the financial fitness of working Australians

November 2016
In 2015, 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 – the first of its kind for Australia. This year’s research allows us to compare findings, to determine if our financial fitness has improved year on year and uncover emerging trends in our financial aspirations and level of control.

Given the increasing concern about housing affordability and ongoing debate over the retirement age, along with current investigations into the conduct and regulation of financial service providers, our 2016 findings provide some timely and revealing insights.

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 1,573 Australian workers aged 18 years and over, conducted between 9 September and 16 September 2016. All respondents were employed (either full-time, part-time or casual) at the time of the survey.

Respondents were drawn from an ISO-accredited professional market and social research panel. 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.

The results of the survey were also 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).

Where applicable, we’ve compared results to the previous study, which was conducted between 30 September and October 6, 2015.

For the purposes of this research, Baby Boomers are defined as those aged 52-70 years, Generation X as 37-51 years and Generation Y as 22-36 years.

For more information on how the Financial Fitness Index and productivity estimates 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. The heart of Map My Plan is a self-directed automated financial planning tool, which enables anyone to build a personalised financial plan without needing to engage an adviser.

We do not sell any financial products: our sole focus is on independent advice to help you reach your goals. Our virtual planning tool can be adapted to the needs of employers, super funds, financial advisers and other industry bodies who are also committed to improving financial outcomes for their staff, customers and the general public.

Map My Plan holds its own Australian Financial Services License 485665.
In 2015 we took on the challenge of benchmarking Australia’s financial fitness. With personal finance issues the leading cause of stress, we wanted to identify what was worrying Australians, how that was impacting them at work – and calculate an index to measure any changes in our national level of financial fitness.

One year on, we asked more than 1,500 Australian workers to take the challenge again.

Disappointingly, we haven’t improved as a nation – flat-lining with an average index score of 113.5 out of a possible 200, compared with 114.2 last year.

The index is composed of the four key pillars of financial health:

- Control of personal finances
- Capacity to absorb financial shock
- Planning for a secure financial future
- Financial freedom

While this year’s survey responses indicated we are saving a little more for a rainy day, it’s because we are more worried than ever about our financial future – and we’re also increasingly concerned about housing affordability, relying on the pension, and healthcare costs.

We have more put away for an emergency...

53% could cover their usual expenses for more than 3 months if they lost their job

...but we are more concerned about housing affordability, relying on the pension and healthcare costs.

Control of personal finances

Half of Australia’s workers are worried about their current financial situation. One in three say they are stressed about money. And 26 percent are unable to sleep because of financial anxiety. Financial stress impacts Australian workers regardless of income – even for those earning $120,000 or more per year, one in three are worried about their current financial situation.

Australians are also still distracted by money matters while at work, with one in three workers worrying about finances during work hours – and Generation Y are spending more time on their personal finances while at work than other generations.

This is costing Australia’s employers an astounding $55.2 billion in terms of lost salary – a significant productivity loss – the equivalent of 9.6 per cent of the average staff salary.
Capacity to absorb financial shock

Although we’re saving slightly more – with 53 per cent of respondents able to cover their usual expenses for three months or more compared with 48 per cent in 2015 – we are still nowhere near the ‘best practice’ benchmark of three to six months of our take home pay in savings. 36 per cent of working Australians could only access $1,000 or less in the event of a financial shock (such as a medical emergency) without going into debt. Eight per cent could access nothing at all, which is unsurprising given 14 per cent save nothing each month.

It’s also no surprise that ‘not having enough emergency savings’ is our respondents’ number one financial concern, sharing first place with concerns regarding ‘being unable to retire when I want to’.

Australia’s workers are also still under-insured for their most valuable asset – the ability to earn an income. Just 23 per cent of respondents hold income protection insurance – with only 18 per cent of women and 7 per cent of casual workers covered.

Planning for a secure financial future

‘Being unable to retire when I want to’ is an equally pressing financial concern, (on par with ‘not having enough emergency savings’) with 60 per cent of workers worried they’ll need to rely on the pension when they retire. Generation X is particularly concerned about their future retirement deadline, with only 24 per cent believing they’ll have enough money for a comfortable retirement.

Those with a comprehensive financial plan are much more likely to feel comfortable with their current level of long term savings and investments – 74 per cent compared with 40 per cent of all Australian workers.

Financial freedom

Financial security provides us with more control over the choices we make about our lives: where we live, where we work, where we send our children to school or take holidays. These are all elements of ‘financial freedom’. This year, fewer working Australians believe they can afford to live in a home or area they like (48 per cent) and just 22 per cent believe they could leave their job if they wanted to.

Again, those with a comprehensive financial plan were more likely to feel a sense of financial freedom.

In addition to the findings above, our research also uncovered some emerging trends:

- The rise of the renting underclass – 37 per cent of renters are having difficulty making ends meet, and 40 per cent say their finances are a major cause of stress. Renters have a financial fitness score of just 99.0 out of a possible 200.
- Concerns for casual workers – 22 per cent of casual workers save nothing each month, and almost half are having difficulty making ends meet. Casual employees are more likely to be women, and aged under 25.1
- The gender gap continues – women are still more likely to be financially unfit than men. They are less likely to have a financial plan, or feel they have enough knowledge to make sound financial decisions for their future.
- Reluctance to seek professional advice – Australians who use a financial planner are more likely to be financially fitter with an index score of 134.4. Yet 60 per cent of workers have never used one.

This year’s report looks more deeply into what is worrying Australian workers, and what we can do as a nation to improve our collective financial fitness. We believe four key parties need to take proactive steps to support our financial wellbeing: government, employers, super funds and financial advisers.

Only 24% of Generation X believe they will have enough money for a comfortable retirement.
In 2015, we reported that Australia’s financial fitness was ‘at best, average’, registering 114 out of a possible 200 based on weighted responses to questions that reveal performance on the four key pillars of financial health.

It was a benchmark that would allow us to demonstrate any improvements in our financial habits. However, one year on the needle has not shifted. We still have significant room for improvement, with a comparable score of 113.5.

What’s more, 29 per cent of Australian workers are ‘financially unfit’ – unable to meet their regular payments, with limited or no protection from insurance and no financial plan. And only 39 per cent are financially fit, on par with 42 per cent in 2015.
the true cost of our average efforts

Despite our relative economic stability and high disposable income, we are still not making the most of our economic potential. Alarm bells sounded earlier this year when Australian households became the most indebted in the world when comparing household debt to GDP. The OECD’s Better Life Index also highlights the growing divide between rich and poor, with the top 20 per cent of the population earning more than five times as much as the bottom 20 per cent.

Our productivity at work is impacted by anxiety and guilt about our personal finances. The resulting reduced engagement and focus – and increased absenteeism – is costing Australian employers $55.2 billion every year. Meanwhile, financial pressures also directly lead to mental and physical health issues – impacting personal relationships and further straining government services.

In 2016, 29 per cent of Australians are financially unfit - which means they typically struggle to meet regular payments, carry lifestyle debt, have limited insurance and/or no financial plan. In contrast, 9 per cent are financially super fit - they’re in control and can make the choices they want.

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1 How Australian households became the most indebted in the world, The Guardian January 2016

The gender divide

Once again, men are likely to be more financially fit than women. This is hardly surprising given the gender pay gap, with women earning 16.2 per cent less than men, based on full-time average weekly ordinary earnings – and a 28.7 per cent gender pay gap in ASX 200 organisations.³

The financial fitness of men remained relatively stable, with an average score of 119.6 (compared to 117.5 in 2015) – up from 117.5 in 2015 – while women dropped back four points, registering 106.4 (compared to 110.4 last year). And more than one in three women are now likely to be financially unfit, compared with fewer than one in four men.

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Comparing generations

Generation X is still the least financially fit, with one in three financially unfit and an index score of 110.2. This year, they have realised they are not on track to achieve their financial goals – they are more concerned that they will be unable to retire when they want to, and less likely to believe they could afford to leave their job.

Generation Y, or the millennial generation, may be increasingly concerned about housing affordability but they are at least taking control of their financial future. Their index score is on par with last year at 113.9.

In comparison, almost half of the Baby Boomers are financially fit or super fit, with an index score of 118.4.

The rise of the renter underclass

This year’s findings highlighted significant financial stress amongst renters, with more than one in three having difficulty making ends meet. Renters are also the least financially fit, with an index score of 99.0 compared with 122.3 for homeowners. A recent study from Swinburne’s Institute for Social Research shows an increasing number of older renters are already experiencing housing insecurity and impoverishment, which is a warning sign for today’s renters.4

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Financial fitness is average across Australia

Once again, there is very little difference in financial fitness between the states – NSW dropped slightly from 114.1 to 111.2 while South Australia and Western Australia improved very slightly. But if you live in metropolitan areas, you are probably a little fitter when it comes to financial health: 114.4 compared with 110.8 for workers in regional areas.

How do we benchmark against other countries?

Although it’s disappointing to know we haven’t improved our financial fitness as a nation, it might be reassuring to know other developed countries are grappling with similar issues.

In the United Kingdom, a 2016 study found 70 per cent of the workforce struggle with the negative impact of financial worries. It’s impacting their mental wellbeing, relationships, health and productivity at work. And in the United States, 77 per cent of Americans live paycheck to paycheck. In comparison, a 2015 Australian study found 46 per cent of Australians admit to living ‘paycheck to paycheck’ – including 22 per cent of households earning over $200,000 p.a.

Financial worries are also affecting employees across the Asia Pacific, with 43 per cent agreeing ‘I often worry about my financial state’ and one in four saying this negatively impacts their lives. South Korean and Japanese workers were more likely to be worried than those in China or India.

The 2015/16 Global Benefit Attitudes Survey also found that 35 per cent of Canadian employees, 24 per cent of Europeans and 43 per cent of those in Latin America often worry about how much debt they have.

Bearing in mind Australia has outperformed all other OECD economies by achieving 25 consecutive years of positive economic growth and we have one of the best retirement savings systems in the world, we think we can still do much better.

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9 Australia reaches milestone of a quarter-century of growth, Financial Times 1 July 2016, www.ft.com/content/64f999f6-3e6a-11e6-8716-a4a71e814000
chapter 2

our financial aspirations and concerns

Australian workers told us they have many financial goals, including saving for retirement, for a rainy day, for a holiday or for a car. But when asked their most important goal, 23 per cent say it is paying off their mortgage, followed by saving for retirement (14 per cent) and saving to buy a home (14 per cent).

It’s clear home ownership is a priority for many of us, but it’s also causing us a fair amount of stress. Nearly half (46 per cent) of us are worried about not being able to afford to buy a home, up from 38 per cent last year. Not being able to meet mortgage repayments is a concern for 38 per cent of workers, up from 31 per cent last year.

Another major concern is retirement, with 61 per cent worried they won’t be able to retire when they want to. Three in five are concerned they’ll have to rely on the pension when they retire – and significantly, 60 per cent are also concerned about government changes to superannuation.

Meanwhile, some of us are battling with more immediate commitments. Paying off credit cards and short-term debt is a struggle for 15 per cent, while 12 per cent find it hard to pay bills and day-to-day expenses.

Generation Y: concerned but taking control

Although 64 per cent of Generation Y workers worry they won’t be able to afford to buy a home, they are showing a commitment to their financial future.

Emerging as the next ‘sandwich generation’, taking care of both their children and their parents, they are more worried than other generations about supporting their parents’ needs as they get older (52 per cent) and about being able to take time off work to care for a baby or other family members (54 per cent).

Yet this group is also taking proactive steps towards financial security. At 42 per cent, they’re the generation most likely to be saving more than 10 per cent of their income each month. They are also more likely to have income protection insurance (28 per cent) than other generations.
What’s worrying Australian workers?

Figure 2.1

<table>
<thead>
<tr>
<th>How concerned are you about the following?</th>
</tr>
</thead>
<tbody>
<tr>
<td>(% who are very concerned and quite concerned)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Not having emergency savings available if I need it</td>
</tr>
<tr>
<td>Being unable to retire when I want to</td>
</tr>
<tr>
<td>Having to rely on the pension when I retire</td>
</tr>
<tr>
<td>Government changes to superannuation</td>
</tr>
<tr>
<td>Being unable to afford the lifestyle I aspire to</td>
</tr>
<tr>
<td>Losing my job and being without an income</td>
</tr>
<tr>
<td>Being unable to meet my healthcare costs</td>
</tr>
<tr>
<td>Being unable to pay my bills and regular weekly expenses</td>
</tr>
<tr>
<td>Being unable to afford to buy a home</td>
</tr>
<tr>
<td>Being unable to leave enough money for my kids to have a good financial start in life</td>
</tr>
<tr>
<td>Being unable to afford to take time off work to care for a baby or other family member</td>
</tr>
<tr>
<td>Being unable to keep up with my mortgage payments and losing my home</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Australian Workers Survey, 2016, n=1573

Financial stress in Australia

Half of Australian workers are worried about their personal finances. And one in three say their financial situation is a major cause of stress – with little statistical difference between gender or location, and regardless of whether they work full time, part time or casually.

This is in line with the findings of PwC’s Employee Financial Wellbeing Survey 2016, which found financial matters are the top causes of stress in US employees’ lives. ¹¹

Perhaps unsurprisingly, those who own their home outright are less stressed about money than renters – 40 per cent of renters say their finances are a major cause of stress. Baby Boomers report less stress than other generations. And looking at income, it’s only when people start earning $120,000 or more per year that their financial stress levels drop off in any significant way.

Who is feeling the pinch?

Like last year, just over half of working Australians think they’re ‘doing OK’ making ends meet. But a quarter say they are having some or a lot of difficulty, particularly within the following demographic groups:

- Renters: With a housing market that’s even harder to break into, it’s no surprise 61 per cent of renters are worried about their financial situation and 40 per cent say their finances are a major cause of stress.

- Casual workers: Almost half report they’re having difficulty making ends meet. With more than 2.4million Australian workers employed on a casual basis (defined by the ABS as without paid sick leave or annual leave), this is a significant issue – especially as casual workers are more likely to be young and/or women.12

- Women: Also less likely to have income protection insurance (18 per cent compared to 28 per cent of men) and less likely to have life insurance (26 per cent compared to 39 per cent of men). Worryingly, they are also more likely to say they have ‘no idea’ when asked what type of super fund they have (19 per cent compared with 11 per cent of men).

- Small business employees: One in three say they’re also having trouble meeting regular household commitments – although this could also include small business owners, whose personal finances are closely linked to their business performance.

- Women: 30 per cent of women could not cover their expenses for more than one month without increasing their debt, compared to 17 per cent of men. They are more likely to struggle to pay off their credit card debt (20 per cent) and more likely to save nothing at all each month (12 per cent).

Just 39 per cent of women would describe themselves as ‘financially astute’, compared with 47 per cent of men, and only one in four believe they will be able to retire when they want to.

Women are also less likely to have income protection insurance (18 per cent compared to 28 per cent of men) and less likely to have life insurance (26 per cent compared to 39 per cent of men). Worryingly, they are also more likely to say they have ‘no idea’ when asked what type of super fund they have (19 per cent compared with 11 per cent of men).

Underprepared for rainy days

The bills don’t stop coming in if you lose your income for a while. So it’s considered good practice to have three to six months’ living expenses put aside in an emergency fund in case you have a medical emergency, lose your job suddenly or need to take time off to care for a family member.

Our respondents seemed to be aware of that: one of the main concerns to emerge from this year’s survey was a lack of emergency savings available for a rainy day (61 per cent of respondents).

Interestingly, this was almost the same as the number reported in the US: 60% of US employees cited not having enough emergency savings as their top financial concern.13

So we asked Australian workers how many months they could manage without increasing their debt. The results improved slightly on last year – but not by much.

- 7 per cent of Australians would immediately go into debt (down from 10 per cent in 2015). They could not cover their expenses for just one day without their income.

- Almost half (47 per cent) could cover their expenses for three months or less, down from 52 per cent in 2015.

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EMERGENCY SAVINGS ARE LOW:

Typical Australian saving: 3 months

7% Immediately go into debt on losing their job

36% Have less than $1,000 (same as 2015)

The figures are more concerning when we look at the amount of savings that they represent. Consistent with last year, 36 per cent of survey respondents could easily access no more than $1,000.

The average amount Australian workers can access is $4,000. But the typical Australian household spends about $5,800 per month. It seems there is a disconnect when it comes to how much we think we have saved, and what that means in reality.

The typical working Australian only saves $400 each month and 12 per cent save nothing at all. With average weekly earnings $1,160.90 (equating to just under $5,000 per month), we are clearly not saving enough.

What’s more, we are still more likely to insure our possessions than our most valuable asset – our lives and our ability to earn an income.

Although lower amounts of life insurance are often provided through superannuation funds, just one in three Australians told us they have life insurance – many may not be aware they have this coverage in place.

Almost half of Australia’s casual workers say they have trouble making ends meet.

An under-insured nation

**Figure 2.2**

<table>
<thead>
<tr>
<th>Type of insurance held</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>Comprehensive car</td>
<td>77%</td>
<td>75%</td>
<td>79%</td>
<td>85%</td>
<td>80%</td>
<td>71%</td>
<td>78%</td>
</tr>
<tr>
<td>Home (building and/or contents)</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>82%</td>
<td>73%</td>
<td>53%</td>
<td>67%</td>
</tr>
<tr>
<td>Health</td>
<td>63%</td>
<td>65%</td>
<td>62%</td>
<td>63%</td>
<td>62%</td>
<td>64%</td>
<td>68%</td>
</tr>
<tr>
<td>Life</td>
<td>33%</td>
<td>39%</td>
<td>26%</td>
<td>32%</td>
<td>36%</td>
<td>33%</td>
<td>39%</td>
</tr>
<tr>
<td>Disability, accident or trauma</td>
<td>24%</td>
<td>28%</td>
<td>20%</td>
<td>20%</td>
<td>25%</td>
<td>27%</td>
<td>29%</td>
</tr>
<tr>
<td>Income protection</td>
<td>23%</td>
<td>28%</td>
<td>18%</td>
<td>18%</td>
<td>24%</td>
<td>28%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Australian Workers Survey, 2016, n=1573

\[14\] Australian Bureau of Statistics Household Expenditure Survey, 2009-10

\[15\] Australian Bureau of Statistics Average weekly earnings, May 2016
With half of all Australian employees worrying about their personal financial situation, and one in four having trouble making ends meet, it’s not surprising this is distracting them at work.

One in three Australian workers say their finances are a major cause of stress, and 31 per cent worry about it during work hours. Almost one in four say this distracts them from their job – with Generation Y more likely to worry (39 per cent) or be distracted (30 per cent) during work hours.

This is consistent with our findings in 2015, with the median amount of time spent thinking about personal finances in a typical week staying at one hour.

With renters under increasing financial stress, almost half (47 per cent) say they spend two hours or more each working week thinking about their personal finances. On average, renters are distracted for a total of at least four hours during work hours – compared with an overall average of just over three hours.
Financial worry during 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>
<th>Part-time</th>
<th>Casual</th>
</tr>
</thead>
<tbody>
<tr>
<td>No time</td>
<td>24%</td>
<td>23%</td>
<td>25%</td>
<td>37%</td>
<td>25%</td>
<td>15%</td>
<td>20%</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>Less than 1 hour</td>
<td>16%</td>
<td>14%</td>
<td>18%</td>
<td>16%</td>
<td>15%</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>1 to 3 hours</td>
<td>33%</td>
<td>37%</td>
<td>31%</td>
<td>26%</td>
<td>32%</td>
<td>41%</td>
<td>36%</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>More than 3 hours</td>
<td>27%</td>
<td>26%</td>
<td>26%</td>
<td>21%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>26%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Working Australians Survey, 2016, n=1573

The serious consequences of financial anxiety

Around the world, studies highlight an increasing productivity loss due to employee financial stress – and a direct link between financial pressures, and mental and physical health issues.

In the UK, The DNA of Financial Wellbeing Summary Report revealed 70 per cent of the UK workforce admits to wasting a fifth of their time at work worrying about their finances, with 17.5 million hours lost due to absence arising from financial stress. The report estimates a total loss to the UK’s economy of £120.7 billion.\(^\text{16}\)

Even more worryingly, 70 per cent of British workers also say they struggle with the negative impact of financial worries – it affects their mental wellbeing, relationships and health as well as productivity.

Meanwhile, more than 53 per cent of financially stressed US employees spend 20 hours per month dealing with their financial issues.\(^\text{17}\) A 2016 Gallup-Healthways wellbeing index\(^\text{18}\) also found a direct link between financial wellbeing and social relationships in the US.

Adding up the productivity cost

Distracted, disengaged and sleepy; financially stressed staff are costing Australian employers a significant sum in lost working time. An estimated $55.2 billion every year, to be precise – costing government organisations more than $8 billion in reduced productivity, and private or listed companies $35 billion.

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The Financial Fitness of Working Australians

Even self-employed workers, who are already juggling more than their fair share of tasks every day, are losing $5.4 billion in unbillable time spent worrying about their personal finances.

On average, productivity loss per employee is worth $4,613 per year. This is slightly higher for part-time workers, with an average of $5,458.

This year we have estimated the total cost at $55.2 billion dollars.

This estimate is slightly down on last year’s ($61.2 billion) This is due to a combination of the following things:

- A drop in average estimated hourly income due to:
  - A slight increase in reported hours worked per year (due to an increase in the proportion of workers who are working full time).
  - A slight decrease in reported annual pay.
- A slight drop in the reported average time spent thinking about personal finances each week.

Even self-employed workers, who are already juggling more than their fair share of tasks every day, are losing $5.4 billion in unbillable time spent worrying about their personal finances.

Across all workers, employers are losing 9.6 per cent of working hours to personal financial worry. To put that into perspective, it’s about the same amount in monetary terms that they commit to making compulsory super contributions. Over the past year this proportion has grown for casual workers – from 14 per cent to almost 20 per cent in 2016, while part-time workers spend 16 per cent of their working hours thinking about their finances.

These calculations only take into account the hours working Australians told us they were spending on their personal finances at work. There are other potential costs as well: absenteeism, workers compensation claims due to increased incidents, or the cost of recruitment due to increased turnover. Financially stressed staff may also have more trouble forming collaborative relationships with customers and colleagues, or proactively contributing ideas and innovation.
The workplace wellbeing gap

Improving the financial fitness of staff will take more than a one-off education program. Just as with physical fitness, it requires changes in habits – and once again, our research found that starts with a sound financial plan.

62 per cent of workers who don’t have a financial plan are worried about money. In contrast, 66 per cent of those with a comprehensive financial plan are not worried about their personal finances.

“For employees who do have access to financial wellbeing programs at work, the most common programs focus on retirement planning advice, followed by financial literacy programs and assistance with healthcare cost planning and health insurance.”

Some Australian employers are responding to this very real need with financial wellbeing programs as part of their overall commitment to staff wellbeing, however we are still lagging behind our global counterparts.

Just 14 per cent of our survey respondents were aware of their employer offering some type of financial wellbeing program – an additional 19 per cent were unsure, suggesting a low level of adoption in Australian workplaces. However, in the US more than half of employers are very likely to create or focus on the financial wellbeing of employees and are now looking beyond retirement decisions.

There is still a significant gap between demand and supply here, with 58 per cent of Australian workers very or quite interested in a financial wellbeing program if provided by their employer. Those who currently use a financial adviser, or have done in the past, were even more enthusiastic about the idea.

The most popular aspects? Retirement planning advice (54 per cent), confidential sessions with a financial adviser (53 per cent) and online tools to manage financial goals (52 per cent). And almost one in two said they probably or definitely would use a confidential online financial planning service if their company paid for them to access it.
Supporting future talent

This year, we found Generation Y is the most likely to be distracted at work by their personal financial situation. They are also most likely to be interested in a financial wellbeing program at work, with 67 per cent saying they were very or quite interested compared with 46 per cent of Baby Boomers and 57 per cent of Generation X.

Unsurprisingly, this digital generation is also more interested in online tools to manage their financial goals (62 per cent).

Employee interest in financial wellbeing program

Figure 3.2

<table>
<thead>
<tr>
<th>Very or quite interested</th>
<th>All employees</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>58%</td>
<td>46%</td>
<td>57%</td>
<td>67%</td>
</tr>
<tr>
<td>Online tools to manage financial goals</td>
<td>53%</td>
<td>37%</td>
<td>52%</td>
<td>62%</td>
</tr>
<tr>
<td>Confidential session(s) with a financial adviser</td>
<td>54%</td>
<td>45%</td>
<td>52%</td>
<td>60%</td>
</tr>
<tr>
<td>Retirement planning advice</td>
<td>54%</td>
<td>51%</td>
<td>57%</td>
<td>55%</td>
</tr>
<tr>
<td>Investment planning advice</td>
<td>50%</td>
<td>37%</td>
<td>52%</td>
<td>62%</td>
</tr>
<tr>
<td>Advice on budgeting and day to day financial management</td>
<td>48%</td>
<td>34%</td>
<td>46%</td>
<td>58%</td>
</tr>
<tr>
<td>Financial literacy and education</td>
<td>47%</td>
<td>34%</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>Assistance with healthcare cost planning and insurance</td>
<td>45%</td>
<td>34%</td>
<td>45%</td>
<td>51%</td>
</tr>
<tr>
<td>Fraud protection and security advice</td>
<td>43%</td>
<td>37%</td>
<td>41%</td>
<td>46%</td>
</tr>
<tr>
<td>Debt management advice</td>
<td>40%</td>
<td>27%</td>
<td>39%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Australian Workers Survey, 2016, n=1573
what does financial freedom mean?

As we’ve seen, the average financial fitness of working Australians hasn’t really shifted. If we want to improve our financial health as a nation, we need to understand what being financially fit (and even super-fit) really means – and what characteristics those Australians demonstrate.

Money may not buy happiness, but it buys choices – where we live, what type of car we drive, and whether we can take regular holidays. It allows us to do the things we want in life.

We asked a series of questions to uncover how ‘financially free’ working Australians are to make those decisions.

This is not just about aspirational goals. The majority of Australians believe ‘having enough money to do what we want, when we want’ defines a comfortable lifestyle, with top lifestyle priorities including technology, international travel and private schooling. Interestingly, the same research found the majority of Australians also think people live beyond their means today.

49% of baby boomers and 45% of men are financially fit or super fit.

At Map My Plan, we believe the ultimate test of financial freedom is whether you could afford to leave your job if you wanted to. The answer depends on how much capacity you have built up to handle financial shocks (savings and insurance), control over day to day spending and how much confidence you have in your financial future.

Fewer than one in four workers feel they have that choice over their lives—with renters and Generation X more likely to feel trapped (13 and 15 per cent respectively).

However just over half of those with a comprehensive financial plan said yes, they could afford to leave their job if they wanted to, along with almost half of those currently using a financial planner.

21 Australia today: a look at lifestyle, financial security and retirement in Australia, Ipsos and MLC
Financial freedom

Figure 4.1

<table>
<thead>
<tr>
<th></th>
<th>Strongly/ somewhat agree</th>
<th>Have a comprehensive plan &amp; strongly/ somewhat agree</th>
<th>Currently use a financial planner &amp; strongly/ somewhat agree</th>
<th>Renters &amp; strongly/ somewhat agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can afford to live in a home and area I like</td>
<td>48%</td>
<td>74%</td>
<td>70%</td>
<td>31%</td>
</tr>
<tr>
<td>I can afford to drive a car I like</td>
<td>46%</td>
<td>70%</td>
<td>63%</td>
<td>31%</td>
</tr>
<tr>
<td>I have enough money to do the things I want to in my life</td>
<td>42%</td>
<td>68%</td>
<td>57%</td>
<td>32%</td>
</tr>
<tr>
<td>I can afford to take regular holidays to places I like</td>
<td>38%</td>
<td>62%</td>
<td>55%</td>
<td>25%</td>
</tr>
<tr>
<td>I can afford to send my kids to the school I want</td>
<td>25%</td>
<td>51%</td>
<td>37%</td>
<td>20%</td>
</tr>
<tr>
<td>I can afford to leave my job if I want to</td>
<td>22%</td>
<td>53%</td>
<td>48%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Australian Workers Survey, 2016, n=1573

Financially fit (and super-fit) Australians are more likely to...

Figure 4.2

<table>
<thead>
<tr>
<th></th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own their home outright</td>
<td>132.2</td>
</tr>
<tr>
<td>Currently use a financial planner</td>
<td>134.4</td>
</tr>
<tr>
<td>Have income protection insurance</td>
<td>132.5</td>
</tr>
<tr>
<td>Have a self managed super fund (SMSF)</td>
<td>129.3</td>
</tr>
<tr>
<td>Have a financial wellbeing program at work</td>
<td>132.0</td>
</tr>
<tr>
<td>Not worry about personal finances during working hours</td>
<td>130.5</td>
</tr>
<tr>
<td>Have a comprehensive financial plan</td>
<td>143.0</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Australian Workers Survey, 2016, n=1573
Clearly, we all need a plan

Consistent with last year’s findings, Australians are almost four times more likely to be financially fit or super fit when they have a financial plan – and almost twice as likely if they currently use a financial planner compared with having never used one.

However, 37 per cent of working Australians have no financial plan. Perhaps contrary to expectations, Generation Y is more likely to have a rough or comprehensive financial plan (70 per cent), compared with 57 per cent of Generation X and 62 per cent of Baby Boomers.

“I feel better equipped to deal with financial pressures.”

Of those 63 per cent of Australians with a rough or comprehensive financial plan, 36 per cent had assistance from family or friends. Those plans are more likely to be ‘rough’ than comprehensive – Generation Y is more likely to turn to people they know, while Baby Boomers are more likely to use a financial planner to help with their plans (29 per cent).
Just 15 per cent of working Australians told us they were currently using a financial planner, with 25 per cent saying they had done in the past. However, 63 per cent of those who had used a financial planner said the experience was positive – compared with just 12 per cent who were unhappy.

For those who had positive experiences, the top three reasons can be summarised as:

- Good advice and information
- Easy to deal with, communicative, great service
- Helped me work out goals, gave me a plan

Interestingly, Australians were almost as likely to use online tools to create their plan as ask an accountant for help – whether they described their plan as ‘rough’ or ‘comprehensive’.

“I’m on track (I think) but I don’t really know what I’m paying for.”

Source: Financial Fitness of Working Australians Survey, 2015, n=1617
So why have so many Australians never used one? Consistent with our findings in 2015, the main barriers are cost, concern that products will be pushed, and lack of independence.

More than half believe their financial situation is too simple to need professional advice, and that they don’t have enough money to make it worth a planner’s time.

“One planner was very good, another planner was only interested in coercing me into buying his product.”

As the ASIC’s ongoing reviews into this sector have shown, there are fundamental flaws within the current financial advice model. And even with the removal of commission fee structures, there are still inherent biases that come from having advisers tied to a single institution or product type. ‘Fee for service’ payment models also mean those Australians most in need of help are least likely to be able to afford it.

Financial advice professionals (including planners and accountants) will also need to prove their value to overcome the continuing issues of trust and respect, by regularly measuring outcomes against expectations.
Who’s responsible?

Just as an exercise and nutrition program needs to kickstart any major improvement to our physical health, we now know an individual financial plan is the first step towards improving our financial fitness as a nation.

Although we collectively aspire to do better for ourselves and our families, the lack of change year on year indicates we still lack the motivation, knowledge or trust required to take action. It’s hard to change habits.

So who is ultimately responsible for helping Australia get its financial fitness back on track? Based on these findings, we urge four key groups to take action.

Government

Policy changes today have significant impacts on our financial fitness (and fears) right now, and well into the future. And, if we can improve our financial strength as individuals we’ll place less pressure on government budgets as a nation.

With this in mind, the fact that one in four Australians is having trouble making ends meet is certainly cause for concern. Three initial considerations have emerged as focus points for government:

1. Provide more certainty about our super
2. Give all Australians simpler tools to improve their financial literacy
3. Lead through example in improving the financial fitness of government employees

More certainty in our retirement plans

‘Government changes to superannuation’ emerged this year as the fourth biggest worry for working Australians, with 60 per cent saying they are very or quite concerned. For Baby Boomers, it’s the number one concern. 60 per cent are also worried they’ll have to rely on the pension when they retire – and this is consistent across all generations.

And despite having 25 years of superannuation under our belt, only 31 per cent of workers believe they’ll be able to retire when they want to. Every time governments discuss policy change – from raising the retirement age to adjusting tax concessions – we worry more.

Worried about retirement

- 69% Of Baby Boomers are concerned about government changes to superannuation (60% of all working Australians)
- 60% Working Australians are worried they’ll have to rely on the pension when they retire
Targeting financial literacy tools

Certain demographics are losing out in the current financial system and need the most support with getting back on track. A plan is the cure, but they're not the target market for Australia’s current financial planning model.

Government-funded online tools and literacy programs could fill this gap. By addressing the areas of concern first – for example housing affordability – and developing support tools around that, we can provide the context working Australians need when they are in the moment of making major financial decisions.

Those decision moments include:

- Major healthcare costs – a concern for 53 per cent of working Australians
- Childcare costs – a concern for 32 per cent, while 38 per cent worry they can’t take time off work to care for a baby
- Interest rate changes – keeping up with mortgage payments worries 38 per cent
- University costs – one in four worry they can’t afford to go to university or TAFE (but if they do get a degree, they’re more likely to be financially fitter in the future).

### Targeting financial fitness tools

**Figure 5.1**

<table>
<thead>
<tr>
<th>Focus on the most financially disadvantaged groups</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average financial fitness</td>
<td>113.7</td>
</tr>
<tr>
<td>Women</td>
<td>106.4</td>
</tr>
<tr>
<td>Renters</td>
<td>99.0</td>
</tr>
<tr>
<td>Casual workers</td>
<td>98.6</td>
</tr>
<tr>
<td>Those earning under $40,000</td>
<td>99.8</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Australian Workers Survey, 2016, n=1573
As employers, government should meet the needs of its own staff with financial wellbeing programs in the workplace. A significant 62 per cent of government employees would be interested in an employer-provided financial wellbeing program. In terms of lost salary alone, financial stress is costing the government $8.2 billion every year.

Just as government already encourages and funds physical health wellbeing programs, a targeted financial wellbeing program will have measurable productivity impact at work and significant social benefits.

This is clearly a great initiative for government employees – one almost two-thirds want – with productivity improvement to boost.

**Financial stress is costing the government $8.2 billion every year in lost productivity.**

**Financial stress = $8.2 billion pa**

Lost productivity for government

62% Government employees are interested in a financial wellbeing program
Improving our financial wellbeing is a big reason we go to work. But with 23 per cent of workers distracted by their personal finances, financial stress means Australia’s employers are losing over $55 billion every year in term of lost salary, which results in lower productivity. That’s around $4,613 of lost salary per staff member every year – with 39 per cent of staff spending more than two hours of their working week on their finances.

It’s a significant business cost, and it also highlights the social responsibilities at stake for employers. This research indicates that supporting staff starts with three simple steps to increase both financial fitness and productivity in the workplace:

1. Make financial wellbeing a company-wide priority
2. Fill the planning gap
3. Understand the impact on workplace diversity

Employers

Make financial wellbeing a company-wide priority

With one in three workers experiencing financial stress, this is taking its toll on individual and team performance and productivity. But it also has implications for workplace safety, mental health and client relationships.

Taking the same approach as successful health and physical wellbeing programs in the workplace, making financial wellbeing a priority means taking a long term view: appoint internal champions, and reward behavioural changes.

Fill the planning gap

When employers offer a financial wellbeing program, the financial fitness of their staff is significantly higher – indexing 132 compared with 111.

However, just 14 per cent of working Australians told us their employer has a financial wellbeing program – and 58 per cent would be interested in using one. They trust their employers to ensure reliable, qualified advisers provide workplace financial wellbeing programs – and say it will demonstrate a positive workplace culture, where employers go ‘above and beyond’ to support their staff.

And what do they want? More than half would like access to online tools to manage their financial goals, as well as confidential financial adviser sessions and retirement planning advice.

“I would be more likely to trust an employer-run program, (because they are) more likely to understand our work life with an industry based program. We spend a lot of time during our lives at work, so it’s more achievable to participate.”
Understand the impact on workplace diversity

The workers most under financial pressure? Generation Y is most distracted at work, while women are more likely to be financially unfit. If you want to attract, engage and retain the next generation of talent and build a more diverse workplace culture, a financial wellbeing program may make a significant difference.

Employers need to fully embrace the implementation of a comprehensive workplace financial wellbeing program – not just pay it lip service. Employees will appreciate it (they have told us they want it), the company will see (productivity gains) and improved retention (and quite simply it’s the right thing to do).

The perfect win-win-win scenario.
Super funds

Australia’s superannuation funds are responsible for managing our financial security in retirement. This research indicates they could be doing a lot more to provide clarity about that future, with 37 per cent of workers saying they won’t have enough money for a comfortable retirement and 60 per cent concerned they’ll need to rely on the pension.

We believe super funds can play a pivotal role in boosting our financial fitness by supporting working Australians in three ways:

1. Educating fund members
2. Be a trusted source of advice
3. Help Australians protect their most valuable asset

Educating fund members

14 per cent of workers have no idea what sort of super fund they own. Given the clear lack of engagement with superannuation, this is an opportunity for funds to differentiate their member services.

By providing members with a rewarding, proactive financial wellbeing program, fund members can fill a lengthy time gap between the fund’s commencement and retirement – and ultimately improve the overall retirement account balance in the process.

Members who are most interested in a financial wellbeing program

Figure 5.2

<table>
<thead>
<tr>
<th>Type of super fund</th>
<th>% very or quite interested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry super fund</td>
<td>60%</td>
</tr>
<tr>
<td>Retail super fund</td>
<td>56%</td>
</tr>
<tr>
<td>Self Managed Super Fund</td>
<td>64%</td>
</tr>
<tr>
<td>Respondent didn’t know type</td>
<td>49%</td>
</tr>
</tbody>
</table>

Source: Financial Fitness of Australian Workers Survey, 2016, n=1573
Be a trusted source of advice

60 per cent of working Australians have never used a financial planner, and a quarter of those say it’s because ‘it’s not necessary’. Yet they are already building significant investments for their future in their super funds. Super funds may be able to bridge this gap by offering members holistic advice beyond super – removing any product sell from the process.

This is an opportunity to empower fund members to take control of their entire financial future, not just their super. Given industry funds have a commitment to improve their members’ lives, providing tools that help them place super in the context of their financial life is the next logical step. It will improve engagement as well as outcomes for all super fund members.

Help members protect their most important asset

Only one in three workers say they have life insurance. Yet many more are likely to have a small amount of life insurance through their super – they just don’t realise it. Worryingly, 70 per cent of working women say they have no life insurance and 76 per cent have no income protection.

This is a clear gap that needs to be filled. Ensuring fund members can withstand a financial shock is a fundamental building block to improving financial fitness.

Insurance through super could offer cost-effective protection for many working Australians – but they need to know if they have it.

14% working Australians don’t know what type of super fund they have – including 19% of women.
Financial advisers

Financial advisers are the professionals who help people make major financial decisions – financial planners, accountants, and insurance and mortgage brokers. In theory, they are the go-to specialists for our financial fitness. They should be the GPs, boot camp coaches or nutritionists of our monetary lives. In practice, however, the majority of Australians do not believe they need professional financial advice.

Our research certainly found a positive link between using a financial adviser and being financially fit or super fit, and we’re already seeing the industry change to meet client needs. So we urge financial advisers to look at three opportunities this research has uncovered:

1. Put clients at the centre of advice, not products
2. Give more Australians access to independent advice
3. Take away the complexities and jargon

Clients first, not products

So why do 60 per cent fail to seek professional help? They told us that after cost, the main barrier to seeing a financial adviser is the focus on ‘selling financial products’ and ‘lack of independence’.

What’s more, for the working Australians who rated their financial advice experience as negative, the main reason was a lack of integrity, or a ‘push towards the products they wanted to sell’.

While there are financial advisers who put their client interests first, until all financial professionals separate advice from specific financial product, there will always be an inherent distrust. True independence starts with a client-first approach, and recommendations based purely on the individual situation rather than revenue streams for those giving advice.

Expand access to independent advice

Given 60 per cent of working Australians told us they have never used a financial planner, and only 15 per cent currently use one, there is a significant untapped market out there. They may not need tailored, hands-on advice – but they do need help making sound financial decisions, starting with a plan.

Almost half (46%) of workers who are worried about their finances have no financial plan at all. And those who do have a plan are more likely to have asked family and friends for help, rather than a professional planner.

Cost is one of the main barriers to using a financial adviser, so we urge the sector to consider alternative models. Technology is already expanding open access to support and knowledge in other sectors – including health and education – and may be more attractive to Generation Y, who seem more reluctant to turn to a professional planner for help.
Financial literacy is clearly still an issue for working Australians. Only 51 per cent believe they have enough knowledge to make sound financial decisions for their future (down from 57 per cent in 2015) and women and lower income earners are particularly at risk. Demystifying the options available will help all workers feel more comfortable with the financial decisions they need to make every day.

20% of workers told us they would not consider themselves to be ‘financially astute’ – and confusion was one barrier to seeing a financial planner. A sign of a great adviser is their ability to simply and clearly communicate complex ideas and recommendations.

**PROFESSIONAL ADVICE CAN BE WORTHWHILE**

- 60% working Australians have never used a financial planner
- 40% working Australians have used a financial planner
- 63% say their experience was positive
- 12% say it was negative
Our financial fitness has flat-lined this year, with 29 per cent of working Australians financially unfit. By any account, that’s an epidemic of financial stress – with women, renters and casual workers most at risk.

It is disappointing to see that Australia’s financial fitness as a nation has not improved. Despite a relatively stable economic and political environment, we appear to be more worried about our financial future than ever. As a result, we’re putting more away for emergencies – but we’re still spending a significant proportion of working hours worrying about our situation.

We can do better than this. If we don’t, the impact on workplace productivity and consumer confidence will continue to hold back our economy from achieving its full potential. What’s more, as a society we’ll also need to deal with the repercussions of financial stress – including mental health issues, impact on relationships and substance abuse.

The answer starts with a plan. A comprehensive financial plan that holds us individually accountable to achieving our financial and life goals. A plan that rewards us for changing our financial habits, and helps us have more certainty about our control over expenses today as well as ability to make choices in the future.

We believe employers have a responsibility for their staff’s financial wellbeing – after all, that’s the main reason their staff come to work every day.

Superannuation funds can support unmet member needs, and overcome a lot of our fear about our lifestyle in retirement. Financial advisers have an opportunity to play a pivotal role in ensuring more Australians have access to independent, affordable advice.

The government also plays a critical role in shaping our financial fitness through better policy development and regulatory changes. It can also lead by example in promoting financial wellbeing. Funding financial fitness within its own workplace and to targeted demographics in the community will make impartial advice and knowledge more accessible to more people – regardless of their location or income levels.

Australian workers have told us they’d be interested in a financial wellbeing program if it is provided by their employers. The right type of program – tailored to meet both industry and demographic needs – could have significant return on investment given the productivity losses at stake. And with Generation Y workers even more interested in these programs, it’s an opportunity to attract younger staff with a positive workplace culture.

Map My Plan is committed to being part of this solution. We’re ready to work with employers, financial advisers, super fund managers and government to take proactive steps, and kickstart our nation’s financial fitness challenge.
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
- Financial freedom

The data comprising the index is based on the results from survey questions in the financial fitness survey conducted in 2016. 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\(^2\) 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.

The Financial Fitness of Working Australians