

Media Release

Savings a priority as financial confidence takes a hit among Australians

- Australians are feeling less confident about their financial situation, with women's financial confidence the hardest hit
- MLC survey found the most common source of financial information and guidance is friends and relatives with more young Australians turning to social media for information
- Australians currently using a financial adviser have greater financial confidence and are saving more than they did a year ago

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Australia has been recognised for its handling of the health and economic related aspects of COVID-19, however new research from MLC Wealth shows the impact of COVID-19 is still being felt with Australians' financial confidence taking a hit.

An MLC Wealth survey¹ of more than 1,000 people aged between 18 and 79 found only 43% of Australians feel financially confident, with 30% of respondents feeling less confident about their financial situation than they did a year ago.

The research shows women have felt the impact of COVID-19 on their financial confidence to a greater extent than men, with more than a third of Australian women reportedly feeling less confident than a year ago, compared with just 25% of men.

The shake to confidence has prompted many Australians to prioritise saving, with 55% of respondents placing greater importance on how much they are saving compared to 12 months ago. The survey also revealed 25% plan to 'start or contribute to an emergency savings fund' as a key financial goal in the next five years, and 31% said their biggest financial regret is not putting aside more savings.

Tim Steele, Group Executive, Retirement and Investment Solutions at MLC Wealth said in the face of uncertainty and a hit to financial confidence, it was no surprise more Australians were putting an emphasis on savings.

"Despite strong economic data, the emotional and financial hangover of COVID-19 is very real for many Australians and savings are understandably seen as an important safety net," Mr Steele said.

"With a greater focus on savings, Australians need to be informed about their financial decisions and take proactive action. Small, educated steps taken now can make a big difference to your future financial outcomes, particularly when it comes to making the most of your savings."

The research found that 1 in 3 Australians are concerned about the interest rate on their savings account, highlighting the impact of low rates on 'safe haven' investments which previously delivered higher, reliable returns. This was particularly evident among Australians aged 55-79 as they prepare for retirement or rely on passive income to fund their retirement lifestyle.

Of a similar vein, the survey revealed 53% of respondents are placing more importance on their super and/or investments than 12 months ago and are more concerned about the impact of market shifts.

"It's never too late to make a conscious effort and take steps to improve your financial health, including looking at your savings and superannuation.

¹ Survey was conducted by FiftyFive5 on behalf of MLC Wealth between 7 April and 14 April 2021

“The areas of concern amongst survey respondents highlight the need for a longer-term view around savings, wealth creation and superannuation. Ensuring your superannuation is structured to suit your lifestyle should be something that occurs at every age not just for pre-retirees,” Mr Steele said.

Friends, family and online communities integral to financial decision making

The survey revealed 66% of Australians strongly or somewhat agree they ‘do a lot of research before making a significant financial decision’. However, the most common source of financial information and guidance is friends and relatives, with 42% of respondents seeking their input, followed by financial websites (26%) and financial advisers/ planners (15%). About 1 in 4 Australians (26%) claim to not use any sources.

MLC’s research also found social media and forums are growing as a source of financial information and guidance among young Australians, with 13% aged between 18 and 34 regularly using platforms such as TikTok, Facebook and Instagram as a financial resource.

Additionally, 4% of Australians aged between 18 and 34 list social media as their most trusted source of financial information and guidance.

Mr Steele said while it was great to see so many Australians undertaking research before making financial decisions, he said it highlighted a need for Australians to think more broadly about where they source financial information.

“It is important Australians continue to consider their financial decisions, but ensure they back up insights from relatives, friends and members of their online communities with credible information sources such as from the Australian Government, financial and consumer associations, superannuation funds or a professional financial adviser,” Mr Steele said.

“Interestingly our survey indicated that those who see a financial adviser are feeling more financially confident and have better savings habits. Of those who had never had a financial adviser, only around half feel in control of their finances. While for Australians who have an adviser, 8 in 10 feel in control of their finances and 40% are saving more than they did a year ago, compared to 24% of Australians who have never used an adviser.

“As we move into a stronger economic climate, it is timely for people to take stock of their circumstances. We know having a clear view of your financial outlook is the first step in building financial confidence,” concluded Tim Steele.

ENDS

Additional statistics

Savings

- 25% of Australians plan to ‘start or contribute to an emergency savings fund’ as a key financial goal in the next five years.
- The survey also found if Australians were given \$1,000 today, respondents would save 37% (or \$375). This was consistent even if the amount was increased to \$5,000.

Shifting priorities among Australians

Compared to 12 months ago:

- 62% are placing more importance on day to day living costs (groceries, bills etc.).
- 61% are placing more importance on the impact of COVID-19 on the economy.
- 55% are placing more importance on how much they are saving.
- 53% are placing more importance on the impact of market shifts on their super and/or investments.

Financial regrets

- 31% said their biggest financial regret is not putting aside more savings.
- This concern is more pronounced among Australian women, with 36% saying not setting aside more savings was their biggest financial regret, compared with 26% of men.

Impacts of financial advice on savings and financial confidence

- For Australians who have never had a financial adviser, 5 in 10 feel in control of their finances. For Australians who currently have a financial adviser, 8 in 10 feel in control of their finances.
- Australians who are currently using a financial adviser are saving more. Of Australians currently using an adviser, 40% believe they are saving more than they did a year ago, compared to 24% of Australians who have never used an adviser.

About the survey

MLC undertook research to understand Australians' current financial confidence and how financial situations and behaviours have changed compared to 12 months ago, reflecting on the impacts from the COVID-19 pandemic. During 7 to 14 April 2021 1,004 Australians aged between 18-79 were surveyed via a confidential online poll.

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