

# NAB SPECIAL INSIGHT REPORT 2018

## FINANCIAL FREEDOM - HOW MUCH MONEY WOULD WE NEED TO SIGNIFICANTLY IMPROVE OUR LIVES?



*NAB Behavioural & Industry Economics*

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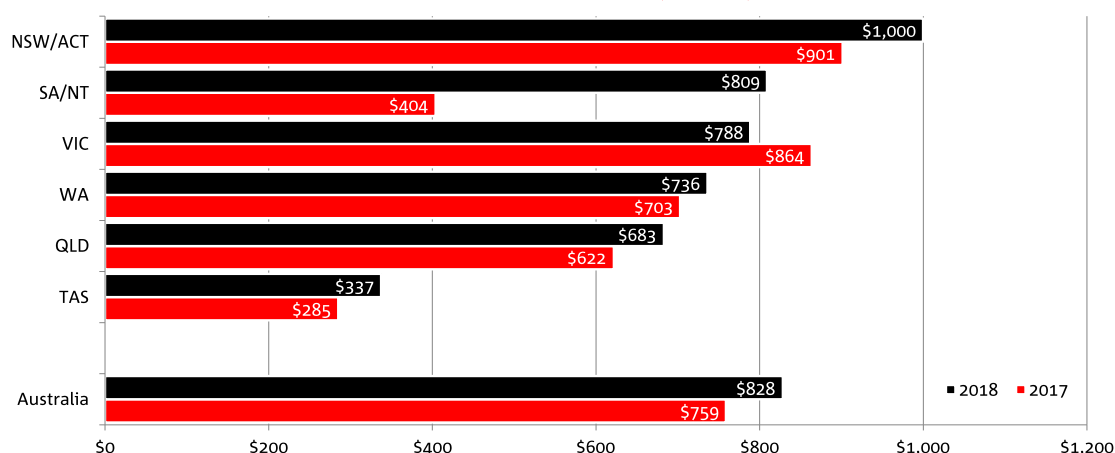
Many Australians dream of a major financial windfall that would significantly improve their lives forever. But how much is enough? For the third consecutive year we asked over 2,000 Australians to put a dollar value on the “magic number”. For some, this life changing amount of money has fallen, but for others it continues to grow. Australia wide, the figure has risen to around \$830,000 - up from around \$760,000 last year. But things such as where you live, how much you earn, your gender and relationship status can all have an impact on how much we think we will need!

Australians living in capital cities need on average \$950,000 - \$335,000 more than those in regional cities (\$615,000). By state, for those living in Tasmania, \$337,000 will be enough, but in NSW the figure has climbed to \$1 million. South Australia (\$809,000) has overtaken Victoria (\$788,000) to record the second highest amount, but Victoria is the only state where the amount has actually fallen. We also asked Australians how they would spend the money - 1 in 3 would pay down debt. Just 1% would spend it frivolously.

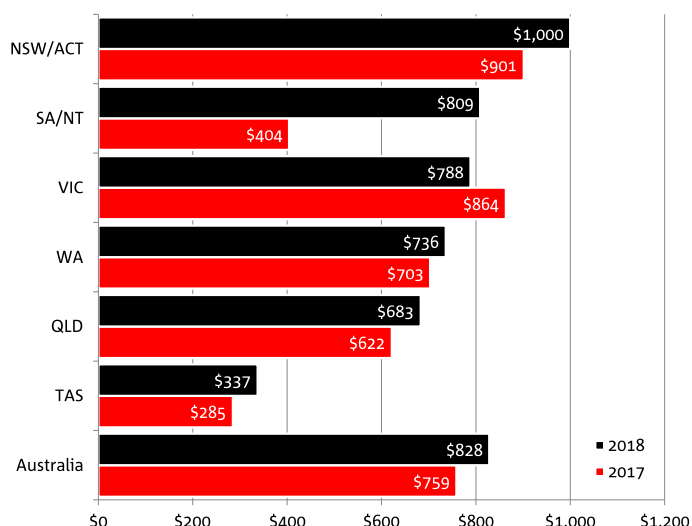
### Key Findings

- Overall, Australians believe they need \$828,000 to significantly improve their lives forever - up \$69,000 over the past year (\$759,000 in 2017). But, this ranges from \$1 million in NSW/ACT to just \$337,000 in Tasmania (possibly reflecting higher median house prices and mortgage debt).
- In other groups, men (\$899,000) need \$140,000 more than women (\$759,000), young men (\$984,000) more than twice as much as young women (\$474,000) and high income earners (\$984,000) the most by income.
- While Australians in all states except Victoria said they needed more to be financially “free” than in 2017, this was particularly so in SA/NT (now \$809,000 - up \$405,000 on last year!).
- While men still need more to improve the quality of their lives than women, the gap is closing (men need \$45,000 more on average than they did last year, but women require \$92,000 extra).
- The disparity between men and women is particularly apparent among younger people - young men require almost \$220,000 more than last year, while young women think they would need \$57,000 less than a year ago.
- High income earners (\$100,000+ per year) still need the most (\$978,000 and broadly the same as in 2017), but those in the second highest income category (\$75-100,000) are closing in - \$963,000, almost \$250,000 more than they thought they needed last year.
- When asked how they would use a major financial windfall, around 1 in 3 said they would pay off their debts, save it or use it to help their families. Very few (just 1%) - said they would spend it frivolously or on luxury personal items. And only 1 in 25 people said they would work less or retire.

### HOW MUCH MONEY WOULD SIGNIFICANTLY IMPROVE THE QUALITY OF OUR LIVES GOING FORWARD (\$'000s)

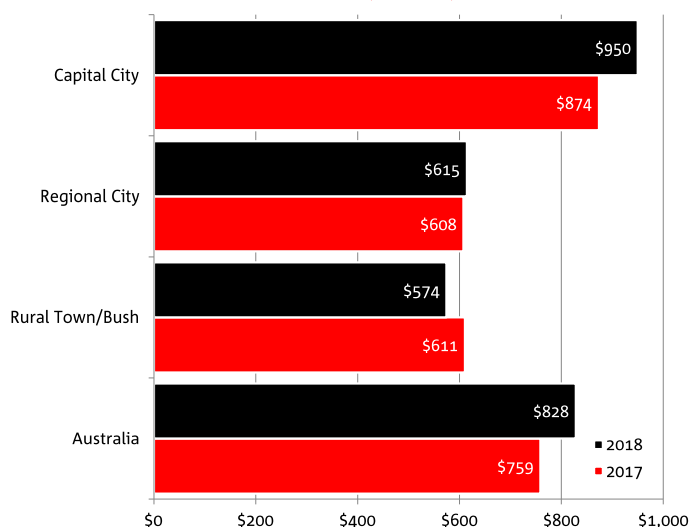


## BY STATE (\$'000s)



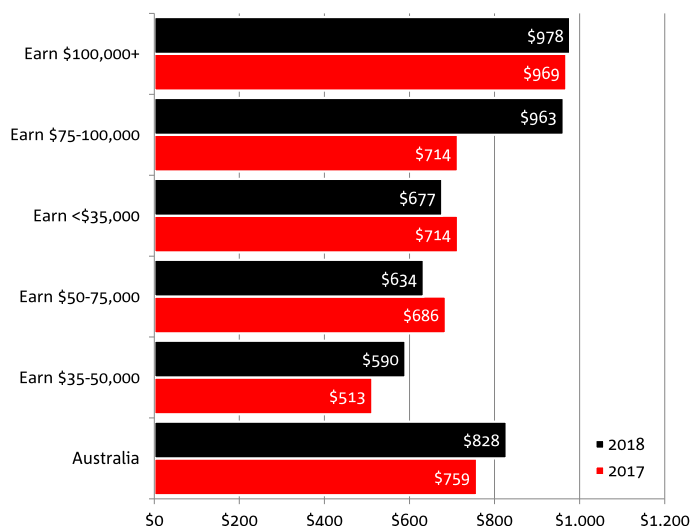
- People living in **NSW/ACT** said they needed the most (\$1,000, 000) - possibly reflecting much higher median house prices and mortgage debt.
- **TAS** (\$337,000) needed the least by some margin (but \$52,000 more than they estimated in 2017).
- Australians living in all states also said they needed more money to be free than they did last year, except in **VIC** (\$788,000 or \$76,000 less).
- Requirements lifted very sharply in **SA/NT** to \$809,000 - now second highest overall twice as much than they needed in 2017 (\$404,000).
- Expectations were revised up more moderately in **WA** (up \$33,000 to \$736,000) and **QLD** (up \$61,000 to \$683,000).

## BY REGION (\$'000s)

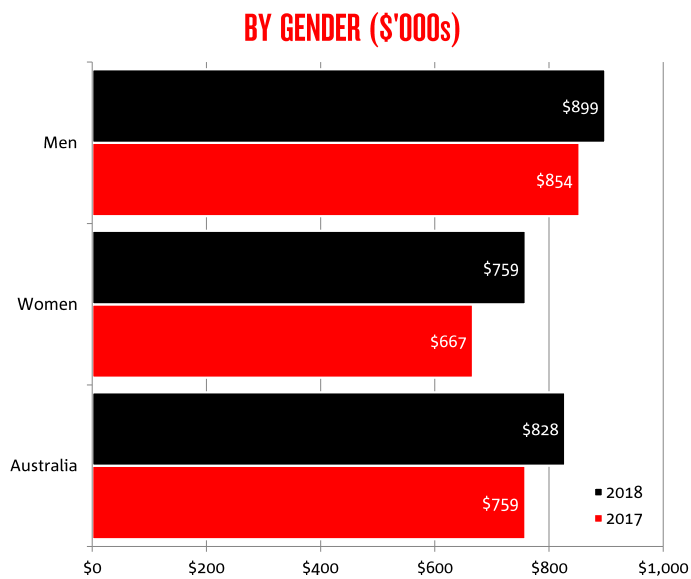


- Australians living in **capital cities** said they needed the most money to achieve financial freedom and more than last year (up \$76,000 to \$950,000) - possibly reflecting higher living costs.
- In **regional cities**, expectations were largely unchanged (\$615,000).
- People living in **rural towns** however, were somewhat more conservative, estimating they needed just \$574,000 (\$611,000 in 2017).
- NAB's survey results indicate that achieving financial freedom in capital cities would require around \$335,000 more than in regional cities and \$376,000 in rural towns.

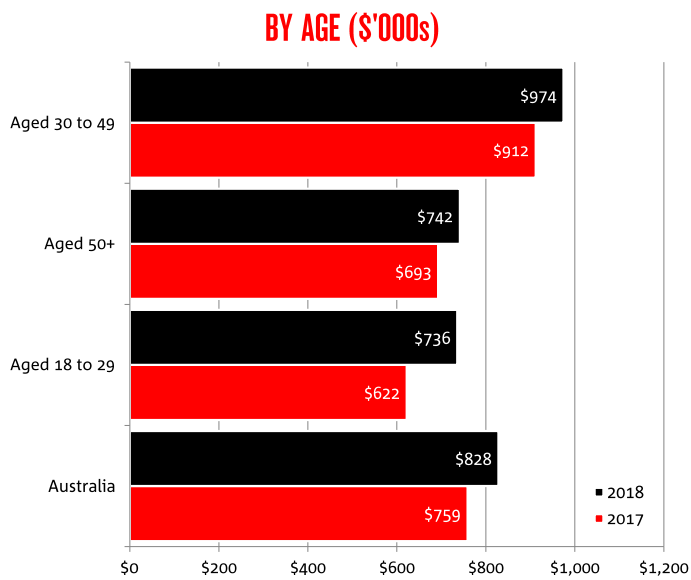
## BY INCOME (\$'000s)



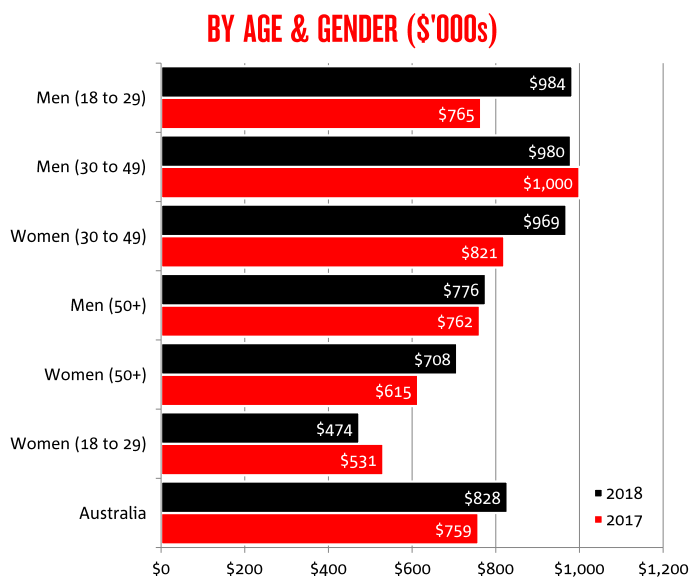
- There does appear to be some relationship between how much we earn and what it would take to achieve financial freedom.
- Australians earning **\$100,000+** per year said they need the most (\$978,000), but this was broadly the same as in 2017 (\$969,000).
- Interestingly, those earning **\$75-100,000** needed \$963,000, almost \$250,000 more than last year and approaching those in the highest income category.
- The **lowest income group** need \$677,000, or \$37,000 less than at the same time last year.
- People in the **\$50-75,000** income bracket also said they required less (down \$52,000 to \$634,000).
- Those earning **\$35-50,000** said they needed the least (\$590,000), but \$77,000 more than in 2017.



- **Men (\$899,000)** need more to improve the quality of their lives than **women (\$759,000)**.
- Both men and women also said they need more than they did last year - men \$45,000 more and women \$92,000 more.
- Consequently, the difference between men and women has narrowed from \$187,000 to \$140,000.

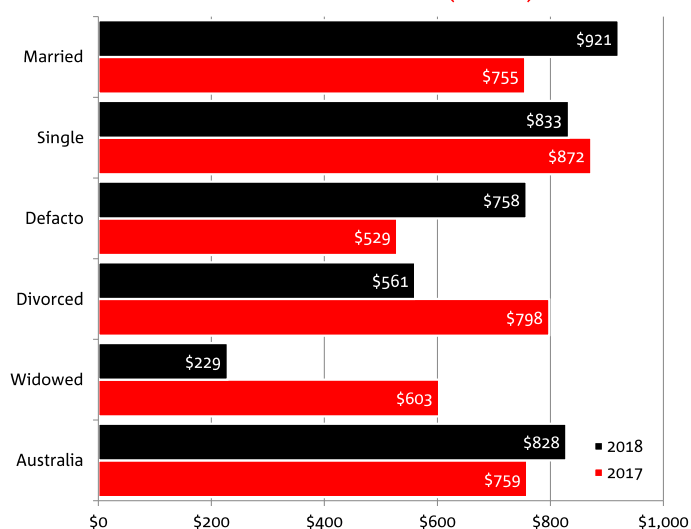


- Australians aged between **30-49** need the most to improve their lives (\$974,000).
- **Over 50s (\$742,000)** and **young Australians aged 18-29 (\$736,000)** said they needed about the same amount to be financially free.
- All groups said they needed more than they did last year, particularly 18-29 year olds - around \$114,000 more.



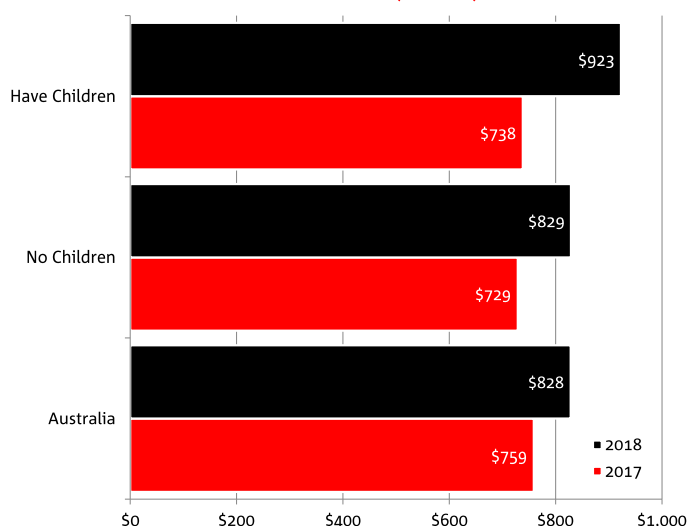
- By age and gender, **young men (\$984,000)** and **men aged 30-49 (\$980,000)** said they need the most.
- But while young men said they needed significantly more than they did in 2017 (\$219,000), middle-aged men needed less (\$20,000)
- In contrast, **women aged 30-49** said they need significantly more - around \$148,000 more. They now need \$969,000 to be financially free - about the same as that needed by 30-49 year old men.
- The gap between **over 50 men (\$776,000)** and **over 50 women (\$708,000)** has narrowed considerably
- Interestingly, **young women (\$474,000)** said they needed the least, and even less than they did in 2017 (\$531,000).
- Consequently, young men now think they need more than double that needed by young women to be financially free.

## BY RELATIONSHIP STATUS (\$'000s)



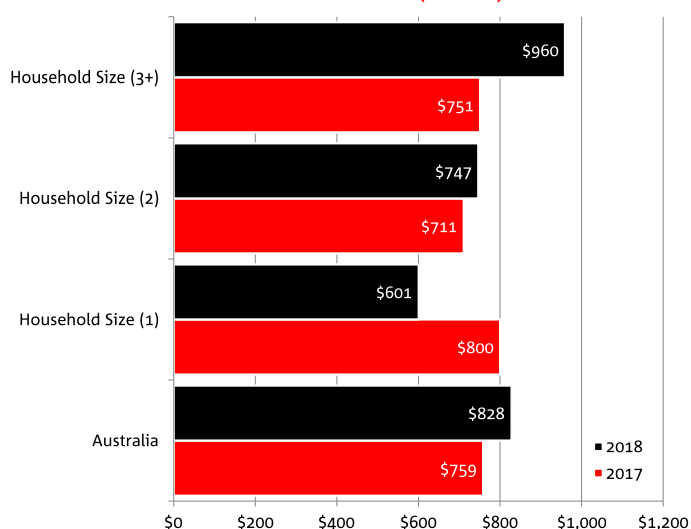
- By relationship status, **married people** said they need the most (\$921,000) and significantly more (\$166,000 more) than they estimated in 2017.
- **Singles** need (\$833,000) - around \$40,000 less than last year.
- **De factos** have revised up their requirements significantly - up \$229,000 to (\$758,000).
- In contrast, divorced and widowed Australians have revised down their expectations significantly.
- **Divorced** people now believe they need only \$561,000 to achieve financial freedom (\$237,000 lower).
- **Widowed** Australians have lowered their estimate even more - down \$374,000 to \$229,000 - by far the lowest amount of any demographic group.

## HAVE CHILDREN (\$'000s)



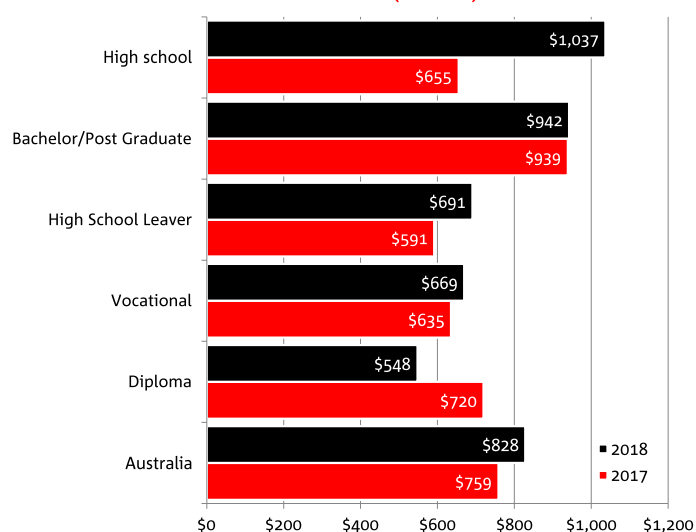
- Having children influences the amount we think we need to change our lives.
- Australians who **have children** think they need around \$923,000, while those **without children** need less (\$829,000) - a difference of almost \$100,000.
- Both groups also believe they need more than they previously thought - \$185,000 for those with children and \$100,000 for those without children.

## BY HOUSEHOLD SIZE (\$'000s)



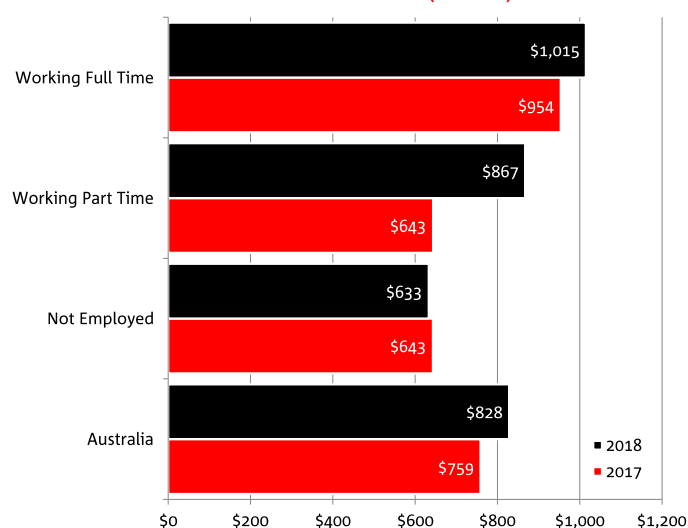
- Australians living in larger **households of 3+ people** believe they need \$960,000 to achieve financial freedom - up \$209,000 from 2017.
- The expectations of people living in **2 person households** were largely unchanged (\$747,000)
- **Single households** need the least (\$601,000) and almost \$200,000 less than they estimated in 2017.

## BY EDUCATION (\$'000s)



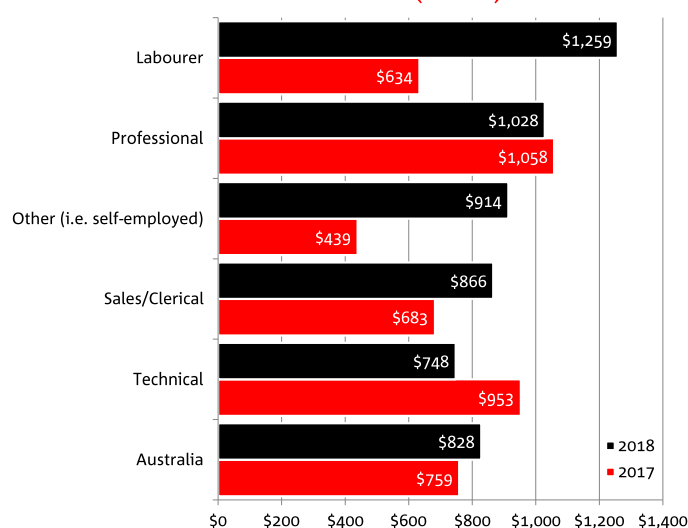
- Australians with a **high school** education lifted their expectations for the amount they need to achieve financial freedom significantly - up \$382,000 to just over \$1 million
- Expectations were largely unchanged for those with a **bachelor or post graduate** qualification (\$942,000) or **vocational** qualification (\$669,000).
- Those with a **diploma** said they needed the least (\$548,000) - \$172,000 less than in 2017.

## EMPLOYMENT STATUS (\$'000s)



- **Full time workers** (\$1,015,000) need more than **part timers** (\$867,000) and those **not employed** (\$633,000) to change their lives.
- Full time workers said they needed a little bit more than previously indicated - \$61,000 more.
- Part timers need a lot more (\$224,000)
- Those not employed need about the same.

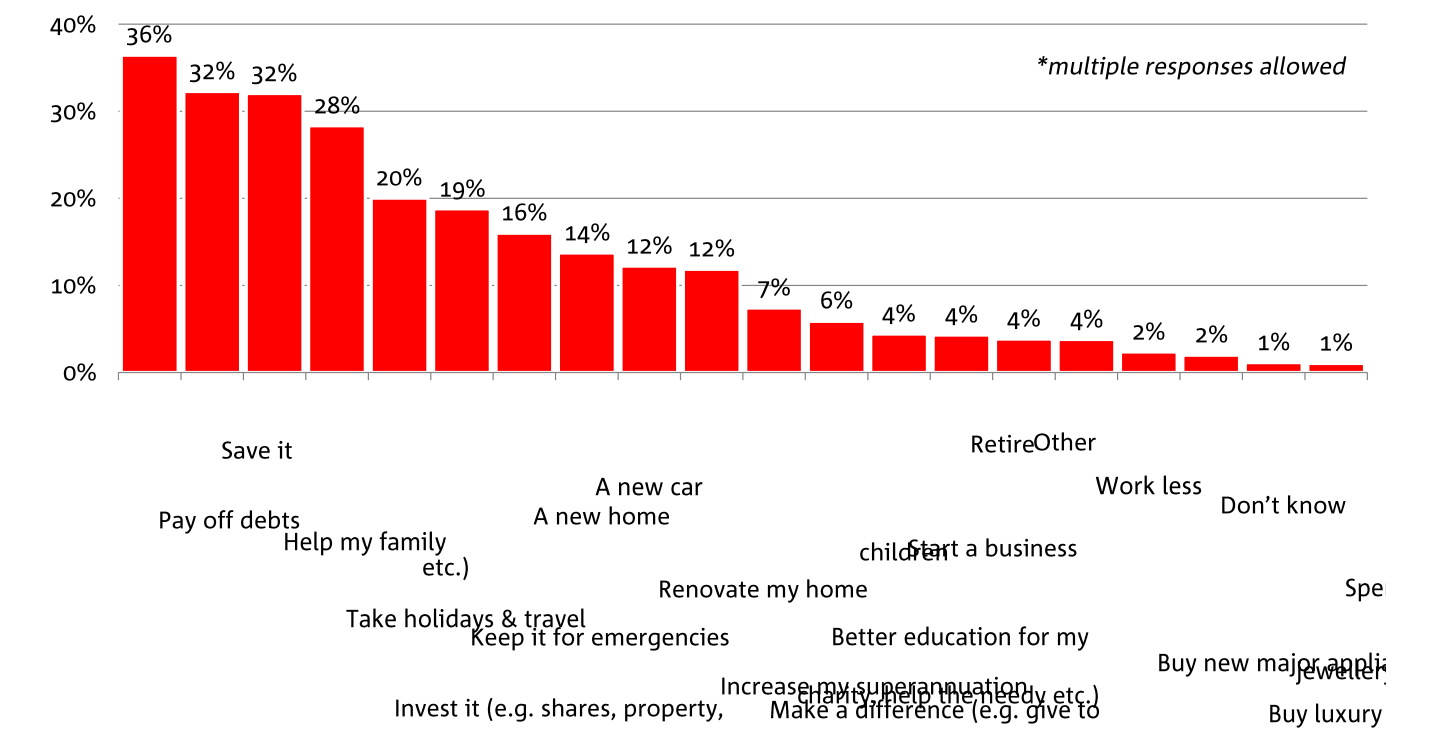
## EMPLOYMENT TYPE (\$'000s)



- By employment type, **labourers** think they need the most (\$1,259,000) to achieve financial freedom - more than around other group and almost double what they thought would give them financial freedom in 2017.
- **Professional workers** need just over \$1 million, unchanged from last year.
- **Self-employed** Australians have also revised up their expectations a lot - they now need \$914,000 (\$475,000 more than last year).
- **Sales/clerical** workers think they now also need more (up \$183,000 to \$866,000).
- **Technical workers** need the least (\$748,000) - \$205,000 less than they estimated last year.

HOW WE WOULD USE THIS WINDFALL

HOW THE AVERAGE AUSTRALIAN WOULD USE A WINDFALL  
(% of respondents)\*



When asked what they would use the money for if they did receive a major windfall, most Australians (36%) would pay off their debts, save it (32%) or use it to help their families (32%). Around 28% would take holidays and travel, while 1 in 5 would invest it (20%) or keep it for emergencies (19%).

Clearly, they anticipate their response to any windfall to be on the conservative side. In fact, very few Australians - just 1% - said they would spend it frivolously or on luxury personal items. And interestingly, only 1 in 25 people (4%) said they would work less or retire.

HOW WE WOULD USE THIS WINDFALL – AGE & GENDER

	Overall	18-29	30-49	50+	Men	Women
Pay off debts	36%	41%	48%	24%	33%	40%
Save it	32%	47%	29%	27%	34%	31%
Help my family	32%	28%	23%	42%	29%	35%
Take holidays & travel	28%	21%	24%	36%	27%	29%
Invest it (e.g. shares, property, etc.)	20%	24%	24%	15%	23%	17%
Keep it for emergencies	19%	14%	15%	25%	17%	21%
A new home	16%	19%	18%	12%	16%	16%
A new car	14%	11%	12%	17%	16%	12%
Renovate my home	12%	6%	10%	17%	11%	13%
Increase my superannuation	12%	7%	11%	15%	13%	11%
Make a difference (e.g. give to charity, help the needy etc.)	7%	6%	6%	10%	7%	8%
Better education for my children	6%	5%	12%	1%	5%	7%
Start a business	4%	7%	7%	1%	6%	3%
Retire	4%	3%	3%	6%	5%	4%
Other	4%	3%	4%	5%	3%	5%
Work less	4%	4%	5%	2%	4%	3%
Buy new major appliances	2%	4%	1%	3%	2%	2%
Don't know	2%	3%	3%	1%	2%	2%
Buy luxury personal items (e.g. jewellery, clothes, etc.)	1%	3%	1%	0%	1%	1%
Spend it frivolously	1%	0%	2%	1%	2%	0%

But there were some interesting differences in behaviours between age groups and by gender.

By age, it was particularly noticeable that around twice as many 30-49 year olds (48%) and young Australians (41%) would pay off debts than would Australians over the age of 50 (24%).

Encouragingly, around 1 in 2 young Australians (47%) said they would save their windfall - significantly more than any other age group.

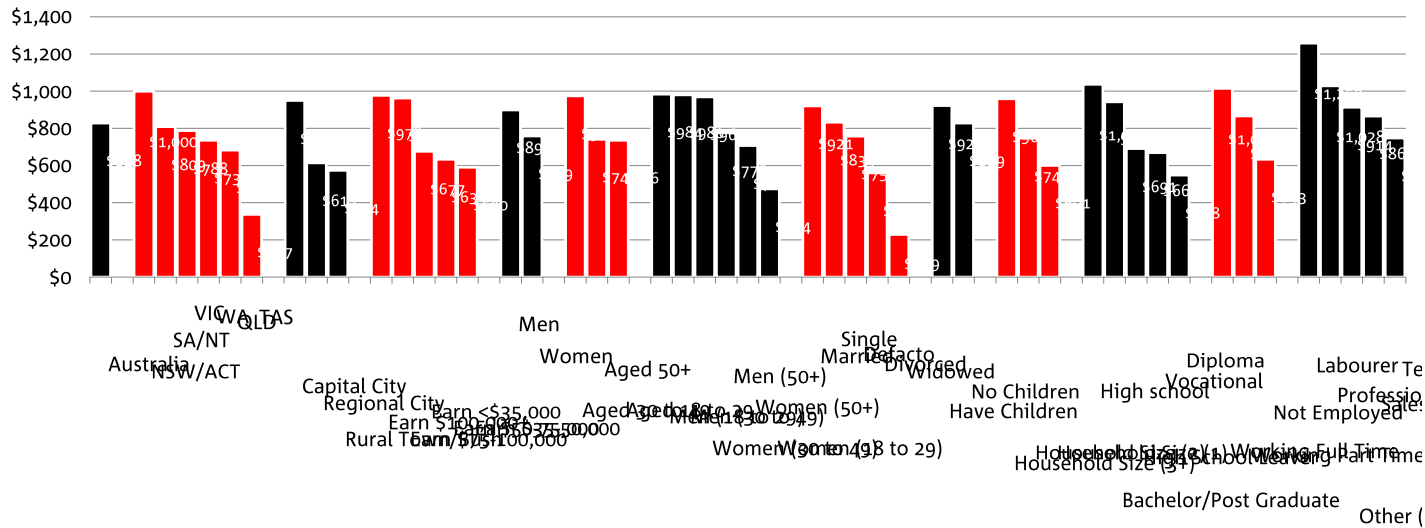
Along with middle-aged Australians, young people were also the most inclined to invest any windfall (around 1 in 4) or use it to start a business (around 7%). More middle-aged Australians (12%) were also the most likely to use it to better educate their children.

A lot more Australians over 50 said they would use a windfall to help their family (42%), take holidays and travel (36%), keep it for emergencies (25%), buy a new car (17%), renovate their homes (17%), increase their superannuation (15%) or donate to charity (10%) than other age groups.

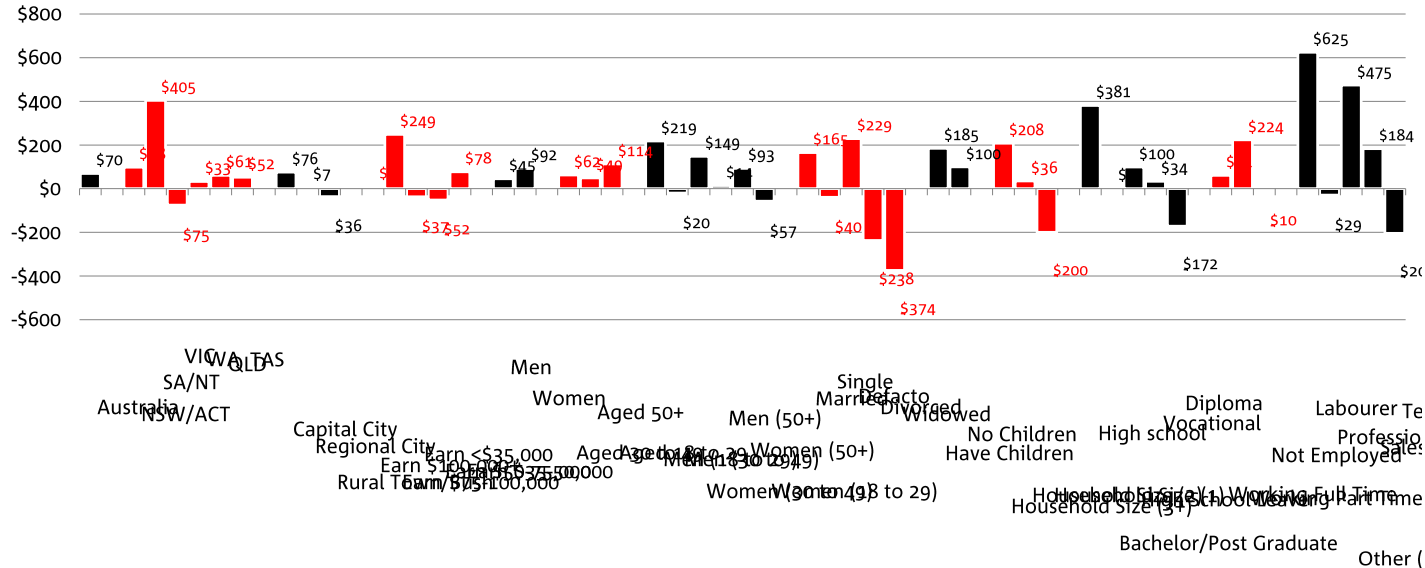
By gender, more women (40%) said they would pay off debt than men (33%), but men (23%) were more likely to invest their windfall than women (17%). More women also said they would help their families (35%) and keep it for emergencies (21%), but more men (16%) would buy a new car.

APPENDIX 1

HOW MUCH MONEY WOULD SIGNIFICANTLY IMPROVE THE QUALITY OF OUR LIVES  
GOING FORWARD - 2018 (\$'000s)



HOW OUR REQUIREMENTS HAVE CHANGED SINCE LAST YEAR (\$'000s)



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