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| Insight into the wealth behaviours of Australians…  ***Being able to save has been a challenge for a number of Australians -*** *almost 1 in 5 of us have been unable to save any of our income in recent years, and for more than 1 in 4 of us only 1-5%.*  ***Expectations for future income growth are very conservative*** *- nearly 1 in 3 Australians expect no change in income over the next few years and 15% expect it to fall.*  ***So, not surprisingly, our savings expectations for the future are also very conservative*** *- with more than 1 in 5 Australians believing their savings will fall.*  ***For the most part, Australian investors see themselves as having a low risk tolerance -*** *only 14% see themselves as “assertive”, 4% “aggressive”.*  ***But, when faced with an actual investment decision, more of us would be prepared to accept higher risk for greater returns -*** *with $10,000 to invest, 2 in 5 investors would be prepared to accept potential losses of between 8-16% for a potential gain of 22-40%.*  ***The “great Australian dream” of home ownership is still a reality for many, but for some it’s just a dream -*** *fewer than 1 in 10 Australians said they didn’t want to own their own home, but 1 in 4 said home ownership was something they aspired to but did not think it would happen. Young people still have broadly similar aspirations around home ownership as middle-aged Australians.*  ***Most of us wait and save more before buying our first home and many are prepared to buy some way out of the city -*** *almost 1 in 3 would/did wait longer to have a bigger deposit, and 1 in 4 would live in a suburb some way out of the city to purchase their first home. Around 16% would live in an apartment and 12% further away from work and family or a regional area.*  ***Most Australians don’t plan to or are unwilling to use the family home to fund their retirement -*** *only 18% would be willing to use the family home to fund their retirement either by selling it or using part of their home as equity. The average Australian home owner has around $547,000 of equity in the family home.*  ***Our wealth intentions are changing -*** *increasing savings has overtaken paying off debt as the main focus for investors in the next 12 months.*  ***A growing number of Australians think they will have “enough” to retire on -*** *up to 37% in Q2, from 30% in Q1.*  ***But, a large number of us still think we won’t have enough -*** *50% still think we won’t, with women less optimistic than men (41% of men think they will have enough to retire on compared with just 32% of women).*  ***When it comes to having “more than enough” very few expect to reach this goal -*** *just 1 in 20 men and women.*  ***Most working age Australians have a superannuation fund, but income is a factor*** *- just 3% of Australians earning over $100,000 do not have a current superannuation fund, but this compares with over 20% of those earning less than $35,000 per annum.*  ***Almost 1 in 4 of us don’t know the risk profile of our superannuation investments -*** *around 1 in 3 Australians think their superannuation investments have a “moderate” risk profile, 20% “conservative” and 22% in “growth” products (22%). Just 7% believe their superannuation is being invested in aggressively.*  ***Even more alarming is the fact that 45% of young women don’t know the risk profile of their superannuation investments*** *- by far the highest proportion of all groups by age and gender.*  ***Australians on average believe they will need more than $1 million at retirement*** *- on average think we will need $1,124,000 in savings or investments, but expect to have only $721,000 in savings (excluding the family home) - a shortfall of $403,000. Lower income earners think they will need $752,000-822,000, whereas high income earners need $1,436,000.* | ***Most of us have saved relatively little of our income in recent years...***    ***And, only a few expect much improvement in our incomes over the next few years...***    ***1 in 3 of under 50s are losing faith in the great Australian dream of home ownership...***    ***Wealth intentions are shifting, with a focus on savings rather than investment...***    ***A growing number of us think we’ll have enough for retirement, but over half don’t…***    ***And, 1 in 4 Australians (and nearly 1 in 2 young women) don’t know the risk profile of their superannuation investments.*** |

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**DETAILED REPORT: PART 1 - INVESTMENT BEHAVIOURS**

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| **How much have we added to our investments?**   |  |  | | --- | --- | |  | ***Australians focused on paying off debt…***  Paying off debt was priority for more Australians than trying to save and invest - and more so than in Q1. The chart on the left shows the number of people paying off debt in the past 3 months outweighed those who cut back. However, marginally more Australians also saved and invested, reversing the pattern seen in Q1 when more were cutting back in these areas.  The chart on the bottom left shows that of those who invested additional money in the past 3 months, 48% did so in areas other than “mainstream” investments. Around 1 in 4 invested in cash and 1 in 5 in superannuation.  When asked how the amount they invested in the last 3 months compared with the amount invested in the previous 3 months, more Australians on balance invested in managed funds (35%) than any other area. | |  |  | |

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

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|  | ***Over the next 12 months, more Australians plan to increase their savings than pay off debt...***  Increasing savings has overtaken paying off debt as the main focus for investors in the next 12 months.  But, for those planning to invest additional money in the next 12 months, around 50% want to invest outside mainstream investments, 25% in cash and 21% in superannuation.  When asked whether the amount they planned to invest would be more or less than the last 12 months, 1 in 2 indicated they would allocate more to domestic shares.  Around 1 in 4 also planned to increase their investments in international shares, superannuation, managed funds or investment property. | |
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**PART 2: OUR SAVINGS ABILITY & RISK TOLERANCE LEVELS**

**How much of our income have we saved in recent years?**

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|  | ***Most of us have saved very little of our annual incomes in recent years...***  Being able to save has been a challenge for a number of Australians. Indeed, almost 1 in 5 (19%) said they’ve been unable to save any of their gross annual income in recent years, and more than 1 in 4 (26%) only able to save 1-5%. Just 1 in 10 (11%) saved more than 15%.  Not surprisingly, lower income earners have struggled the most, with over 40% of Australians earning less than $35,000 per year unable able to save any of their income, compared to 14% earning over $100,000.  By gender and age, middle aged women (30-49) found it most difficult to save - 26% had not made any savings, ahead of women over 50 (21%). In contrast, young men and women (18-29), led the way when it came to having the highest rate of savings. |

**What do we expect to happen to our income in the next few years?**

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|  | ***The majority of Australians expect their incomes to either increase a little or stay the same...***  Expectations for future income growth are very conservative. Almost 2 in 5 (38%) Australians are anticipating only a slight increase, nearly 1 in 3 (31%) expect it to be unchanged and 15% expect it to fall. Less than 1 in 10 expect it to increase substantially |

**What do we expect will happen to our rate of savings in the next few years?**

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|  | ***Our savings expectations are also very conservative…***  Our savings expectations for the next few years are also very conservative - which is not surprising given that very few of us are also expecting significant income gains during this period.  Almost 1 in 3 (32%) said they expect their savings rate to remain the same and 29% expect it to increase slightly.  More than 1 in 5 Australians believe their savings will fall - 13% expect to savings to fall slightly and 8% believe it will decrease substantially. |

**How do we best describe our approach to investment?**

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|  | ***For the most part, Australian investors have a relatively low risk tolerance…***  Despite our concerns in regards to having insufficient savings and investments for our retirement, most investors see themselves as cautious investors.  More than 1 in 4 (27%) describe themselves as “conservative” (see below for definitions). A further 36% see themselves as “balanced” investors. Only 14% consider themselves “assertive” and just 4% “aggressive”.  We noted an inverse relationship between income and risk tolerance, with the number of “conservative” investors rising as income falls. By gender and age, most women tend to describe themselves as being more conservative as they age. More men tend adopt a “balanced” approach as they age. |
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| |  | | --- | | **INVESTOR BEHAVIOURS**  **Conservative investor** who does not wish to take any investment risk. Your priority is to safeguard your investment capital. You are prepared to sacrifice higher returns for peace of mind.  **Balanced investor** with some understanding of investment market behaviour. You prefer a balance between capital growth and capital security. You are prepared to accept some short-term risk in order to gain longer-term capital growth.  **Assertive investor** who understands the movement of investor markets. You are most interested in maximising your long term growth, although you do not wish to make unbalanced investment decisions. You are happy to take calculated risks in order to maximise long term capital growth.  **Aggressive investor** with a strong bias towards investments with high growth potential. You are willing to accept higher performance fluctuations in return for potentials higher long term capital growth.  **Experienced or sophisticated investor**. Security of capital is secondary to the pursuit of high investment returns. Your portfolio will compromise almost solely of growth assets and you are happy to accept the risks this involves |   **Do our investment goals match our risk tolerances?**   |  |  | | --- | --- | |  | ***While we see ourselves as “cautious” investors, more Australians would be prepared to accept higher risk for greater returns…***  When asked if they had $10,000 to invest across 5 different portfolios with a range of outcomes, around 2 in 5 investors said they would be prepared to accept potential losses of between 8-16% for a potential gain of between 22-40%.  Conversely, around the same amount of people were only be prepared to incur a potential loss of between 1-4% to make a possible gain of between 3-10%.  Clearly, there appears to be a dis-connect between how investors describe themselves and how they would actually behave if given the opportunity. | |

**PART 3 - OUR HOMES**

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| **What does our home ownership position look like?** | |  |  |
|  | ***Around 6 in 10 Australians said they owned their homes outright or with a mortgage...***  The home in which we live is generally our biggest asset. Around 28% of survey participants said they owned their homes outright and 30% with a mortgage. Another 30% pay rent and 8% live rent free but don’t own the property.  More over 50s own their homes outright (55%) and more middle-aged Australians own them with a mortgage (48%). Most young people (42%) are renting with a fee.  The cost of raising children has a big impact on home ownership. Around 38% of us who don’t have children own our homes outright (compared to just 12% with children). On the other hand, 50% of us who have children own our homes with a mortgage (compared to just 23% of those without children). |  |  |

**How much equity do we have in our homes?**

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|  | ***The average home owner has $547,000 of equity in their home...***  The average Australian home owner has around $547,000 of equity in the family home.  But men ($570,000) have somewhat more than women ($523,000) - a difference of $47,000.  Age and income have a significant impact on the level of equity in the family home. While over 50s have $670,000 in home equity, 18-29s have just $276,000.  High income earners (over $100,000 a year) on average have $617,000 in home equity, compared to just $383,000 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?**

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|  | ***Most Australians don’t plan to or are unwilling to use the family home to fund their retirement...***  Only 18% of Australians are willing to use the family home to fund their retirement either by selling it or using part of their 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 $75,000 are the least likely to sell the family home.  A much larger proportion of Australians earning more than $75,000 said they were willing to either sell the family home or use it as equity to fund their retirement. |

**The “Great Australian Dream” - Owning a home and what we’re prepared to do to achieve it…**

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|  | ***The great Australian dream is still a reality for many, but for some it’s just a dream...***  Most Australians dream of owning their own home - over 1 in 2 (52%) said it was their dream. But 1 in 4 (26%) also said home ownership was something they aspired to but did not think it would happen. Less than 1 in 10 (7%) said they didn’t want to own their own home.  By age group, young people have the broadly similar aspirations around home ownership as middle-aged Australians - 48% of 18-29 year olds and 49% of 30-49 year olds dream of owning their own home, compared to almost 60% of over 60s. |
|  | ***Most of us would be prepared to wait and save more before buying our first home and many would also be prepared to buy some way out of the city. Only 16% would live in an apartment and 12% live in a regional area...***  Almost 1 in 3 (29%) Australians said they would or did wait longer to have a bigger deposit in order to purchase their first home.  Around 1 in 4 (24%) would be prepared to live in a suburb some way out of the city to purchase their first home.  Around 16% of also said they would live in an apartment, and 12% would live further away from work and family or move to a regional in order to purchase their first home. |

**PART 4 - RETIREMENT AND SURERANNUATION**

**Will we have enough to retire on?**

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|  | ***Over half of us still don’t think we’ll have enough to retire, with women less optimistic than men. But a growing number of us now think they’ll have enough...***  The number of Australians who think they’ll have enough to retire on rose to 37% in Q2, from 30% in Q1. While it is encouraging that fewer Australians also think they won’t have enough, a large number (50% or 1 in2) still think they won’t (58% in Q1).  Women are more pessimistic than men - over 52% don’t expecting to have enough to retire on (48% of men). Significantly, more than 1 in 4 (26%) women also think they’ll have “far from enough” (1 in 5 or 20% of men).  In contrast, around 41% of men think they will have enough to retire on (32% of women).  When it comes to having “more than enough” very few expect to reach this goal - just 1 in 20 men and women. |

**Do we expect to have enough money at retirement?**

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| ***The average Australian believes they’ll need over $1.1 million in savings and investments at retirement…***  The average Australian estimates they’ll need $1,124,000 in savings or investments at retirement. But they only expect to have only $721,000 in savings (excluding the family home) when they retire - a shortfall of $403,000.  Current income levels are an important driver of expectations. Lower income earners think they will need around $752,000-822,000 at retirement, whereas the highest income earners think they’ll need $1,436,000.  But higher income earners also expect to have more in savings ($1,075,000) by retirement than the lowest income group ($194,000).  Middle aged Australians expect to need the most at retirement with $1,230,000. Younger Australians and older Australians believe they will require less - $941,000 and $1,095,000 respectively. |

**Do we have a superannuation fund?**

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|  | ***Around 9 in 10 surveyed Australians said they have a superannuation fund...***  But more high income earners have a current superannuation fund that those on lower income.  Over 20% of those earning less than $35,000 per annum said they don’t have a current superannuation fund, compared to just 3% of Australians earning over $100,000. |

**And in what risk profiles are our superannuation invested in?**

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|  | | ***Around 1 in 3 Australians think their superannuation investments have a “moderate” risk profile, but almost 1 in 2 young women don’t know…***  Over 1 in 3 (35%) survey respondents believe their superannuation investments have a “moderate” risk profile. Around 20% think their superannuation is invested in “conservative” products and slightly more in “growth” products (22%).  Just 7% believe their superannuation is being invested in aggressively.  But it is of concern that almost 1 in 4 (23%) don’t know the risk profile of their superannuation investments. Even more alarming is the fact the nearly 1 in 2 (45%) young women don’t know - by far the highest proportion of all groups by age and gender. | | |
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| **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 Q2 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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