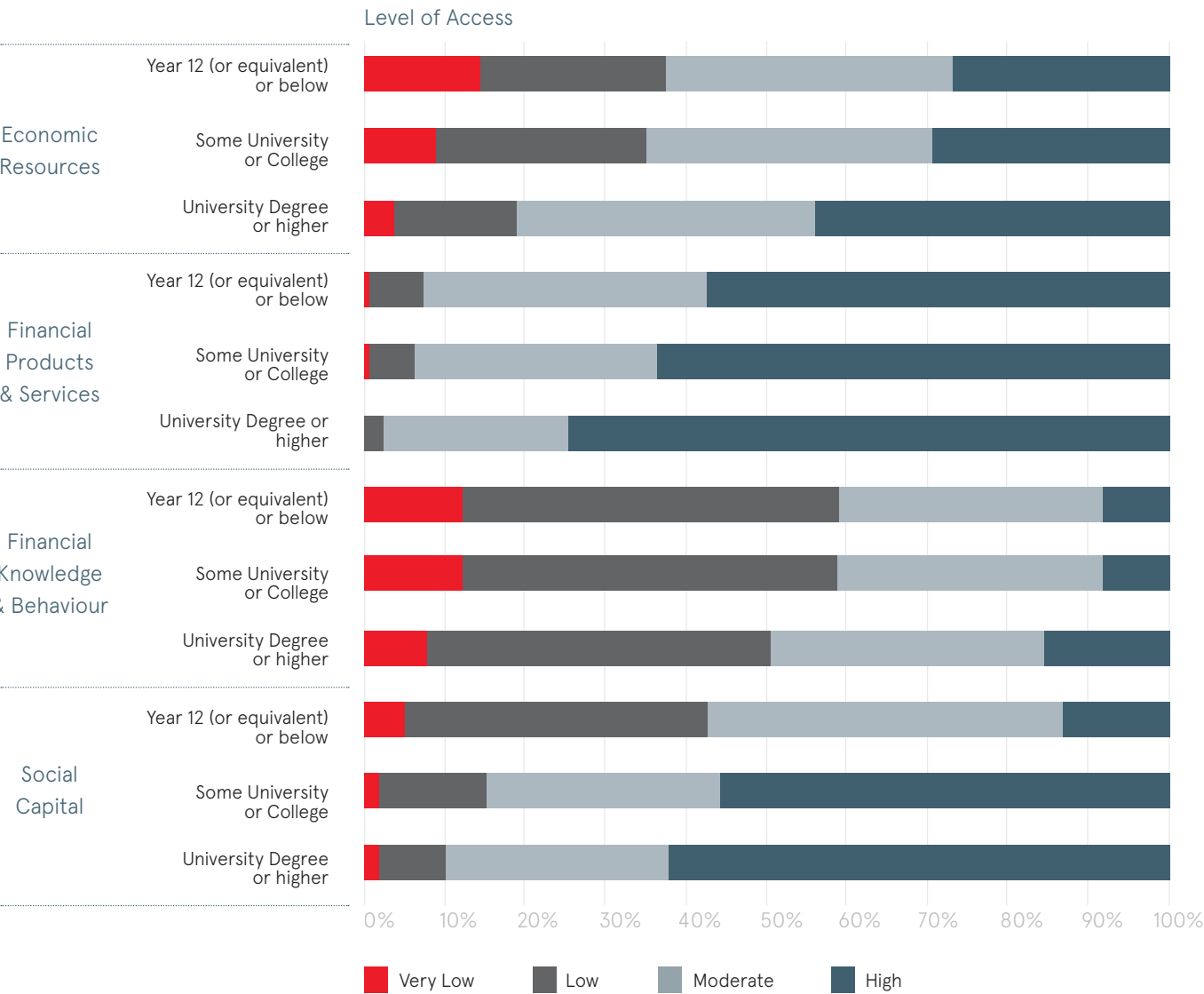
Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

Lower educational attainment is related to low levels of resources in all four components of financial resilience. The proportion of people with low or very low resources in each category is highest for people with Year 12 and below and lowest for people with a University degree or higher (Figure 46).

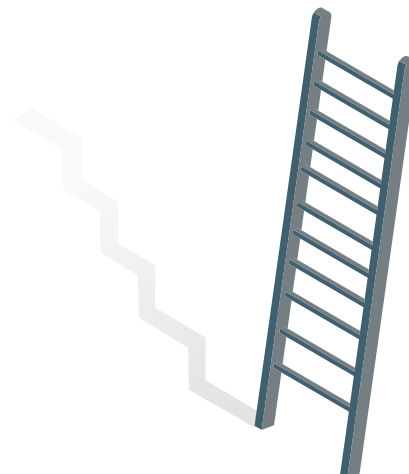
The difference in resource levels between people by educational attainment status is greatest in relation to financial knowledge and behaviour scores (Figure 46). These results have implications for matching financial literacy and financial inclusion initiatives to the education level of their primary audience.³⁶



Figure 46:
Level of access to the financial resilience components by educational attainment



Source: Roy Morgan Research 2015. Notes: Sample size = 1,496 weighted to be representative of the Australian population aged 18+.

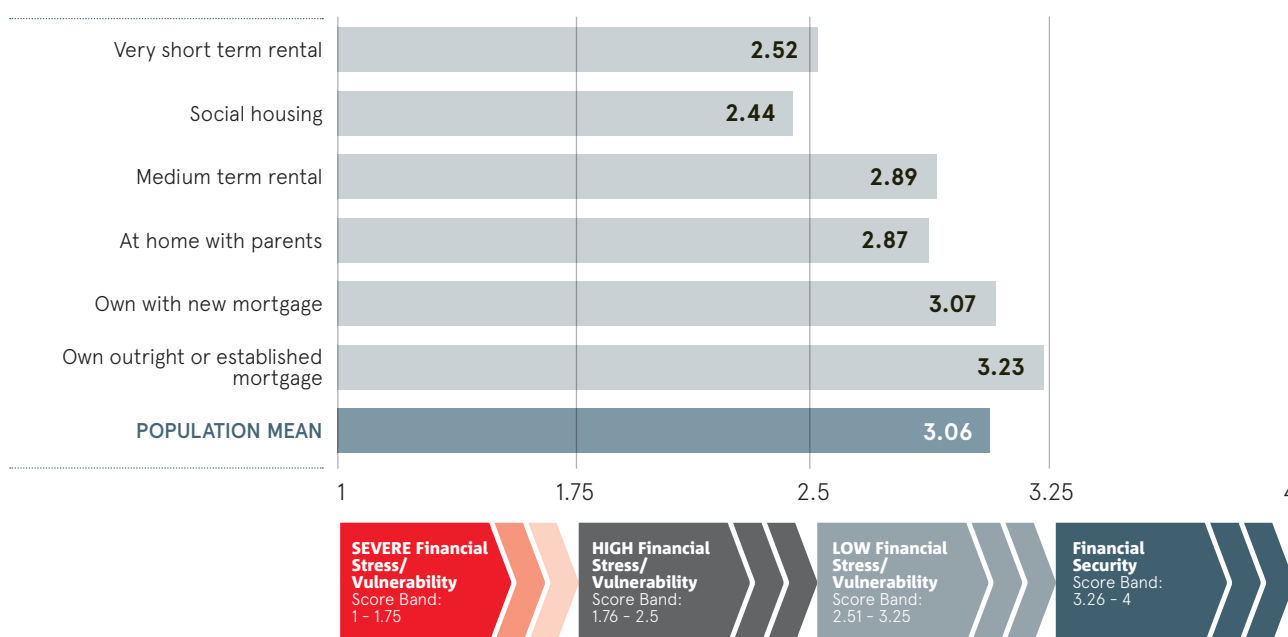


Housing

Housing type is one of the clearest indicators of vulnerability on the financial resilience spectrum, given the difference between those who own their home and those in social housing. Housing is likely to reflect differences in wealth as well as stability of different types of accommodation. The relationship between housing and different types of resources that can influence financial resilience, including employment and education, are well established.³⁷

Figure 47 shows the mean financial resilience scores for people living in six different types of housing. Of all housing types, people living in social housing have the lowest overall mean financial resilience score (2.44). This is one of the lowest scores for any demographic factor in the entire study. People who own their house outright or have an established mortgage, and people who own their house with a new mortgage fare best on the financial resilience spectrum with a mean score of 3.23 and 3.07 respectively. These are also the only groups, by housing type, who have a financial resilience score higher than the population average.

Figure 47:
Financial resilience – housing



Source: Roy Morgan Research 2015. Notes: Sample size = 1,401 (excludes 83 people who preferred not to say. Homeless/emergency accommodation and student accommodation also not included in analysis; sample size < 10) weighted to be representative of the Australian population aged 18+.

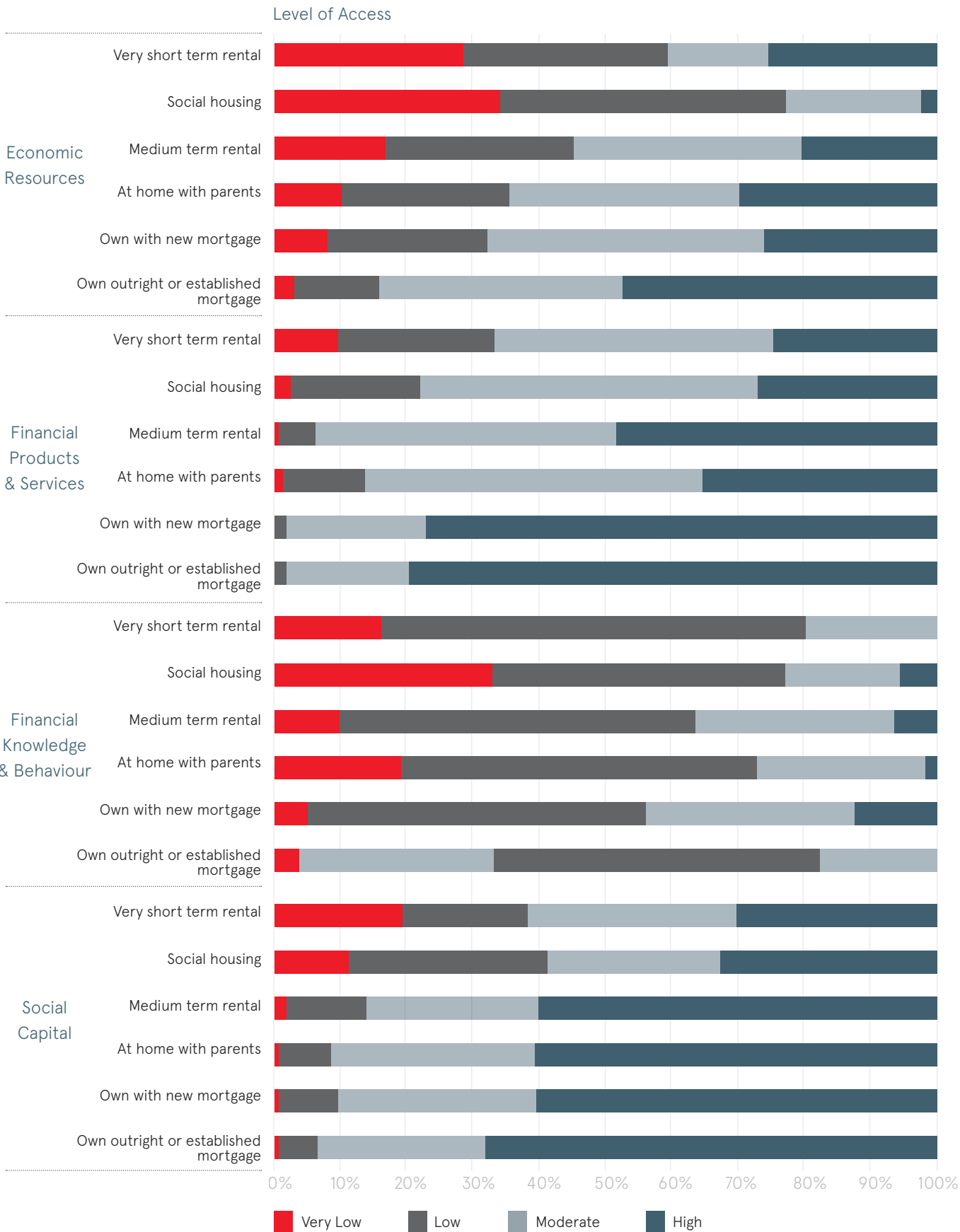
People living in social housing have particularly low levels of economic resources and people who own outright or have a mortgage have the highest (Figure 48). This is not surprising given social housing is targeted to people with low-incomes³⁸ and that housing types reflect wealth and household income. Levels of financial knowledge and behaviour follow similar trends (Figure 48).

When considering social capital and access to financial products and services, people living in short term rental accommodation have the highest proportion of people in the very low category, followed by social housing, in both components. Social capital is developed in part by connections

with a local community, neighbours and others in the household. Less stable forms of accommodation may result in disruption to social networks, and less opportunity to form lasting social connections. Low levels of access to financial products and services are likely to be related to low levels of income and possibly housing transience.

Together these results suggest the interconnectedness of financial resilience with other facets of people's lives and imply that improving financial resilience is likely to require addressing other social issues too.

Figure 48:
Level of access to the financial resilience components by housing type



Source: Roy Morgan Research 2015. Notes: Sample size = 1,401 (excludes 83 people who preferred not to say. Homeless/emergency accommodation and student accommodation also not included in analysis; sample size < 10) weighted to be representative of the Australian population aged 18+.

Mental health

The Kessler-6 (K6) tool³⁹ was used in the survey to measure psychological distress and, in turn, to explore the interaction between mental health and financial resilience. The K6 asks six questions related to the experience of indicators of depression and anxiety in the past 30 days. Each question is rated on a score of 1 (none of the time) to 5 (all of the time). The respondent's total score is used to classify them as either having a probable serious mental illness or not (Table 1).

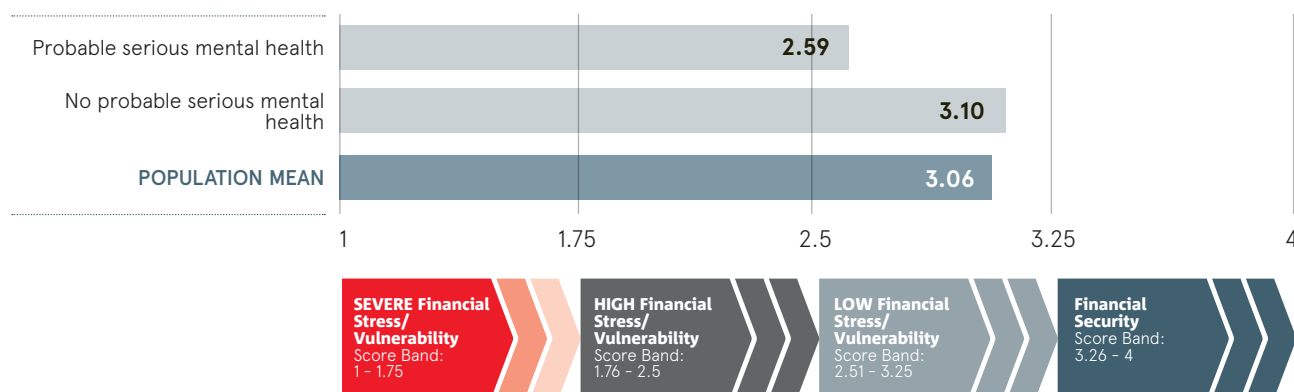
Table 1:
K6 categorisation

Australian K6 Total Score Levels	Level of psychological distress
6 – 18	No probable serious mental illness
19 – 30	Probable serious mental illness

Source: ABS, 2012⁴⁰

7.8% of respondents were classified as likely to have a probable serious mental illness according to their K6 scores at the time of completing the survey. People with a probable serious mental illness not only have a lower overall resilience score compared to people with no probable mental illness, but also a lower score compared to the population mean (Figure 49).

Figure 49:
Financial resilience – mental health

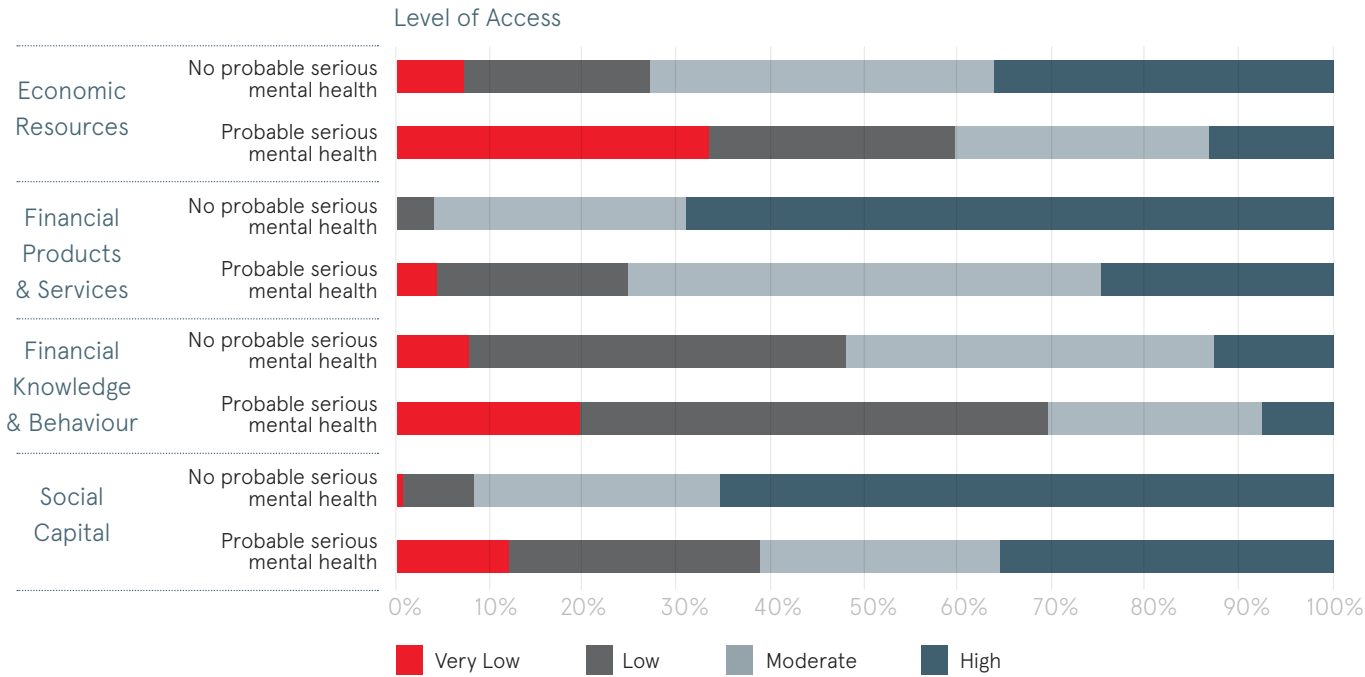


Source: Roy Morgan Research 2015. Notes: Sample size = 1,161 weighted to be representative of the Australian population aged 18+.

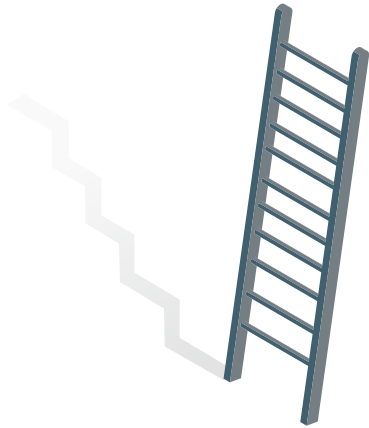
Links between personal stress and resilience are well established.⁴¹ This study reinforces these findings with the proportion of people with a probable serious mental illness in the low or very low categories of resilience being at least 1.5 times higher than for people with no probable serious mental illness across all financial resilience components. In the financial products and services component, the proportion of people in the low or very low categories is six times higher for people with a probable serious mental illness than people with no probable serious mental illness.

The direction of the relationship between financial stress and psychological distress could work both ways (i.e. financial stress could contribute to psychological distress, whilst mental health problems may also impact on financial resilience). Nevertheless, the results highlight the importance of ensuring that policies and programs targeting people with low levels of financial resilience are inclusive of people with mental health issues and that financial interventions are mindful of, and responsive to potential psychological distress amongst their participants.

Figure 50:
Level of access to the financial resilience components by mental health



Source: Roy Morgan Research 2015. Notes: Sample size = 1,488 (excludes 8 people who did not answer all 6 questions) weighted to be representative of the Australian population aged 18+.



Optimism

Studies of resilience in other fields demonstrate that personal characteristics, particularly an individual's level of optimism, can have an impact on their resilience.⁴² The extent to which the level of optimism is a potential cause of resilience (i.e. the individual's inherent ability to cope with a set-back) or a result of resilience (i.e. their confidence that they have external resources to help them cope with a set-back) is uncertain. To explore

the relationship between optimism and financial resilience in the Australian population, a set of six questions⁴³ related to feelings of optimism and pessimism were included in the survey. Responses were rated on a scale of 0 (strongly disagree) to 4 (strongly agree), with a maximum possible score of 24. Respondents were classified as optimistic, neutral or pessimistic according to their total score (Table 2).

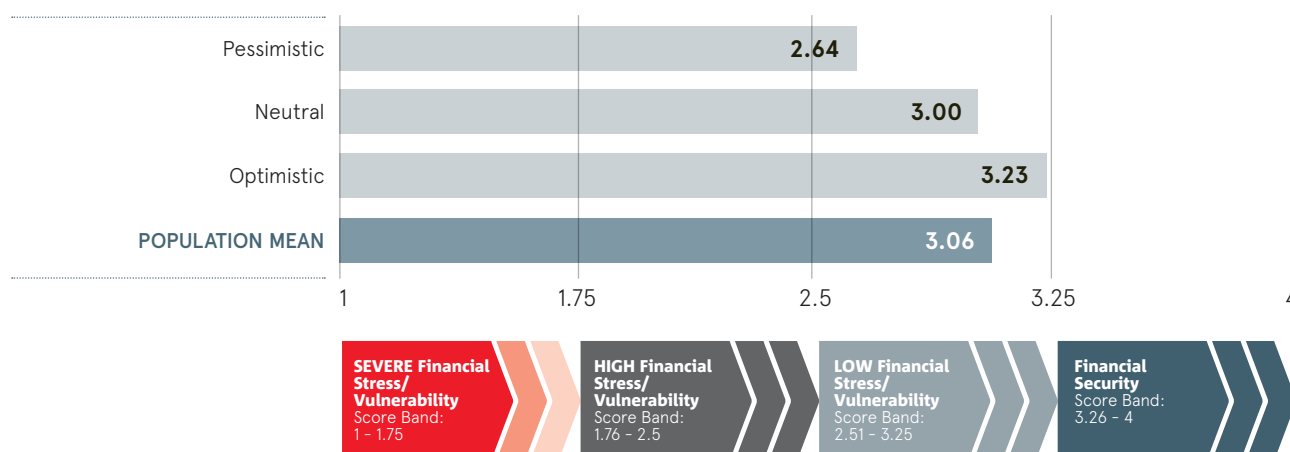
Table 2:
Optimistic, neutral and pessimistic categorisation

Score	Categorisation
0 – 7	Pessimistic
8 – 16	Neutral
17 – 24	Optimistic

Figure 51 shows the average financial resilience scores for groups who were 'optimistic', 'neutral' or 'pessimistic'. The results are striking; an individual's level of optimism is associated with financial resilience scores. The pessimistic group

has lower mean scores than the neutral group or the optimistic group. Further, only the optimistic group has an overall resilience score above the population average.

Figure 51:
Financial resilience – optimism

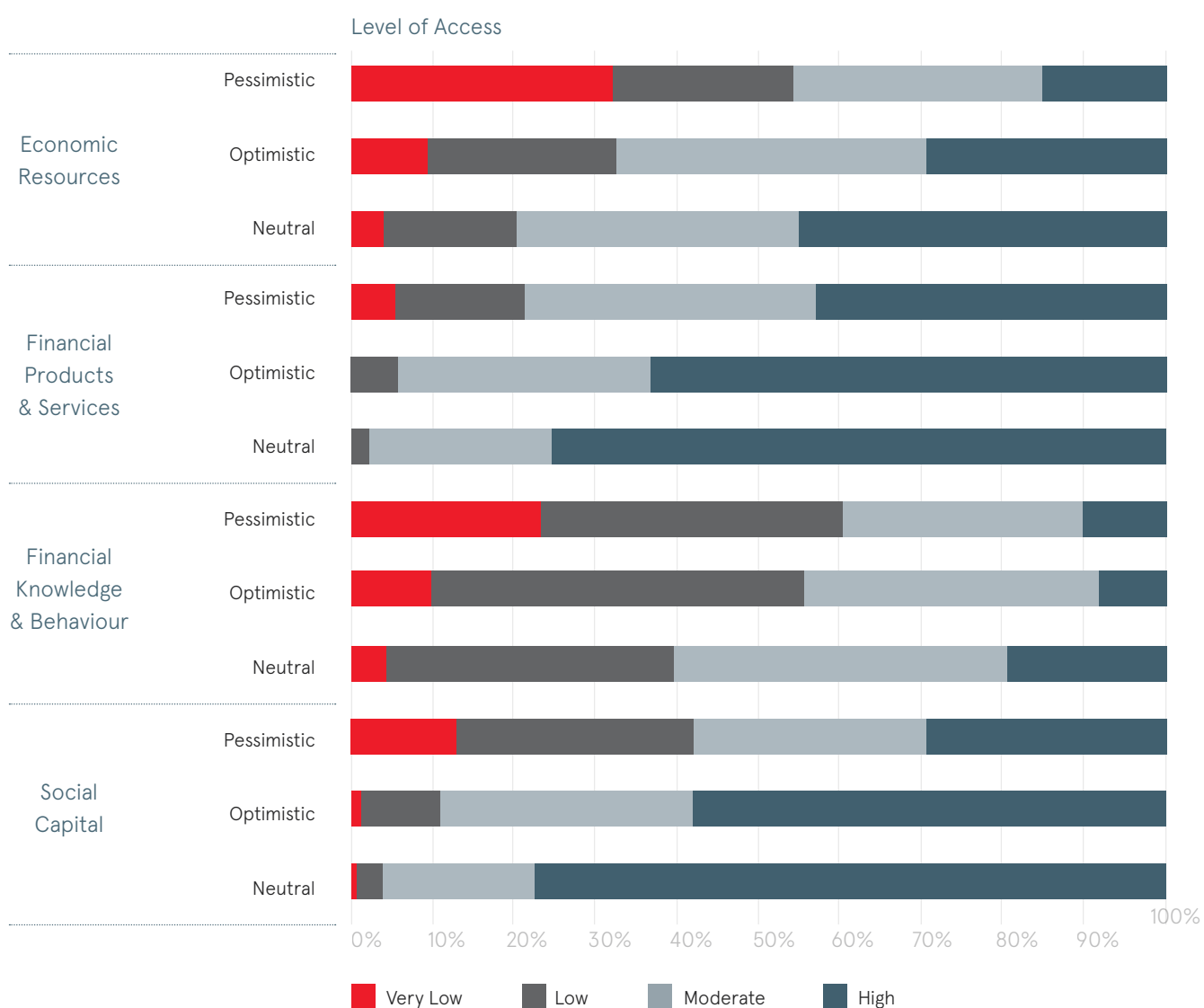


Source: Roy Morgan Research 2015. Notes: Sample size = 1,475 (excludes 21 people who did not answer all 6 questions) weighted to be representative of the Australian population aged 18+.

The optimistic group has the lowest proportion of people in the low or very categories, as well as the highest proportion of people in the high category, compared to the other two groups, across all resilience components. People in the optimistic group score highly in the social capital and financial products and services components with 77.3% and 75.1% in the high category for each

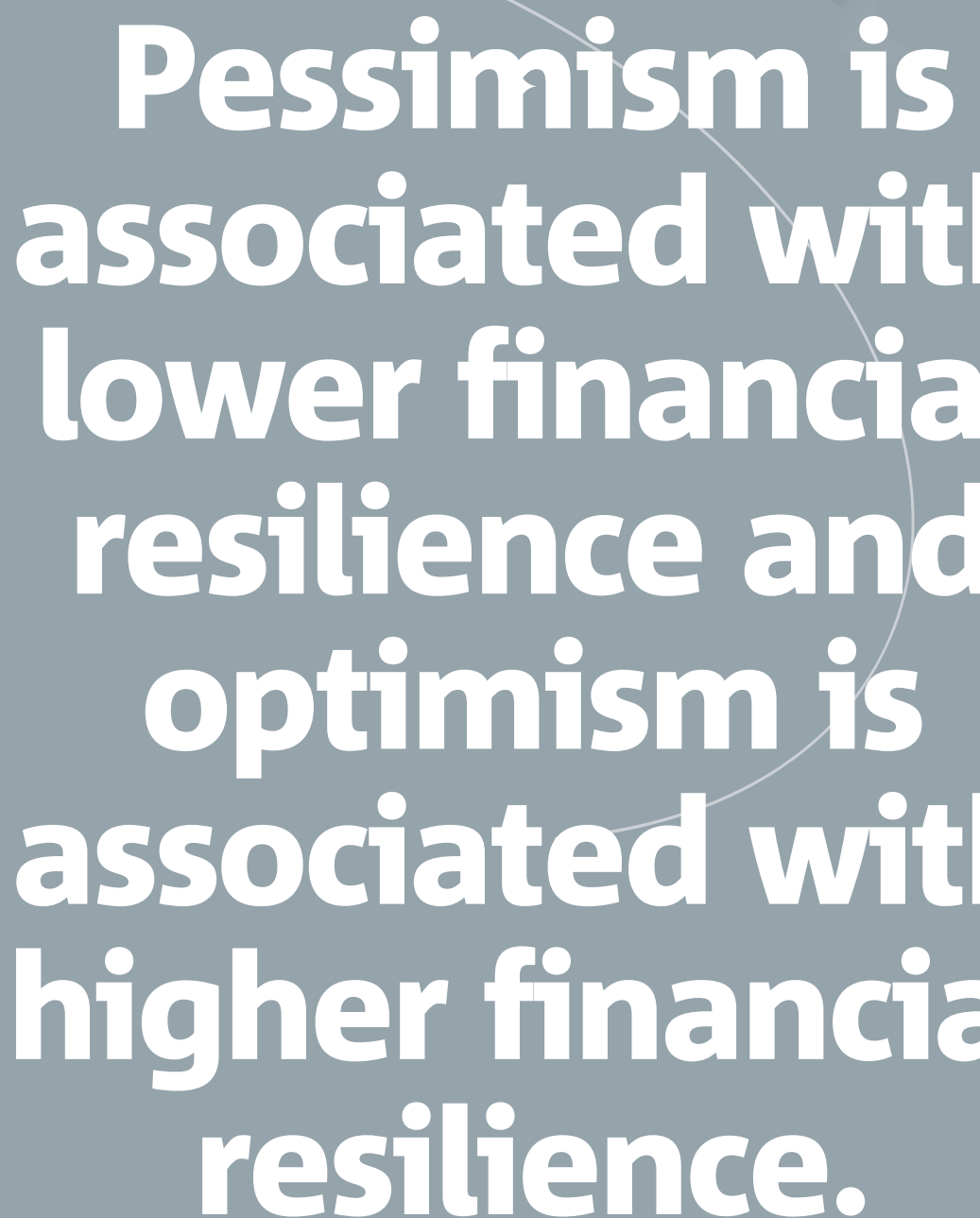
component respectively. This is compared to 29.7% and 42.8% of people in the pessimistic group. While the results definitely suggest a relationship between optimism and financial resilience, the extent to which the underlying feeling of optimism contributes to financial resilience (rather than optimism being a result of the factors that make up financial resilience) remains uncertain.

Figure 52:
Level of access to the financial resilience components by optimism/pessimism



Source: Roy Morgan Research 2015. Notes: Sample size = 1,475 (excludes 21 people who did not answer all 6 questions) weighted to be representative of the Australian population aged 18+





**Pessimism is
associated with
lower financial
resilience and
optimism is
associated with
higher financial
resilience.**

Factors Affecting Financial Resilience

This chapter explores the independent association between demographic factors and financial resilience through the use of regression modelling. It also uses scenario analyses to predict financial resilience scores for people with a combination of factors to identify particular groups at risk of financial stress and vulnerability. While the results demonstrate associations rather than causal relationships, they nevertheless help to identify which groups in society are the most likely to benefit from policies and programs to improve financial resilience, and those people who are the most likely to be doing well.

Factors affecting overall financial resilience

This section looks at the different demographic factors likely to influence, positively or negatively, overall financial resilience scores (ranging from 1 to 4) using a linear regression model. The results in Figure 53 show the average predicted score for each characteristic relative to a base category (for example female relative to male) for each group of variables (gender, age etc.).

Overall financial resilience scores do not differ significantly between women and men. Controlling for other differences, the financial resilience of young adults (aged 18 to 24) is significantly different and better than the financial resilience of people aged 30 to 49. Scores do not differ significantly for other age groups. This result is in contrast to the descriptive statistics presented previously and suggests that other things in the regression model (such as mental health and underemployment or unemployment) may explain the lower financial resilience scores observed for young people, rather than age itself.

The majority of states and territories do not differ significantly from the base state selected, NSW. The exception is people living in the ACT

whose financial resilience scores are higher, on average. Whilst the pattern is consistent with the descriptive statistics, differences for other states and territories are not statistically significant.

People with a probable serious mental illness have significantly lower financial resilience scores, on average. Pessimism is associated with lower financial resilience and optimism is associated with higher financial resilience.





People with personal incomes below \$20,000 and from \$20,000 to \$39,999 have significantly lower scores than those in the selected base case (\$60,000 to \$79,999) whilst there are no statistically significant differences for other income categories.

With the exception of people in part time or casual employment who are satisfied with their hours, people in all other labour force categories have, on average, significantly lower financial resilience scores than those who work full time. The significantly lower financial resilience scores for people who would prefer more hours of work and for people with incomes between \$20,000 and \$39,999 suggests that, in addition to people who are unemployed, the working poor are a particularly vulnerable group in Australia.

Housing has the strongest independent association with financial resilience, with people who are in very short term rental accommodation, the homeless and those living in social housing and student accommodation having significantly lower scores, and those who own their own home having significantly higher scores than those in medium term rental accommodation. These differences may capture differences in wealth as well as the stability of more secure accommodation.

Higher education is associated with higher financial resilience scores. People born overseas in non-English speaking countries have lower scores, on average, after controlling for other differences.

For each group of variables (gender, age etc.) the results should be read as follows:

-  The base category for the particular demographic set is shaded dark grey/teal;
-  Categories that do not differ significantly from the base category are shaded light grey;
-  Results that are significantly different from and better than the base category are shaded orange;
-  Results that are significantly different from and worse than the base category are shaded red.

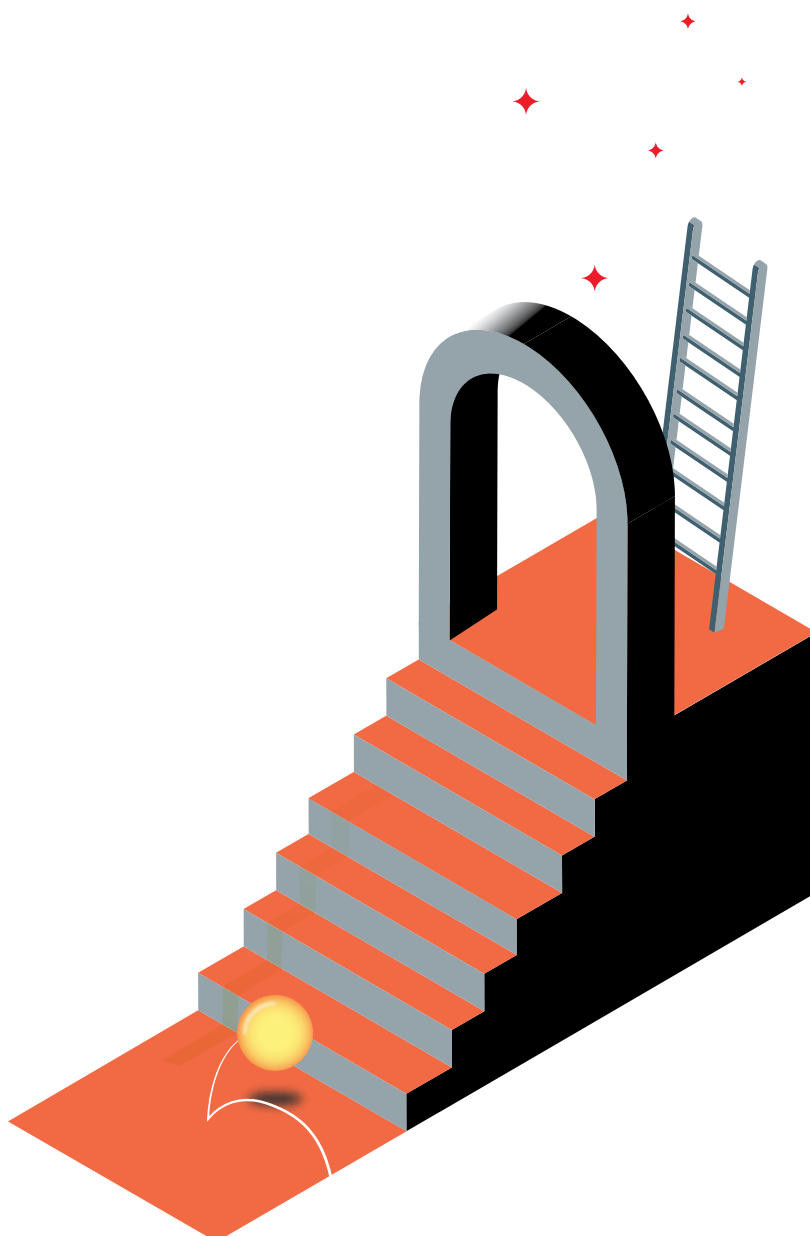
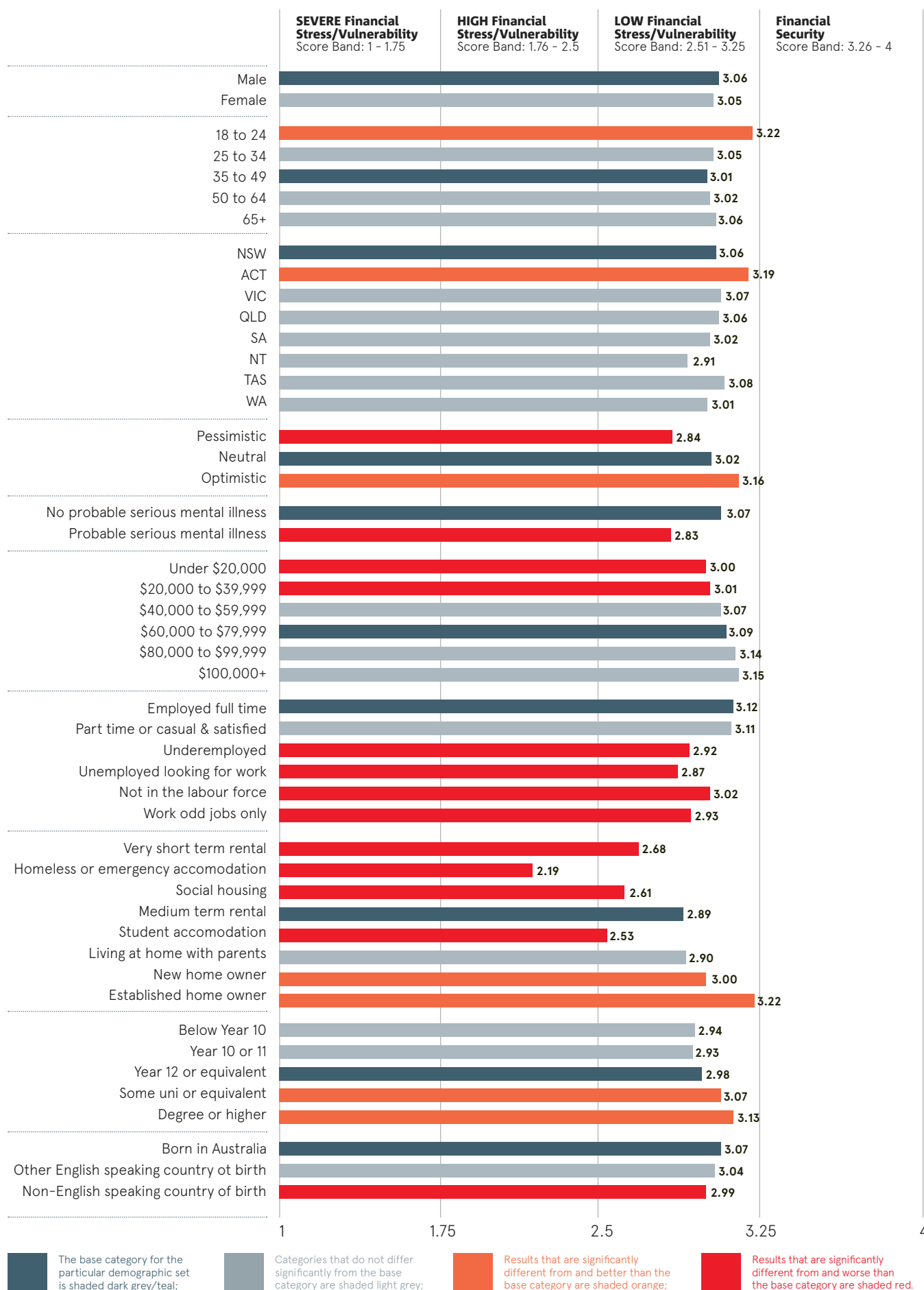


Figure 53:
Average predicted financial resilience scores



Scenario analyses

The regression results show the independent association between different characteristics and financial resilience if other things are held constant (that is if all other differences between people are controlled for). Using the linear regression model of overall financial resilience scores, the cumulative

effect of multiple 'risk' and 'protective' factors can be considered by predicting financial resilience scores for hypothetical people with different combinations of characteristics.

We consider four hypothetical scenarios:



CARLOS

Benchmark Person

A hypothetical person who has all of the baseline characteristics (the 'benchmark' person); male, aged 35 to 49, lives in NSW, is neither pessimistic nor optimistic, has no probable serious mental illness, has a personal income of \$60,000 to \$79,999 per annum, is employed full time, lives in rental accommodation, has a Year 12 level of education and was born in Australia.

Predicted Financial Resilience Score: (1-4)

Score = 2.87

Predicted Financial Resilience Result:

Low Financial Stress/ Vulnerability



JOE

Cumulative Risk Factors

A hypothetical man with cumulative 'risk' factors; homeless, unemployed, personal income less than \$20,000 and has a probable serious mental illness. Like Carlos, Joe is aged 35 to 49, lives in NSW, is neither pessimistic nor optimistic, has a Year 12 level of education and was born in Australia.

Predicted Financial Resilience Score: (1-4)

Score = 1.57

Predicted Financial Resilience Result:

Severe Financial Stress/ Vulnerability



LIN

Cumulative Protective Factors

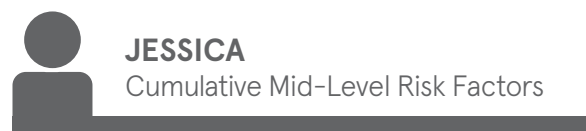
A hypothetical woman with cumulative 'protective' factors; optimistic, an established home owner with a degree. Like Carlos, Lin is aged 35 to 49, lives in NSW, has no probable mental illness, has a personal income of \$60,000 to \$79,000 per annum, is employed full time and was born in Australia.

Predicted Financial Resilience Score: (1-4)

Score = 3.47

Predicted Financial Resilience Result:

Financially Secure



JESSICA

Cumulative Mid-Level Risk Factors

A hypothetical woman with cumulative risk factors, but less severe than Joe; underemployed, earning a low income of between \$20,000 and \$39,999, living in short term accommodation. Like Carlos, Jessica is aged 35 to 49, lives in NSW, is neither pessimistic nor optimistic, has no probable serious mental illness, has a Year 12 level of education and was born in Australia.

Predicted Financial Resilience Score: (1-4)

Score = 2.37

Predicted Financial Resilience Result:

High Financial Stress/ Vulnerability





These scenarios demonstrate that a typical person like Carlos has a financial resilience score that places them in the low financial stress/vulnerability category (score band 2.51 – 3.25) on the financial resilience spectrum (Figure 2). People who experience cumulative disadvantage like Joe can experience severe financial stress/vulnerability

(score band 1 – 1.75). In contrast, people like Lin in situations of cumulative advantage are likely to be financially secure (score band 3.26 – 4). Finally, those like Lin, with cumulative risk factors but less severe than Joe, can experience high financial stress/vulnerability (score band 1.76 – 2.50).

Who is more likely to be in severe or high financial stress/vulnerability?

People classified as being in severe or high financial stress/vulnerability are likely to be experiencing poor outcomes across one or more of the financial resilience components in this study and arguably should be considered as a priority in programs to reduce financial stress and vulnerability.

To predict which factors are associated with being in severe or high financial stress/vulnerability, when other differences are controlled for, logistic regression models were estimated. The results are presented in Figure 54 as average predicted probabilities. As previously, for each group of variables:

-  The base category for the particular demographic set is shaded dark grey/teal;
-  Categories that do not differ significantly from the base category are shaded light grey;
-  Results that are significantly different from and better than the base category are shaded orange;
-  Results that are significantly different from and worse than the base category are shaded red.

In summary, compared to each relevant base case (see the dark blue shading in each segment in Figure 54), people who are significantly more at risk of severe or high financial stress/vulnerability are:

- People aged 50 to 64;
- People who are pessimistic;
- People with a probable serious mental illness;
- People who are not in the labour force, unemployed or underemployed (i.e. employed part time or casual but would prefer more hours); and
- Those living in social housing or student housing.

All homeless people in the study were in severe or high financial stress/vulnerability.⁴⁴

People less likely to be in severe or high financial stress/vulnerability include:

- People aged 18 to 24;
- People who are optimistic;
- Home owners; and
- Those with higher educational attainment.

No significant differences were found by gender, state/ territory, by personal income levels or country of birth.

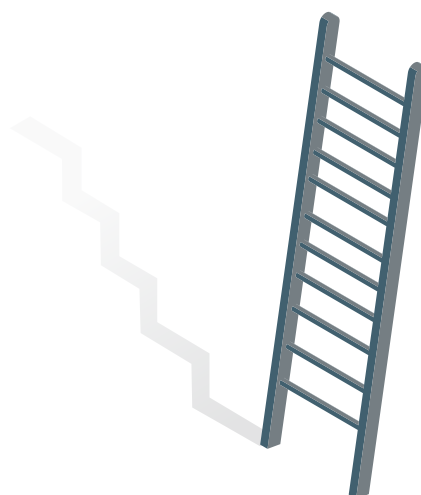
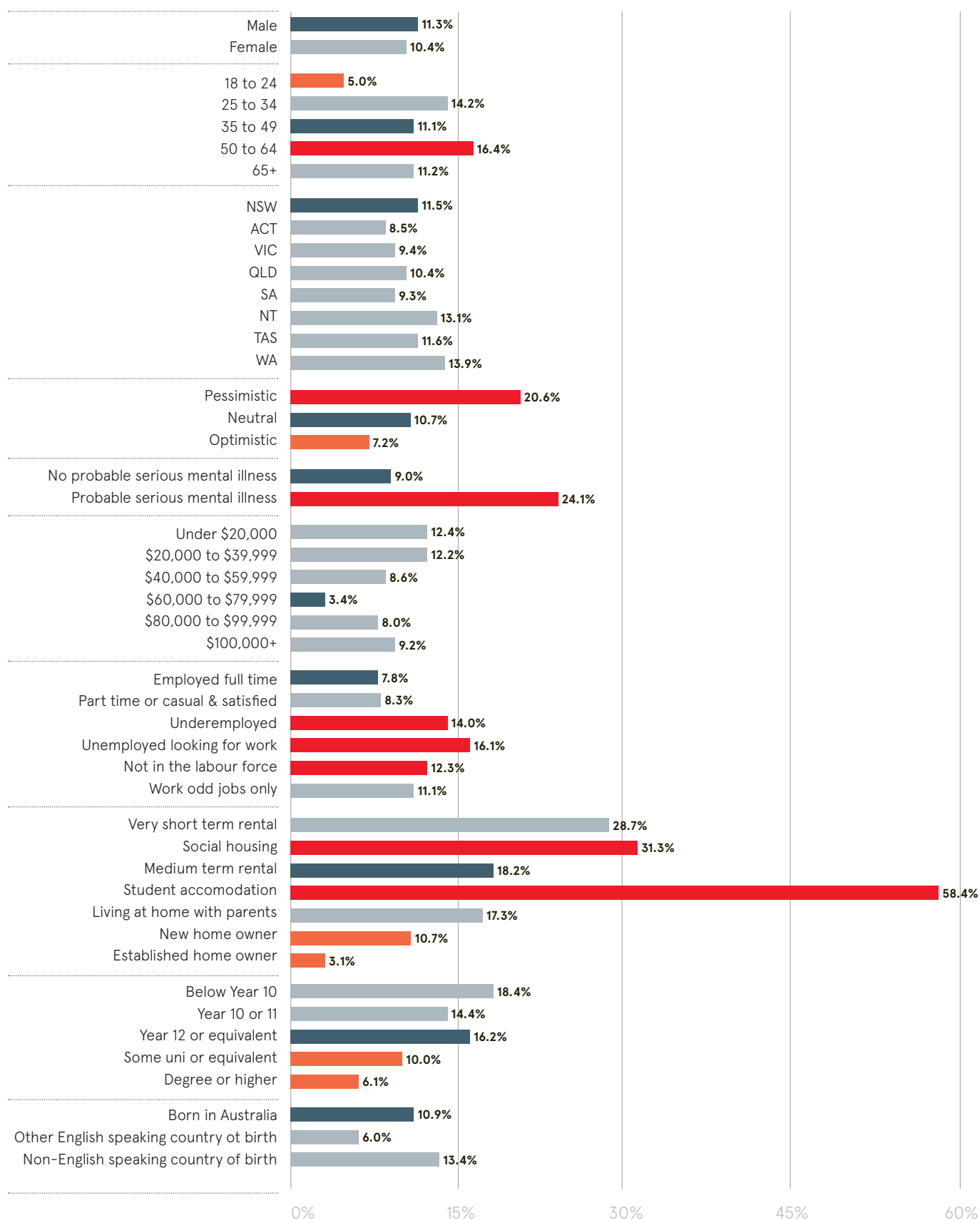


Figure 54:
Average predicted probability of severe or high financial stress/vulnerability



The base category for the particular demographic set is shaded dark grey/teal;

Categories that do not differ significantly from the base category are shaded light grey;





Results that are significantly different from and better than the base category are shaded orange;

Results that are significantly different from and worse than the base category are shaded red.

Who is more likely to be financially secure?

Logistic regression modelling was also used to predict which factors are associated with being financially secure, when other differences are controlled for, to identify possible protective factors of financial resilience. Figure 55 summarises the results, which again are presented as average predicted probabilities.

As previously, for each group of variables:

-  The base category for the particular demographic set is shaded dark grey/teal;
-  Categories that do not differ significantly from the base category are shaded light grey;
-  Results that are significantly different from and better than the base category are shaded orange;
-  Results that are significantly different from and worse than the base category are shaded red.

In summary, compared to each relevant base case (see the dark blue shading in each segment in Figure 55), people who are significantly more likely to be financially secure are:

- Home owners;
- People who have a degree or a higher level of education;
- People living in the ACT; and
- People who are optimistic.

People less likely to be financially secure include:

- People with a probable serious mental illness;
- People with a personal income below \$20,000;
- People who are not in the labour force, unemployed, underemployed (i.e. employed part time or casual but would prefer more hours) or who do odd jobs; and
- People born in non-English speaking countries.

Unsurprisingly, no homeless people and no people living in very short term rental accommodation are financially secure. No differences were found by gender, age, or most states/territories (except for the ACT).

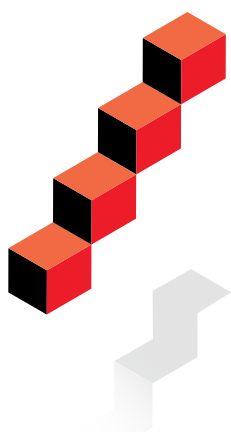
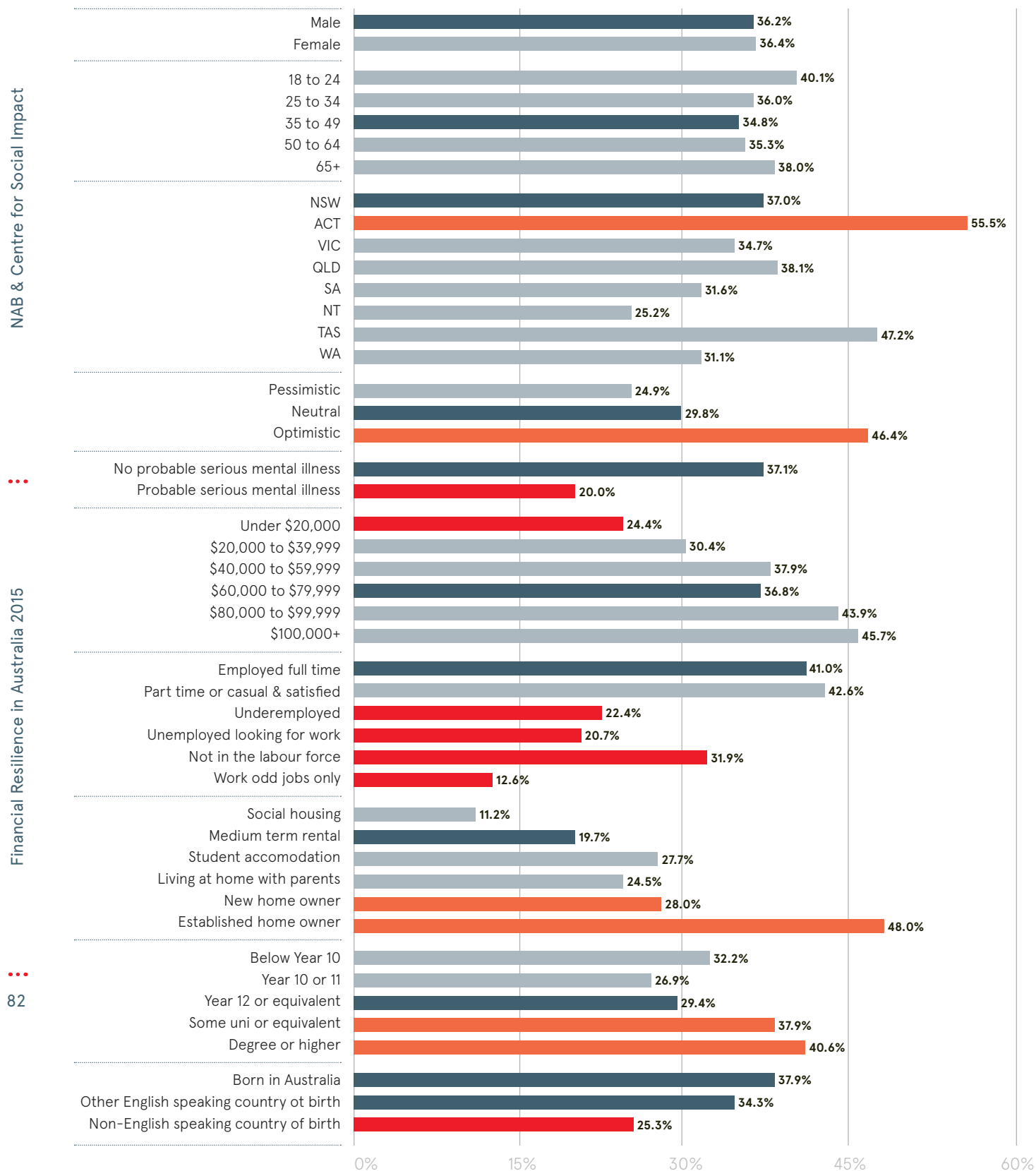
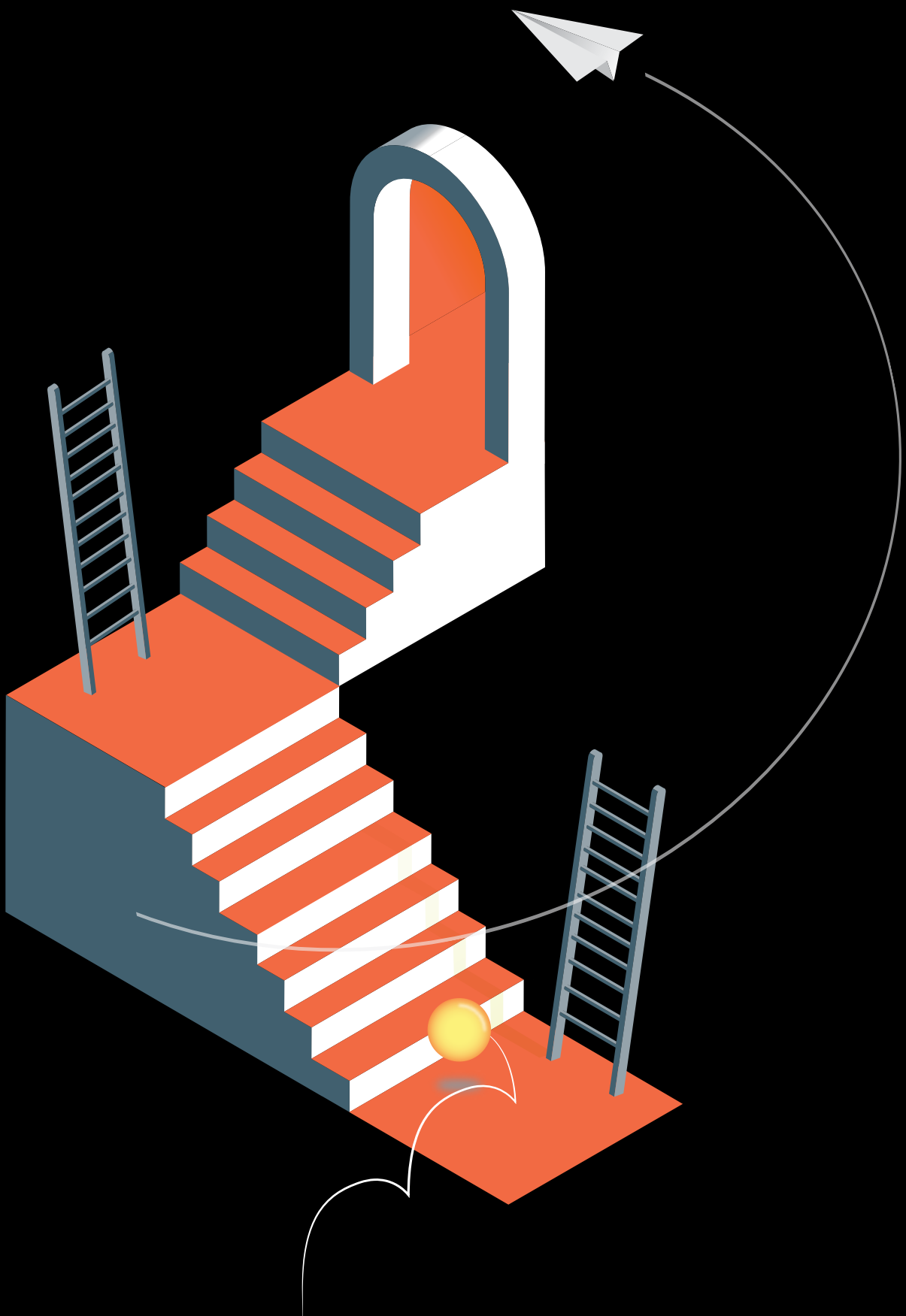
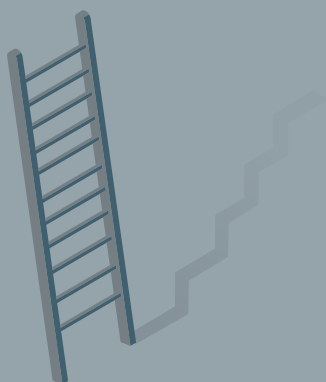
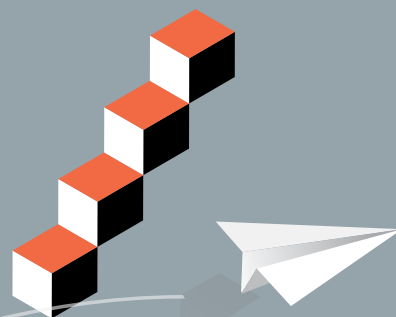


Figure 55:
Average predicted probability of being financially secure



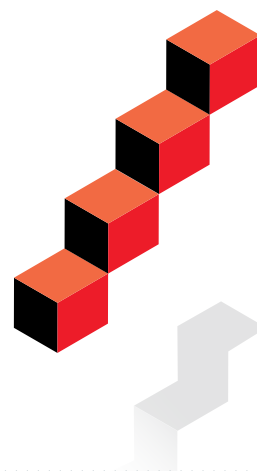


There are very real concerns about the financial wellbeing of more than 2 million Australian adults who are experiencing severe or high financial stress.



09

Conclusion & Next Steps



This study has moved beyond traditional measures of financial exclusion – based on access to financial products and services – to a broader multi-dimensional framework of financial resilience, comprised of economic resources; financial products and services; financial knowledge and behaviour; and social capital.

This report presents one of the first published detailed studies of financial resilience in the world. Through a survey of 1,496 people weighted to be representative of the Australian adult population (18+), it establishes a national baseline for the current level of financial resilience of the population and subgroups therein, and how people fare in terms of the different components that make up financial resilience.

The major finding of this study is that over 2 million adults living in Australia are estimated to be experiencing severe or high levels of financial stress and vulnerability (0.7% of Australian adults, 126,000 people in the 'severe' category; and 10.4%, 1,896,000 people in the 'high level' category).

People who receive low financial resilience scores are likely to be experiencing a range of challenges. They may have difficulty raising funds in an emergency; have limited access to mainstream financial services; have poor financial knowledge and sometimes display poor financial behaviour; have a greater reliance on fringe and informal products; and may experience social isolation.

Although a range of financial inclusion initiatives are available in Australia, they are unlikely to be able to respond to the scale of the group identified in the severe and high financial stress and vulnerability categories. This raises very real concerns about the financial wellbeing of 11.1% of the adult

population (2,022,000 people) in severe or high financial stress/vulnerability.

Reduced financial resilience is associated with: young age (however, this is no longer the case when differences such as housing and unemployment are controlled for, suggesting that these factors explain the lower financial resilience of young people); certain types of housing; country of birth; unemployment and underemployment; low educational attainment and income levels; mental illness and pessimism.

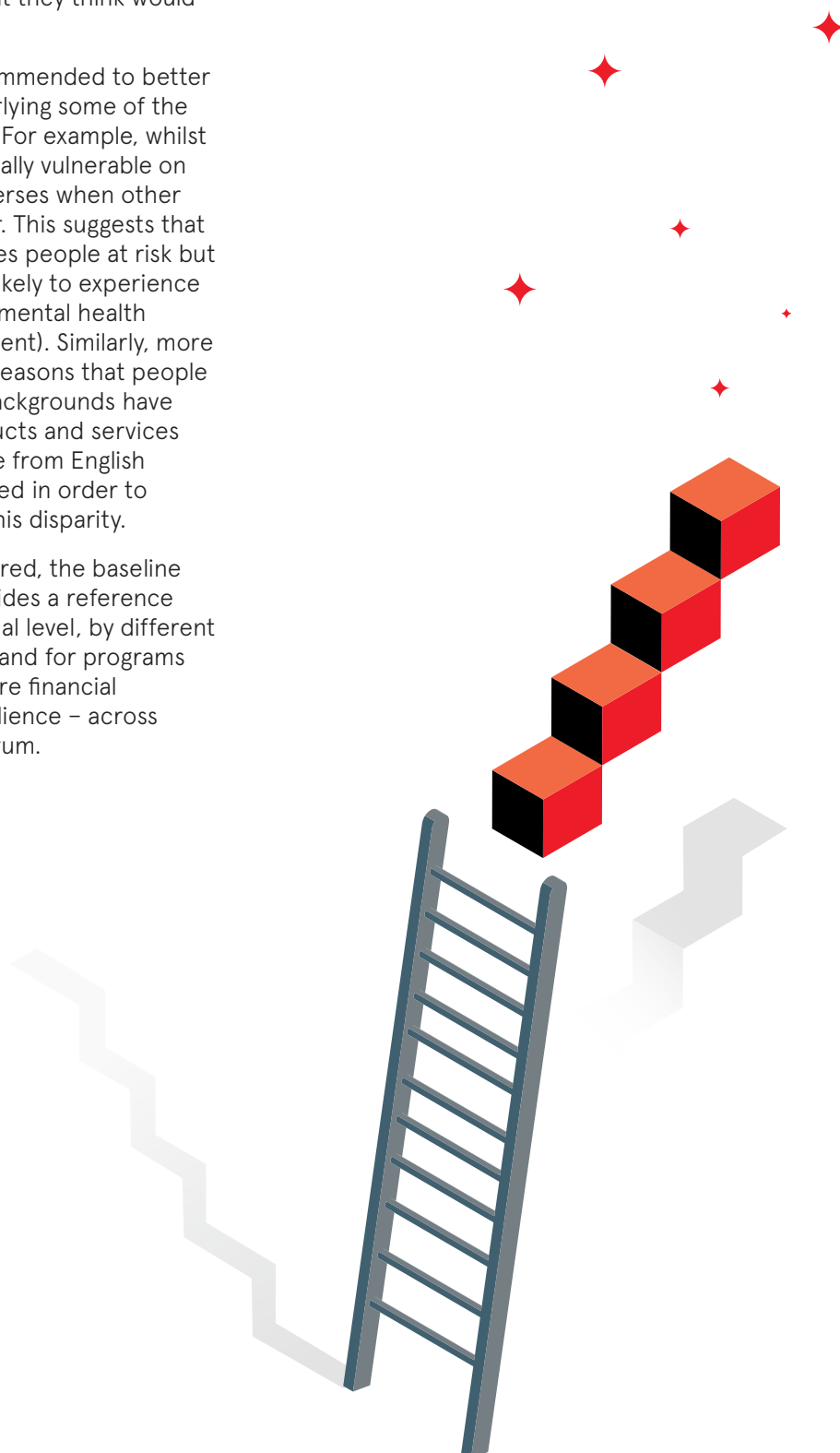
As the survey is repeated in future years it will enable more dynamic analyses of how the financial resilience of people living in Australia changes over time, and for whom. In particular, we will be able to explore whether financial resilience of particularly vulnerable groups is improving or worsening and which of the four components of resilience are driving changes.

By highlighting differences in the level of resources across the four financial resilience components, the study also helps to demonstrate that focusing on only one component (e.g. financial literacy or financial inclusion) as part of an intervention is unlikely to be sufficient to achieve financial stability among the most vulnerable. The financial resilience framework and survey can be adapted for specific program evaluations to understand which interventions work and for whom. We are developing a financial resilience tool for program evaluations, based on the

framework and survey, which will be tested and refined using two existing programs for people who are financially vulnerable. This process may include a qualitative component to better understand what participants in such programs themselves think about financial resilience; what they want to achieve and what they think would help them.

Further research is also recommended to better understand the factors underlying some of the results in the current report. For example, whilst young adults are more financially vulnerable on average, this observation reverses when other differences are controlled for. This suggests that it is not youth itself that places people at risk but that young people are more likely to experience other vulnerabilities (such as mental health problems and underemployment). Similarly, more detailed investigation of the reasons that people from non-English speaking backgrounds have lower levels of financial products and services and social capital than people from English speaking countries is warranted in order to understand the reasons for this disparity.

While further analysis is required, the baseline established in this study provides a reference point for change – at a national level, by different demographic characteristics and for programs aiming to improve and measure financial inclusion, literacy and/or resilience – across the financial resilience spectrum.





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⁴⁴Hence why this group dropped out of the model as they are a perfect predictor.

Appendix 1

Sample Details

Demographic characteristic	Sample size	
Gender	Male	726
	Female	770
	Total	1496
Age	18 – 24	164
	25 – 34	302
	35 – 49	406
	50 – 64	354
	65+	270
	Total	1496
Location	New South Wales	459
	Australian Capital Territory	37
	Victoria	385
	Queensland	298
	South Australia	108
	Northern Territory	9
	Tasmania	34
	Western Australia	166
	Total	1496
Country of birth	English speaking country*	1326
	Non-English speaking country	170
	Total	1496
Income	Under \$20,000	225
	\$20, 000 to \$39, 999	169
	\$40, 000 to \$59, 999	126
	\$60, 000 to \$79, 999	91
	\$80, 000 to \$99, 999	72
	\$100, 000+	90
	Unknown	723
	Total	1496
Labour force status	Employed full time	614
	Part time or casual	238
	Underemployed	116
	Unemployed	92
	Not in labour force	368
	Odd jobs	16
	Not stated	52
	Total	1496

Demographic characteristic	Sample size	
Educational attainment	Year 12 (or equivalent) or below	483
	Some university or college	406
	University degree or higher	607
	Total	1496
Housing	Very short term rental	20
	Homeless/emergency housing	5
	Social housing	34
	Medium term rental	278
	Student accommodation	7
	At home with parents	150
	Own with new mortgage	232
	Own outright or established mortgage	687
	Prefer not to say	83
	Total	1496
Mental health	No probable mental illness	1370
	Probable serious mental illness	118
	Unknown	8
	Total	1496
Optimism	Very pessimistic	97
	Neutral	836
	Very optimistic	542
	Unknown	21
	Total	1496

*English speaking countries include Australia, New Zealand, United Kingdom, United States, and Canada



Appendix 2

Financial Exclusion Data

Overview

This report has examined financial resilience in Australia, but it is part of a broader research program that has been considering financial exclusion in Australia for many years.

Each year since 2011, NAB and CSI have published a report measuring financial exclusion in Australia. The full series of reports is:

- Muir, K., Marjolin, A. and Adams, S. (2015), Eight years on the fringe: what has it meant to be severely or fully financially excluded in Australia over the past eight years? The Centre for Social Impact – University of New South Wales for the National Australia Bank.
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This year we are not publishing a separate report on measuring financial exclusion, as we are keen to explore financial resilience in as much detail as possible. However we are still collecting and analysing data on financial exclusion, and some of the key highlights are included below. This will allow comparison with our previous reports.

Methodology

This data uses the following definition of financial exclusion:

Financial exclusion exists where individuals lack access to appropriate and affordable financial services and products – the key services and products are a transaction account, general insurance and a moderate amount of credit.

We limit our definition to “appropriate and affordable financial services and products” – with a clear focus on simple but essential financial services and products.

The core methodology is to measure access to financial services products by relying on data collected in the Roy Morgan single source survey. This is a lengthy face to face interview with around 50,000 Australians each year (around 1,000 interviews are conducted each week), and the interview includes detailed questions on all of the financial products owned and operated by each respondent, as well as comprehensive demographic information.

The data are always based on the prior year’s figures, so the data in this report is based on the 2014 calendar year.

The extent of financial exclusion in Australia

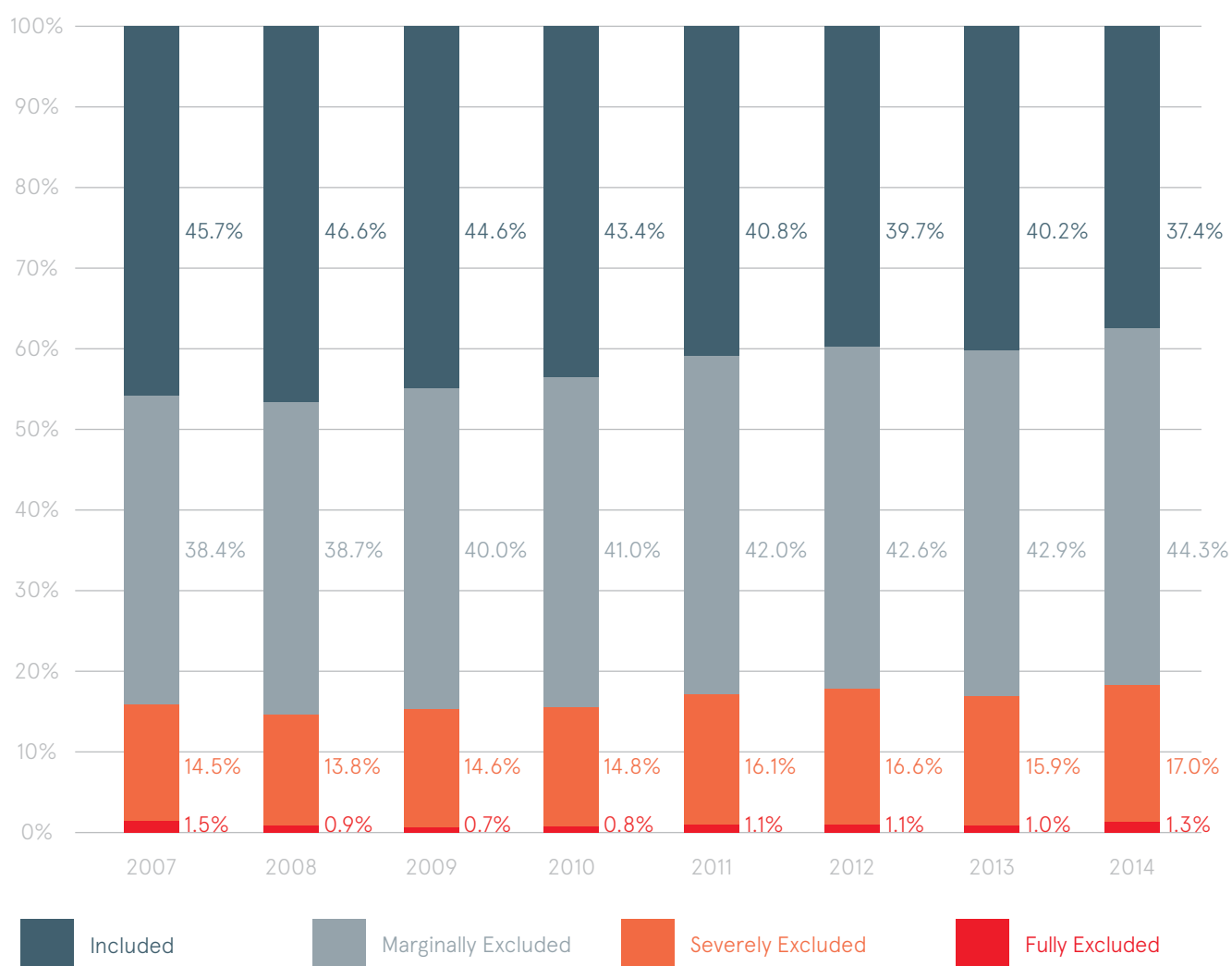
Financial exclusion has not shifted over the last 8 years in Australia, with one in six people remaining severely or fully financially excluded and experiencing disadvantage across multiple fronts (e.g. employment, education, housing, cost of living and mental health). The social and economic implications for individuals, families, communities, governments and not-for-profits are potentially substantial.

18.3% of the adult population in Australia were either fully excluded or severely excluded from financial services in 2014. This figure comprises 1.3% of adults who were fully excluded (they had no financial services products) and 17.0% of adults who were severely excluded (they only had one financial services product).

This represents a small increase compared to the 2013 report, which identified 16.9% of the population as being either fully excluded or severely excluded.

In real terms, around 236,000 adults were fully excluded and 3,091,000 were severely excluded, providing a combined total of 3,327,000 in 2014.

The following chart shows the degree of financial exclusion in Australia over an eight year period.



Source: Roy Morgan Research. Base: Australian population aged 18+.

As can be seen in the chart, the 2014 data shows a small increase in the proportion of people in both the fully excluded and the severely excluded category.

Demographic data on financial exclusion

Our research provides an insight into the demographic profile of those people who are financially excluded in Australia. Our previous series of reports contains detailed analysis of a wide range of factors, and readers should consult those reports for further insights.

Three key demographic factors have proved to be important in determining access to financial services products in Australia: age; income; and country of birth. The following tables measure the level of access to financial products against these key criteria for 2014.

Age

Age can be tracked against access to specific financial products, and it is notable as a factor in relation to two key areas – not having access to credit and not having access to general insurance. Age has very little impact on access to a transaction account:

Age	All ages	18-24	25-34	35-49	50-64	65 and Over
Transaction Account	97.1%	96.6%	97.3%	97.2%	97.2%	96.8%
Credit Cards	40.4%	11.3%	31.0%	46.9%	53.7%	43.5%
General Insurance	80.2%	46.7%	71.1%	86.5%	90.7%	90.0%

Source: Roy Morgan Research, 2014. Base: Australian population aged 18+.

Income

Income is a factor in access to all financial products, although it has the greatest impact on access to credit:

Income	Total	< \$15K	\$15-20K	\$20-25K	\$25-30K	\$30-40K	\$40-50K	\$50K +
Transaction Account	97.1%	94.6%	97.9%	97.9%	97.6%	97.5%	97.7%	98.0%
Credit Cards	40.4%	26.5%	26.7%	29.7%	34.2%	36.3%	40.3%	58.2%
General Insurance	80.2%	64.7%	73.3%	77.1%	79.4%	81.8%	83.5%	92.3%

Source: Roy Morgan Research, 2014. Base: Australian population aged 18+.

Country of birth

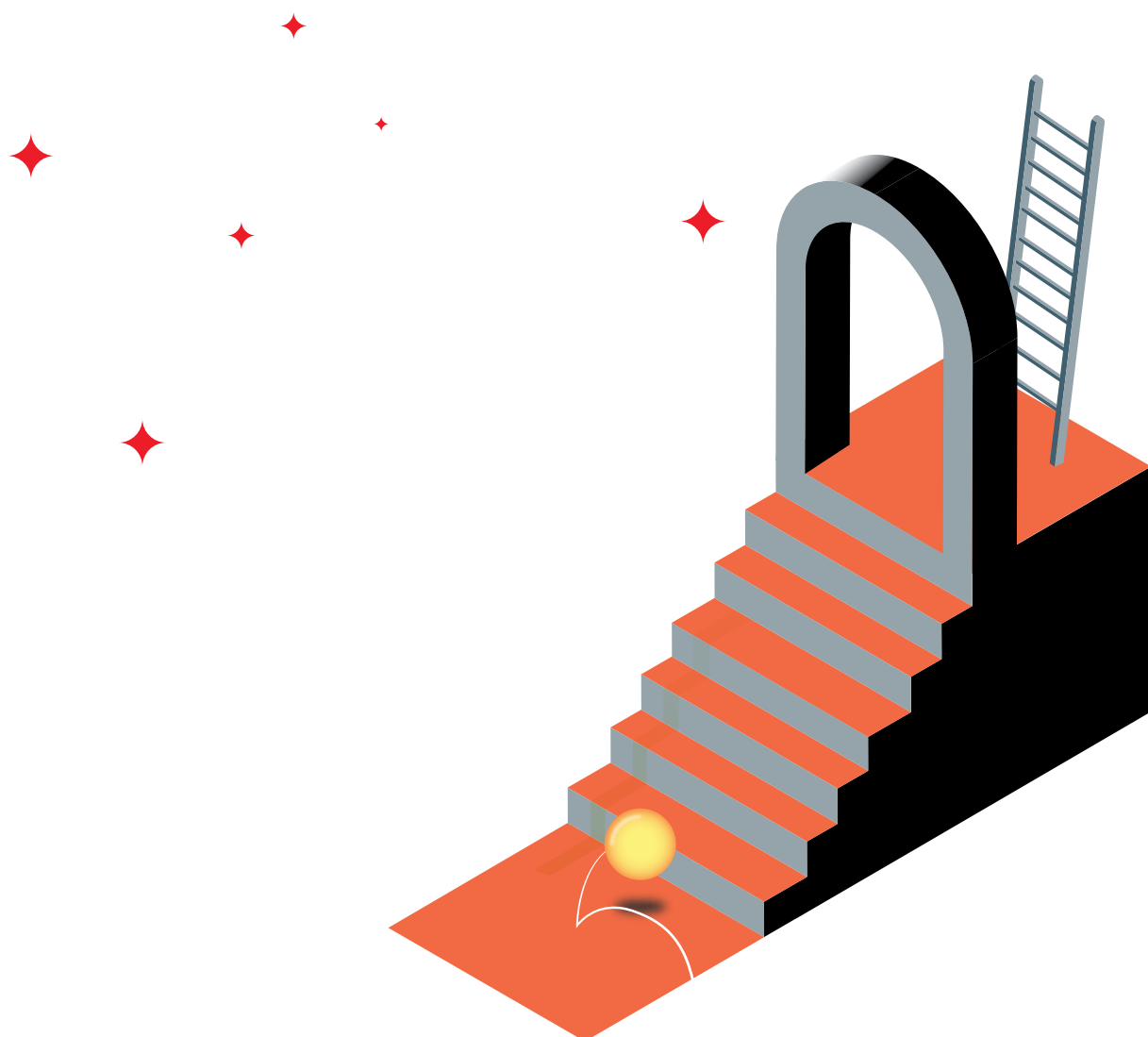
In this study we are able to distinguish between people born in a selection of English speaking countries (Australia, Canada, New Zealand, the UK and USA), and those born in non-English speaking countries.

People born overseas in non-English speaking countries have slightly lower rates of financial inclusion, but the most significant difference

relates to insurance, where only 68.7% of people born in non-English speaking countries have access to general insurance (compared to 83.1% for people born in Australia or an English speaking country).

Product	Total	Born in Australia or English Speaking Country	Born Overseas in Non-English speaking Country
Transaction Accounts	97.1%	97.4%	95.8%
Credit Cards	40.4%	41.9%	34.3%
General Insurance	80.2%	83.1%	68.7%

Source: Roy Morgan Research, 2014. Base: Australian population aged 18+.



Appendix 3

Scoring Methodology

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The following tables display the scoring methodology used to assess the respondents' level of resources for each of the four financial resilience components which underpin our model of financial resilience. Each component includes four to five scoring questions relating to factors likely to affect the experienced level of resources. For example, 'economic resources' was scored with respect to level of savings, debt management, ability to raise \$2,000 in an emergency, ability to meet living expenses and household income

quartile. Cross-references to the corresponding survey questions are included in the tables.

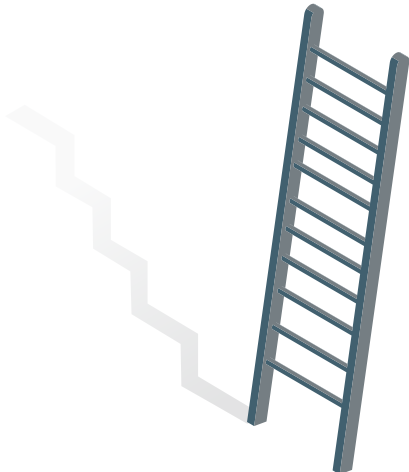
Responses to each scoring question corresponds to a specific cell in the tables and were allocated a score from 1 to 4, as indicated by the score row. Where multiple responses to a scoring question were made, responses were prioritised so people were assigned into one cell only. Further detail on prioritisation is available on request.

Economic Resources

	Score	1	2	3	4
Savings	C7	No or negligible savings	Limited savings (1-2 months' income)	Moderate savings (3 months' income)	Significant savings/ asset accumulation
Debt management	C8.2	Over-indebted (unable to meet repayments)	Just managing to pay off debts	Comfortably paying off debts	Very comfortably paying off debts or no debts
Ability to raise \$2,000 in an emergency	C10 & C10.1*	Unable to raise \$2,000 in emergency	Unsure if able to raise \$2,000 in emergency, or able to raise from alternative credit sources	Able to raise \$2,000 from mainstream credit or friends or family	Able to raise \$2,000 from own savings
Ability to meet living expenses	C13	Great difficulty meeting living expenses	Some difficulty meeting living expenses	Easy to meet living expenses	Very easy to meet living expenses
Household income quartile**		First national income quartile (lowest)	Second national income quartile	Third national income quartile	Fourth national income quartile (highest)
Average score for Economic Resources					

*Second question asked where applicable.

**Household Income quartiles were derived using Equivalised Household Income (calculated from answers to questions A4, A6 & A6.1).



Financial Resources

	Score	1	2	3	4
Access to a bank account	C6 & 6.1*	No bank account	Basic access to banking	Effective use of banking system	Full use of wide range banking services
Access to credit	C8	No access to credit or only use fringe lending	Uses informal credit or partly using fringe lending	Only use mainstream credit	Only use mainstream credit & used for asset building
Unmet credit demand	C9	Strong/multiple unmet need for credit	Moderate unmet need for credit	Insignificant unmet need for credit	No unmet need for credit
Access to insurance	C11	No access to any form of insurance cover	Under insured	Basic insurance cover	Significant insurance cover
Unmet insurance demand	C12 & C12.1*	Strong unmet need for insurance	Some unmet need for insurance	No significant unmet need for insurance	No unmet need for insurance
Average score for Financial Resources					

*Second question asked where applicable.

Financial Knowledge and Behaviour

	Score	1	2	3	4
Knowledge	B2	No knowledge of financial services and products (vulnerable to predatory lending)	Basic knowledge of financial services and products (may become vulnerable to predatory lending)	Good knowledge of financial services and products	Very good knowledge of financial services and products
Confidence	B3	No confidence in using financial services and products	Limited confidence in using financial services and products	Reasonably confident using financial services and products	Very confident using financial services and products
Advice	B4	Would never consider financial advice	Would consider financial advice in some circumstances	Seeking financial advice	Has received financial advice
Proactive decisions	B5	No proactive financial actions taken	Limited actions taken	Multiple actions taken	All types of actions taken
Average score for Financial Knowledge and Behaviour					

Social Capital

	Score	1	2	3	4
Social networks	C3	Socially isolated	Minimal social network relationships	Well connected	Well established connections
Support from social networks	C4	Very unlikely to receive social support in times of crisis	Fairly unlikely to receive social support in times of crisis	Fairly likely to receive social support in times of crisis	Very likely to receive social support in times of crisis
Community and government support	C5	Need support but unable to access / or receiving emergency community or Government support	Received specialised community or Government support	Not heavily reliant on community or Government support services	No need for community or Government support services
Average score for Social Capital					

An average score, ranging from 1 to 4, was calculated for each component to determine the respondent's level of resources. Four categories for the level of resources were created by applying

four equally sized bands to possible average scores. The four categories for respondents' level of resources in each component were rated very low, low, moderate and high.

Average component score	1 – 1.75	1.76 – 2.50	2.51 – 3.25	3.26 – 4
Level of resources	Very Low	Low	Moderate	High

To determine the respondent's level of financial resilience, the average score of each of the four components were averaged to give an overall mean financial resilience score. The overall mean financial resilience score ranges from 1 to 4. Again, financial

resilience was split into four possible categories by applying four equally sized bands: financial stress, high financial vulnerability, low financial vulnerability and financial security.

Overall financial resilience score	1 – 1.75	1.76 – 2.50	2.51 – 3.25	3.26 – 4
Financial resilience category	Financial stress	High financial vulnerability	Low financial vulnerability	Financial security

Appendix 4

The Questionnaire

Roy Morgan
Research

Screening and Quota

Please select your gender

1. Male
2. Female

Please choose your age from the following ranges:

1. 14-15
2. 16-17
3. 18-19
4. 20-24
5. 25-29
6. 30-34
7. 35-39
8. 40-44
9. 45-49
10. 50-54
11. 55-59
12. 60-64
13. 65-69
14. 70+
99. Prefer not to say

Please indicate the area in which you live

1. Australian Capital Territory
2. Sydney
3. NSW excluding Sydney
4. Melbourne
5. Victoria excluding Melbourne
6. Brisbane
7. Queensland excluding Brisbane
8. Adelaide
9. South Australia excluding Adelaide
10. Northern Territory
11. Hobart
12. Tasmania excluding Hobart
13. Perth
14. Western Australia excluding Perth
15. Outside Australia
99. Prefer not to say

What is your post code?

98. Don't know

Questionnaire Body

B1. Which of the following statements best describes your typical behaviour in relation to financial management over the past 12 months?

Select one only

1. I don't have a budget and I experience regular financial problems (such as missed payments or serious arrears)
2. I don't have a budget but I don't have any serious financial problems
3. I have a basic budget but I still experience regular financial problems (such as missed payments or serious arrears)
4. I have a basic budget and I stick to it most of the time
5. I am meeting or exceeding my financial budget
98. Don't know

B2. Which of the following statements best describes your current level of knowledge regarding financial services and products?

Select one only

1. I don't really understand financial services and products at all
2. I have a basic understanding of financial services and products
3. I have a good understanding of financial services and products
4. I have a very good level of understanding of financial services and products
98. Don't know

B3. Which of the following statements best describes your current level of confidence regarding financial services and products?

Select one only

1. I don't have any confidence in using financial services and products
2. I have a limited confidence in using financial services and products
3. I am reasonably confident using financial services and products
4. I am a very confident user of financial services and products
98. Don't know

B4. Which of the following statements best describes your approach to seeking financial advice?

Select one only

1. I would never consider seeking financial advice
2. I would consider seeking financial advice in some circumstances
3. I am actively seeking financial advice
4. I have already received financial advice
98. Don't know

ASK IF RESPONSE FOR B4 IS 2, 3 OR 4

B4.1. You have mentioned that you might seek financial advice or you are already receiving financial advice. Which of the following sources of advice would you consider (or have you already used)?

Select ALL that apply

1. A free community service
2. A paid professional advice
3. A Government information service
4. No plans to seek help in the short-term
97. Other
98. Don't know

ASK ALL

B5. Which of these financial actions have you taken in last 12 months?

Select ALL that apply

1. Followed a budget
2. Saved regularly
3. Paid more than the minimum payment required by credit card company or loan provider
4. Paid more than the minimum home loan repayments
5. Made voluntary contributions towards superannuation
6. Received financial information, counselling or advice from a professional (including Centrelink, welfare/community organisations and financial planners)
96. None of these
98. Don't know

A9. In the last 12 months, have you experienced difficulties accessing financial services for any of the following reasons?

Select ALL that apply

1. Cannot trust them
2. Cost of service
3. Disability restricts access to service
4. Waiting too long/Appointment not available at time required
5. Language difficulties
6. No service in your area
7. Transport/distance
8. Poor customer service
9. Discrimination because of Ethnic or cultural background
10. Inadequate services in your area
97. Other reason
96. No difficulties accessing financial services

C1. How frequently do you have face to face contact with family or friends?

1. Everyday
2. At least once a week
3. At least once a month
4. At least once in three months
5. No recent contact
6. No family and no friends
98. Don't know

C2. How frequently do you have telephone (inc. phone calls made online e.g. skype; mobile phones), email, mail, SMS contact with family or friends

1. A few times a day
2. Once a day
3. A few times of week
4. Once a week
5. At least once a month
6. At least one a quarter
7. No recent contact
8. No family and no friends
98. Don't know

C3. Which of the following statements best describes your level of access to social connections over the past 12 months? This includes access to family, friends, work colleagues, neighbours clubs and other similar social networks.

Select one only

1. I have very limited social connections (I am isolated or alone most of the time)
2. I have some minimal social connections (I am in occasional contact with social networks)
3. I am well connected (I have regular contact with social networks)
4. I have well established connections (I have regular and long established connections with social networks)
98. Don't know

C4. How would you rate your ability to get support from your social networks in times of crisis?

1. Never/ Very unlikely
2. Fairly unlikely
3. Unsure
4. Fairly likely
5. Always/ Very Likely

C5. Which of the following statements best describes your ability to access support from community organisations over the past 12 months?

Select one only

1. I need support, but I had no access to any form of community or Government support
2. I receive emergency support services (e.g. food-banks, vouchers, emergency hand-outs)
3. I receive specialised support services (e.g. meals on wheels, financial counselling, no interest loan, income management, homecare services)
4. I used occasional support services, but I was not heavily reliant on them
5. I do not require any form of community or Government support
98. Don't know

ASK IF RESPONSE FOR C5 IS 2, 3 OR 4

C.5.1 You mentioned that you have received some community or Government support. Which of the following types of support have you received in the past 12 months?

Select ALL that apply

1. A No Interest Loan Scheme
2. A Low Interest Loan Scheme
3. A financial counsellor
4. Centrelink Emergency Assistance (energy vouchers, food parcels etc.)
5. Centrelink Advance Payment
6. Centrelink Crisis Payment
97. Other – please specify
98. Don't know

ASK ALL

C6. Which of the following statements best describes your ability to access a bank account over the past 12 months?

Select one only

1. I have no access to a bank account at all
2. I only have restricted access to a bank account (through a partner, relative or friend)
3. I have direct access to a bank account
98. Don't know

ASK IF RESPONSE FOR C6 IS 2, 3 OR 98

C6.1. Which of the following bank accounts do you have access to?

Select all that apply

1. Everyday banking/transaction account
2. Term Deposit
3. High Interest Online Account
4. Bonus Interest or Reward Saver Account
97. Some other savings account (please specify)
98. Don't know

ASK ALL

C7. Which of the following statements best describes your current level of savings (including cash, bank deposits and other formal savings like bonds and term deposits)?

Select one only

1. I have no savings
2. I have very little savings (equal to less than 1 month's income)
3. I have limited savings (equal to 1-2 months' income)
4. I have moderate savings (equal to more than 3 months income)
5. I have significant savings and investments
98. Don't know

ASK IF RESPONSE FOR C7 IS 2-5 OR 98

C7.1. What is the approximate balance of your total savings?

1. Less than \$500
2. \$500 to \$2999
3. \$3000 to \$4999
4. \$5000 to \$10,000
5. \$10,000 or more
98. Don't know

ASK ALL

C8. Which of the following statements best describes your ability to access credit over the past 12 months?

Select as many answers as needed

1. I have no access to any form of credit
2. I use fringe credit (e.g. a payday loan, online lender, pawn broker)
3. I use informal credit (e.g. loan from friends or family)
4. I use formal credit (e.g. bank or building society or community finance)
5. I use formal credit for asset building (e.g. an investment loan or mortgage)
98. Don't know

ASK IF RESPONSE FOR C8 IS 2 TO 5

C8.1. You mentioned that you have access to credit. Which of the following types of credit have you accessed over the past 12 months?

Select all that apply

1. A loan from family
2. A loan from friends
3. Credit card
4. Personal loan
5. Mortgage
6. Other mainstream credit (i.e. from a bank)
7. A Centrelink advance
8. A community finance loan (e.g. a loan from a No Interest Loan Scheme (NILS))
9. A payday loan (e.g. a small high interest loan to be paid on your next pay day)
97. Other type of loan or credit facility
98. Don't know

ASK ALL

C8.2. Which of the following statements best describes your current level of debt?

Select one only

1. I am over-indebted (my debts are larger than my ability to repay them)
2. I have debts that I am just managing to repay
3. I have debts that I am managing to repay comfortably
4. I have debts and I am managing to repay these very comfortably
5. I have no debts
98. Don't know

ASK IF RESPONSE FOR C8.2 IS 1 TO 4

C8.3. You mentioned previously that you currently have debts. Excluding your mortgage, what is your combined approximate outstanding debt balance?

1. Less than \$3000
2. \$3000 to \$4999
3. \$5000 to \$10,000
4. \$10,000 or more
98. Don't know

ASK IF RESPONSE FOR C8.1 IS 5

C8.4. You mentioned previously that you had a mortgage.

What is your approximate outstanding mortgage balance?

-
98. Don't know

ASK IF RESPONSE FOR C8.4 IS 98

C8.5. What is your approximate outstanding mortgage balance?

1. Less than \$50,000
2. \$50,000 to \$99,999
3. \$100,000 to \$199,999
4. \$200,000 to \$299,999
5. \$300,000 to \$499,999
6. \$500,000 or more
98. Don't know

ASK ALL

C9. Which of the following statements best describes your current need for access to credit? An "unmet" need for credit is a need that can't be covered by your current credit products.

Select one only

1. I have a strong unmet need for credit
2. I have a moderate unmet need for credit
3. I have some unmet need for credit, but it is not significant
4. I have no unmet need for credit
98. Don't know

IF RESPONSE FOR C9 IS 4 OR 98, SKIP TO C10

C9.1. What is the nature of your current unmet need for credit?

Select ALL that apply

1. Car-related expense (e.g. purchase, insurance, repairs, registration)
2. Education-related expense
3. Health and medical related expenses
4. Rent / accommodation
5. Major household expense (repairs, furniture, electrical equipment)
6. Minor household expense (food, clothing)
7. Utilities (water, gas, electricity, telephone)
8. Repayment of other debts
9. Emergency or "just in case"
97. Other (please specify)
98. Don't know

ASK ALL

C10. If you had a financial emergency (e.g. your car breaks down, your washing machine stops working) would you be able to raise \$2000 within a week?

1. Yes
2. No
98. Don't know

ASK IF RESPONSE FOR C10 IS 1

C10.1. How would you raise this money?

1. Family
2. Friends
3. Savings
4. Mainstream credit (e.g. bank loan or credit card)
5. Alternative credit providers
97. Other (please specify)
98. Don't know

ASK ALL

C.11. Which of the following statements best describes your ability to access insurance over the past 12 months?

1. I have no access to any form of insurance
2. I have some limited insurance products, but overall I am under-insured
3. I have basic insurance cover
4. I have significant insurance cover
98. Don't know

ASK IF RESPONSE FOR C11 IS 2 TO 4, ASK:

C11.1 You mentioned that you have access to insurance. Which of the following types of insurance do you have?

Select ALL that apply

1. Motor-vehicle- insurance
2. Home (building) insurance
3. Home (contents) insurance
97. Other
98. Don't know

ASK ALL

C12. Do you have a current specific need for insurance that is not currently being met?

1. Yes
2. No
98. Don't know

ASK IF RESPONSE FOR C12 IS 1

C12.1. What is the nature of your current need for insurance?

Select ALL that apply

1. Motor-vehicle- insurance
2. Home building insurance
3. Home contents insurance
97. Other (please specify)
98. Don't know

ASK ALL

C13. On a scale of 1 to 5, where 1 is 'a lot of difficulty' and 5 is 'no difficulty at all', how would you describe your degree of difficulty in meeting your necessary cost of living expenses (e.g. housing, utilities, health, food, clothing, transport, communication etc) in the last 12 months?

1. Very difficult
2. Difficult
3. Neither difficult or easy
4. Easy
5. Very easy
98. Don't know

C14. Which of the following, if any, have occurred in your household in the past 12 months due to a shortage of money?

Select as many as you feel apply to your household.

1. Could not pay electricity, gas or telephone bill
2. Could not pay car registration or car insurance
3. Could not pay home/contents insurance
4. Pawned or sold something
5. Went without meals
6. Was unable to heat at least one room in the home
7. Sought financial help from friends and family
8. Could not pay for medical care e.g. visit to the hospital or dentist
9. Could not pay for repairs/replacement to essential household items e.g. washing machine, fridge
10. Could not pay for car service/repairs
11. Could not pay for children to participate in school activities and outings
96. None of these
98. Don't know



A10. Below is a list of statements dealing with your feelings of optimism versus pessimism, please select your level of agreement with each statement:

	Strongly disagree (1)	Disagree (2)	Neither agree nor disagree (3)	Agree (4)	Strongly agree (5)	Don't know (98)
1. In uncertain times, I usually expect the best	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. If something can go wrong for me, it will	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. I'm always optimistic about my future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. I hardly ever expect things to go my way	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. I rarely count on good things happening to me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Overall, I expect more good things to happen to me than bad	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

A11. During the past 30 days, about how often did you feel...

	All of the time (1)	Most of the time (2)	Some of the time (3)	A little of the time (4)	None of the time (5)	Don't know (98)
1. Nervous	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Hopeless	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Restless or fidgety	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. So depressed that nothing could cheer you up	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. That everything was an effort	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Worthless	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

And finally, a few questions about you.

A1. What is your current employment status? If you have more than one job please select ALL that apply.

1. Employed Full-time (35 hours or more per week)
2. Employed Part-time and satisfied with hours of work
3. Employed Part-time but would prefer more hours of work
4. Employed, casual hours and satisfied with hours of work
5. Employed, casual hours but would prefer more hours of work
6. I work odd jobs (e.g. babysitting, lawn mowing)
7. Unemployed, looking for full-time work
8. Unemployed, looking for part-time work
9. Not employed, not looking for work (i.e. not participating in the labour force)
99. Prefer not to say

ASK IF RESPONSE FOR A1 IS 7 OR 8

A1.1 How long have you been unemployed and looking for work?

1. Under 1 month
2. 1 to 2 months
3. 2 to 3 months
4. 3 to 6 months
5. Between 6 months and 1 year
6. 1 year or more
99. Prefer not to say

ASK IF RESPONSE FOR A1 IS 9

A1.2. What is the main reason why you are not employed and not looking for work?

1. I don't want to or can't work
2. I'd like to work but don't think I could get a job

ASK IF RESPONSE FOR A1.2 IS 1

A1.2a. What is the main reason you don't want to work or can't work?

1. I am currently studying
2. I am retired
3. I don't feel that I need the money
4. I am a stay-at-home parent looking after children
5. I am caring for another family member or friend
6. I have a disability or health problem that prevents me from working
97. Other [Specify]
99. Prefer not to say

ASK IF RESPONSE FOR A1.2 IS 2

A1.2b. What is the main reason you don't think you could get a job?

1. There are too many people applying, I wouldn't be successful if I tried
2. I don't have the necessary schooling, training or skills to get a job
3. I don't have enough work experience needed to get a job
4. I don't think there are any jobs that I could do
5. No jobs are available in the line of work I want
97. Other [Specify]
99. Prefer not to say

ASK ALL

A2. What is your main source of personal income?

Select one only

1. Wage or salary (including from self-employment)
2. Government pension or allowance
3. Superannuation
4. Workers compensation
5. Investment income
6. No personal income
97. Other
99. Prefer not to say

A3. Which of the following statements best describes your current access to housing and accommodation?

Select one only

1. I am living in a very short term rental property (e.g. boarding house)
2. I am currently homeless or in emergency accommodation (e.g. a shelter)
3. I am living in social housing (e.g. housing commission property)
4. I am living in a medium term rental property (e.g. on a 6 month lease or sharing a flat with others)
5. I am living in student accommodation
6. I am living at home with my parents
7. I am a new home owner, starting to pay off a mortgage
8. I am an established home owner and I have paid off most or all of the mortgage
99. Prefer not to say

A4. How many people (in total) are living in your household on a usual night?

1. One
2. Two
3. Three
4. Four
5. Five
6. Six
7. Seven
8. Eight
9. Nine
10. Ten or more
99. Prefer not to say

A5. How many dependent children aged 15 or under are living in your household on a usual night?

1. One
2. Two
3. Three
4. Four
5. Five or more
99. Prefer not to say

A6. What is your estimated total household income for the last 12 months (before tax)?

98. Don't know

ASK IF RESPONSE FOR A6 IS 98

A6.1. In order to understand how different households deal with financial stress we would appreciate an estimate of your household income.

Please select from the ranges below based on your best estimate.

1. Under \$15000
2. \$15000 to \$19999
3. \$20000 to \$24999
4. \$25000 to \$29999
5. \$30000 to \$34999
6. \$35000 to \$39999
7. \$40000 to \$49999
8. \$50000 to \$59999
9. \$60000 to \$69999
10. \$70000 to \$79999
11. \$80000 to \$89999
12. \$90000 to \$99999
13. \$100000 to \$109999
14. \$110000 to \$119999
15. \$120000 to \$129999
16. \$130000 to \$149999
17. \$150000 to \$199999
18. \$200000 to \$249999
19. \$250000 or More
99. Prefer not to say

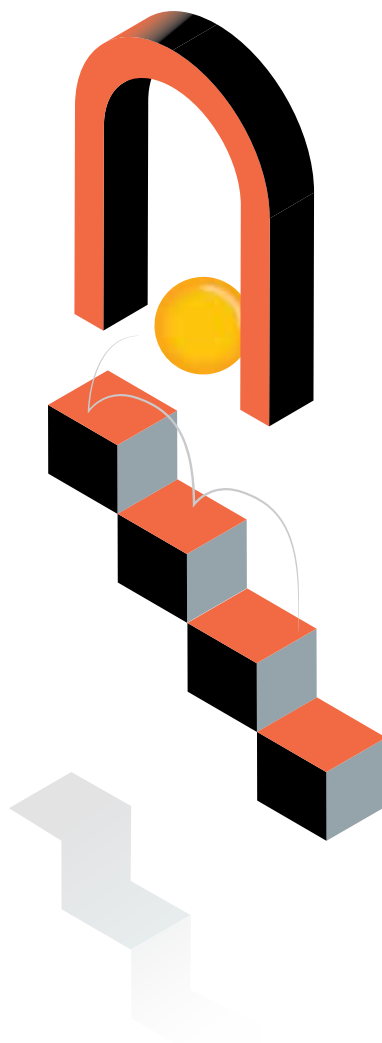
ASK ALL

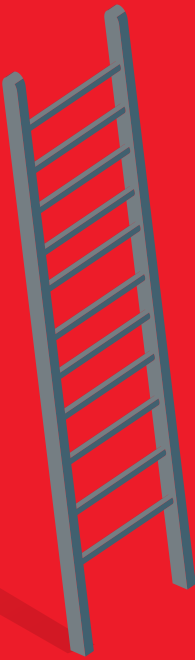

A7. On a scale of 1 to 5, where 1 is 'very poor' and 5 is 'Expert/Excellent', how would you describe your English language skills?

1. Very poor
2. Poor
3. Neither poor nor good
4. Good
5. Expert/ Excellent
98. Don't know



A8. Do you speak a language other than English at home?

1. No, English only
2. Yes, I speak other language(s)
99. Prefer not to say





Access to fair and affordable banking and financial services has a significant impact on a person's financial resilience, particularly for people living on a low income.



Building Financial Resilience at NAB

This report is the first step for NAB exploring financial resilience and building our understanding of the role we can play in supporting Australians to be more financially resilient. A large part of being financially resilient is having access to appropriate financial services and having the right supports in place to assist when people do suffer from financial shocks.

Since 2003 NAB has partnered with Good Shepherd Microfinance, local community organisations and state and federal governments to provide access to microfinance for those that have been financially excluded. We have also worked hard to better understand how we can support our customers in hardship through NAB Assist, our specialist support area for customers facing financial difficulty and financial or family abuse.

Access to financial services for people on low incomes

Access to fair and affordable banking and financial services has a significant impact on a person's financial resilience, particularly for people living on a low income.

To help address this issue, NAB focusses on delivering a range of fair and affordable personal and business microfinance programs in partnership with the community sector and government. NAB has committed \$130 million in loan capital for microfinance programs that have provided more than 138,000 microfinance products, supporting 421,000 Australians.

What is microfinance?

Microfinance seeks to provide fair, safe and ethical financial services (such as loans, savings accounts and insurance) for people who, because of their circumstances, are not able to access mainstream financial services. Microfinance's purpose is to alleviate and eliminate poverty. (Burkett and Sheehan, 2009)

Why microfinance?

Microfinance programs work. Different to grant programs, microfinance programs being a loan, or an opportunity to establish savings offer "a hand up, not a hand out" (www.kiva.org) and provide the individual with an opportunity to take responsibility for themselves.

Microfinance programs offer people real solutions to essential needs; they help people experiencing real distress and hardship, improving lives; they reduce welfare dependency; they help strengthen money management skills; and they help people feel more positive about the future.

NAB's commitment is focussed on delivering the following microfinance programs:

No Interest Loan Scheme (NILS)

Developed by Good Shepherd Youth & Family Services 30 years ago, NILS is based on the concept of circular community credit. Through NILS, low income consumers are provided with access to funds so they can purchase essential household items.

NAB provides \$20.5 million in loan capital to community organisations that offer NILS. As well as the loan capital, NAB covers the costs of loan defaults for the programs it funds, is a sponsor of the annual NILS Forum and provides a range of in-kind support to Good Shepherd Microfinance.

StepUP Loans

StepUP Loans were developed by NAB and Good Shepherd Microfinance and is a low cost credit product (5.99% p.a.) for people living on low incomes. These safe and affordable loans of between \$800 and \$3,000 are for individuals to purchase essential personal, household and domestic goods and services.

StepUP Loans enable individuals to develop a credit history with NAB and improve their financial literacy and confidence, thus providing them with an informed entry into mainstream banking, with 66% of StepUP recipients reporting increased confidence when dealing with their finances.

AddsUP Matched Savings Plan

Since 2009, NAB in collaboration with Good Shepherd Microfinance has been offering people who have successfully completed paying a NILS or StepUP loan the option to save under the AddsUP Matched Savings Plan. Individuals open a NAB Reward Saver account and once they have saved \$500 over a six to twelve month timeframe they have the opportunity to have these funds matched by NAB, up to \$500, once in the lifetime of the account.

AddsUP aims to help low income Australians achieve their savings goals and further build on the discipline developed through repaying a loan. Further, with the aim of empowering people to define what wellbeing is to them, there is no restriction on the purpose the customer saves for.

Microenterprise Loan Program

These unsecured business loans between \$500 and \$20,000 are for people who have few or no avenues to access affordable business credit. The loans are provided to help start up or support the growth of an existing business.

NAB with its partner organisations provides loan recipients with business skills training, mentoring and advice during the first year of their business. This ensures that only those who are serious and committed enough to complete the business training are eligible for a Microenterprise Loan. Support in developing business acumen and networking is provided by the partner organisations, which helps to ensure a low rate of defaults for those on the program.

Good Money Stores

Good Money stores operate as a one-stop-shop delivery and referral point for people on low incomes to access fair and affordable financial products and services. The stores are strategically located in busy high streets close to mainstream and small amount credit contract lenders. Initially a collaboration between NAB, Good Shepherd Microfinance and the Victorian Government to open three stores in 2012, the partnership has grown to now include the South Australian and Queensland State Governments. In 2017 there will be a total of six stores across the three states building supporting those that are financially excluded.

The Good Money stores provide:

- Access to appropriate and affordable financial products such as NILS, StepUP and AddsUP.
- Access and referral to relevant local support services such as Financial Counselling, Emergency Relief and Gambler's Help; and
- Access and referral to information and programs which enhance financial understanding.

The Good Money stores are located in areas that either have large disadvantaged populations or that act as hubs.



Indigenous Financial Inclusion

Since launching its first Reconciliation Action Plan (RAP) in 2008, promoting greater financial inclusion for Indigenous Australians has been a key focus for NAB.

NAB's Indigenous financial inclusion program provides access to safe, affordable microfinance as well as dedicated money mentor support to enable Indigenous Australians to learn by doing and taking control of their finances. Money Mentors help build financial literacy and skills through face-to-face support. Mentors understand how money issues can impact on all areas of life, and help connect clients with other service providers to improve overall wellbeing, such as health, housing, family services, employment and education services.

NAB Assist supporting customers in hardship

NAB Assist deals with hundreds of thousands of customers every year. Many of these people have experienced an unexpected turn of events, like losing their job, an illness, separation from their spouse, or a relocation. NAB Assist was launched to provide a one-on-one service to customers who are finding it difficult to keep up with their payments, or facing financial stress. The NAB Assist team are trained in assisting customers on payment plans, providing financial relief, connecting customers to external assistance or prioritising critical payments to reduce the risk of default and triggering further financial hardship. Kildonan Uniting Care provide training and consultancy services on understanding financial vulnerability and customer needs, as well as the best complementary financial and mental health services available for hardship customers. The team may refer customers to these complementary financial assistance programs, within NAB, but also with external partners, such as government bodies and not-for-profit organisations.

Support for customers and employees experiencing domestic violence

NAB has sought to better understand how it can assist customers and staff experiencing domestic violence. NAB was the first major Australian bank to introduce a Domestic Violence Support Policy for employees (2 June 2013). It provides formal provisions for support including: special leave (with pay), help for employees to travel safely to and from work, support to enhance employee safety/security at work, linking employees to external organisations, welfare checks where appropriate, security awareness briefing for vulnerable employees, counselling and emergency financial assistance.

Customers who alert NAB that they are experiencing/at risk of family violence can access support through our hardship provisions administered by NAB Assist. Customer assistance includes help by specialist staff trained who are training in respectful conversations and how to defuse difficult situations. Support can include a break from, or reduced payments, more time to catch-up on missed payments, restructuring of the loan facility, refund of interest and fees, and, in some cases, part or total waiver of the debt. Hardship assistance is available to joint loan holders vulnerable to financial abuse at the request of one of the borrowers. This reduces the prospect of our products being used to perpetrate financial abuse. Vulnerable customers can also access holistic support through NAB's partnership with Kildonan Uniting Care's "Care Ring" that connects them with specialised support services offered by utilities, financial services providers, housing services and community services. NAB also provides selected customers who want to leave an abusive environment with connection to specialist support services, creation of an independent bank account and a grant (upper limit of \$2,500).

