

Australia today – Part 2

*A look at lifestyle, financial security
and retirement in Australia*





Part 2

Are we worried about the future?

Contents

Executive summary of research findings – Part 2	2
Research findings:	3
<i>Part 2 – Are we worried about the future?</i>	3
Maintaining our lifestyle and financial security are our top priorities	3
We're not sure if the next generation will enjoy the same lifestyle as us	4
About IPSOS and MLC	5

Australia today – Part 1

Australia today – Part 1, 'We're all in the middle, aren't we?', is available for download mlc.com.au/australiatoday

Executive summary of research findings

Maintaining our lifestyle and financial security are our top priorities

Close to three in five (56%) were *concerned about being able to maintain their lifestyle in 10 years' time*, while almost 1 in 5 (17%) indicated that they will be relying on family inheritance to pay off their mortgage or ensure their financial security. This sense of insecurity led many to believe that they would not be able to fund their own retirement, with two in five (43%) agreeing that they would be relying on the Australian government.

We're not sure if the next generation will enjoy the same lifestyle as us

As the cost of living and the mortgage rule the financial lives of most Australians, many worry that today's young people will struggle to build the same kind of life their parent's generation has enjoyed—one third (33%) of all parents in the survey *believed their children won't be able to live the same lifestyle as them*.

Research findings:

Part 2 – Are we worried about the future?

Maintaining our lifestyle and financial security are our top priorities

Despite avoiding slipping into recession during the GFC and continuing economic growth since then, consumer confidence in Australia has remained shaky.

According to *Ipsos Issues Monitor*, an on-going survey of 1000 Australians each month, 'the economy' has been top of mind since September 2014 (ahead of healthcare, unemployment, crime and the cost of living), with one in two Australians listing it in their three most important issues facing Australia.

As already highlighted, the mortgage and the cost of living are considered the greatest financial burdens on Australian households, but they are not the only factors driving lacklustre consumer confidence. Recent qualitative research by the *Ipsos Mind & Mood Report* suggests that anxiety around job security and concerns over the post-mining boom economy are also behind poor confidence.

'It's tough these days. You have to work hard to keep your job. If you've got a good one, you're lucky.'

'I wonder what sort of future my kids will have. There's not going to be much left for them after the mining booms over.'

These concerns were mirrored by the results of this research: with a third of all participants (35%) agreeing that they were concerned about their job security. Trepidation was more acute amongst the newest/latest migrant community: those who had moved to Australia within the preceding four years (78%) were significantly more worried about their job security than those who had been in Australia for longer (32% amongst those who had lived in Australia for more than a decade).

When research participants were asked about their goals for the future, maintaining their standard of living emerged as the top priority. **Close to three in five (56%) were concerned about being able to maintain their lifestyle in 10 years' time**, with those aged 50–70 (61%)—who are more likely to be either already retired or approaching retirement—more likely to worry about being able to keep the same lifestyle.

When it came to the long-term future, some were looking to other sources to heighten their sense of financial security. **Almost 1 in 5 (17%) indicated that will be relying on family inheritance to pay off their mortgage or ensure their financial security.** This was higher amongst those who believed their parents to be a higher class than them (55% of those who believed their parents were upper class and 20% of those who believed their parents were upper middle class) and those who went to a private school (24%).

Two in five (43%) did not believe they would be able to fund their lives post-work, having agreed that they would be relying on the Australian government in their retirement. As anticipated those aged 50–70 were more likely (49%) to agree with this statement, while those aged 25–29 were much less likely to agree (33%).

Additionally, 53% of those currently retired are relying on the government and 44% of those transitioning to retirement will rely on the government, which suggests that reliance on the government will decrease as younger generations age and move into retirement because they have accumulated greater super savings than older generations, significantly increasing their ability to fund their own retirement.

Not surprisingly, reliance on the government was significantly lower amongst high-income householders: \$100,000–\$149,000 (33%), \$150,000–\$199,000 (24%) and \$200,000 + (14%).

Those who used financial advisers or planners (27%) were also significantly less likely to say they would rely on the government in retirement.

Research findings:

Part 2 – Are we worried about the future?

We're not sure if the next generation will enjoy the same lifestyle as us

'The kids will never be able to buy a house here in Sydney. They'll have to move away or they'll be renting all of their lives.'

'I don't know how the kids will ever be able to afford a house in Sydney.'

As the cost of living and the mortgage rule the financial lives of most Australians, many worry that today's young people will struggle to build the same kind of life their parents enjoyed—one third (33%) of all parents in the survey believed their children won't be able to live the same lifestyle as them.

Much of this anxiety has been fuelled by the increase in housing prices over the last five years, leaving many to ponder the possibility that the next generation may well be the first to be locked out of the Australian dream of owning their own home.

Indeed, the percentage of affordable homes and units in our biggest cities continue to dwindle—just 7.8% of homes and 16.3% of units in Sydney have sold for \$400,000 or less (and 23.8% of houses and 58.7% in Melbourne) this year so far,¹ while the percentage of mortgages held by first-home buyers also continues to slide, down from 10.1% in April 2014 to 7.4% in June 2015.²

According to *Ipsos Mind & Mood Report* research participants, those with school age children can't see how their offspring will ever be able break into the housing market when they hit adulthood.

'I'm worried about my kids. How will they afford to buy a house in the future? How will they afford to live with the cost of living these days?'

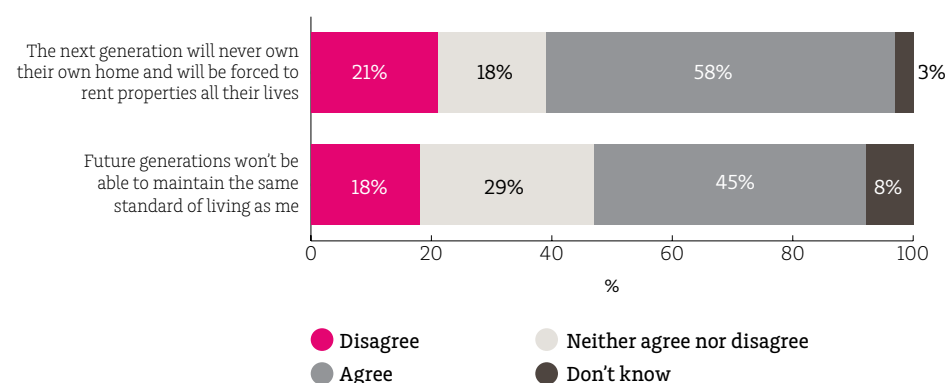
'It's going to get to a point where it's impossible. I've got a 13 year-old and an 11 year-old—when they get to their 20s how will they be able to afford a house?'

'Even now you need to start with a loan of 500 or 600 thousand dollars—your first loan! In another seven years what's it going to be like? People will be renting all their lives.'

Concern over real estate becoming unaffordable for the next generation was not limited to those living in our most expensive capital cities. Even those in regional areas worried about their children's prospects.

'When I bought my first house here [in Townsville], we paid \$94,000. Your average house now here is around the \$300–\$400,000 mark. For someone just out of school who isn't earning more than \$40,000, it's just not possible. They just can't get there.'

A different life for the next generation



Q22. Please indicate the extent to which you agree with each statement. Base: all; n=2038

¹ Figures as of June 2015, CoreLogic RP Data Property Pulse, August 2015, <http://corelogic.com.au/news/the-proportion-of-sales-below-400-000-keeps-falling>

² Figures as June, 2015, AFG Mortgage Index, July 2015, <http://www.afgonline.com.au/wp-content/uploads/2015/07/AFG-June-Mortgage-Index.pdf>

About IPSOS and MLC

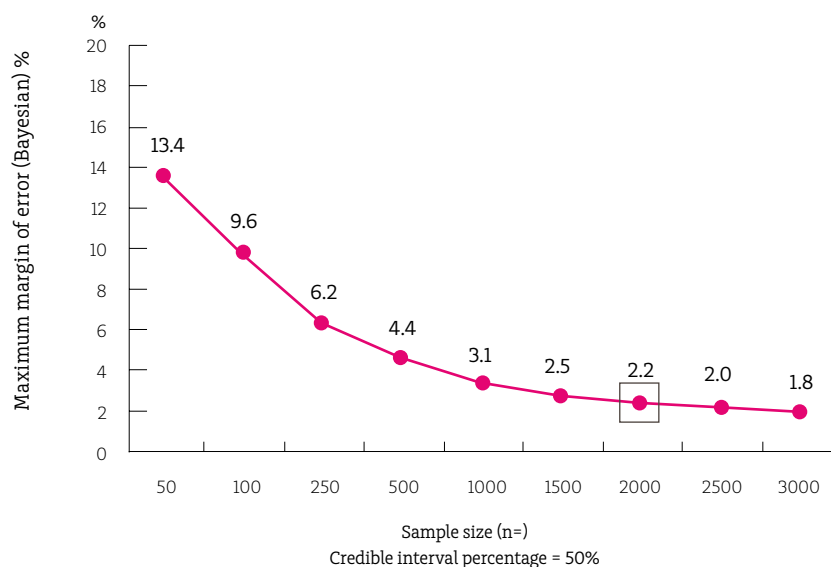
The following section outlines the sampling, weighting and analysis used in this research.

Sampling

- National sample of n=2038, aged 25–70 collected through an online panel during August 2015. Gender, age and location quotas and weights were applied to ensure the sample was representative of the population
- Age, gender and location quotas were used in fieldwork. These were calculated on the ABS's 2011 Census data.
- This sample size has a maximum Bayesian margin of error of +/- 2.2% at 95% confidence, as depicted below. This means that if the study was repeated, a result of 50% could fall in the range of 47.8% and 52.2% and still be a reliable and valid finding. It should be noted that the margin of error decreases more slowly as sample sizes increase (for example, a sample of n=3000 would only decrease the maximum error by +/- 0.4%).

Weighting

- Data were weighted retrospectively to ensure maximum representativeness.
- Age, gender and location weights were calculated based on the ABS's most recent population estimates at the time of research.



Statistical analysis

- Each question was run by at least 18 different demographic and economic variables (including gender, age, income, social grade, use of financial advisors, tenancy, education, role within company, etc).
- Standard inferential statistics (including Chi-Square test of independence), ANOVAs/t-tests, Pearson correlations, Latent Class Analysis and Principle Component Analysis used to interrogate the data.

Additional qualitative research

Verbatim quotes are drawn from the existing, syndicated qualitative research by the *Ipsos Mind & Mood Report*, Australia's longest running social trends study, now in its 37th year.

The *Ipsos Mind & Mood Report* research is based on group discussions with Australians conducted in major capital cities and regional areas. Discussions follow the classical principles of non-directive research, which has three essential features:

- Groups used for the research are AFFINITY GROUPS—naturally occurring groups of friends, neighbours, workmates, etc.
- Discussions are held in the NATURAL HABITAT of the groups—private homes, clubs, offices or wherever the members of a particular group feel most comfortable.
- The asking of direct questions is avoided and the role of the researcher is essentially passive. Group members are encouraged to participate in SPONTANEOUS DISCUSSION.

About Ipsos

Ipsos is a leading global market and social research organisation headquartered in Paris. Ipsos has Australian offices in Sydney, Melbourne, Brisbane and Perth. The social research division of the company, The Ipsos Social Research Institute, conducted the quantitative research and analysis, while the social trends division of the company, *The Ipsos Mind & Mood Report*, Australia's longest running qualitative social trends study, analysed the data, conducted additional desk research and wrote the whitepaper.

About MLC

For 128 years MLC has been helping our customers create the best possible future. Here's how we do it.

We believe in empowering our customers to grow and manage their wealth into retirement.

As National Australia Bank's wealth management division, we're committed to providing investment, superannuation, insurance and financial advice to our corporate, institutional and retail customers

Our wealth management expertise, coupled with the strength of being within the NAB Group, enables us to provide holistic financial solutions for our customers.

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