The Financial Fitness of Working Australians

November 2015
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Map My Plan commissioned a report on the state of financial wellbeing in Australia to provide a deeper understanding of the issues affecting working Australians.

While there are a number of international reports about financial wellbeing and the impact of financial stress, this is the first time comprehensive data has been made available for Australia – and to our knowledge it’s also the first financial wellbeing research that is fully focused on working Australians.

Methodology

Newgate Research was commissioned by Map My Plan to undertake market research on the financial health of Australian workers.

Results in this report are from an online survey of 1,617 Australian workers aged 18 years and over. All respondents were currently employed (either full-time, part-time or casual).

The survey was conducted between 30 September and 6 October 2015.

To ensure a representative sample of Australian workers, quotas were set for age, gender and location. These quotas were based on population data published by the Australian Bureau of Statistics.

For the purposes of this research, baby boomers are defined as those aged 51-69 years, Generation X as 36-50 years, and Generation Y as 21-35 years of age.

The results of the survey were used to determine two types of data: a Financial Fitness Index (that takes into account financial control, capacity to absorb a financial shock, planning and freedom) and a productivity loss estimate (based on the amount of time workers spend thinking about finances during work hours).

For more information on how these were calculated, please refer to the appendix.

About Map My Plan

Map My Plan aims to improve the financial literacy of Australians and ensure people can make well-informed decisions throughout their life.

Map My Plan is a virtual financial planner that enables people to create a personalised financial roadmap based on their current situation and their financial goals. It does not sell any products, it purely focuses on advice to help you reach your goals.

We are fully automated and 100% online, and our service does not require you to see an adviser.
Personal finance issues are the leading cause of stress in Australia\(^1\), and financial wellbeing is recognised as an integral part of overall wellbeing. Yet, to date, very little research has been done in Australia to measure the state of our financial fitness.

The first Financial Fitness survey and index of working Australians is an important step in benchmarking how financially fit we are as a nation. We understand the importance of body mass index in measuring physical health, and how an exercise and diet plan can help us make improvements. This survey aims to do the same for our financial health.

How do Australians measure up?

In 2015, the average Australian worker has a Financial Fitness Index score of 114 out of a possible 200 – an average level of financial fitness.

We believe Australians can do better.

This index is based on four key pillars of financial health: their sense of control over personal finances, their capacity to absorb a financial shock, whether they have a financial plan in place, and their overall financial freedom to make lifestyle and career decisions.

The survey of 1,617 respondents, including full-time, part-time and casual employees, highlighted some clear opportunities for improvement, and a desire for support from their employers.

It also indicated some of the very real and pressing financial fears working Australians have.

Control of personal finances

Almost half of Australia’s workforce is worried about their current financial situation. One third say their financial situation is a major cause of stress in their life.

This is having a significant impact in the workplace, as 39 per cent say they spend two or more hours per week thinking about their finances while at work.

On average, this equates to 9.5 per cent of their paid salary hours – indicating a potential productivity loss to Australian employers of $60 billion.

Financial stress appears to affect Australian workers across all income levels – with the only exception being those earning $150,000 or more per year.

We found no significant differences for working Australians across different states.

Capacity to absorb financial shock

An unexpected medical emergency, serious illness or the loss of a job has a significant and immediate impact on your income – which is why it’s considered good practice to have between three and six months of living expenses in savings.

However, one in 10 Australian workers would go into immediate debt if they lost their job. Thirty-six per cent can only access up to $1,000 before going into debt. That’s not surprising given almost a third are saving $100 or less each month.

Meanwhile, although we’re comfortable insuring our homes, personal possessions and car, we’re not insuring our biggest asset: our ability to earn an income. Just one in three Australian workers state that they have life insurance, while less than a quarter have income protection insurance.

Planning for a secure financial future

A documented plan and realistic goals can help you feel more in control – yet most Australian workers do not have a comprehensive financial plan.

Unsurprisingly, those with a comprehensive plan are more likely to be on track to reach their financial goals. They are more likely to have higher savings and insurance coverage, and feel more in control of their financial situation. If individuals develop a rough financial plan, their Financial Fitness Score increases, even more significantly for those with a comprehensive financial plan.

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\(^1\) L. Casey and R Pui-Tak Liang, Stress and wellbeing in Australia survey 2014, Australian Psychological Society, October 2014

In line with other research citing the lower levels of financial literacy amongst women, we found women feel less prepared for retirement, and are less likely to have a financial plan.

Retirement is a major concern for many working Australians, particularly for baby boomers and Generation X. Only 29 per cent of survey respondents believe they can retire when they want to.

Financial freedom

Financial wellbeing plays an important role in our overall wellbeing because it enables us to make choices about the way we live our life. Just 22 per cent of Australian employees feel they have enough money to leave their job if they wanted to.

Why aren’t we seeking professional advice?

If we’re willing to pay a GP or personal trainer for their support when we recognise we’re physically unfit, and we know how important financial wellbeing is to our lives, why don’t more of us consult a financial planner for support?

Only 14 per cent of survey respondents said they use a financial planner. Barriers to use include cost, potential conflicts of interest, and a perceived lack of independence or focus on selling products.

Yet 56 per cent were interested in a complimentary financial wellbeing program offered by their employer, particularly if it included retirement planning, confidential sessions with a financial adviser, and online tools to help them manage financial goals.

Working Australians have **average financial fitness**

Australia’s national average: **114/200**

Based on an online survey of 1,617 Australian workers
Australians enjoy relative economic stability and high disposable income – the OECD Better Life Index ranks Australia fifth globally for household net adjusted disposable income, behind the US, Luxembourg, Norway and Switzerland².

Yet when it comes to our financial fitness – how we manage that economic potential – we are at best average. Based on the survey responses of 1,617 working Australians, the Financial Fitness Index found the average working Australian scores 114 out of a possible 200. This is based on weighted responses to questions under our four key pillars to financial health.

This index is based on four key pillars of financial health: their sense of control over personal finances, their capacity to absorb a financial shock, whether they have a financial plan in place, and their overall financial freedom to make lifestyle and career decisions. These four pillars build on each other, initially providing a solid financial foundation to enable individuals to achieve their unique financial goals.

WHAT MAKES UP THE INDEX?

30% Control over personal finances
- Paying regular bills (utilities, food, etc.)
- Paying off credit cards monthly
- Meeting rent or mortgage payments

30% Ability to absorb financial shock
- Insured possessions, health, life and ability to earn income
- Emergency savings available

20% Planning for the future
- Developed and adhering to financial plan
- Informed to make good financial decisions

20% Financial freedom
- Very comfortable with financial situation
- Free to choose what to do and when

³ OECD Better Life Index, 2014 http://www.oecdbetterlifeindex.org/topics/income/
Improving our financial fitness

We believe Australians can do better. A score of 125 to 160 would indicate a positive level of financial fitness, while a score above 160 would make us a nation of super fit people – with freedom to do the things we want to do, when we want to do them.

Right now, 10 per cent of Australian workers are super fit. But 28 per cent are unfit – financially obese, with significant implications for their overall wellbeing.

**LEVELS OF FINANCIAL FITNESS IN AUSTRALIA**

- **Unfit**: 28%
  - Unable to meet regular payments
  - Carrying lifestyle debt (credit cards etc.)
  - Limited or no insurance
  - No financial plan

- **Average fitness**: 30%
  - Managing monthly finances
  - Some insurance beyond possessions (life, income protection)
  - Some emergency savings
  - A rough financial plan

- **Fit**: 32%
  - Not carrying lifestyle debt (credit cards paid in full)
  - Insurance for possessions, life and income protection
  - 3+ months emergency savings
  - Following well-defined financial plan

- **Super fit**: 10%
  - Able to do what they want, when they want to
  - Following well-defined financial plan
  - Sufficient insurance
  - Not carrying expensive lifestyle debt
  - 6+ months of emergency savings
Men are more financially fit than women – which may reflect the increasing gender pay gap, with ABS data showing men earn $300 more per week than women\(^1\) based on the average weekly earnings for full-time workers.

**THE GENDER DIVIDE**

Women are more likely to be financially unfit (32%) than men (25%).

Generation Y is financially fitter than may be expected, while Generation X – squeezed by debt and the costs of raising a family – are the least financially fit with 32 per cent scoring at an unfit level and an average fitness score of 110.9.

**COMPARING GENERATIONS**

- **Baby Boomers** (1946-1964)
  - Unfit: 28%
  - Average fitness: 30%
  - Fit: 27%
  - Super fit: 15%
  - Index score: 117.9

- **Generation X** (1965-1981)
  - Unfit: 31%
  - Average fitness: 29%
  - Fit: 32%
  - Super fit: 8%
  - Index score: 110.9

- **Generation Y** (1982-2004)
  - Unfit: 35%
  - Average fitness: 32%
  - Fit: 26%
  - Super fit: 7%
  - Index score: 114.1

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It doesn’t seem to matter which state you live in when it comes to financial fitness. We found only minor variations between the states, with the ACT coming out financially fittest, followed by Victoria and NSW.

**FINANCIAL FITNESS INDEX BY STATE**

<table>
<thead>
<tr>
<th>State</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>114.1</td>
</tr>
<tr>
<td>VIC</td>
<td>116.0</td>
</tr>
<tr>
<td>QLD</td>
<td>113.0</td>
</tr>
<tr>
<td>WA</td>
<td>113.3</td>
</tr>
<tr>
<td>SA</td>
<td>108.1</td>
</tr>
<tr>
<td>ACT</td>
<td>128.1**</td>
</tr>
<tr>
<td>TAS</td>
<td>115.4**</td>
</tr>
<tr>
<td>NT</td>
<td>N/A*</td>
</tr>
</tbody>
</table>

* Index not available due to small sample size  
** While we have reported indexes for ACT and TAS, they may not be truly representative on account of small sample sizes

Why does our financial fitness matter?

Personal wellbeing is about much more than being happy. And while money can’t buy happiness, it does allow us more freedom to explore and enjoy the other aspects of wellbeing: career, social, physical and community⁴.

According to the Gallup-Healthways Wellbeing Index⁵, financial wellbeing means being able to "manage your economic life to reduce stress and increase security." This is more than a personal issue. We know financial issues are the leading cause of stress in Australia, and one in five Australians report stress as having an impact on their mental and physical health.

Employers are reporting increasing numbers of stress, anxiety and depression-related absence⁶, and according to 2014 research financially stressed employees spend 20 hours each month of work time trying to solve their financial problems⁶.

The Financial Fitness survey confirms this impact on workplace productivity, with 39 per cent of all working Australians spending at least two hours each week thinking about their finances while they’re at work.

We are not alone in this phenomenon. In 2015, US research found nearly half of all American employees are stressed by their financial situation (45 per cent), and 35 per cent report their stress levels increased over the previous 12 months. One fifth of working Americans are distracted by personal financial issues at work, while 37 per cent spend at least three working hours each week thinking about or dealing with these issues⁷.

Some major employers are taking this into consideration, designing workplace programs to support financial wellbeing. And our survey found working Australians are ready to embrace this support – they have told us they would welcome and value help from their employers.

Perhaps it’s time more employers acted on this strong interest from their employees.

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⁴ Healthways Inc, ‘Gallup-Healthways Well-Being Index’, www.well-beingindex.com/about
chapter 2

our financial aspirations and concerns

24% of working Australians are having difficulty making ends meet.

According to our survey, Australian employees have many financial goals: saving for a holiday, for retirement, for a rainy day or for a car. But when pressed, for 25 per cent paying off a mortgage is the number one financial goal, closely followed by saving for retirement (16 per cent) and saving to buy a home (11 per cent).

Clearly we still aspire to own our own home – although 38 per cent are concerned they will be unable to afford to buy a home, and one quarter don’t feel they can live in a home and area they like.

Feeling in financial control

The major financial concern, for 62 per cent of respondents, is not having emergency savings available – and this is evident in their responses about savings and insurance.

36% of respondents say they could readily access no more than $1,000 in savings if they lost their job or had a medical emergency – and we’ll explore this issue more in Chapter 3.

The current state of financial control of Australian workers would best be categorised as ‘okay’: 24 per cent report having some or a lot of difficulty making ends meet, while just over half say they’re ‘doing OK.’

Is okay good enough? Given 58 per cent of working Australians are worried they can’t afford the lifestyle they aspire to, we’d probably like to be doing a bit better. Meanwhile, almost one in four Australian workers are having some, or a lot, of financial difficulty.

Sixteen per cent aren’t comfortable paying off their credit card and other short-term debts, and key financial concerns include being unable to meet healthcare costs (for 44 per cent), being able to retire when they want to (57 per cent), or being able to take time off work to care for a baby or other family member (36 per cent).
Meanwhile, Australian workers are more likely to insure their possessions (car, house and contents) than they are to insure their greatest asset – themselves and their ability to earn an income.

Just over a third of survey respondents stated that they have life insurance, and around a quarter have disability, accident or trauma insurance, and income protection insurance. This figure is lower for women – just 30 per cent have a life insurance policy, compared with 38 per cent of men – and for casual workers, with less than one in five holding life insurance.

Health insurance coverage is more widespread than life and other personal insurance – unsurprising given government policy and incentives in this area. Life insurance is often a default offering within many superannuation funds, and different surveys suggest that as many as 70% of families have some form of death or life insurance cover. Our survey results indicate around one in three working Australians have life cover, which suggests there are many who are not aware that they may have this insurance in place.

**INSURANCE: LOW**

| 1 in 3 Life insurance |
| less than 25% Income protection insurance |

**Planning for a secure financial future**

As might be expected, respondents who have higher incomes, own their home outright and have a financial plan are those who are more likely to have control over their expenses and are more likely to be comfortably paying bills and/or debts.

Two-thirds of Australian employees have at least a rough financial plan, but of this sample, only a quarter had a financial plan that was developed by, or with the assistance of, a financial planner or similar finance professional.
It seems Australian workers don’t believe they need a financial adviser to help them develop a comprehensive financial plan. Although most people using a financial planner reported a positive experience, just 16 per cent currently use their services.

Why? The biggest barriers to engaging a professional financial planning service seem to be cost (for 75 per cent of respondents), focus on selling financial products (71 per cent) and perceived lack of independent advice (64 per cent).

They appear to be more interested in steering you towards products that make them money, rather than what is good for you.

Survey respondent on their experience with a financial planner

Baby boomers are more likely to currently be using a financial planner (18 per cent, compared with 15 per cent Generation Ys and 11 per cent Generation Xs). This may reflect that cohort’s need for professional support when it comes to retirement planning.

Given just 29 per cent of respondents believe they’ll be able to retire when they want to, and 27 per cent say they have enough money for a comfortable retirement, it would be wise for younger generations to think about long-term financial planning sooner rather than later.

Future planning by gender and generation

<table>
<thead>
<tr>
<th>Agree with the following statements</th>
<th>All</th>
<th>Male</th>
<th>Female</th>
<th>Baby Boomers</th>
<th>Gen X</th>
<th>Gen Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>I’ll be able to retire when I want to</td>
<td>29%</td>
<td>33%</td>
<td>24%</td>
<td>34%</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>I’ll have enough money for a comfortable retirement</td>
<td>27%</td>
<td>31%</td>
<td>23%</td>
<td>27%</td>
<td>23%</td>
<td>30%</td>
</tr>
<tr>
<td>I’m comfortable with my current level of long-term savings and investments (including superannuation)</td>
<td>39%</td>
<td>45%</td>
<td>33%</td>
<td>40%</td>
<td>32%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Working Australians Survey, 2015, n=1617
Financial freedom and flexibility

More than two-fifths (43%) of Australian workers agree they do not have enough money to do the things they want to in their lives, and only 22 per cent could afford to leave their job if they wanted to. It’s even harder for women than men – only 19 per cent of female workers believe they could afford to quit tomorrow.

Source: Financial Fitness of Working Australians Survey, 2015, n=1617

The generation gap

When it comes to our financial goals, there are clear differences between age groups.

**Baby boomers are more focused on retirement**

Baby boomers are more likely to have ‘saving for retirement’ as their main financial goal (35 per cent) compared with Generation X (14 per cent) and Generation Y (5 per cent).

**Generation X is feeling the debt squeeze**

Generation X respondents are less likely to be doing well financially (17 per cent are ‘doing well and feeling comfortable’) compared with baby boomers (22 per cent) and Generation Y (25 per cent). 31 per cent of Generation X respondents put ‘paying off a mortgage’ as their main goal.

**Generation Y is also focused on home ownership**

Paying off a mortgage (23 per cent) and saving for a house (18 per cent) are the two main goals for Generation Y survey respondents. Paying off student debt is the main goal for only 4 per cent of Generation Y respondents.

As expected baby boomers are less likely to be worried about being able to retire, having emergency savings and paying bills. On the other hand, Generation Y survey respondents are more concerned about their financial situation.
financial stress in Australia

Almost half of all Australian workers are worried about their financial situation. As discussed in Chapter 1, this is clearly impacting workplace productivity.

Financial stress is affecting all Australians regardless of gender, location or generation, whether they work full-time, part-time or on a casual basis, and regardless of the size and type of employer.

When we look at differences in income level, only those earning $150,000 or more per year report less financial stress than those on lower income brackets.

What is worrying Australian workers?

Survey respondents are very or quite concerned about not having emergency savings (62 per cent), not being able to afford the lifestyle they aspire to (58 per cent) and not being able to retire when they want to (57 per cent). Just over one in five are very concerned about losing their job and being without an income.

Compared with our colleagues in the United States, this makes us slightly more financially stressed – according to the PwC Financial Wellbeing index 2015, 51 per cent are concerned about their emergency savings, and 40 per cent are worried they won’t be able to retire when they want to.8

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<table>
<thead>
<tr>
<th>How concerned are you about the following? (½ who are very concerned and quite concerned)</th>
<th>All</th>
<th>Male</th>
<th>Female</th>
<th>Baby boomers</th>
<th>Gen X</th>
<th>Gen Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not having emergency savings available if I need it</td>
<td>62%</td>
<td>60%</td>
<td>65%</td>
<td>52%</td>
<td>62%</td>
<td>71%</td>
</tr>
<tr>
<td>Being unable to afford the lifestyle I aspire to</td>
<td>58%</td>
<td>58%</td>
<td>57%</td>
<td>52%</td>
<td>57%</td>
<td>63%</td>
</tr>
<tr>
<td>Being unable to retire when I want to</td>
<td>57%</td>
<td>59%</td>
<td>55%</td>
<td>56%</td>
<td>61%</td>
<td>57%</td>
</tr>
<tr>
<td>Having to rely on the pension when I retire</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>55%</td>
<td>56%</td>
</tr>
<tr>
<td>Losing my job and being without an income</td>
<td>54%</td>
<td>55%</td>
<td>52%</td>
<td>47%</td>
<td>54%</td>
<td>59%</td>
</tr>
<tr>
<td>Being unable to pay my bills and regular weekly expenses</td>
<td>46%</td>
<td>44%</td>
<td>48%</td>
<td>40%</td>
<td>45%</td>
<td>53%</td>
</tr>
<tr>
<td>Being unable to meet my healthcare costs</td>
<td>44%</td>
<td>45%</td>
<td>43%</td>
<td>41%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Being unable to afford to buy a home</td>
<td>38%</td>
<td>38%</td>
<td>37%</td>
<td>18%</td>
<td>35%</td>
<td>55%</td>
</tr>
<tr>
<td>Being unable to take time off work to care for a baby or other family member</td>
<td>35%</td>
<td>34%</td>
<td>37%</td>
<td>54%</td>
<td>34%</td>
<td>22%</td>
</tr>
<tr>
<td>Being unable to keep up with my mortgage payments and losing my home</td>
<td>31%</td>
<td>33%</td>
<td>28%</td>
<td>19%</td>
<td>28%</td>
<td>42%</td>
</tr>
<tr>
<td>Being unable to manage my credit card debt</td>
<td>30%</td>
<td>33%</td>
<td>27%</td>
<td>19%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Being unable to afford childcare or other costs of raising children</td>
<td>27%</td>
<td>30%</td>
<td>24%</td>
<td>6%</td>
<td>25%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Working Australians Survey, 2015, n=1617

"Personal finance is a major cause of stress.

1 in 3 workers

"Personal finances keep me awake at night."

23%

"I worry about my finances during work hours."

1 in 3 workers

Workers under 35 are particularly at risk.
Limited capacity to absorb financial shocks

It’s considered good practice to have at least three to six months’ living expenses put aside (and readily accessible) in an emergency fund. If you have a medical emergency, lose your job suddenly, or need to take time off to care for a family member, you may lose your income for a period of time – but the bills keep coming in.

So we asked Australian workers how many months they could manage without resorting to increasing their debt. The results were a little alarming.

• One in 10 Australians would immediately go into debt. They could not cover expenses for one day without their income.
• Just over half (53 per cent) could cover expenses for three months or less.

These figures are higher for women (55 per cent) and for Generations X (also 55 per cent) and Y (57 per cent).

What’s more, they may be underestimating the amount of savings that represents.

Thirty-six per cent of survey respondents could easily access no more than $1,000, while a typical Australian worker (the median value) would only be able to access $3,000 without increasing debt.

In 2011, the average Australian household with a mortgage paid $1,800 a month in mortgage repayments – so that median savings amount would barely cover two months for home loan expenses alone.¹

Median amount of money that could be easily accessed to cover a financial shock without increasing debt

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Male</th>
<th>Female</th>
<th>Baby boomers</th>
<th>Gen X</th>
<th>Gen Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$5,000</td>
<td>$3,500</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Working Australians Survey, 2015, n=1617

Clearly we’re not saving enough. In fact, the typical Australian worker is saving just $400 a month and 15 per cent are saving nothing at all. Thirty per cent save less than $100 per month.

With all this in mind, it’s not surprising a lack of emergency savings is our number one financial concern.

¹ ABS data: ‘The average Australian’ 4102.0 Australian Social Trends April 2013 http://www.abs.gov.au
impact of financial stress in the workplace

Health and stress have been shown to have a significant impact on workplace productivity. SafeWork Australia estimated mental stress is costing Australian businesses more than $10 billion per year in lost productivity and absenteeism. And that’s before you start accounting for costs related to staff turnover, presenteeism and workers’ compensation.

On the flipside, in organisations where workplace health is managed well, financial performance has increased more than 2.5 times. Clearly there is a business case for improving the health and wellbeing of employees.

Financial worry during work hours

In 2012, a UK survey revealed financially stressed employees spend 20 hours a month of work time trying to solve their financial problems.

The 2015 Financial Fitness survey indicates Australian workers may be in a similar position, with 27 per cent of employed Australians spending at least three hours a week (or 13 hours a month) thinking about their personal finances during work hours. Thirty-nine per cent spend at least two hours a week.

This is even greater for full-time employees, who on average spend almost four hours each week thinking about personal finances. A higher proportion of income-stretched Generation Y worries about money during working hours (44 per cent), and they spend an average of 4 hours 12 minutes of work time each week worrying about money.

What’s more, one in four workers regularly stays awake at night worrying about their personal financial situation. This will potentially not only impact their performance at work the next day, it will affect their team members, and could have safety implications in certain industries.

FINANCIAL STRESS

Australians with major financial stress: 1 in 3

WORKPLACE IMPACT:

39% spend 2+ hours per week thinking about finances at work

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Dealing with finances in work hours

<table>
<thead>
<tr>
<th>Time spent thinking about personal finances and issues during working hours</th>
<th>All</th>
<th>Male</th>
<th>Female</th>
<th>Baby Boomers</th>
<th>Gen X</th>
<th>Gen Y</th>
<th>Full-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>No time</td>
<td>20%</td>
<td>16%</td>
<td>25%</td>
<td>31%</td>
<td>30%</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Less than 1 hour</td>
<td>18%</td>
<td>19%</td>
<td>16%</td>
<td>16%</td>
<td>19%</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>1 to 3 hours</td>
<td>36%</td>
<td>41%</td>
<td>31%</td>
<td>31%</td>
<td>34%</td>
<td>41%</td>
<td>37%</td>
</tr>
<tr>
<td>More than 3 hours</td>
<td>26%</td>
<td>24%</td>
<td>28%</td>
<td>22%</td>
<td>27%</td>
<td>28%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Working Australians Survey, 2015, n=1617

The cost to Australian business

This is more than a distraction. It is a major productivity cost to Australian employers - equivalent to 9.55 per cent of each employees paid salary hours. Across all of Australia’s employees this equates to over $60 billion in working time lost to thinking about personal finances, paying bills, doing our banking or speaking with financial providers or advisers.

To put this in context, that 9.55 per cent is just slightly more than employers contribute to superannuation - one of our most important sources of long-term financial security.

When we analysed the data by type of employer, we found government organisations are losing just over $14 billion in productivity across their 2.4 million employees, with an average annual cost of $5,749.15 per staff member. Private companies, partnerships and listed companies are losing $40.5 billion annually.

Government organisations are potentially losing just over $14 billion in productivity across their 2.4 million employees.

AUSTRALIANS ARE DISTRACTED BY PERSONAL FINANCIAL ISSUES AT WORK

Cost to employers: 9.5% of working hours
Average cost per employee: $5,202 per year*

Total cost to Australia: $61.2 billion per year

$40.6 billion Private Sector
$14 billion Government
$6.6 billion Other

* Figures based on time spent thinking about personal finances at work. Conservative estimation of costs based on lowest salary bracket.

**[ABS September 2015]
Of course, there are potentially other costs to employers as well. The documented links between financial stress and mental and physical health mean productivity could also be impacted by days off work, workers compensation claims and higher costs of recruitment. Teamwork and communication is affected, as are relationships with customers or colleagues.

So what can we do to turn this around?

Improving the financial fitness of working Australians through workplace financial wellbeing programs could be a good place to start. The survey found a clear link between having a financial plan, and feeling more in control of your financial security.

The first step to reduce financial stress is to ensure Australians have a sound financial plan. The survey revealed 58 per cent of Australians are more likely to be worried about their financial situation if they do not have a financial plan – and an overwhelming number (81 per cent) of people who have a comprehensive financial plan are financially fit or super fit.

This highlights that individuals who develop a financial plan (even a rough plan) experience lower levels of financial stress and hence a higher level of financial fitness.

**The Cure: A Financial Plan**

You are 4 times more likely to be financially fit or super fit when you have a financial plan.

![Diagram showing financial fitness by plan type](image)

- **No plan:** 21% financially fit or super fit
- **Rough plan:** 45% financially fit or super fit
- **Comprehensive plan:** 81% financially fit or super fit

Without a plan: 58% of Australian workers likely to worry.
Until recently, corporate wellbeing programs have focused on physical health. But with a significant proportion of working Australians losing sleep over their finances, it’s clear employers could be doing more to improve the financial wellbeing of their employees.

If employees are comfortable with their financial affairs, they can be more engaged and focused on their work. And given the personal, business and potential economic costs of financial stress at work, it’s no surprise financial wellbeing workplace programs are becoming increasingly prevalent overseas.

Examples include programs to help them make the most of their employee benefits, financial literacy programs, and even online financial management tools. Financial literacy is now seen as a core life skill, like management or communication, with impact on every aspect of our lives.

According to a 2015 study, two-thirds of US employees have access to educational programs about their benefits, and 60 per cent to retirement planning support through their employers13.

Australian organisations are lagging behind their international counterparts in offering financial wellbeing services in the workplace. Just 13 per cent of Australian workers surveyed are aware of their organisation offering employees any type of financial wellbeing program.

Yet there was strong interest from working Australians in employer-funded financial support programs, with 56 per cent saying they would be quite or very interested in a financial wellbeing program if their employer provided it.

There is a direct link between having a financial plan and levels of individual financial stress. Productivity losses in the work place increase along with higher levels of individual financial stress.

How do we decrease financial stress? Provide opportunities for employees to build a financial plan.

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13 Lacking in financial literacy, employees still value it, Marlene Satter June 2015, www.benefitspro.com
Matching wellbeing programs to needs

Of the relatively small number of financial programs on offer, most are focused on retirement planning advice, assistance with healthcare cost planning or insurance, or investment planning.

Employees are more likely to be offered these sorts of services if they work for a government organisation or a large organisation.

So, of those who are interested in a complimentary workplace program, what are they really looking for?

Fifty-six per cent are interested in retirement planning, while 54 per cent would like a confidential session with a financial adviser. Fifty-four per cent would also like access to online tools to help them manage their financial goals. Advice on budgeting, debt management, fraud protection and investment planning also feature highly.

Financial education is a valuable service to offer employees, but the main drawback is that it usually lacks context. Financial information is at its greatest value when provided to people at the time they need it to make decisions – and that’s why research has identified that a one-off financial education program has less impact than a consistent long-term program, because it’s vital to reach people at the right stage of their life cycle for specific advice.14

“(If my employer offered a financial program) it would make my life much easier and help us employees concentrate more on daily jobs and routines.”

Survey respondents on why they’d be interested in a workplace financial wellbeing program

Younger employees most enthusiastic

Just over half (52 per cent) of Generation Y workers are worried about their current financial situation, making them the most financially concerned of all groups. And that may be why Generation Y is also the most interested in the idea of an employer-provided financial wellbeing program. Just over two-thirds expressed interest in the idea compared with 43 per cent of baby boomers.

Top of the Generation Y wish list is ‘online tools’, with 65 per cent interested in using an online tool to manage their own financial goals, compared with 40 per cent of baby boomers and 52 per cent of Generation X.

Employee interest in financial wellbeing program

<table>
<thead>
<tr>
<th>Very or quite interested</th>
<th>All</th>
<th>Baby Boomers</th>
<th>Gen X</th>
<th>Gen Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall interest in workplace financial wellbeing program</td>
<td>56%</td>
<td>43%</td>
<td>56%</td>
<td>67%</td>
</tr>
<tr>
<td>Online tools to manage financial goals</td>
<td>54%</td>
<td>40%</td>
<td>52%</td>
<td>65%</td>
</tr>
<tr>
<td>Retirement planning advice</td>
<td>56%</td>
<td>55%</td>
<td>59%</td>
<td>56%</td>
</tr>
<tr>
<td>Confidential session(s) with a financial adviser</td>
<td>54%</td>
<td>44%</td>
<td>53%</td>
<td>63%</td>
</tr>
<tr>
<td>Advice on budgeting and day to day financial management</td>
<td>49%</td>
<td>32%</td>
<td>46%</td>
<td>62%</td>
</tr>
<tr>
<td>Assistance with healthcare cost planning and insurance</td>
<td>45%</td>
<td>33%</td>
<td>41%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Working Australians Survey, 2015, n=1617

Full-time workers were more interested than part-time or casual staff, with 64 per cent of full-time staff very or quite interested. Those working in mid-size businesses (20 to 199 employees) and government organisations were also more enthusiastic.

In general, positive responses to the idea of an employer-funded financial wellbeing program came down to five core reasons:

- I might learn something (19 per cent)
- I need advice or a second opinion (24 per cent)
- I want to be more organised and make better financial decisions (14 per cent)
- It’s free – and financial advice is usually expensive (11 per cent)
- I could become more financially secure, and maximise my wealth (10 per cent)

Other factors included convenience and peace of mind. What is interesting is the sense of trust in their employer – the expectation that their company would only use a reliable or qualified adviser. Some respondents also mentioned it showed their employer cared and would go “above and beyond” for their staff.

“I worry about debt and finances and don’t know who to turn to. This scheme sounds rewarding...”

“It could help a lot of people in my work place. Many people in my work are living paycheque to paycheque and always complaining of having no money – which I believe means they do not know how to handle their finances.”

Survey respondents on why they’d be interested in a workplace financial wellbeing program

Potential barriers to using workplace provided advice

Although they clearly have the most to worry about, those on lower incomes were less interested in the idea of a workplace financial wellbeing program. Just 36 per cent of those earning less than $20,000 would be interested, compared with 73 per cent of those earning between $100,000 and $149,999.

A typical response from someone on a low income included “I cannot get anymore out of (my) pay then what I am now,” and “Because I don’t have money to invest, buy insurance or do any of those type of things, so financial advice would not be useful to me. I have just enough to pay my bills, buy food and a tiny bit left over.”

These comments highlight a limited understanding of the value and scope of well-structured independent financial advice.

Meanwhile, 15 per cent of survey respondents were “not interested at all” in a financial wellbeing program at work.

Many of these working Australians believed they could manage their own finances, that things were in hand or they have their own financial adviser. Eleven per cent said it wasn’t relevant to them (mainly if they were self-employed), and 7 per cent did not want to share their personal information – while 4 per cent felt it would take up too much time.
An issue of trust

For any program to succeed, there clearly needs to be trust in the employer and in the program provider. It is important that the private financial information provided will be kept secure and not used against their interests in the workplace, and an understanding that any advice provided is independent of financial product providers (and trail commissions), and independent from the employer.

This is in line with general perceptions about the experience of using a financial planner. Recent media reports of poor advice from otherwise reputable financial institutions have made many Australians wary of what they might be paying for.

Of the 40 per cent of survey respondents who have used a financial planner at any point in their lives, just 14 per cent had a negative experience. Yet when asked what the barriers were in seeing a financial adviser, 71 per cent said they are concerned “they are mostly focused on selling financial products to me” and 64 per cent “do not think the advice would be independent”.

“They charge too much, and don’t really advise anything more than what I do myself”

“I don’t really trust them, would prefer to lose my own money rather than have someone else lose it for me.”

Survey respondents on why they have not seen a financial adviser

The financial planning sector clearly has some work to do in rebuilding its image. In the meantime, the financial fitness of everyday Australians is suffering – because they know they need help to build healthier habits, but they currently don’t trust the advice of professionals.
Australia’s financial fitness challenge

Australia’s first Financial Fitness Index has drawn a line in the sand: the average working Australian scores 114 out of a possible 200 – and we can do better as a nation.

If 28 per cent of working Australians were physically unwell, it would be regarded as an epidemic. Yet that proportion of working Australians are financially unfit, and unless they take positive steps now they will continue to spiral in a never-ending cycle of financial stress and insecurity. This not only impacts their family’s lifestyle and wellbeing, it also has an impact on their workplace and society (and our economy) as a whole.

It all starts with developing some healthy financial habits to feel more in control – and reduce our sense of financial difficulty, of not being able to live the lifestyle we aspire to.

Putting a little more aside into our savings every month. Making sure the most important things are protected (you and your ability to earn an income). Setting short-term goals, and feeling a sense of accomplishment when we achieve them.

If we can lift our overall level of financial fitness we’ll feel more in control of our money today – and more confident about our future. The impact in our workplaces could be even more profound. With less financial stress distracting us, we could boost productivity by up to 10 per cent. This will have a significant impact on the financial health of the nation.

Our survey has also found a clear desire from employees for help with managing their finances. This is fantastic because this will flow onto an increase in productivity in the workplace.

A relatively small investment in an independent workplace financial wellbeing program would give employers significant gains. More focused and engaged employees, who feel more in control of their financial situation, means more productivity, less absenteeism and staff turnover, and lower recruitment costs.

There is overwhelming interest in the right type of program, particularly amongst the growing numbers of Generation Y workers. They want holistic advice across retirement, insurance, debt management and savings goals, with intuitive online tools that put them in control.

For organisations of any size, this could be a new way to develop an employer brand that understands what really matters to its staff. It’s already being done overseas successfully. And it could be the starting point for a new Australian fitness craze: building our collective financial strength.
calculation methodology

Financial Fitness Index methodology

The Financial Fitness Index of Working Australians measures the fitness of Australian workers in regards to their:

- Control over their personal finances
- Ability to absorb a financial shock
- Planning for the future and
- Financial freedom.

The data comprising the index is based on the results from survey questions in the financial fitness survey conducted in October 2015. Using methodology developed by Newgate Research an overall Financial Fitness Index was calculated for each survey respondent – resulting in a score out of 200.

Through an informed evaluation of the data survey respondents were grouped into the following financial fitness categories:

- <95 = Financially Unfit
- 95-124.9 = Average level of Financial Fitness
- 125-159.9 = Financially Fit
- 160+ = Financially Super Fit.

Individuals can go to mapmyplan.com.au and complete a simple 3 to 5 minute questionnaire and find out their own financial fitness score.

Productivity loss calculation

ABS data\(^{15}\) was used to determine the average amount of hours worked for full-time and part-time employees. For the purpose of this analysis, average hours for casual employees were assumed to be the same as part-time.

The survey asked respondents 'how many hours each week they spend thinking about their personal finances during work hours'. This result was used to determine the average number of hours each employee thinks about finances during the course of a year (defined as 48 weeks to allow for the standard four week holiday period full-time employees accrue).

The survey also captured annual income salary information and utilised each respondent’s income (lowest figure of the income band they selected). This approach keeps estimates conservative. The annual salary for each employee was divided by the number of hours they work each year to derive an average hourly rate for each employee.

This rate was then multiplied by the amount of time they spend thinking about finances to derive an estimate of the average annual salary amount that they would earn while thinking about finances during working hours. This figure was multiplied by the number of employed persons in Australia to derive an estimate of the total cost to Australian employers of the time that their employees think about finances during working hours.

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