

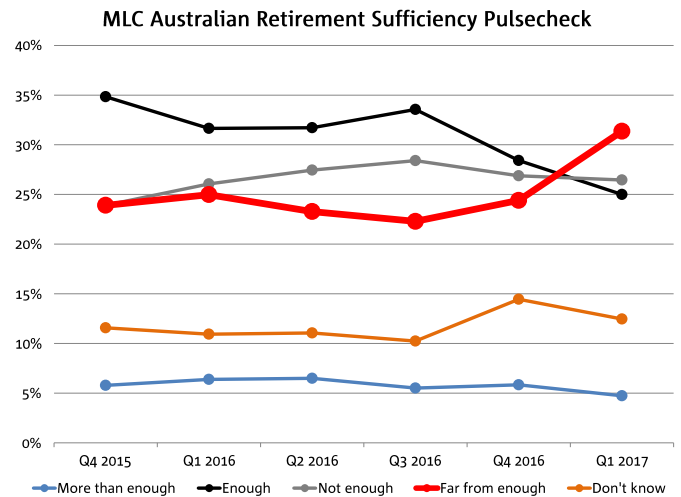
MLC QUARTERLY AUSTRALIAN WEALTH BEHAVIOUR SURVEY: Q1 2017



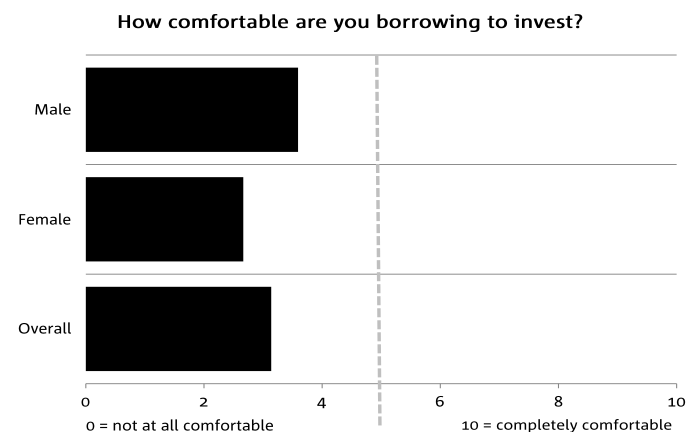
A snapshot of wealth behaviours in Australia...

- Almost 6 in 10 Australians don't think they'll have enough to retire on. And those who think they'll have far from enough has grown to around 1 in 3, from around 1 in 4 previously.
- Women are more pessimistic than men - 62% don't expect to have enough to retire compared to 52% of men. And nearly 1 in 3 women also think they'll have "far from enough" to retire on, compared to just 1 in 4 men.
- To retire comfortably, Australians believe they'll need around **\$1,142,000 in savings** (excluding the family home) at retirement.
- But they expect to have only little more than half of that amount saved by retirement - **\$638,000** (excluding the family home) - leaving a shortfall of just over **\$500,000**.
- This may partly help to explain why **paying off debt is still the main focus for most Australians**. Over the past 3 months, more Australians paid off debt, while cutting the total amount they invested or saved. And they plan to follow this pattern over the next 12 months.
- Australians also had a very conservative attitude to borrowing for investment purposes.
- When asked how comfortable they are with borrowing money to invest, they scored just of 3 out of 10 (10 being completely comfortable).
- But for those who are more comfortable borrowing to invest, the average amount they are comfortable borrowing is **\$323,000**.
- Australians are only moderately interested in using assets outside of their superannuation or pensions to fund their retirement (see chart on p.2), with men slightly more likely to do so than women.
- For those willing to use other assets, 3 in 10 indicated a preference for investment properties, followed by cash (1 in 4). Interestingly, around 1 in 7 were planning to use an inheritance to fund their retirement.

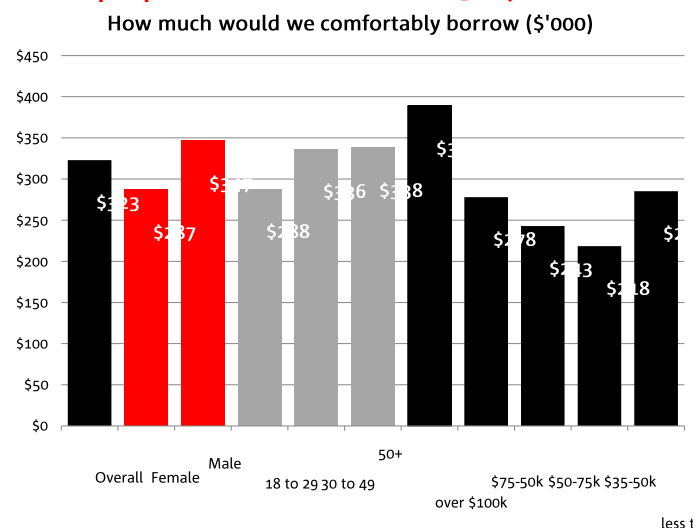
6 in 10 of us don't think we will have enough to retire on - 3 in 10 "far from enough".



But we aren't comfortable borrowing to invest.

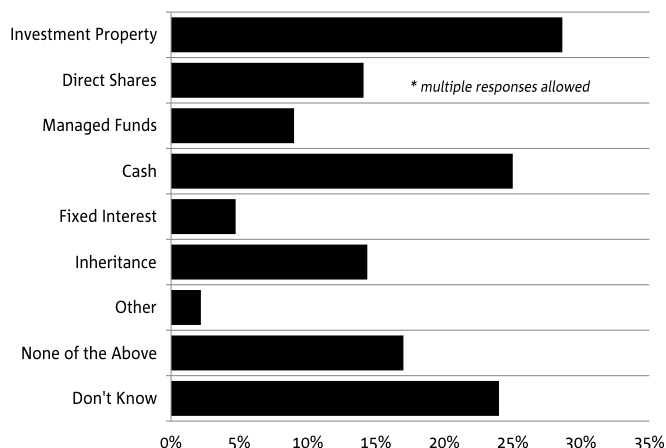


However, those that are prepared to borrow are prepared to borrow over \$320,000!



For those likely to use assets other than super/pensions in retirement, investment property and cash most preferred.

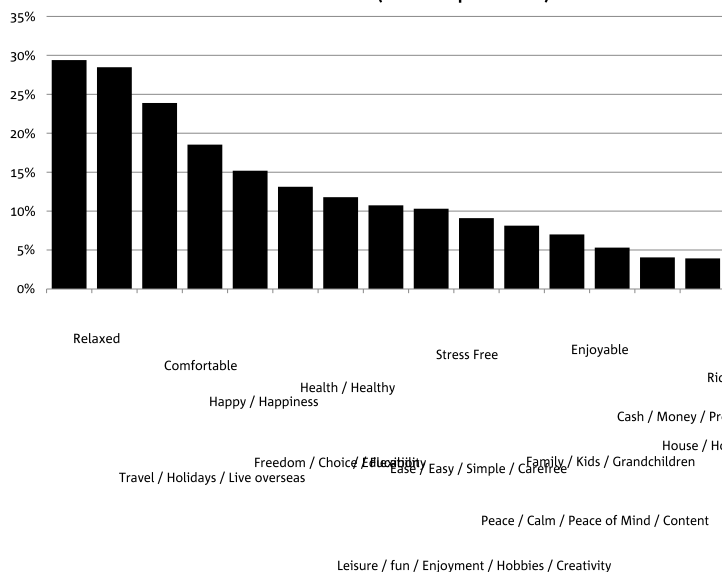
Areas of investments (ex. super) most likely to use for retirement (% of all respondents*)



- In addition to a projected savings shortfall at retirement, Australians are also report a **big disconnect between the retirement they “want” to have and the retirement they “expect” they’ll have.**
- When asked to describe **words that most come to mind when thinking about the retirement we want**, the most common were “relaxed”, “travel”, “comfort”, “happiness”, “freedom”, “choices”, “flexibility” and “health”.
- Only 1 in 20 used words such as “cash”, “money”, “houses”, “rich” and “wealthy” to describe the retirement they want.
- But the **words that come to mind when we think about the retirement we expect to have**, are things like “poor”, “not enough money”, “tight”, “frugal” and “Centrelink” for more than 1 in 5 Australians, and things like “stressful”, “worried”, “struggle”, “difficult” and “hard” for over 1 in 10 people.
- Despite all our concerns about falling short at retirement and the type of retirement we think we’ll have, **around 3 in 4 Australians haven’t seen a professional financial advisor in the last 5 years.**
- But older Australians and those closer to retirement were much more likely to have seen one than younger people.
- Encouragingly, **the majority of Australians who sought financial advice did so for post-employment planning** - 60% said they received advice in regards to their superannuation and 40% about retirement planning.
- **The average age we first met a financial advisor was 34.**
- But, only 20% of respondents around that age said they have received any professional financial advice in the last 5 years.
- For those that haven’t seen a financial advisor in the last 5 years, they would be most prompted to if they had more money, thought they would benefit, if financial advice was cheaper or their financial needs were more complicated.

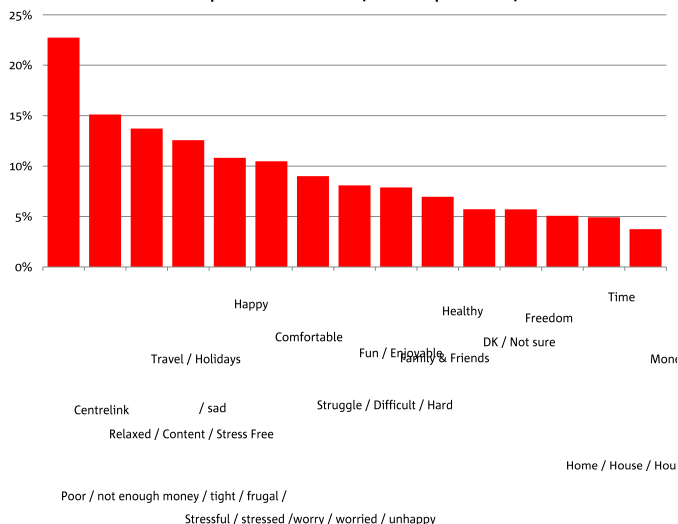
The retirement we want.....

The things that most come to mind when we think of the retirement we want (% of respondents)



And, the retirement we think we’ll have.....

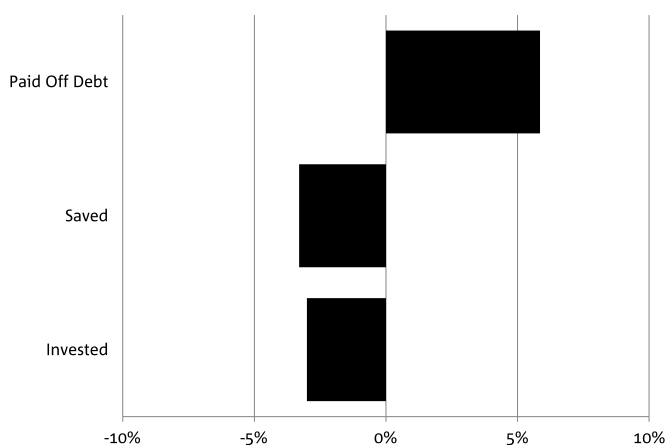
The things that come to mind when we think of the retirement we expect we will have (% of respondents)



DETAILED REPORT: PART 1 - INVESTMENT PLANNING

How much have we added to our investments?

Wealth allocation in last 3-months - all



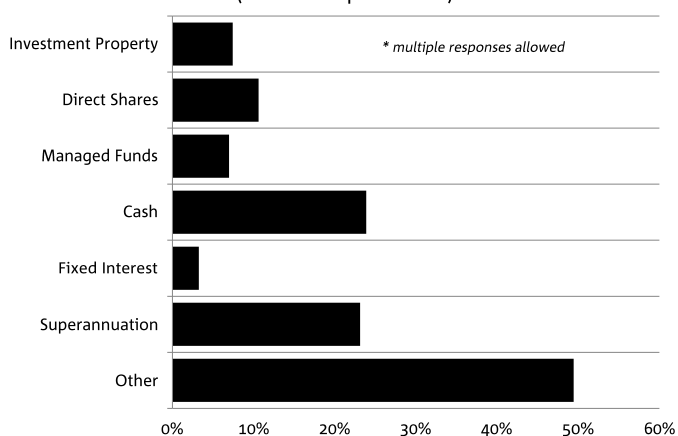
Australians still focused on paying off debt...

Paying off debt is still a bigger priority for Australians than trying to save and invest. The chart on the left shows the number of Australians paying off debt in the past 3 months outweighed those who cut back on debt payments. But those who cut back on their savings and investments out-weighed those who increased them.

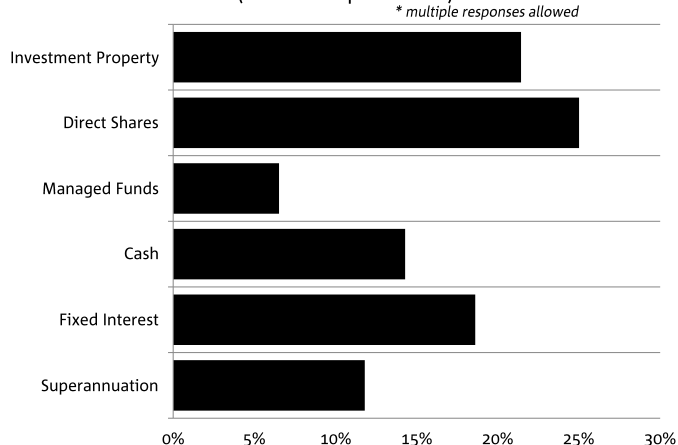
The chart on the bottom left shows that of those who invested in the past 3 months, 50% did so in areas other than “mainstream” investments, and just over 1 in 5 in superannuation and in cash.

And compared to the previous 3 months, they invested more, especially in direct shares (25%), investment property (21%) and fixed interest - e.g. bonds, hybrid securities (19%) - see chart on bottom, right

Areas of investments made in last 3 mths (% of all respondents*)

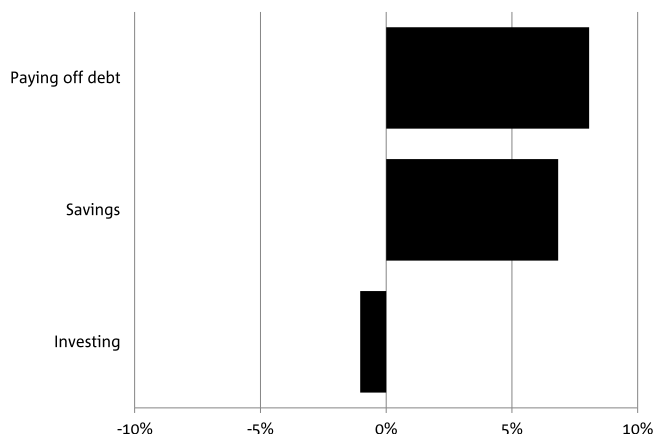


Change in investment (net balance) in last 3 mths (% of all respondents*)



What are our wealth allocation intentions over the next 12 months?

Wealth allocation intentions for next 12 mths



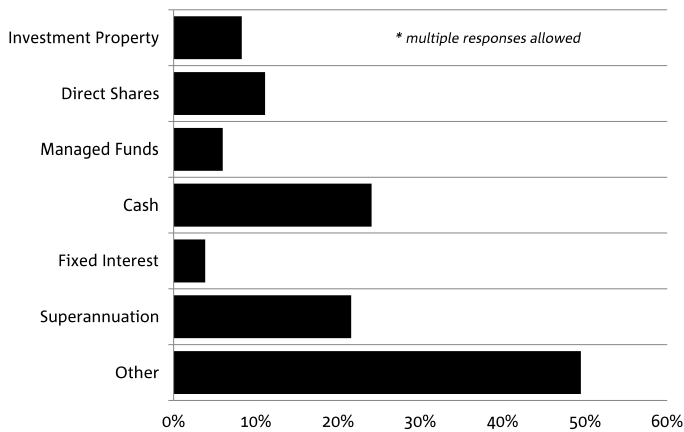
Paying off debt to remain the key priority in the next 12 months, but more investors also looking to increase their savings...

Paying off debt remains the main focus of investors in the next 12 months. More Australians are also planning to save more, while cutting back on investments.

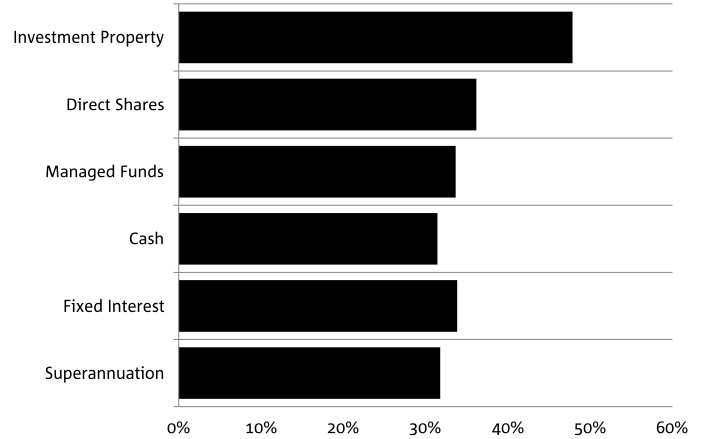
For those planning to invest, around 50% plan to invest outside mainstream investments, 24% in cash and 22% in superannuation.

Investment property is still seen as the preferred investment vehicle for the majority Australians planning to invest in the next 12 months - around 48% of investors in net balance terms.

Areas of investments planned for the next 12 mths (% of all respondents*)



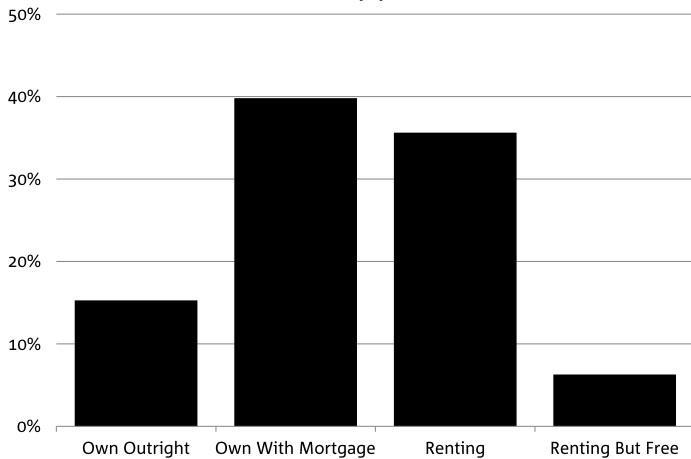
Planned investment (net balance) for the next 12 mths (% of all respondents*)



PART 2 - THE FAMILY HOME

What does our home ownership position look like?

Home ownership position - all

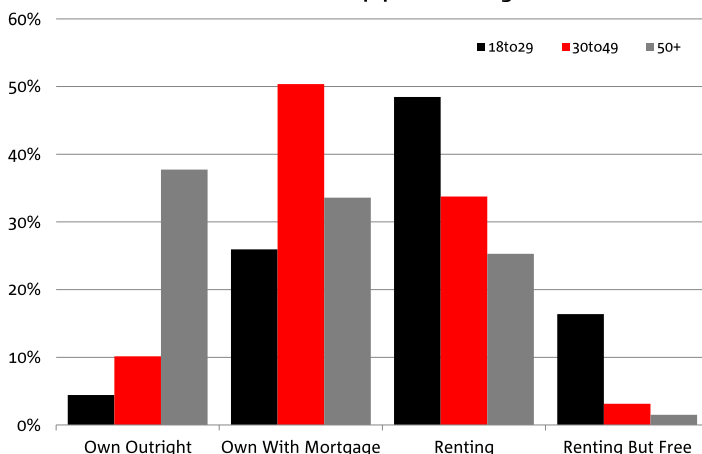


Around 55% of us own our homes outright or with a mortgage...

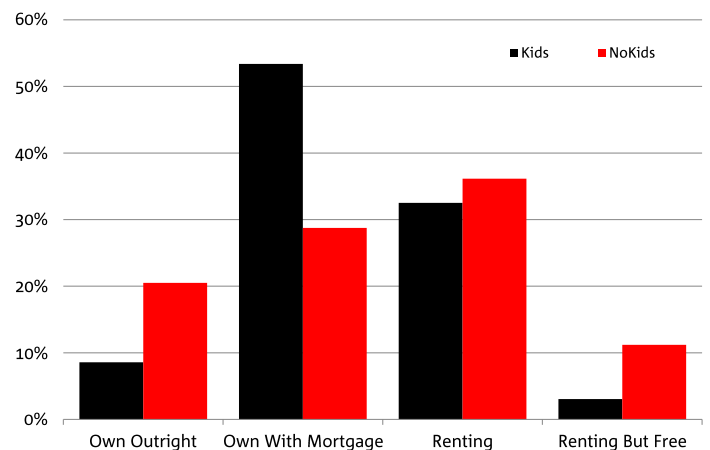
The home in which we live is generally our biggest asset. Our survey shows that 15% of us own our homes outright and 40% own it with a mortgage. Around 36% pay rent to someone else and 6% live rent free but don't own the property.

More over 50s own their homes outright (38%) and more middle aged Australians own them with a mortgage (50%). Most young people (48%) are renting with a fee. The cost of raising children has a big impact on home ownership. Around 21% of us who don't have children own our homes outright (compared to just 9% with children). Conversely, 53% of us who have children own our homes with a mortgage (compared to just 29% of those without children).

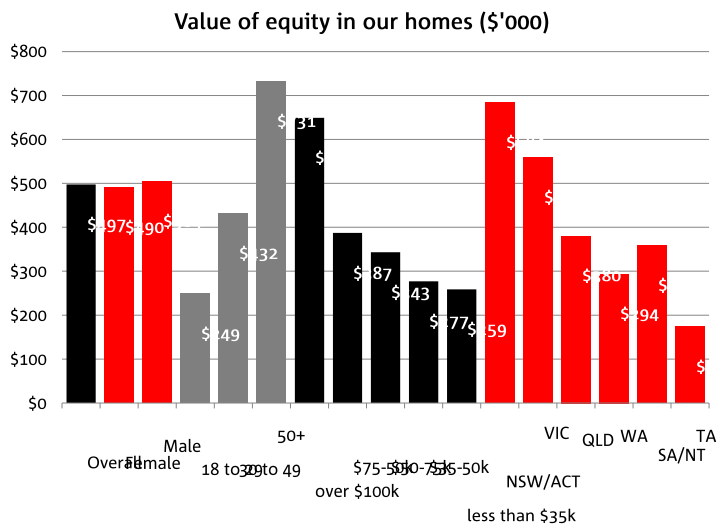
Home ownership position - age



Home ownership position - have children/no children



How much equity do we have in our homes?



The average home owner has \$497,000 of equity in their home...

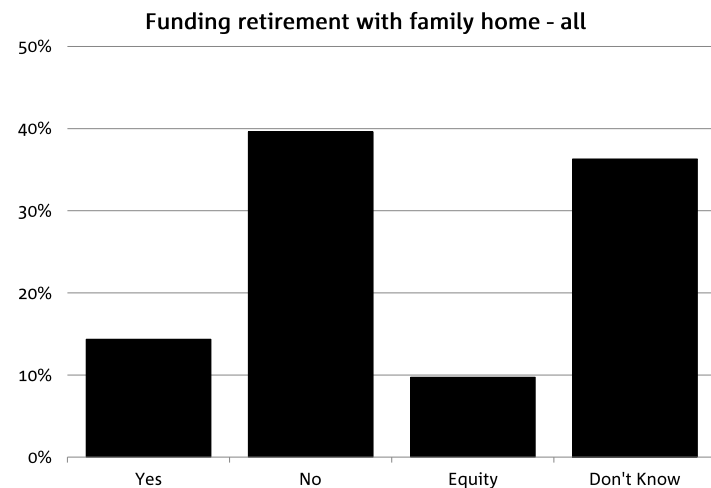
The average Australian home owner has around \$497,000 of equity in the family home.

But men (\$504,000) have slightly more than women (\$490,000) - a difference of just \$14,000.

Age and income have a significant impact on the level of equity in the family home. While over 50s have \$731,000 in home equity, 18-29s have just \$249,000. High income earners (+\$100,000 a year) on average have \$649,000 in home equity, compared to just \$259,000 for those on the lowest incomes.

Home owners living in states with higher house prices (particularly NSW & Victoria) also have more equity.

Will we use the family home to help fund our retirement?



Most Australians are unsure about or unwilling to use the family home to fund their retirement...

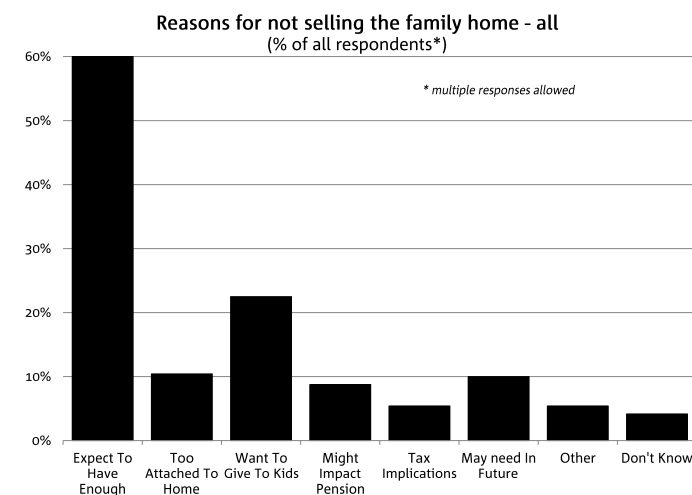
About 1 in 4 Australians are willing to use the family home to fund their retirement either by downsizing or using part of the home as equity.

Despite broad agreement between men and women, there are some noticeable differences by income.

For example, those who earn between \$35,000 and \$50,000 are the least likely to sell the family home, compared to around 16% of those earning over \$100,000.

Meanwhile, 50% of Australians earning less than \$35,000 will not sell their house, compared to 34% in the \$75,000-\$100,000 group.

The reasons for not selling the family home to fund our retirement



Around 6 in 10 of us think we'll have enough by retirement to not have to sell the family home...

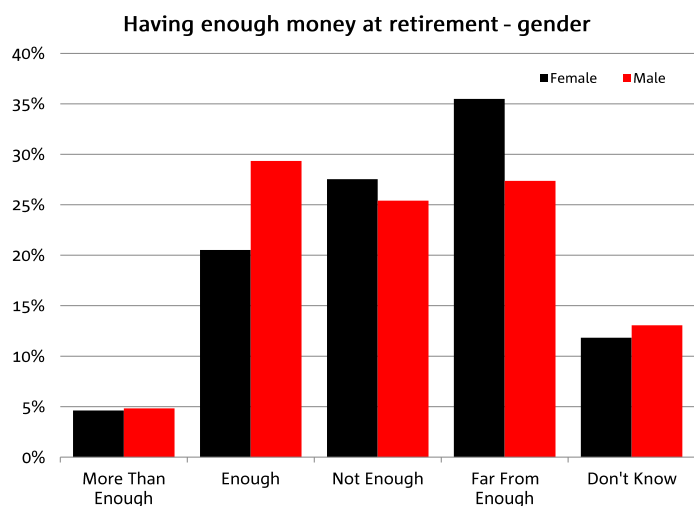
Just over 60% of us think we will have enough by the time of retirement to not have to sell the family home.

More than twice as many high income earners (72%) expected to have enough than the lowest income group (33%). Those earning \$35-50,000 were most inclined to leave their homes to their children (38%).

By gender and age, almost 7 in 10 men over the age of 50 thought they'd have enough at retirement without having to sell their homes compared to just 5 in 10 women in the same age group.

PART 3 - FUNDING THEIR RETIREMENT

Will we have enough to retire on?



Around half of us don't think we'll have enough to retire on, and women are far less optimistic than men...

Overall, over 1 in 2 Australians don't think they'll have enough to retire on.

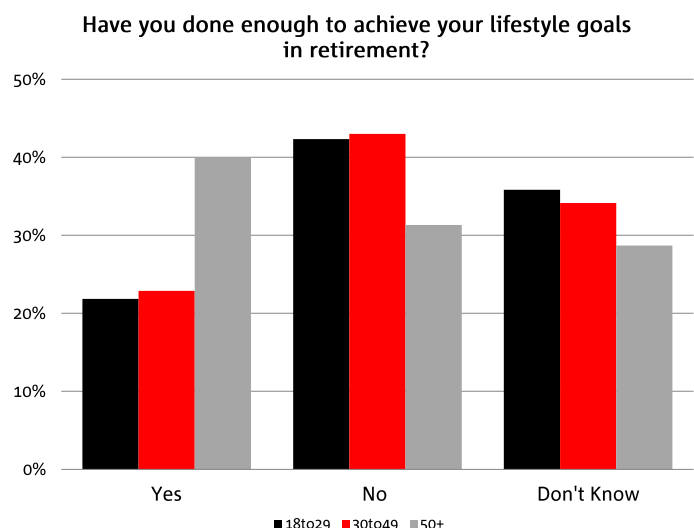
And women continue to be far more pessimistic than men, with over 60% not expecting to have enough to retire on (52% of men).

Significantly, over 35% of women believe that they'll have "far from enough" (27% of men).

In contrast, around 34% of men think they will have enough to retire on (25% of women).

But when it comes to having "more than enough" very few expect to reach this goal - around 1 in 20 (5%) men and women.

Have we done enough to achieve our desired lifestyle goals in retirement?



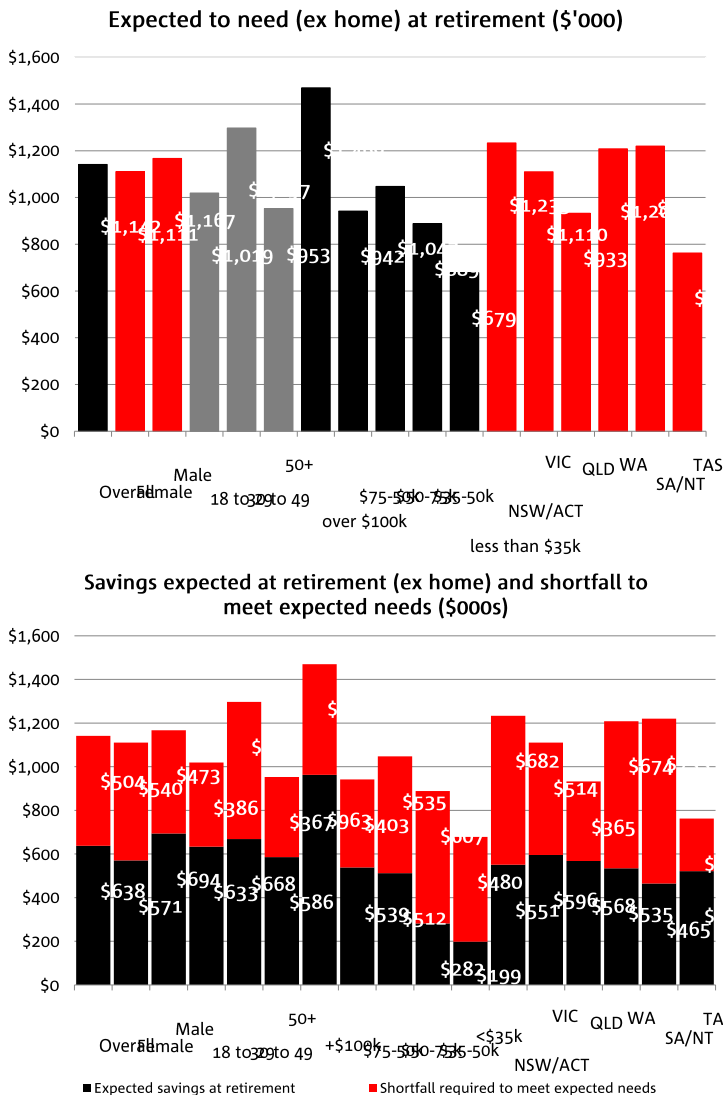
4 in 10 Australians over 50 believe they've done enough to achieve their lifestyle goals in retirement...

Around 4 in 10 older Australians believe they have done enough to achieve their retirement lifestyle goals. In contrast, only 23% of those between the age of 30 and 49 think they've done enough and just 22% of 18-29 year olds.

More men (29%) believe they have done enough to achieve their lifestyle goals in retirement than women (24%).

Around 1 in 3 (33%) high income earners (earning more than \$100,000 per annum) also believe they've done enough to achieve lifestyle goals in retirement, compared to just 18% in the lowest income group (earning less than \$35,000).

Do we expect to have enough money at retirement?



The average Australian will need over \$1.1 million in savings and investments at retirement...

The average Australian believes they will need \$1,142,000 in savings or investments at retirement. However, they expect to have only \$638,000 in savings (excluding the family home) when they retire, leaving a shortfall of \$504,000.

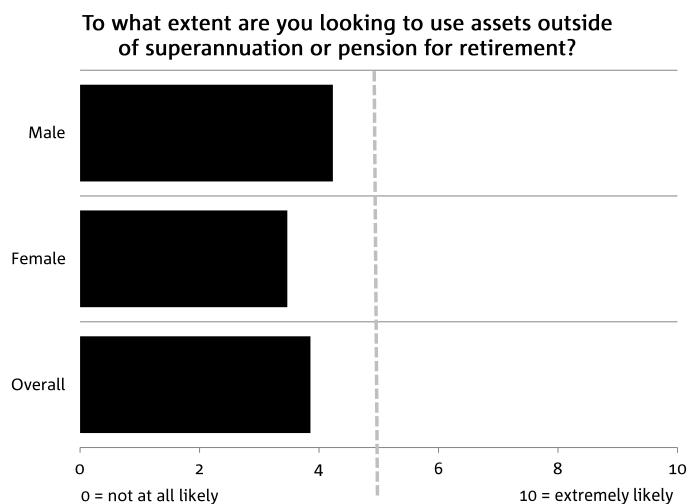
Current income levels are an important driver of expectations. The lowest income earners think they will need around \$679,000 at retirement, whereas the highest income earners think they'll need \$1,469,000.

But higher income earners also expect to have more in savings (\$963,000) by retirement than the lowest income group (\$199,000).

Consequently, the resulting shortfall in savings is very close between different income groups - \$507,000 for the highest income earners and \$480,000 for the lowest income earners.

Middle aged Australians expect to need the most at retirement with \$1,297,000. Younger Australians and older Australians believe they will require less - \$1,019,000 and \$953,000 respectively.

Will we use other assets outside of superannuation or pension to fund retirement?

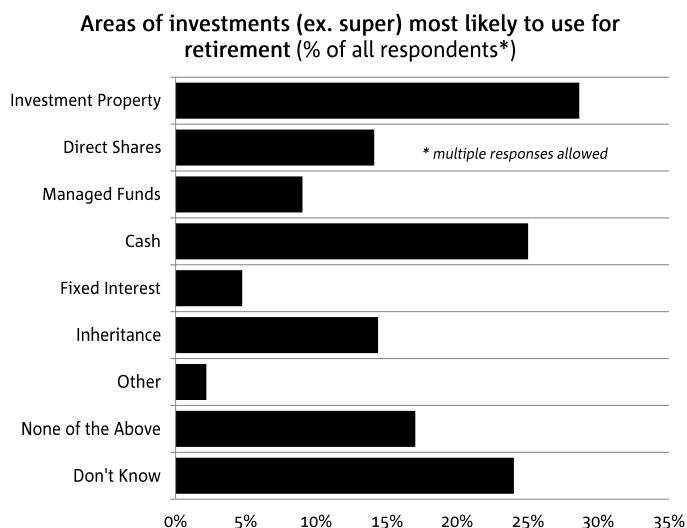


Australians are only moderately likely to use assets outside of their superannuation or pension to fund their retirement...

Australians have scored 4.0 points out of 10 (where 10 is extremely likely) in terms on how likely they will be to use assets either currently held or planning to acquire outside of superannuation and pensions to fund their retirement.

Men are marginally more likely to use other assets (4.2 points) than women (3.5 points).

If we were to use other assets to our fund retirement, which would we most likely use?



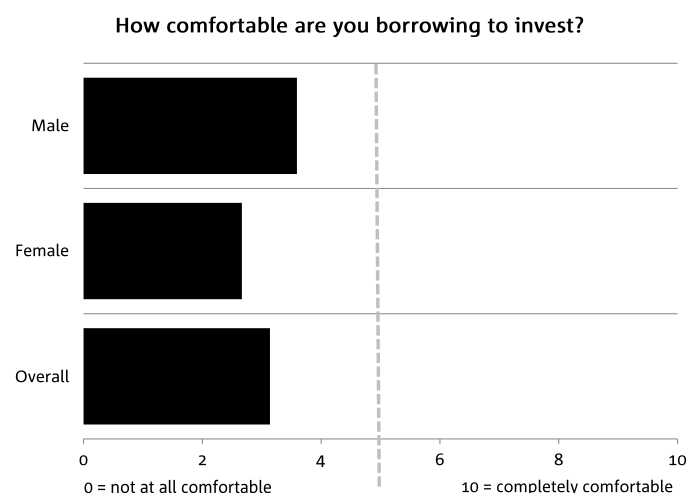
Those of us willing to use assets outside of superannuation and pensions to fund our retirement most will use investment properties and cash...

Around 29% of Australians who indicated they will use assets outside of superannuation and pensions to fund retirement say they most likely will use investment Properties, followed cash (25%).

Around 1 in 4 (24%) said they didn't know, with another 17% indicating they wouldn't use any of the listed assets.

Inheritance and direct shares were chosen by 14% of respondents respectively, followed by managed funds (9%). Only 5% said they would use fixed interest products.

How comfortable are we about borrowing to invest?



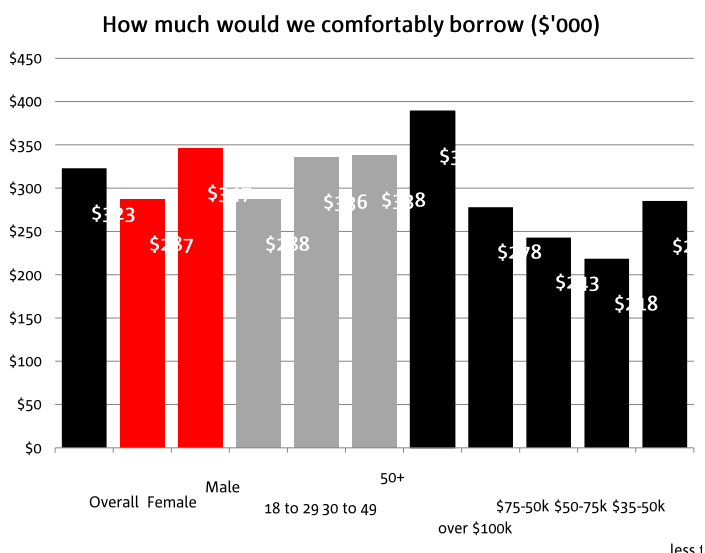
Australians in general are not very comfortable about borrowing to invest...

On average, Australians scored just 3.0 points out of 10 when asked how comfortable they were about borrowing to invest (10 is completely).

Men were somewhat more comfortable (3.6 points) than women (2.7 points).

These behaviours are consistent with current investment behaviours which are dominated by paying down debt.

For those more comfortable about borrowing, how much are they comfortable with?



On average, those with a higher comfort tolerance are comfortable borrowing around \$323,000 ...

Men (\$347,000) are prepared to borrow more than women (\$287,000).

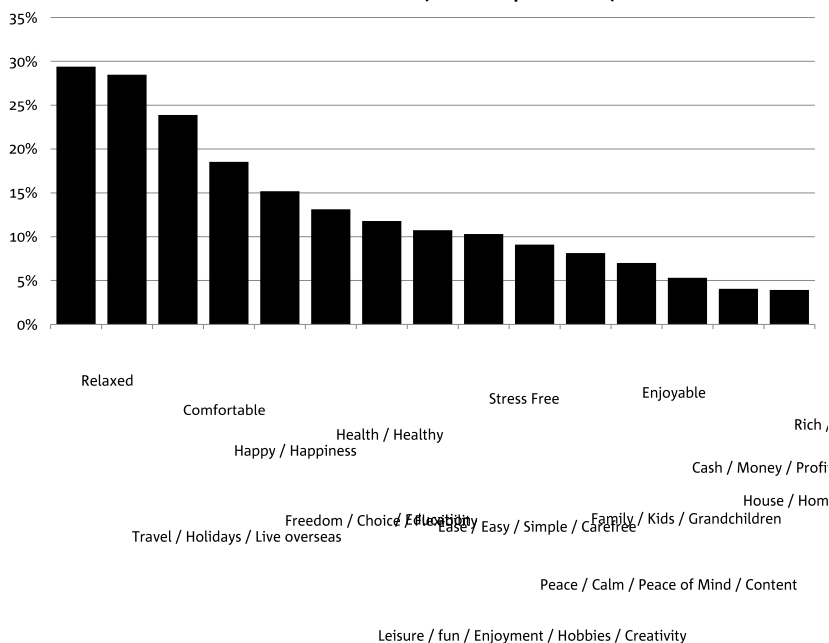
By age, younger Australians would be comfortable borrowing \$288,000, while 30-49 year olds and over 50s would borrow \$336,000 and \$338,000 respectively.

The highest income earners are comfortable borrowing \$389,000. Interestingly, the lowest income group were second with \$285,000.

PART 4 - WHAT DO WE WANT IN RETIREMENT AND WHAT DO WE EXPECT TO HAVE?

What comes to mind when we think about the retirement we WANT?

The things that most come to mind when we think of the retirement we want (% of respondents)



We most want a relaxed, comfortable and happy lifestyle and lots of experiences...

Despite the money challenges Australians think they may have when they reach retirement, when they are asked to describe the type of retirement they **want**, money does not figure prominently.

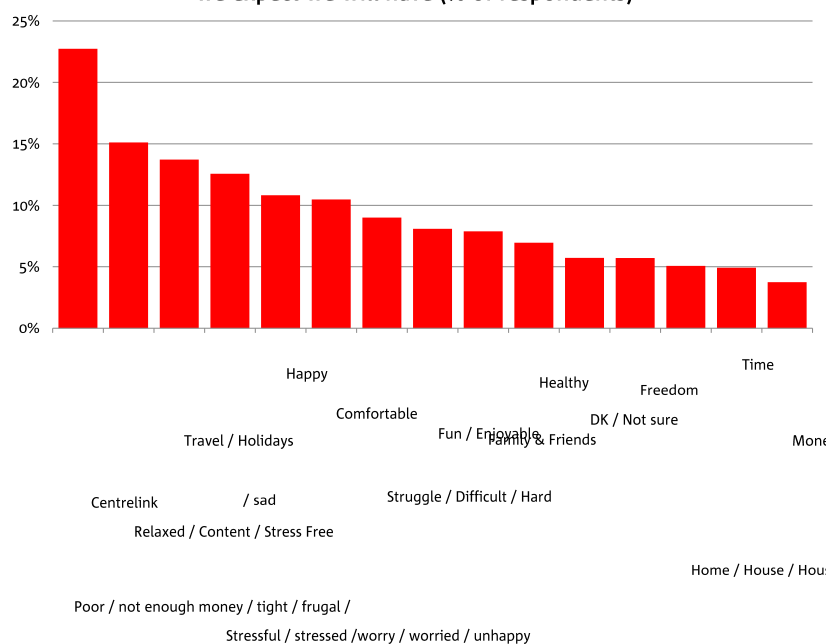
Instead, they most value things such as being relaxed, travelling, comfort, happiness, freedom, choices, flexibility and health.

Only around 1 in 20 Australians wanted things such as cash and money, houses and mortgages and rich and wealthy.

Moreover, there was little disagreement between men and women, by income or age group, except for older Australians who valued their health more highly.

What comes to mind when we think about the retirement we expect we will HAVE?

The things that come to mind when we think of the retirement we expect we will have (% of respondents)



But many of us worry that we might struggle when we get there...

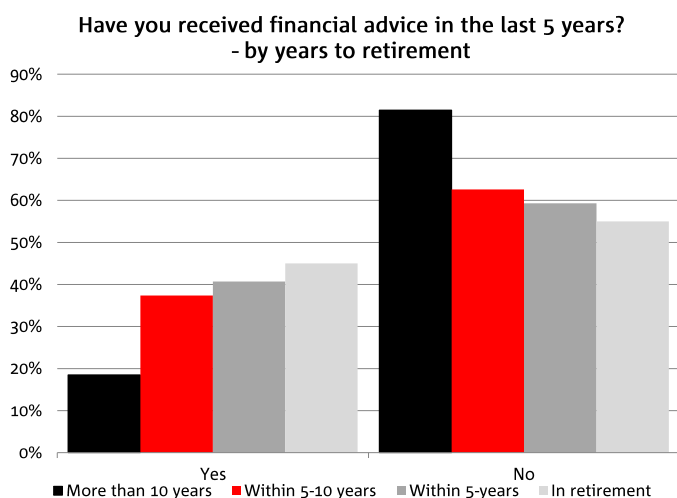
Previous MLC research found “lifestyle wealth” was very important to our overall notion of “wealth”. And the most important aspects of lifestyle wealth were being debt free, having enough for emergencies, being able to fund our desired lifestyles, doing what we choose to do and being able to help our families and friends if we wanted to. But only 1 in 2 Australians think they have done enough to achieve their wealth goals.

So when Australians were asked for words and phrases that come to their minds when thinking of the retirement they expect to have, it was not surprising to see a big disconnect between the retirement they wanted and what they expect.

Significantly, more than 1 in 5 Australians said things like poor, not enough money, tight, frugal and Centrelink, while more than 1 in 10 also said things like stressful, worried, struggle difficult and hard. It was also very clear that far less think they’ll achieve some things they want most in retirement such as travel and holidays and being comfortable.

PART 5 - FINANCIAL ADVICE

Have we received financial advice in the last 5 years?



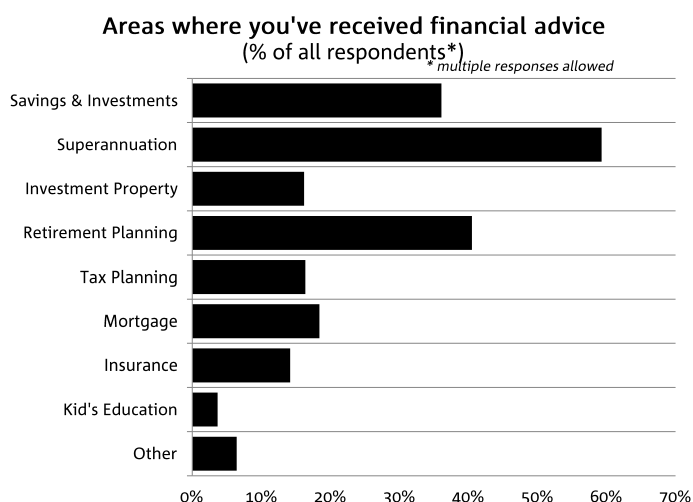
Only 1 in 4 Australians have received professional financial advice in the last 5 years...

Around 73% of Australians indicated they haven't received professional financial advice in the last 5 years.

Those who are more than 10 years were the least likely to have seen a financial advisor with over 80% indicating they hadn't received any financial advice in the last 5 years.

In contrast, those closer to retirement or in retirement already were more likely to have seen a financial advisor - around 45% of those who have retired and 40% of those who are retiring in 5 years.

And in what areas did we receive financial advice?



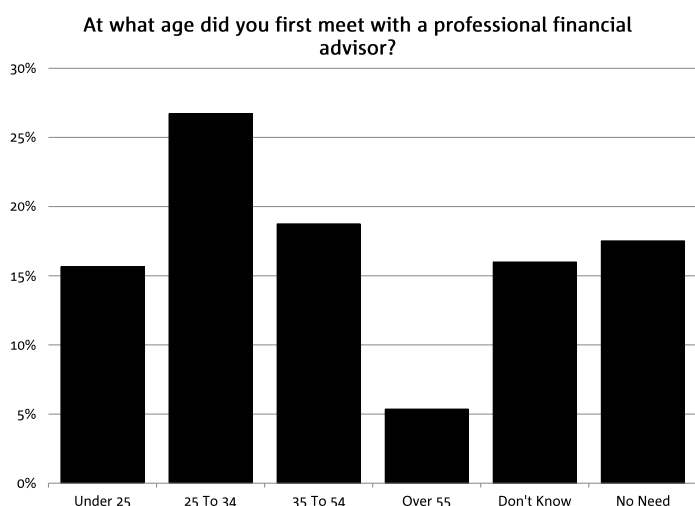
In terms of financial advice received, most of us focused on post-employment planning...

The majority of advice received from a professional financial advisor related to post-employment planning - around 60% said they received advice in regards to their superannuation and 40% in regards to retirement planning.

Savings and investments advice was third with 36% of respondents having received advice in this area.

We received the least advice in relation to our children's education funding (only 4%).

At what age did we first meet with a professional financial advisor?

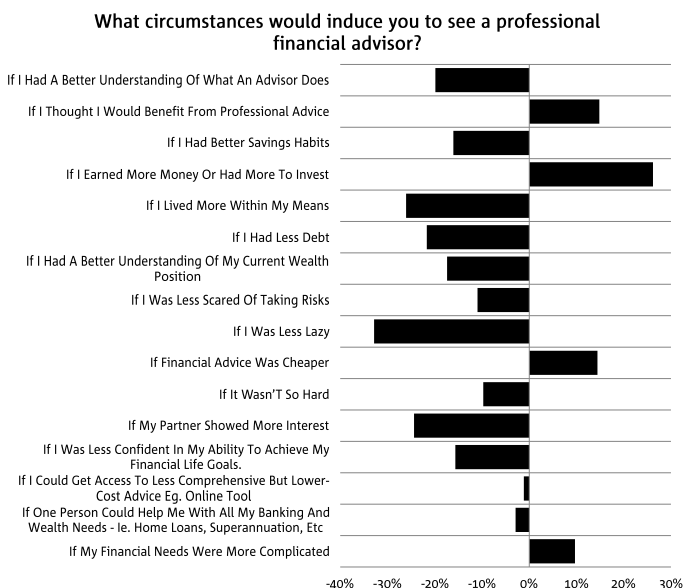


Most of us first saw a financial advisor between the age 25 and 34...

Just over 1 in 4 (27%) Australians first saw a financial advisor between the age of 25 and 34 and around 1 in 5 (19%) between the ages of 35 and 54. Just 15% saw one below the age of 25.

Overall, 18% saw no need to meet with a professional financial advisor, but this ranged from just 11% of 18-29 year olds to 21% of over 50s and from 15% of women to 20% of men.

For those that haven't seen a financial advisor in the last 5 years, what would make them change their mind?



For those of us who haven't seen a financial advisor in the last 5 years, most indicated they would if they had more money to invest...

The main reasons that would change our minds about seeing a professional financial are having more money to invest, believing that we would benefit from their advice, if the advice was cheaper and if our financial needs were more complicated.

The one thing a financial adviser could do to improve my life is...

Actually demonstrate previous examples of successes. For example, if you are a financial advisor advising a client in regards to investments and building up an investment portfolio, actually have the numbers and statistics to back it up, otherwise, I'm just going to think you're another financial advisor willing to rip me off.

Contact me more frequently to tell me what's happening with my investment. If I don't contact them myself I would never know.

Assure that I am on the right path to being very comfortable and will be able to pay for life's necessities and then some, and advising and directing me to where I need to increase wealth and/or lower tax implications.

Be available as an individual rather than an organisation. People build and rely on relationships. When an individual leaves an organisation, the relationship they have built up dissipates and leaves a lot of people in limbo until the gap is bridged. I know, I've been their several times. Regardless of the integrity of the incoming replacement, an element of reliability is lost.

Ensure that I understand the actions required to implement advice given to me.

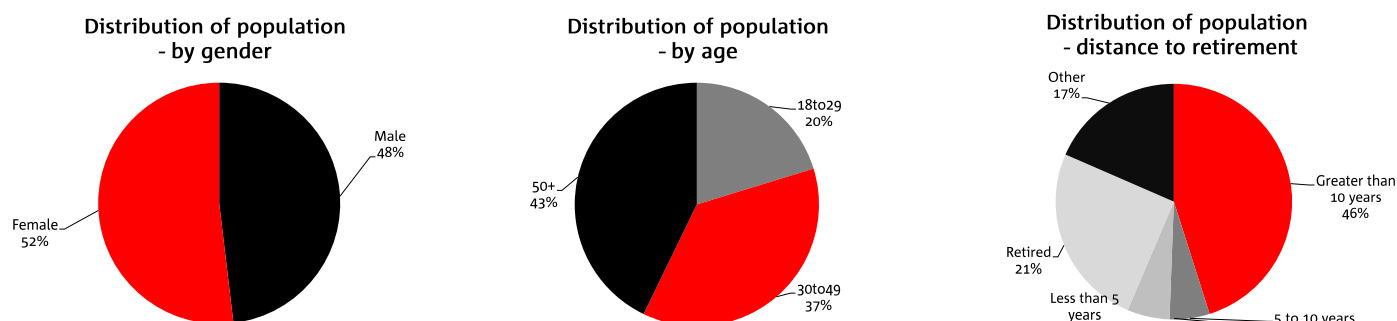
Lower fees or introduce performance based fees.

About the survey:

The MLC Australian Wealth Sentiment Survey aims to assess the investment environment including investor intentions and behaviours. The wealth survey is based on survey participants' responses to questions related to:

- Current financial situation
- Investment intentions
- Superannuation
- Retirement
- Their homes

Over 2,000 respondents participated in the Q1 2017 Wealth Sentiment Survey, with weights applied to age, location and gender to ensure that the survey reasonably reflects the Australian population. The breakdown of our survey respondents - by gender, age and distance from retirement - are shown in the charts below:



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