

MLC Quarterly Australian Wealth Behaviour Survey: Q3 2016

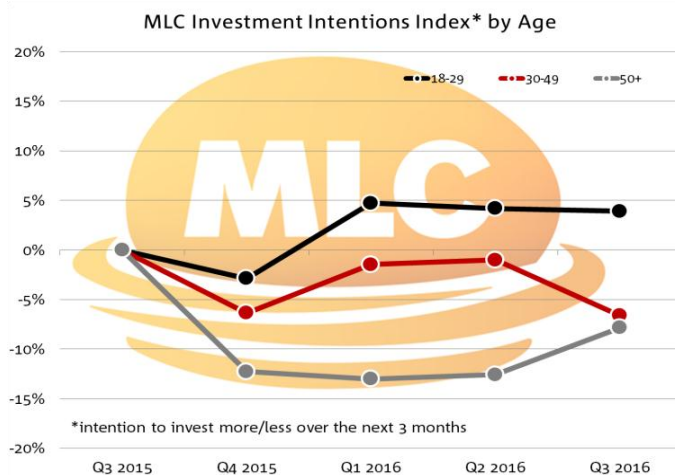
Embargoed until: 28 December 2016



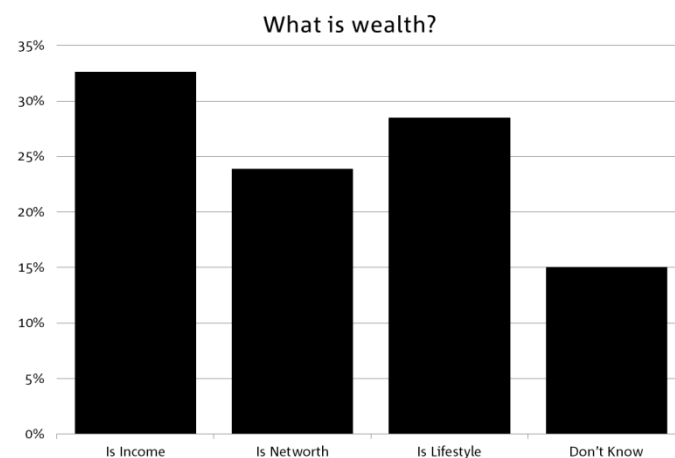
A snapshot of wealth behaviours in Australia

- MLC's Investment Intentions Index - which measures our intent to invest more or less in the next 3 months - remained negative at -5% in Q3. On balance, 18-29 year olds are the only age group planning to invest more (+5%). Fewer over 50s are intending to cut back, but more 30-49 year olds plan to invest less.
- Australians were asked for the first time to define "wealth". On average, we said around 33% of total wealth consisted of **income wealth** and 24% **net worth wealth** (15% were unsure). And we see **wealth as more than money**. **Lifestyle wealth was very important**, adding around 29% to our definition of total "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.
- Australians believe they can achieve their desired lifestyle with a median income of **less than \$100,000** and average **net worth wealth of \$817,000**.
- But only 1 in 2 Australians think they have done enough to achieve their wealth goals**. While not earning enough money was the number one reason for not achieving our wealth goals, the second most important factor was **self-doubt**.
- Australians on average estimate they will need about \$818,000 in savings and investments at retirement**, but expect to retire with only \$557,000 in (net of their homes) - a gap of \$261,000. Women (\$297,000) anticipate a bigger shortfall than men (\$226,000).
- But we have a lot of wealth tied up in our homes which should help mitigate some concerns**. On average, we currently have \$442,000 in home equity. Men (\$455,000) have more than women (\$270,000) and equity positions vary considerably from \$515,000 in NSW/ACT to \$279,000 in SA/NT.
- If we include home equity in our savings, most of us will have more than enough at retirement** - on average just over \$180,000 (net of any future capital and equity growth in our homes) - and be well on the way to meeting our net worth wealth goals.
- Men (\$229,000) will have almost twice as much as women (\$130,000)**, while the lowest income earners and those of us living in SA/NT are in deficit.
- Despite this projected retirement shortfall, just 11% said they plan to sell the family home to fund their retirement** and only 7% said they would use the equity in their homes.

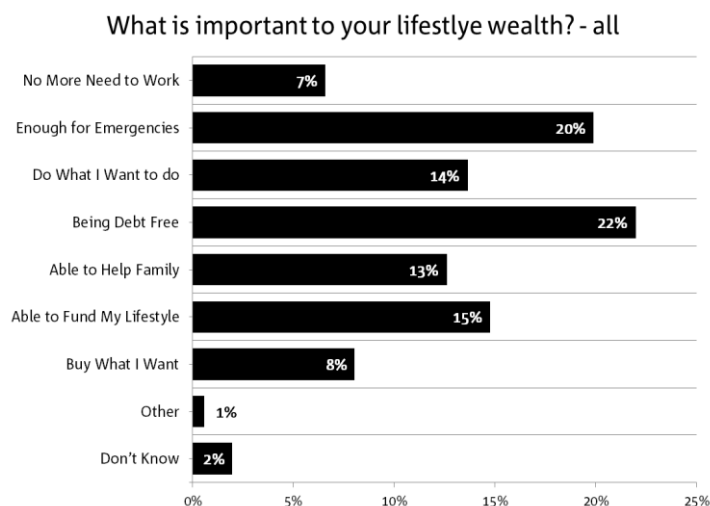
MLC's Investment Intentions Index shows young Australians still the only group with "positive" investment intentions



Wealth is more than money - lifestyle plays a big role in our definition of "wealth"

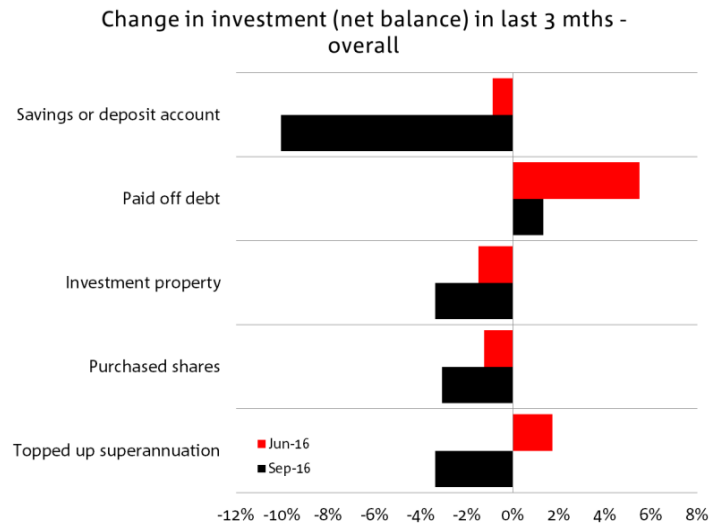


And the most important aspects of lifestyle wealth are being debt free and having enough for emergencies

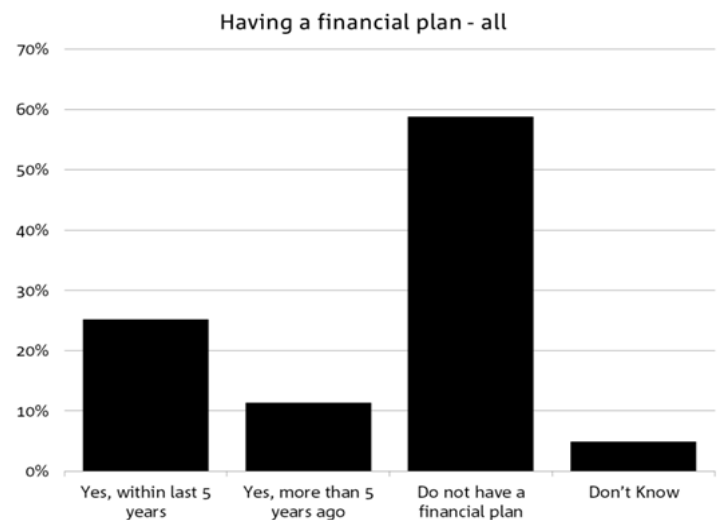


- Australians were less active across all investment classes in the last 3 months.** The number of Australians that cut back their investments outweighed those who increased their investments - particularly when it came to their savings/deposits. Overall, the number of Australians electing to pay down debt remained higher than those choosing not to, but the number was noticeably lower than in Q2.
- Almost 6 in 10 Australians don't have a financial plan,** which may also help explain why so many Australians (1 in 2) also think they haven't done enough to achieve their wealth goals. **Only 1 in 4 had a financial plan within the last 5 years** and around 1 in 10 had one in place more than 5 years ago. Low income earners were twice more likely to not have a financial plan than higher income earners.
- And despite many of us not having a financial plan in place, we also typically don't review key financial matters very thoroughly.** When asked to rate the extent we have reviewed key financial matters over the past 5 years, scores ranged from just 3.4 to 6.0 out of 10 points (10 = a complete review). Savings and investments (6.0), insurances (5.6) and super (5.2) were given moderate attention, but we were much less inclined to review our retirement planning (4.2), tax planning (4.1), estate planning (3.4) and children's education (3.4).
- Around 6 in 10 of us said we own our homes outright or with a mortgage.** Not surprisingly, more over 50s own them outright (55%) and more middle aged Australians own them with a mortgage (43%). Most young people (43%) are renting (with a fee). Having children has a big impact on home ownership. Around 38% of us without children own our homes outright (just 15% of those with children). Conversely, 45% who have children own our homes with a mortgage (23% for those without children).
- Around 2 in 3 Australians are aware of how much super they have and 1 in 2 believe that their super is an important part of their investment strategy for retirement.** However, just 1 in 5 people were satisfied with the performance of their super over the past year, with a similar number indicating that the fees on their accounts were transparent enough.
- On average, around 1 in 3 Australians expect to retire between 65-69,** 1 in 4 between 60-64, 1 in 5 over 70 and 17% before 60.
- But around half of us don't think we will have enough to retire with.** Women are more pessimistic than men - 54% don't expect to have enough (47% of men). And 1 in 4 (25%) women also think they will have far from enough (19% of men). When it comes to having more than enough, very few expect to reach this goal - around 7% of men and 4% of women.
- As a result, we remain only moderately confident about having enough money to achieve our desired retirement lifestyle.**

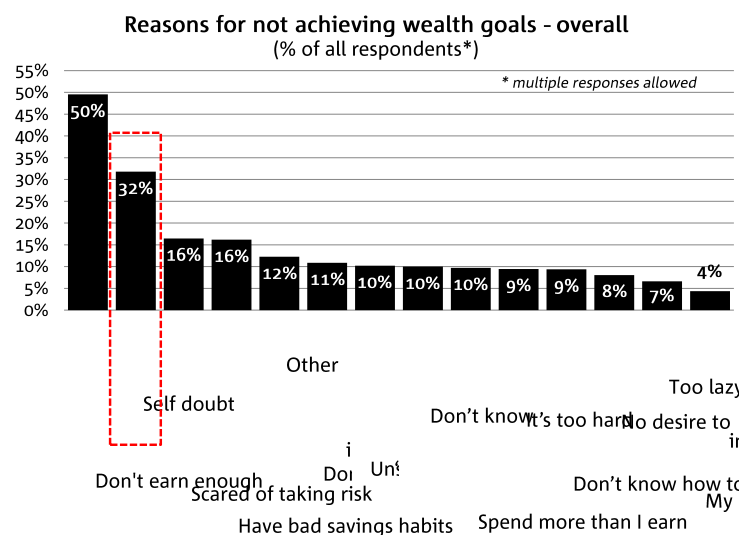
Despite our wealth concerns, more of us chose to reduce investments in the past 3 months



And, around 6 in 10 Australians don't even have a financial plan



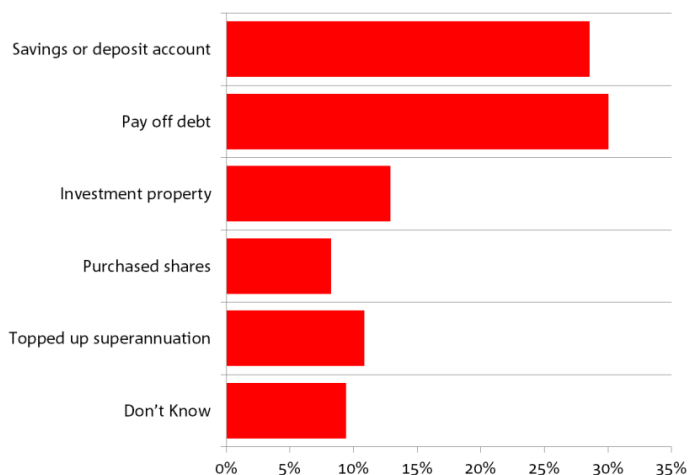
But, financial advice could help us to address the "self-doubt" holding us back from doing more to achieve our wealth goals



DETAILED REPORT: PART 1 - INVESTMENT PLANNING

Where would we allocate our money?

Where would you allocate your money? - overall



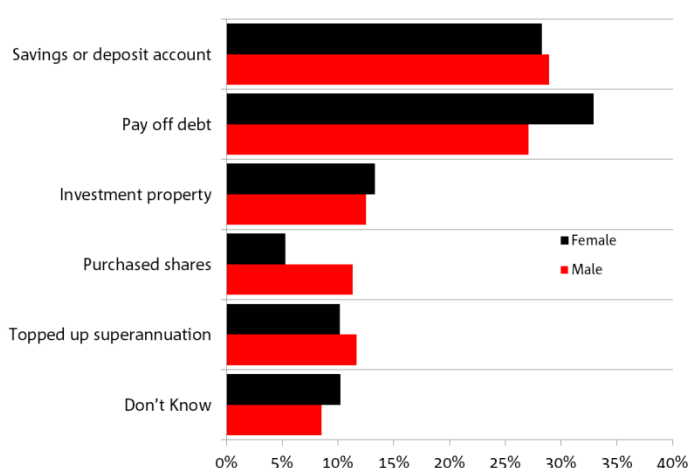
Overall, we remain cautiously conservative with around 60% of Australians preferring to add to their savings and paying down debt than more complicated investment options...

Most of us (around 60%) are still preoccupied with paying off debt and simple wealth accumulation (savings/deposits).

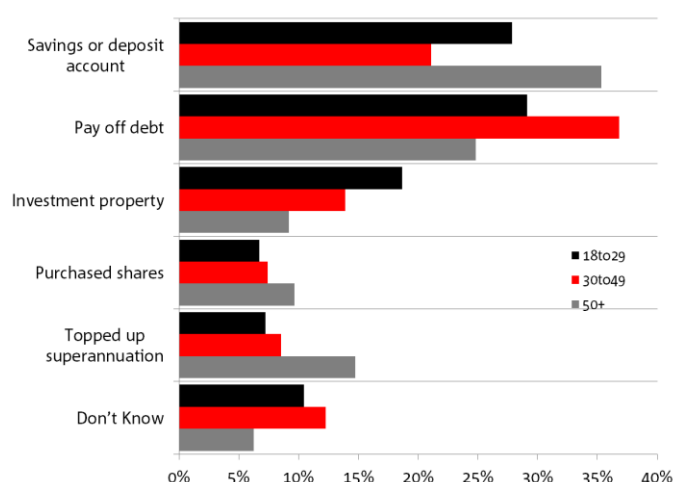
Women (33%) are more focused on paying off debt than men (27%) and are also much less likely to purchase shares (5% vs. 11%). There are minimal differences between men and women in other areas.

Noticeably fewer older Australians would be paying off debt or purchasing investment property. Instead, they would prefer to build their savings, purchase shares and top up their super.

Where would you allocate your money? - gender

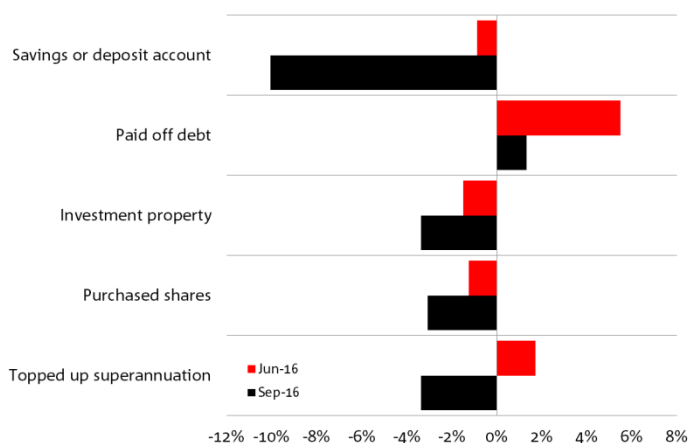


Where would you allocate your money? - age



How much have we added to our investments?

Change in investment (net balance) in last 3 mths - overall

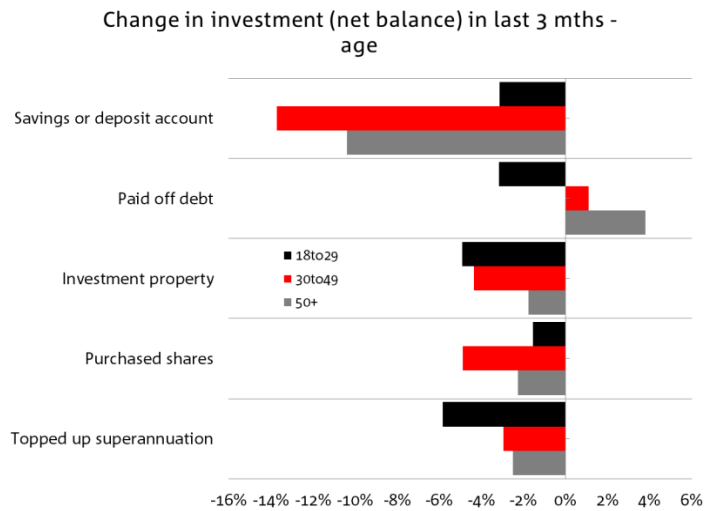
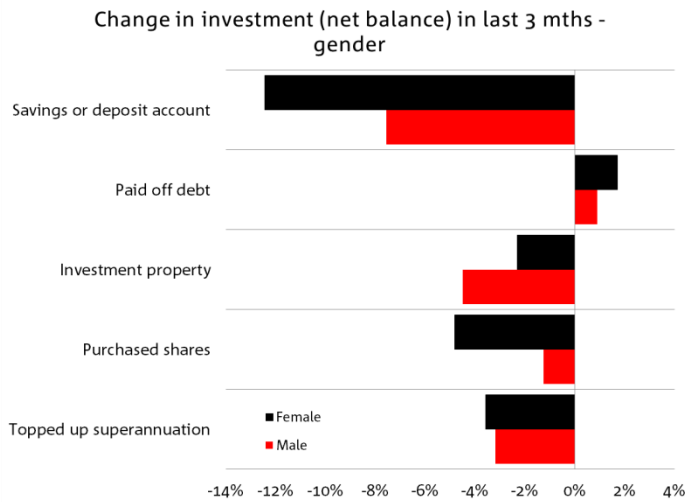


Australians were less aggressive across all investment classes in Q3...

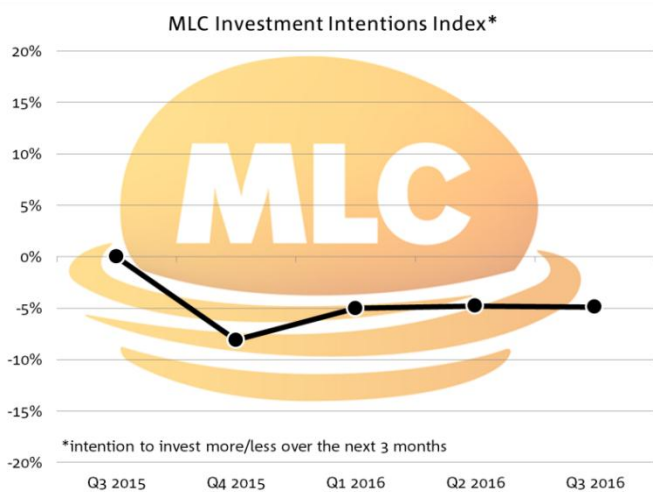
The number of Australians cutting back their investments in the past 3 months outweighed those planning to increase their investments in all asset classes (particularly savings/deposits), except when it came to paying down debt. But while the number of Australians electing to pay down debt remained higher than those choosing not to, the number was noticeably lower than in Q2.

More women (-12%) cut back on their savings than men (-8%) and were less likely to have purchased shares (-5% vs. -1%) in the past 3 months.

Investment behaviours by age show that younger people put less money towards paying off debt, but made fewer reductions in their savings/deposits than older investors.



What are our investment intentions over the next 3 months?



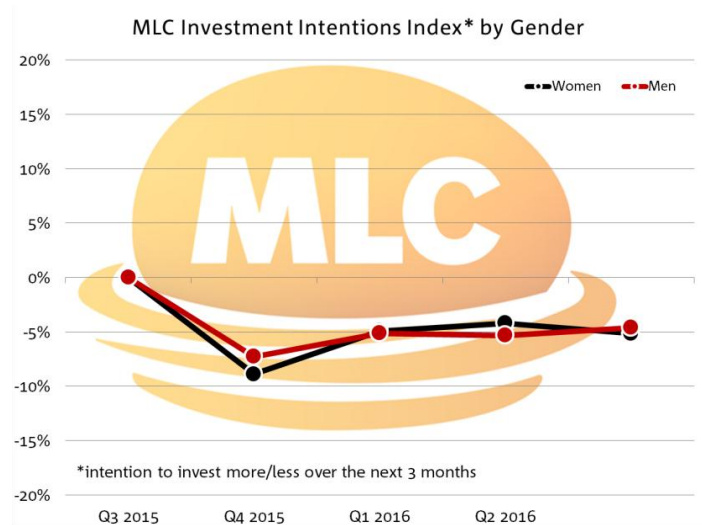
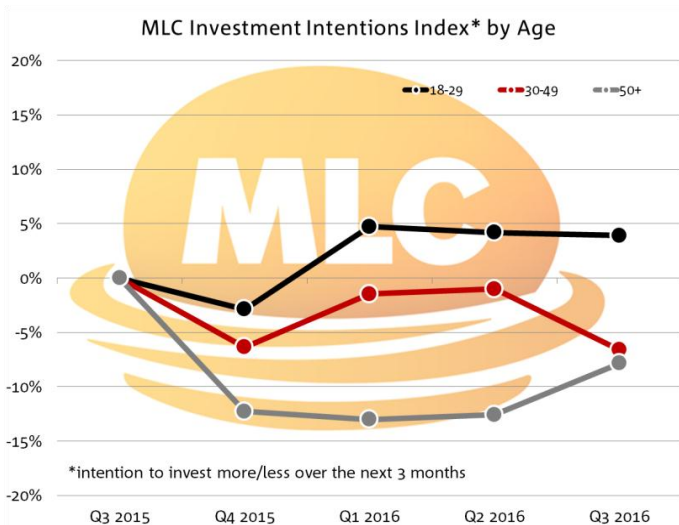
Investment intentions are still negative...

The MLC Investment Intentions Index measures whether we intend to invest more or less in the next 3-months. A positive result indicates that more of us on balance are planning to increase our investments, while a negative result indicates we are planning to invest less.

Overall, investment intentions were unchanged in Q3 2016, with the index steady at -5.

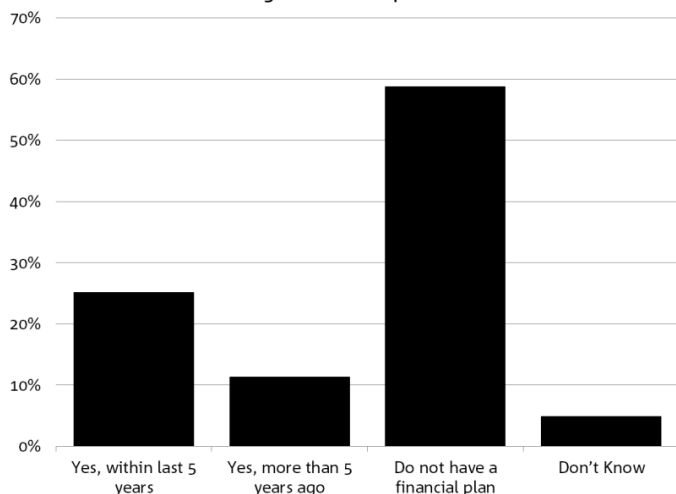
There was little difference in investment intentions between men and women.

Young investors are the only group planning to invest more. Middle-aged investors have become more cautious, while the investment intentions of older Australians improved - albeit still overall negative (-8).



Do we have a financial plan in place?

Having a financial plan - all



More than half of us don't have a financial plan...

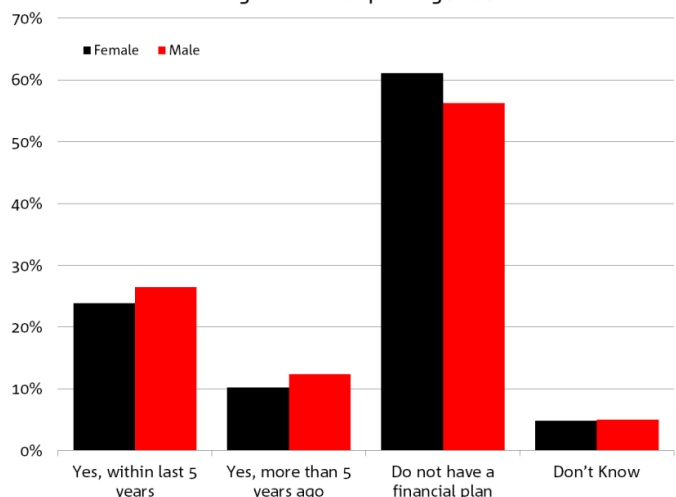
Around 59% of us don't have a financial plan.

Only 1 in 4 had a financial plan within the last 5 years and around 1 in 10 had one in place more than 5 years ago.

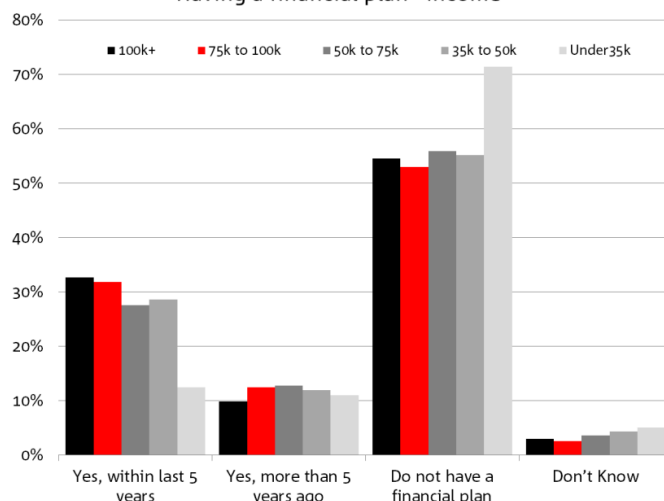
Around 61% of women didn't have a financial plan in place, compared to 56% of men. In contrast, 26% of men had a financial plan in the last 5 years (24% of women), and 12% had one more than 5 years ago (10% of women).

Australians earning less than \$35,000 were twice more likely to not have a financial plan than higher income earners. Of even greater concern was the fact that over 70% of the lowest income earners didn't have a financial plan in place - by far the most across all income groups.

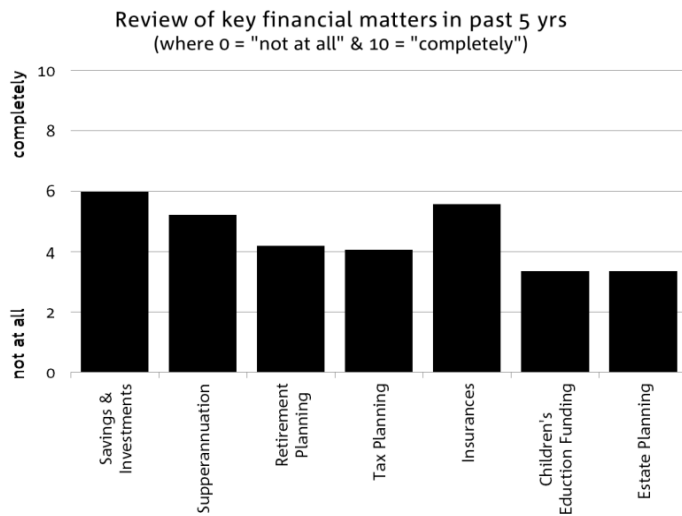
Having a financial plan - gender



Having a financial plan - income



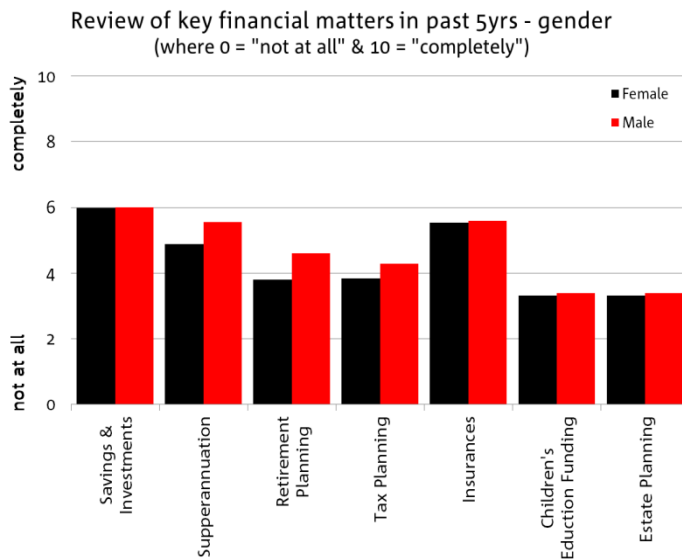
How thoroughly do we review key financial matters?



We typically don't review key financial matters very thoroughly...

When asked to rate the extent we have reviewed key financial matters over the past 5 years, scores ranged from just 3.4 to 6 points out of 10 (where 0 indicated they weren't reviewed at all and 10 a complete review).

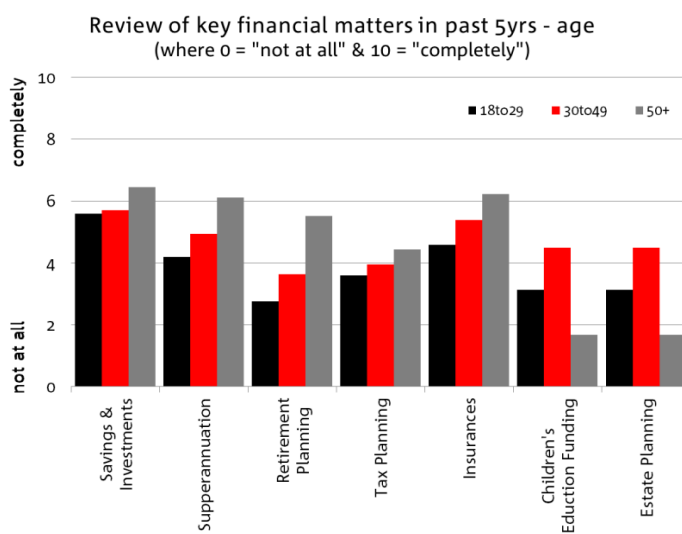
Savings and investments (6 points), insurances (5.6 points) and super (5.2 points) were given moderate attention, but we were much less inclined to review our retirement planning (4.2 points), tax planning (4.1 points), estate planning (3.4 points) and children's education (3.4 points).



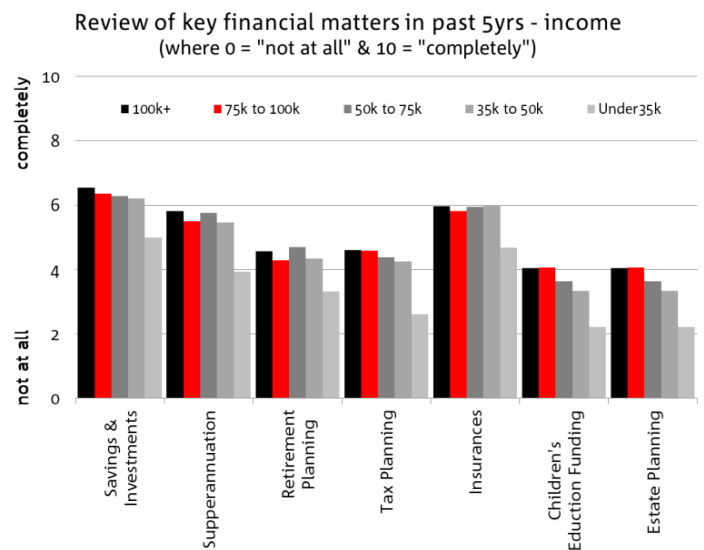
Men and women have devoted broadly similar attention to their savings and investments, insurances, children's education and estate planning.

But men are more likely to have reviewed their super (5.7 vs. 4.9), retirement planning (4.6 vs. 3.8), and tax planning (4.3 vs. 3.8) than women.

Over 50s are far more active when reviewing financial matters, except (not surprisingly) their children's education and estate planning, where middle-aged Australians were the most active.



There also seems to be a relationship between income and how thoroughly we review financial matters. Typically, high income earners have reviewed all matters more completely than low income earners over the past 5 years.



PART 2 - THE FAMILY HOME

What does our home ownership position look like?

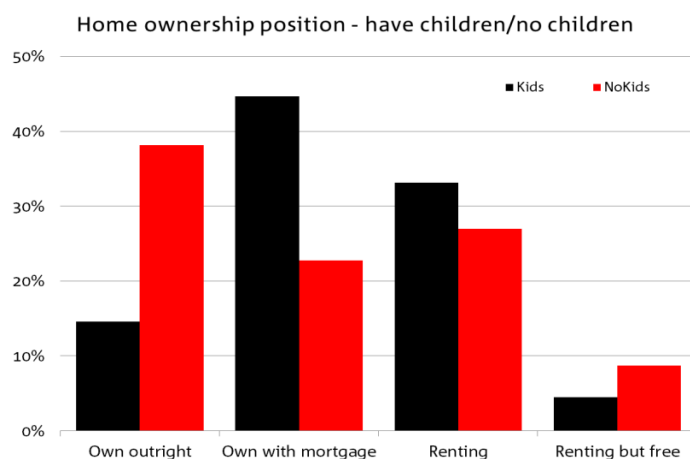
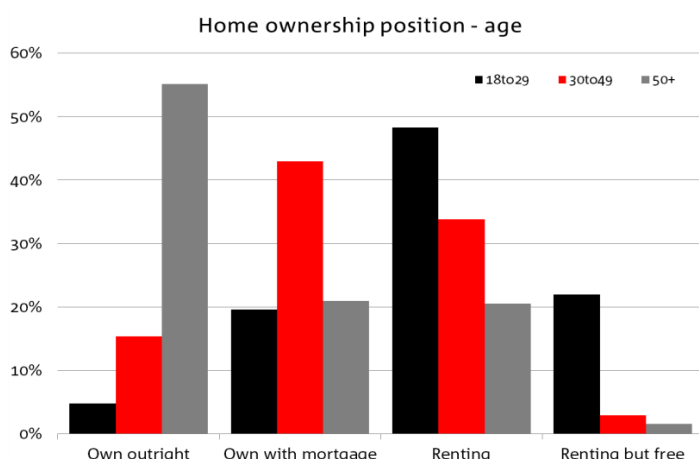
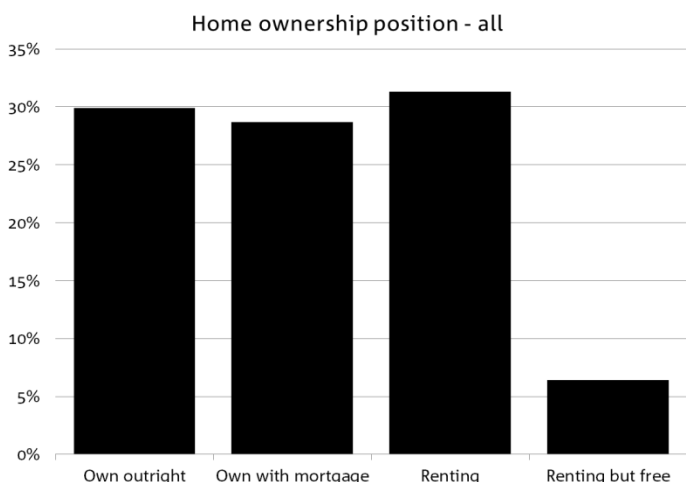
Around 6 in 10 of us said we own our homes outright or with a mortgage...

The home in which we live is generally our biggest asset.

Our survey shows that around 30% of us own our homes outright and 29% own it with a mortgage. Around 31% pay rent to someone else 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 (43%). Most young people (43%) 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 15% with children). Conversely, 45% 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?

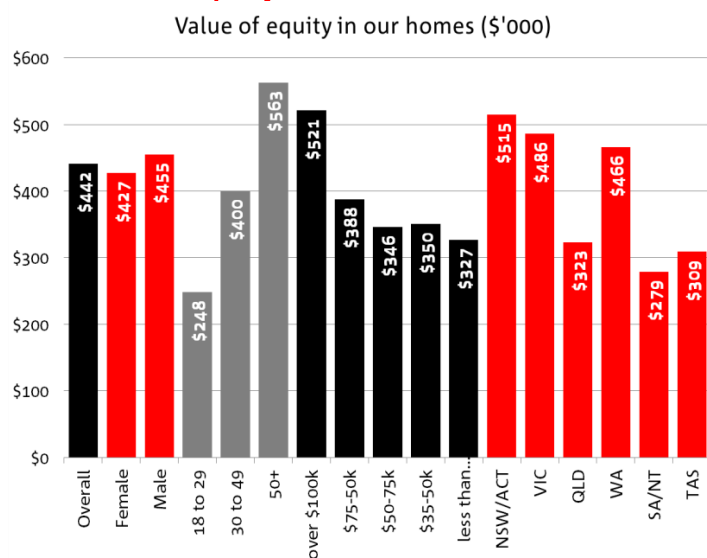
The average home owner has \$442,000 of equity in their home...

The average Australian home owner has around \$442,000 of equity in the family home.

Between male and female respondents, there is a minor difference of \$30,000.

Age and income have a significant impact on the level of equity in the family home. While over 50s have \$563,000 in home equity, 18-29s have \$268,000. High income earners (+\$100,000 a year) have almost \$200,000 extra in home equity than those on the lowest incomes.

Home owners living in states with higher house prices (particularly NSW & Victoria) also have more equity. As house prices are growing faster in these states, home owners are enjoying significant equity gains.



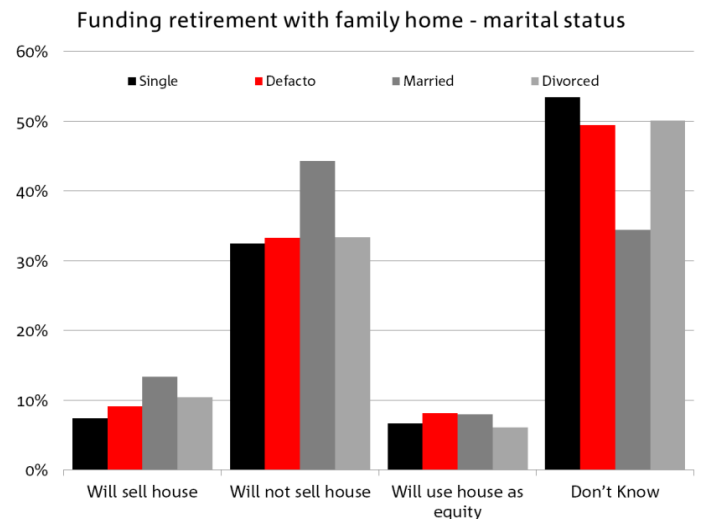
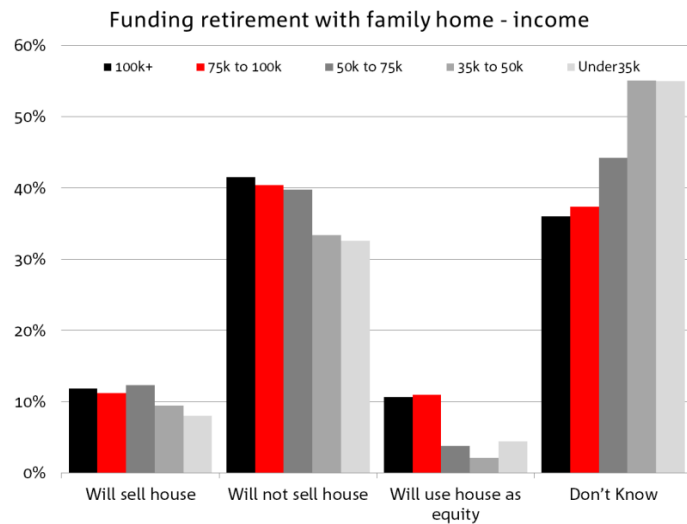
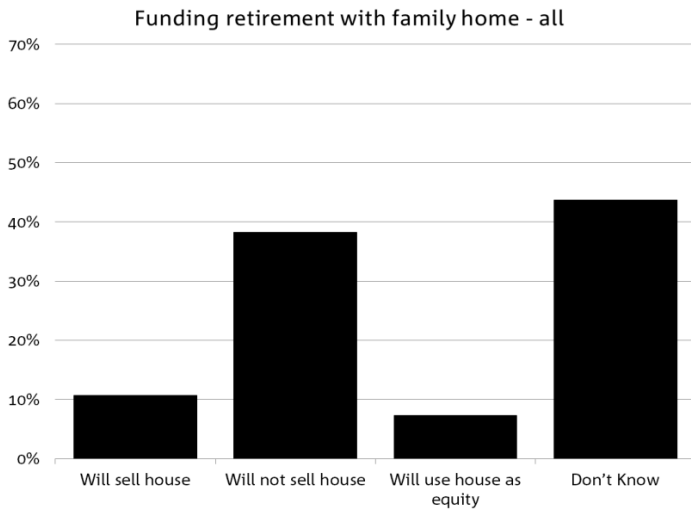
Will we use the family home to help fund our retirement?

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

Over 8 in 10 Australians are either unsure or unwilling to use the family home to fund their retirement.

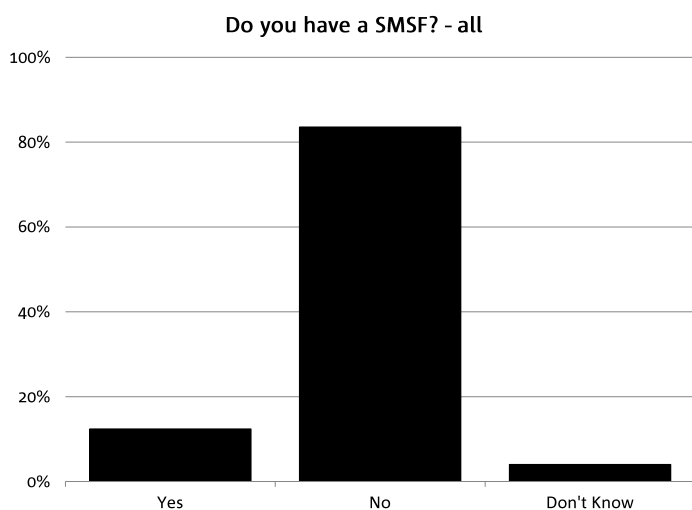
Despite broad agreement between men and women there are some big differences in intentions by income and marital status.

More than 1 in 2 (55%) Australians earning less than \$50,000 are unsure about what to do with their homes in retirement, compared to around 1 in 3 earning more than \$75,000. Meanwhile, married couples are the least unsure demographic and most inclined to maintain the family home.



PART 3 - SUPERANNUATION

Our current superannuation situation



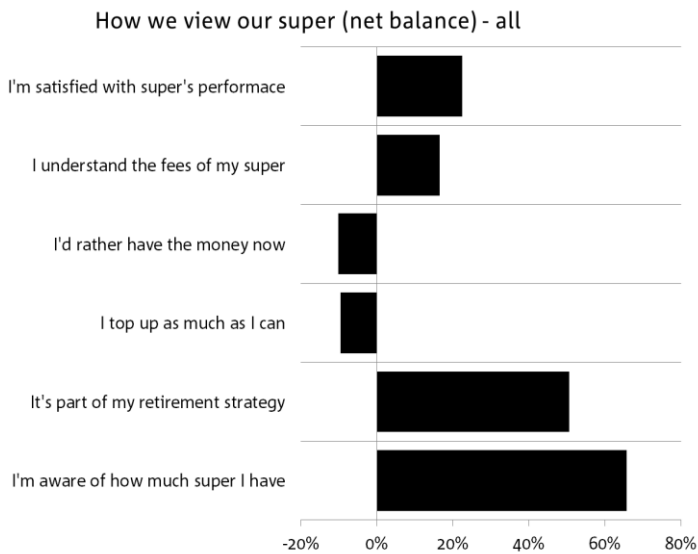
Just over 1 in 10 of us has a self-managed super fund (SMSF)...

Only 12% of Australians have a self-managed superannuation fund (SMSF).

There is little difference between women (13%) and men (12%).

By age and gender, middle-aged men are the least likely to have a SMSF (10%). Younger men (14%), older women (14%) and older men (13%) are the most likely to have one.

How do we view our super?

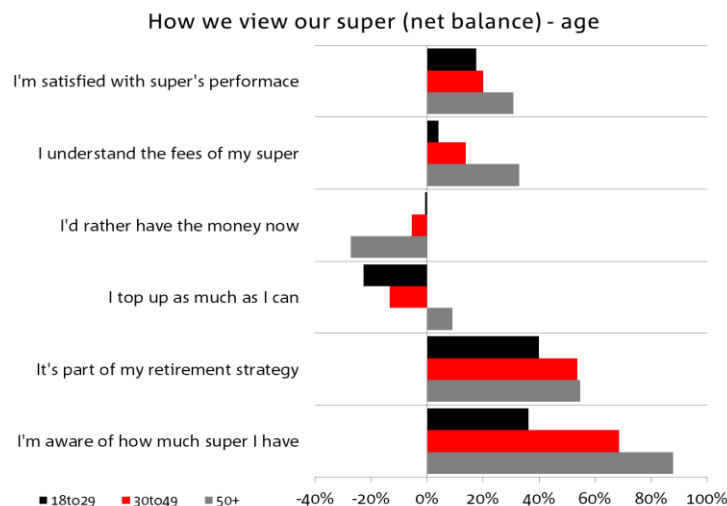
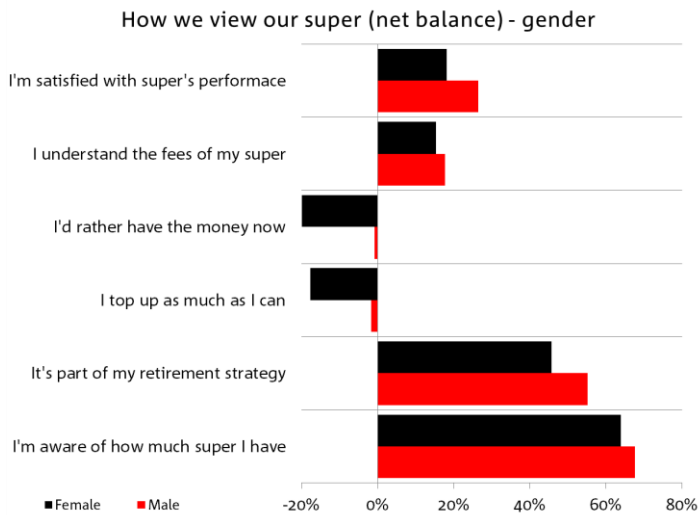


Most of us are aware of how much super we have and believe it's an important part of our investment strategy for retirement...

In net terms, around 66% of Australians are aware of how much super they have and 51% consider their super to be an important part of their investment strategy for retirement. Around 22% are satisfied with the performance of their super funds over the past year and almost 1 in 5 thought the fees on their accounts were transparent enough.

Over 50s are much more aware of their super balances than young people. They are also more inclined to top up their super than any other age group, and are also the most positive in relation to transparency around fees.

Young Australians and women are the least inclined to top up their super when they can.



PART 4 - RETIREMENT

When do we expect to retire?



Around 1 in 3 Australians expect to retire between 65-69, but expectations vary widely...

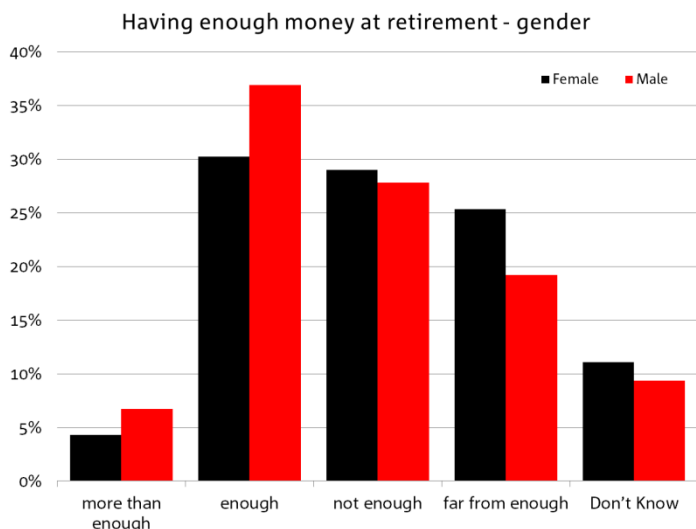
Around 32% of us expect to retire between the ages of 65-69 and 23% expect to retire between 60-64. Just over 1 in 5 expect to retire over the age of 70 and 17% before 60. Around 10% don't know.

More men (33%) now expect to retire between 65-69 than women (31%).

By age group, a lot more over 50s (41%) believe they will retire between 65-69 than any other age group.

However, more than 1 in 4 young Australians think they will retire before 60, compared to just 18% of 30-49 year olds.

Will we have enough to retire on?



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

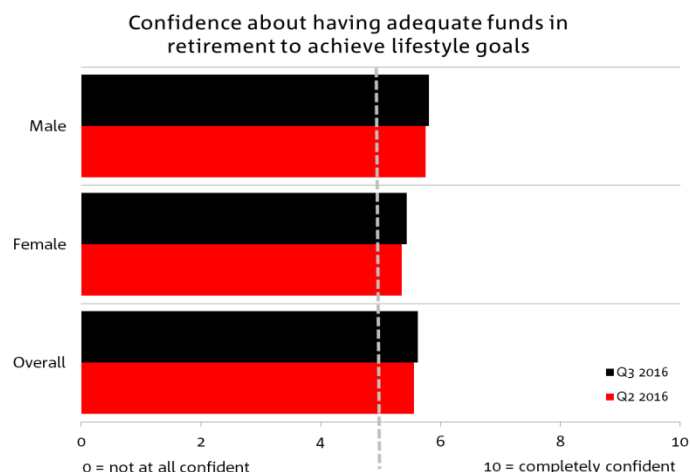
Overall, around 1 in 2 Australians don't think they will have enough to retire on.

But women are far more pessimistic than men, with around 54% not expecting to have enough money to retire on (47% of men). Significantly, 1 in 4 (25%) women also believe that they will have *far from enough* (19% of men).

In contrast, around 44% of men think they will have enough to retire on (34% of women).

But when it comes to having *more than enough*, very few expect to reach this goal - around 7% of men and 4% of women.

And will this affect our desired lifestyle in retirement?



We are only moderately confident about having enough money to achieve our desired retirement lifestyle...

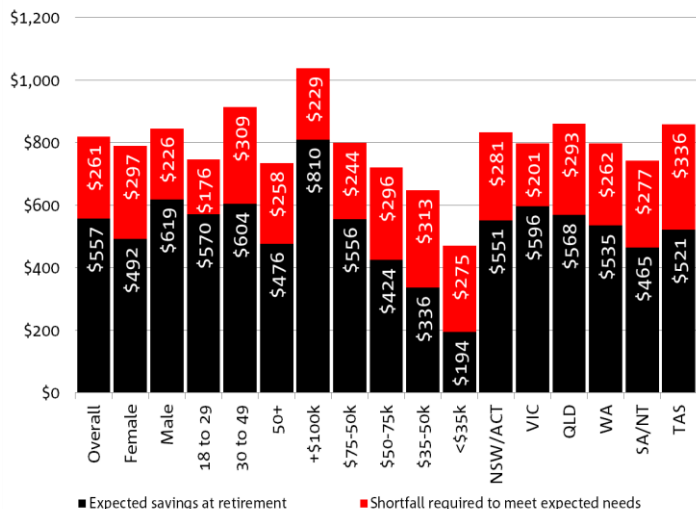
Overall, Australians remain only moderately confident about having enough money to achieve their desired lifestyle in retirement.

Men (5.8 points out of 10) are slightly more confident about achieving these goals than women (5.4 points).

Encouragingly, however, small improvements in confidence were observed across both genders during Q3.

How much do we think we will need at retirement?

Savings expected at retirement (ex home) and shortfall to meet expected needs (\$'000s)



We expect to retire with around \$557,000 (not including our homes), but we think we will need \$818,000 - a gap of \$261,000...

On average, we expect to retire with around \$557,000, but we also think we will need \$818,000 at retirement - leaving a shortfall of \$261,000.

Men (\$619,000) expect to have more savings than women (\$492,000) when they retire.

But neither men nor women think they will have enough to meet their needs when they retire. For men, the gap is around \$226,000 and for women it is \$297,000.

There are also big differences by age. Young Australians believe they will retire with \$570,000, 30-49 year olds with \$604,000 and over 50s with \$476,000.

However, while young people anticipate a savings gap of only \$176,000, it climbs to \$258,000 for over 50s and \$309,000 for middle-aged Australians.

Expected savings at retirement widens appreciably by income, from \$810,000 for those earning over \$100,000 to just \$194,000 for those on the lowest income.

But we have considerable wealth tied up in our homes...

Australian homeowners on average have \$442,000 in home equity.

Men have an average of \$455,000 of equity in homes as compared to \$427,000 for women.

Over 50s have around \$563,000 in home equity, while young Australians have \$248,000.

High income earners have over \$521,000, but the lowest income earners have just \$327,000.

It is interesting to note that for most income groups, excluding the highest, the value of equity in our homes is roughly the same.

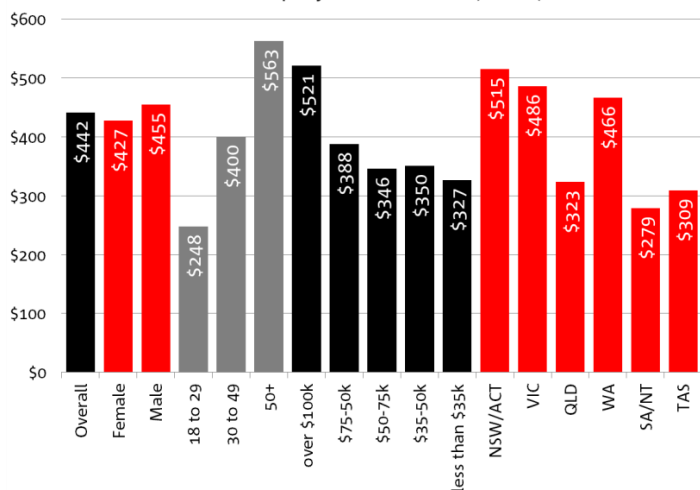
And were we to sell the family home?

The average Australian homeowner has over \$442,000 equity in the family home. On average, Australians also think they will have shortfall of \$261,000 at retirement. Selling the family home would create a net surplus of \$180,000 (notwithstanding any future capital appreciation).

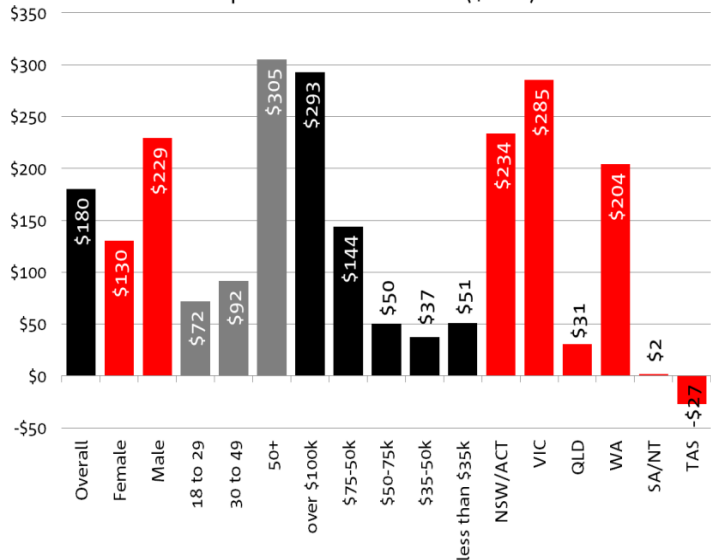
States with higher house prices tend to also have higher equity value and states with lower house prices lower equity values and less to cover their retirement shortfall. Higher income earners have \$293,000 in surplus whilst the lower income earners only have around \$50,000.

However, it is important to note that whilst selling the family home would cover the expected shortfalls of retirement for many people, only 11% of respondents expect they will sell their homes to fund their retirement.

Value of equity in our homes (\$'000)



Net position at retirement (\$'000)



PART 5 - WEALTH POSITION & GOALS

How we define “wealth”

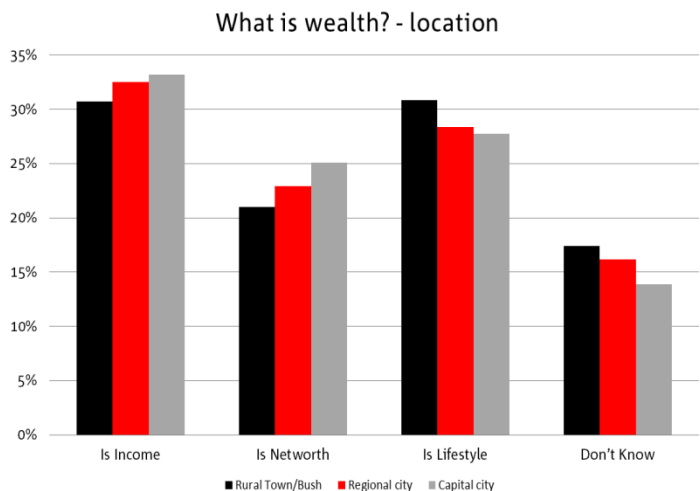
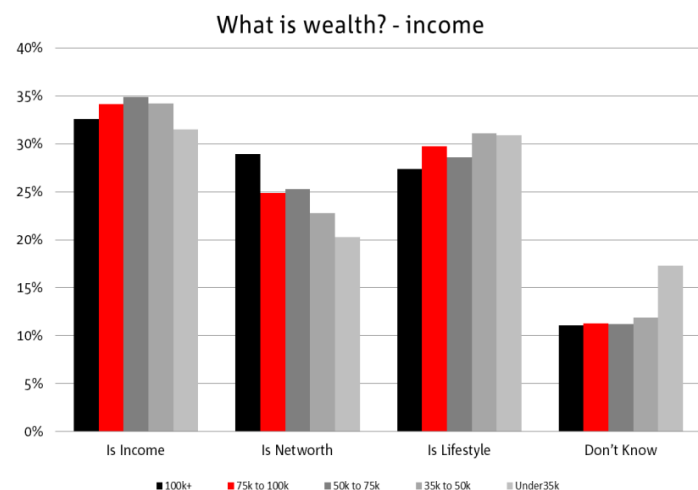
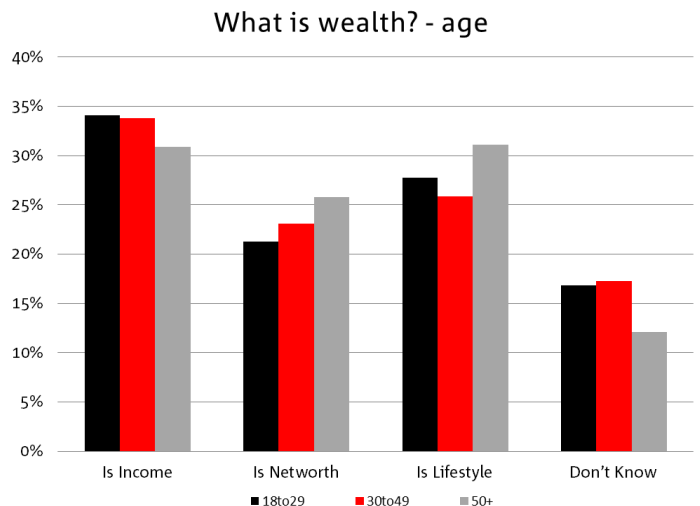
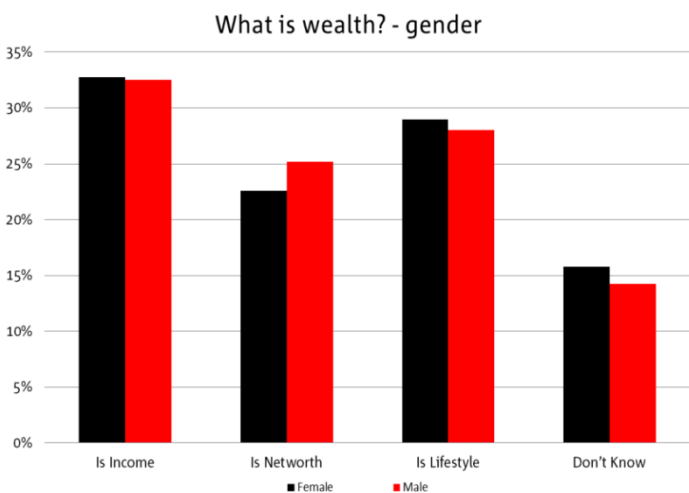
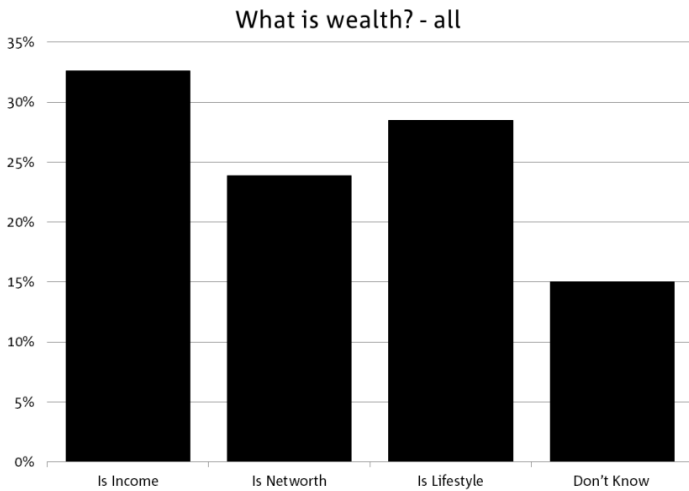
Wealth means different things to different people – and many believe it is more than just money...

When the average Australian was asked what constitutes overall “wealth” (income, net worth & lifestyle). Income (33%) was most important, followed closely by lifestyle (29%) and net worth (24%).

Net-worth is a more important contributor to the wealth of men compared to women (25% vs. 23%), while lifestyle plays a slightly bigger role for women (29% vs. 28%).

High income earners rate net-worth more important, whilst lower income earners attach greater importance to their lifestyle when defining wealth. Middle-income earners however place greater emphasis on income.

Where we live is also significant. Rural residents think of wealth more in terms of lifestyle while city dwellers think income and net worth contribute more to their definition of “wealth”.



Do we think we are wealthy?

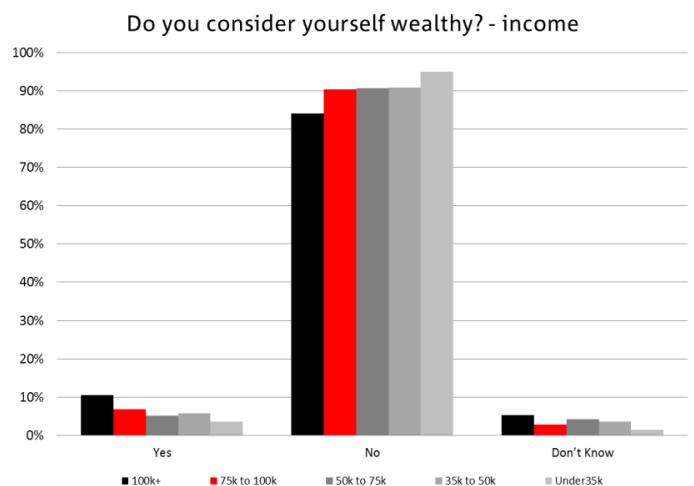
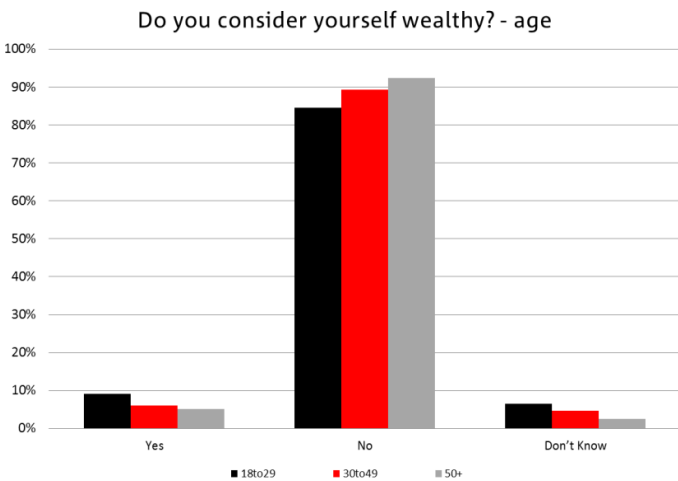
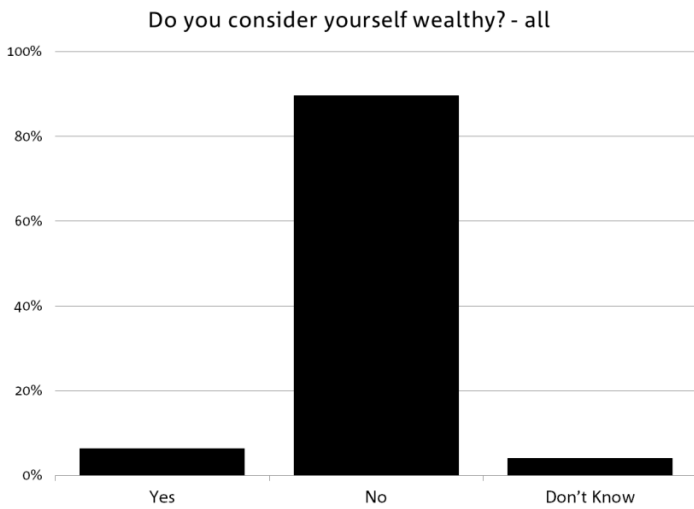
Most of us don't see ourselves as wealthy...

Around 9 out of 10 of us don't consider ourselves to be wealthy.

More men (7.1%) consider themselves to be wealthy compared to women (5.5%), but only marginally.

More young people (9.1%) see themselves as wealthy, while older generations tend to be more pessimistic.

Almost 1 in 10 Australians earning more than \$100,000 believe they are wealthy, compared to only 3.6% of those earning less than \$35,000.



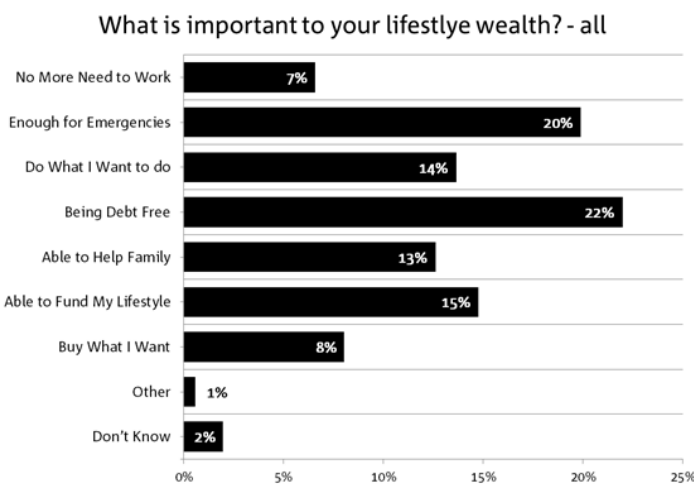
What is most important for our lifestyle wealth?

Being debt free and having the ability to meet emergencies are the 2 most important drivers of lifestyle wealth...

Being debt free (22%) and having enough security to feel confident about handling any emergencies (20%) are seen as the most important contributors to our lifestyle wealth.

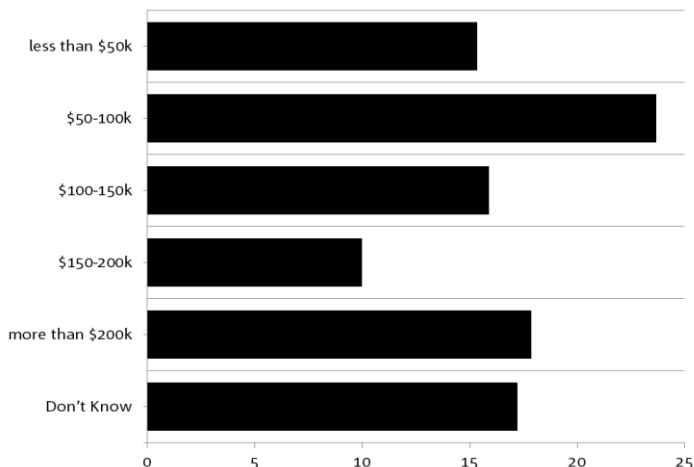
The ability to fund our preferred lifestyles (15%), having the time to do what we want when we want (14%) and being able to help our family and friends when they are in need or because we want to (13%) are the next most important drivers

Being able to buy whatever we want when we want (8%) and never having to work again (7%) were considered to be the least important drivers of our lifestyle wealth.



Income required for achieving our desired lifestyle wealth?

What annual income is sufficient for your lifestyle? - all

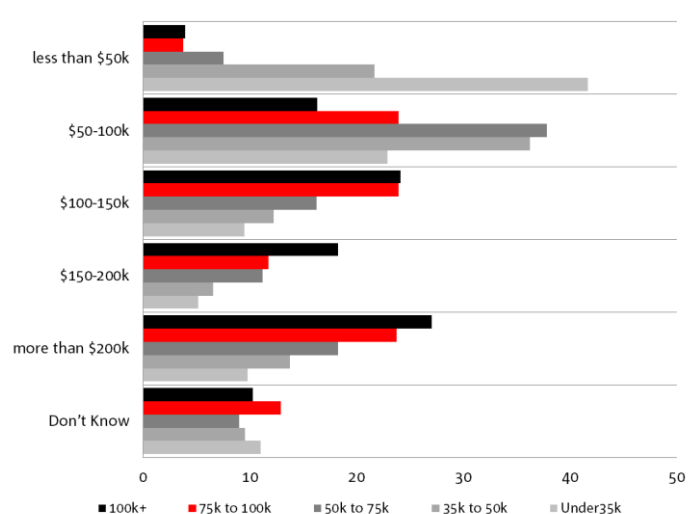


Nearly 4 in 10 Australians think less than \$100,000 in annual income would be sufficient to reach their desired lifestyle wealth.

Typically, Australians appear to have relatively modest expectations when it comes to how much income wealth they would require to reach their desired lifestyle wealth. For almost 40% of us, that figure is below \$100,000 per annum - not much more than average annual earnings (around \$80,000). And for 15% of us, that figure is less than \$50,000. Around 1 in 4 think they will need between \$100,000 and around 17% more than \$200,000.

Current income levels are an important determinant in driving expectations. Australians on lower incomes have lower expectations - 41% earning less than \$35,000 think an annual income of less than \$50,000 would be sufficient.

What annual income is sufficient for your lifestyle- income



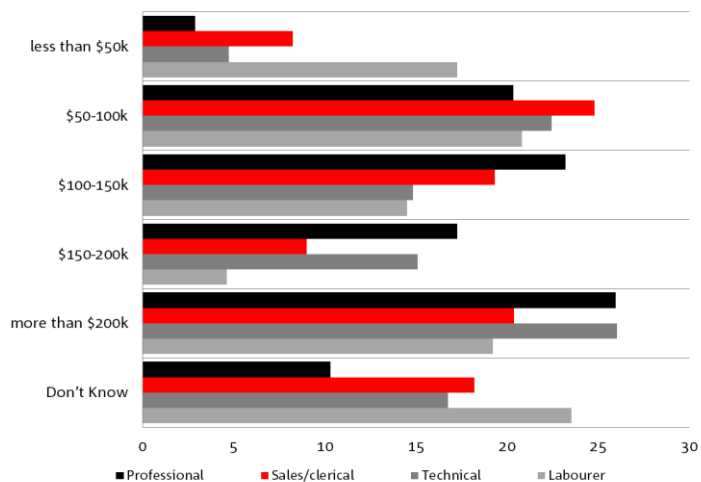
In contrast, higher income earners think they would need more - 70% believing they will need over \$100,000 in annual income to achieve their desired lifestyle wealth.

Our jobs and education levels also seem to influence our expectations.

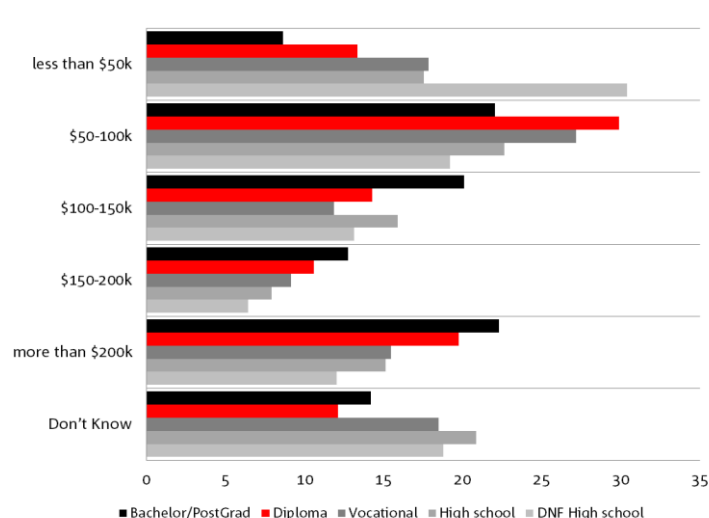
Around 40% of us employed in labouring said they would need less than \$50,000, while employed professionally or in a technical role said they would need more than \$200,000.

Around 1 in 3 high school leavers said that an income of less than \$50,000 would be sufficient to achieve their desired lifestyle wealth, whereas almost 1 in 4 with a bachelor degree or higher indicating the we need an annual income of more than \$200,000 to support their lifestyle.

What annual income is sufficient for your lifestyle? - employment type



What annual income is sufficient for your lifestyle? - education



Net worth wealth required for achieving our desired lifestyle wealth?

On average, we think we will need around \$817,000 in assets to achieve our desired lifestyle wealth...

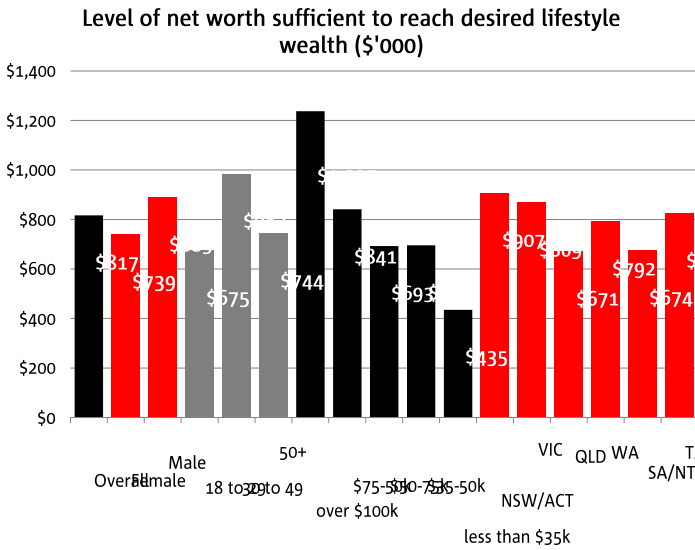
Australians also have relatively modest expectations when it comes to how much worth they will need to reach their desired lifestyle wealth.

On average, we think we will need around \$817,000 in assets (including our homes). Men (\$889,000) think they will need more than women (\$739,000).

Interestingly, middle aged Australians (\$983,000) think they will need significantly more than over 50s (\$774,000) and younger Australians (\$675,000).

There is also a very clear relationship between income and net worth requirements. The highest income earners think they will need around \$1.2 million, while the lowest income earners just \$435.

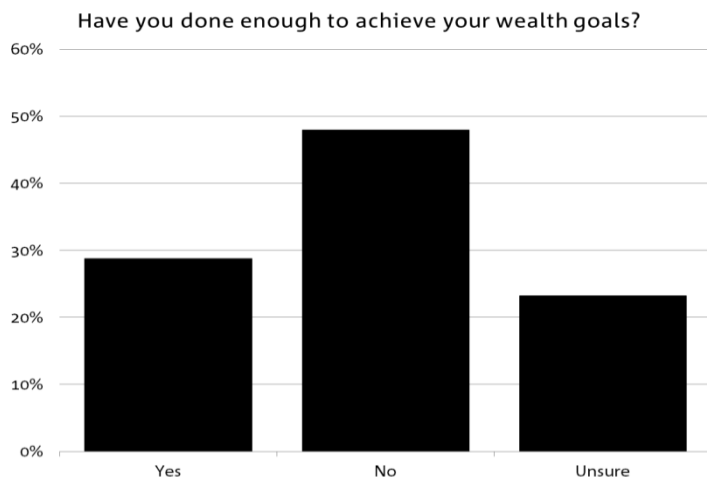
By state, NSW/ACT (\$907,000) and Victoria (\$869,000) lead, with expectations noticeably lower in Queensland (\$671,000) and SA/NT (\$674,000).



Have we done enough to achieve our wealth goals? If not, why?

Nearly half of us don't think we've done enough to achieve our wealth goals...

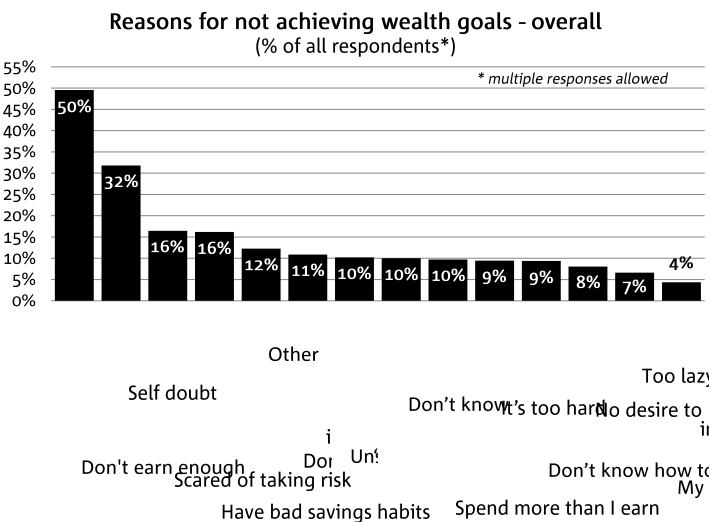
Nearly 50% of Australian's don't think they have done enough to achieve their wealth goals and over 20% are unsure.



And the main reasons we haven't done so is because we don't earn enough or have self-doubt...

1 in 2 Australians have indicated that the reason they haven't done enough to achieve their wealth goals is because they only earn enough to manage day by day and are unable to build their wealth.

Around 1 in 3 said that it was self-doubt - they did not believe that they would never be wealthy.



About the survey:

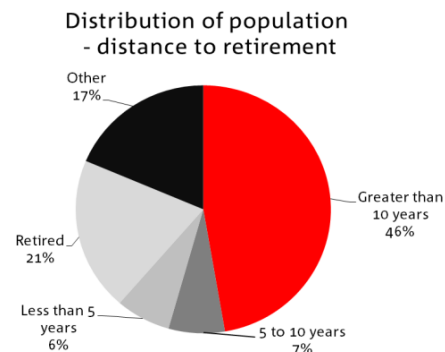
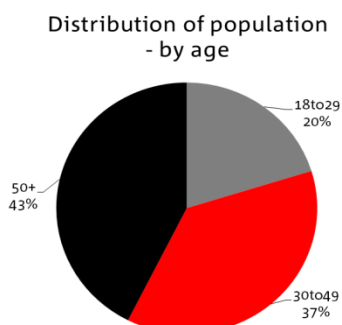
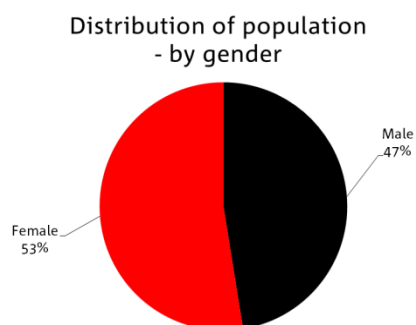
The MLC Australian Wealth Sentiment Survey aims to assess the investment environment including investor intentions and behaviours.

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 Q3 2016 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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