

Australia today – Part 1

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



Foreword

At NAB and MLC we believe in the importance of having a roadmap for your financial life. As a business we also believe in making inroads into the issues that matter to customers, businesses, communities and the nation at large.

Superannuation is one such issue. The large and growing pools of superannuation savings, which are \$1.6 trillion today and projected to grow to be \$3 trillion and \$6 trillion by 2020 and 2030, respectively, make it a vital pillar of Australia's financial services system—and it is important we talk about it.*

From its expansion in the Awards system in the 1980s to universal compulsory superannuation coming into force in 1992, Australia's superannuation system has been subject to considerable scrutiny. This examination continues today. While not the star of the 2014 Financial System Inquiry, the nation's superannuation system was a key focus. One year on, the Government has tasked the Productivity Commission with completing an additional review into the system.

Australia has a world-leading retirement savings framework. However, too many Australians will still face a retirement savings shortfall or are not fully involved participants in the system.

The challenge for us, is how do we engage more Australians in their super? And, can we help more Australians save for their retirement?

To explore, or 'map out', this confronting challenge and the road that lies ahead, this report lifts the lid on how Australians are living out their financial and social lives.

In order to prepare ourselves to tackle this issue, we must first ask some relevant questions—are we living for today, not tomorrow? And are we arming ourselves with the right knowledge to prepare ourselves for retirement?

Australians want the peace of mind that their retirement income—whether that be provided for by their superannuation, pension, or both—will provide them a good quality of life. As a nation, we want our retirees to have access to the services they need and support so they can enjoy a comfortable retirement.

But, should self-funded retirement be a goal for more Australians?

We believe it should be. While our superannuation system was not designed to replace the pension, it was introduced to reduce the number of Australians reliant upon it. While the system is yet to reach maturity, we believe there are ways to improve it.

Helping more Australians to fund their own retirement is a worthy national priority and requires a multi-faceted approach from policy makers, community and consumer groups, and industry.

Now more than ever, we need the courage to have this conversation and understand how Australians identify themselves and discover their aspirations, so we can help them save for their retirement.

And we hope this report will contribute to that conversation.

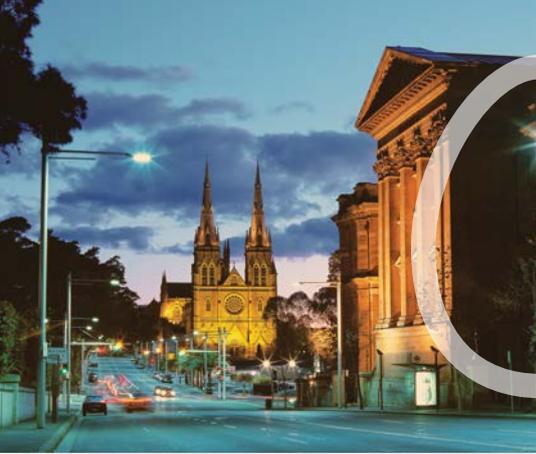
NAB and MLC have been helping Australians grow and protect their retirement income for over a century. Today, we are helping more than 1.7 million Australians understand, plan and build a better retirement future.

And we're committed to working with governments and the community, to help put in place a roadmap to deliver a better, more secure future in retirement for all Australians.

Together, we can save retirement.

Andrew Hagger
Group Executive NAB Wealth, and Chief Executive MLC
National Australia Bank

* Source: www.fsc.org.au *Securing Investment in Australia's Future 2013*



Part 1

We're all in the middle, aren't we?

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Executive summary of research findings

We're all a bit confused about where we sit on the socio-economic strata

When asked to nominate where they fit on the social class strata, the majority (66%) indicated they were either middle class or lower middle class, while only 27% indicated they were working class. Strikingly, only a tiny 7% believed they fell into the group just above the middle. Interestingly, almost half (44%) of those at the very top of the income ladder (household incomes of \$200,000+) believed they were middle class, while 23% of this group thought they sat even lower on the social class ladder, with 10% believing they were lower middle class and 13% believing they were working class.

Our perceptions of where everyone else sits are confused too

Research participants, no matter their income, believed in the existence of an 'elite' or upper class with very high household incomes—estimated by respondents to be anywhere from \$280,000 to \$550,000—which was well out of line with real incomes: only 10% of households in Australia have a gross annual income of \$206,908+ and only 3% of the population have a personal income of \$192,000+.

We're not quite sure how to define middle class but many of us believe that social class labels are still relevant

Few could define what 'middle class' meant these days but when asked to choose from a long list of things that might contribute to social class now, money trumped everything else.

Unexpectedly, familial wealth (wealth of parents and grandparents) ranked fourth on the list, while some of the other options such as a university education, outright home ownership and suburb of home—did not make it into the top five.

But many of us agree that we've ridden the wave of social mobility and economic prosperity

The majority (75%) believed in social mobility, agreeing that if you work hard you can improve your life regardless of how much education you have, while many believed that they have at least maintained the class of their parents, if not moved up. Of those who considered themselves middle class, 41% indicated that their parents were a lower class than them, while 52% believed that they had maintained the class of their parents.

Are we living for today, not tomorrow? Have we confused 'lifestyle' for 'standard of living'?

One of the most striking findings of the research revealed how people defined a 'comfortable' lifestyle. Three quarters of respondents agreed that 'having a comfortable lifestyle means having enough money to do what I want, when I want.' But almost half are spending the entirety of their wages to pay for it—46% admit that they live 'pay-cheque to pay-cheque,' including 27% of \$150,000-\$199,000 householders and 22% of \$200,000+ householders.

Executive summary of research findings

The 'cost' of being 'comfortable'

If being 'comfortable' means being able to have 'what we want, when we want it,' what does it cost to maintain this lifestyle? At least one hundred and fifty thousand dollars a year according to almost half (48%) of research participants, meanwhile three in five (59%) believed that being worth \$1,000,000 does not mean that you are rich in Australia today. When it came to priorities, owning your home ranked as number 1, followed surprisingly, by the ability to live off one income.

The mortgage and the cost of living are our biggest commitments but also our greatest financial burdens

Three quarters (76%) said that their mortgage has a big impact on their lifestyle, while (83%) agreed that the cost of living is much higher than the cost of living ten years ago and almost half (44%) agreed that the cost of living where they live makes it difficult for them to maintain their standard of living.

Introduction

Over the last two and a half decades, Australia has enjoyed unprecedented progress and prosperity.

The economy has just completed its 24th year of uninterrupted annual growth¹ — having weathered the storm of the Global Financial Crisis—and continues to remain stable despite perpetually shaky global markets.

There are a multitude of social benefits that have come with this period of uninterrupted growth. Today, the average household income is \$107,276², many more Australians are earning tertiary qualifications (3,886,200 in 2014 up from 2,487,300 in 2004³), and the majority of Australians are employed in the ‘white collar’ workforce (68.7% in 2011, up from 52.4% in 1981).

Decades of prosperity haven’t just changed how much we earn, what we do for work and how much education we have; they have also had a significant impact on the way we see ourselves and our expectations for how we should live.

Social mobility has meant that notions of social class have been forever disrupted. The term ‘middle class’ is used to describe almost everyone in Australia but few can define what it means or what a middle class lifestyle really looks like today. Meanwhile, the terms ‘**lifestyle**’ and ‘**standard of living**’ are often used interchangeably, and in a property market where the median house price in our largest city is more than a million dollars, no one really knows what qualifies you as ‘rich’ or ‘wealthy’ anymore.

To explore how perceptions of these issues have changed, Wealth Manager, MLC⁴ commissioned global social research firm Ipsos to undertake a significant piece of research among 2,040 Australians aged 25–70⁵. This research paints a vivid picture of how today’s Australians see themselves, including:

- Where they perceive themselves to sit on the socio economic strata
- Where they perceive others to sit on the socio economic strata
- The lifestyle characteristics they value now and those they aspire to
- Their sense of financial security
- Concerns for the future and preparedness for retirement, including self-funding our own retirement.

¹ Australian Government, Australian Trade Commission, Austrade, <http://www.austrade.gov.au/International/Invest/Why-Australia/Growth>

² Figures for 2013–2014, Australian Bureau of Statistics, 6523.0, Household Income and Income Distribution

³ Persons aged 20–64 with a bachelor degree or higher, Australian Bureau of Statistics, 6227.0, Education and Work, Australia, May 2014

⁴ MLC is the wealth management brand of NAB

⁵ Online survey; fieldwork conducted in August 2015. Details on methodology and sample on p17. Additional qualitative research drawn from existing syndicated research by the Ipsos *Mind & Mood Report*.

Research findings: Part 1 – We're all in the middle, aren't we?

We're all a bit confused about where we sit on the socio-economic strata

The term 'middle class' has become something of a 'shorthand' used to describe almost everyone in Australia, except for those at the very top and very bottom of the socio-economic strata⁶. The traditional terms 'working class' and 'upper middle class' have all but disappeared from the popular lexicon, suggesting a huge shift in how Australians perceive themselves. Have these terms faded because fewer and fewer Australians identify as belonging to these groups, instead seeing themselves as part of a 'mega' middle class?

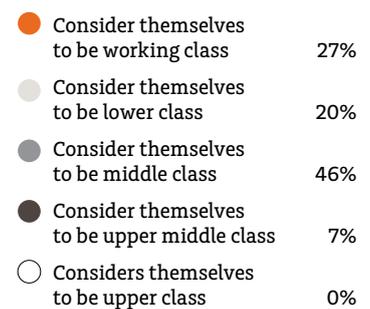
According to the results of this research, the answer to this question could well be yes. When asked to nominate where they fit on the social class strata the **majority (66%) of respondents indicated they were either middle class or lower middle class, while only 27% indicated they were working**

class. Strikingly, only a tiny 7% of the 2040 people surveyed believed they fell into the group just above the middle ('upper middle class') and 0% believed they fell into the very top 'upper' group.

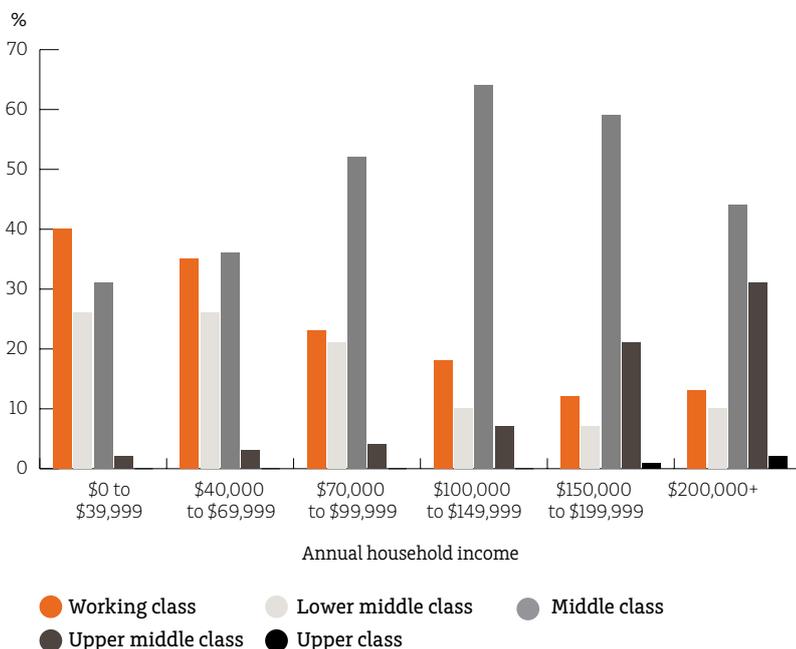
High income earners were more likely to have underestimated their position: almost half (44%) of those at the very top of the income ladder (with annual household incomes of \$200,000+) believed they were middle class, while 23% of this group thought they sat even lower on the social class ladder, with 10% believing they were lower middle class and 13% believing they were working class.

On the other hand, **low income earners** (those with household incomes of \$0–\$39,000 per annum) **were much more likely to indicate they were lower middle class or working class.** Interestingly, women were significantly more likely to consider themselves lower middle class (22%) than males (16%).

Perceptions of social class in Australia



Perceptions of social class by income



⁶ There are no formal definitions of social class today. Instead, socio-economic status (SES) is used to describe the range of groups in society and to determine their level of advantage and disadvantage. Generally, the following characteristics are taken into account when determining SES: income, occupation, employment, education and home occupancy (rent, mortgage or own outright). Generally, the socio economic strata is based on the following quintiles: upper, upper middle, middle, lower middle and lower.

Q1. Do you consider yourself to be...? Base: all; n=2040.

Research findings:

Part 1 – We’re all in the middle, aren’t we?

Our perceptions of where everyone else sits are confused too

Participants were also asked to estimate the incomes of each of the social classes. **Higher income householders were more likely to overestimate the incomes of each of the classes, while lower income householders were more likely to under estimate incomes.**

Interestingly, research participants, no matter their income, believed in the existence of an ‘elite’ or upper class with very high household incomes—estimated by respondents to be anywhere from \$280,000 to \$550,000—and thought to make up close to 10% of the population. These estimates were markedly out of line with real incomes—only 10% of households in Australia have a gross annual income of \$206,908 or more and only 3% of the population have a personal income of \$192,000 or above.⁸

Household income of respondent						
Estimate of average income for each social class						
	\$0–\$39,999 per year	\$40,000–\$69,999 per year	\$70,000–\$99,999 per year	\$100,000–\$149,999 per year	\$150,000–\$199,999 per year	\$200,000+
Working class	\$40,926	\$44,331	\$49,811	\$52,889	\$56,341	\$57,992
Lower middle class	\$53,918	\$59,578	\$66,452	\$73,188	\$82,186	\$113,092
Middle class	\$84,476	\$85,784	\$91,565	\$106,321	\$113,641	\$137,529
Upper middle class	\$121,903	\$122,177	\$134,046	\$163,328	\$176,902	\$219,328

Note: Green indicates an over-estimation, while pink indicates an under estimation, in comparison to the estimations by the total. Actual average incomes across the five social grades, based on emma™ socio-economic quintiles (mirroring the social class categories used in this study, as listed in the table above) are: 1. Social Grade A: \$153,425; 2. Social Grade B: \$105,865; 3. Social Grade C1: \$81,948; 4. Social Grade C2: \$57,627 5. Social Grade DE: \$32,718.

Perceptions of annual household income of Australia’s top 10% of earners						
Household income of respondent						
	Household income of \$0–\$39,000	Household income of \$40,000–\$69,000	Household income of \$70,000–\$99,000	Household income of \$100,000–\$149,000	Household income of \$150,000–\$199,000	Household income of \$200,000+
Their estimate of the annual household income of the top class	\$549,000	\$311,000	\$280,000	\$325,000	\$406,000	\$454,000

Q4. What would you estimate to be the average annual household income of each class (before tax)?

Base: all; n=2038

⁷ Figures as of 2013–2014, Australian Bureau of Statistics, 6523.0, Household Income and Income Distribution, Australia

⁸ Australian Taxation Office, 2013 Individual tax data.

Research findings: Part 1 – We're all in the middle, aren't we?

We're not quite sure how to define middle class but many of us believe that social class labels are still relevant

Despite almost half (46%) indicating they were middle class, few could define it. However, when given an opportunity to define the typical lifestyle of the 'middle class' in their own words, most research participants described a lifestyle that isn't traditionally quite so 'middle'.

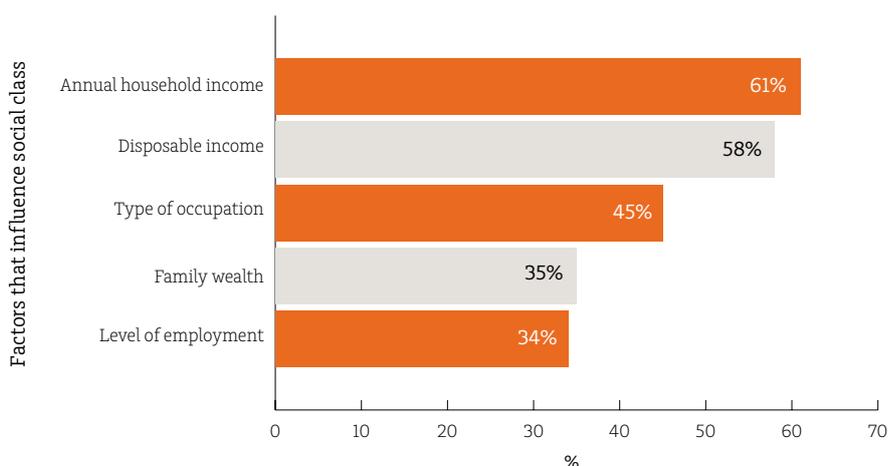
'Professional job, own a decent house and car, children do extra-curricular activities and go to private school.'

'Reasonably well paid job. Able to afford some luxuries such as overseas travel every other year.'

Not surprisingly then, **when asked to choose from a long list of things that might contribute to social class today, money**—how much you earn and how much disposable income you have—trumped everything else.

Unexpectedly, familial wealth (wealth of parents and grandparents) ranked fourth on the list, suggesting that the concept of 'old money' (and the status associated with it) is still alive and well in Australia, despite social mobility and our belief in meritocracy. Interestingly, some of the other characteristics respondents could choose from—such as a university education, outright home ownership, ownership of investment properties and suburb of home—did not make it into the top five for the general population.

Factors perceived to influence social class



Q13. From the following list, which five things have the greatest impact on the social class you fall into? Base: all; n=2038.

Some demographic differences, however, did emerge: for those aged 50–70 years, outright home ownership (ranked fourth) was more important and for those who lived in Sydney and those with a household income of \$200k+, the suburb of their home was more important (ranked fourth for both).

Research findings: Part 1 – We're all in the middle, aren't we?

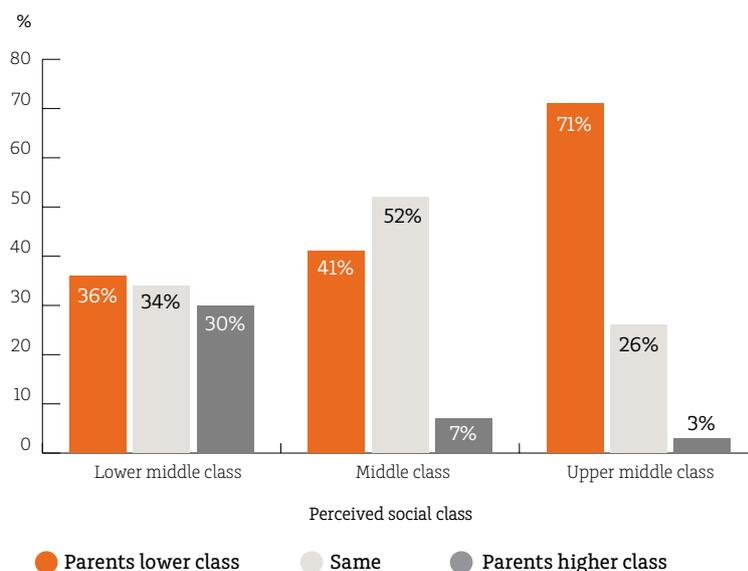
But many of us agree that we've ridden the wave of social mobility and economic prosperity

While the fruits of more than two decades of economic prosperity have been many, social mobility⁹ has arguably been the greatest. Indeed, compared to other similar nations, Australia scores favourably on this front—social mobility is about twice as great in Australia than in the United States and United Kingdom.¹⁰

The majority of respondents appear to agree. **Three quarters (75%) agreed that if you work hard you can improve your life** regardless of how much education you have, while **just over half (55%) agreed that working in a blue collar job doesn't make you working class.**

Many of the participants in this study also believed that they have at least maintained the class of their parents, if not moved up. **Of those who considered themselves middle class, 41% indicated that their parents were a lower class than them, while 52% believed that they had maintained the class of their parents.** And of those in the research who considered themselves 'upper middle' class, the great majority (71%) believed that their parents were a lower class than them.

Perceptions of social mobility in Australia



Q4. What would you estimate to be the average annual household income of each class (before tax)?
Base: all; n=2038

⁹ Note: Generally, social mobility is determined by measuring the extent to which a son's earnings is related to his father's earnings.

¹⁰ Corak, Miles; University of Ottawa, Ottawa, Canada. Social Mobility and Social Institutions in Comparison, Carnegie Foundation Seminar, London, May 2012. https://milesorak.files.wordpress.com/2012/05/social_mobility_summit_v3.pdf

Research findings: Part 1 – We’re all in the middle, aren’t we?

The generational divide

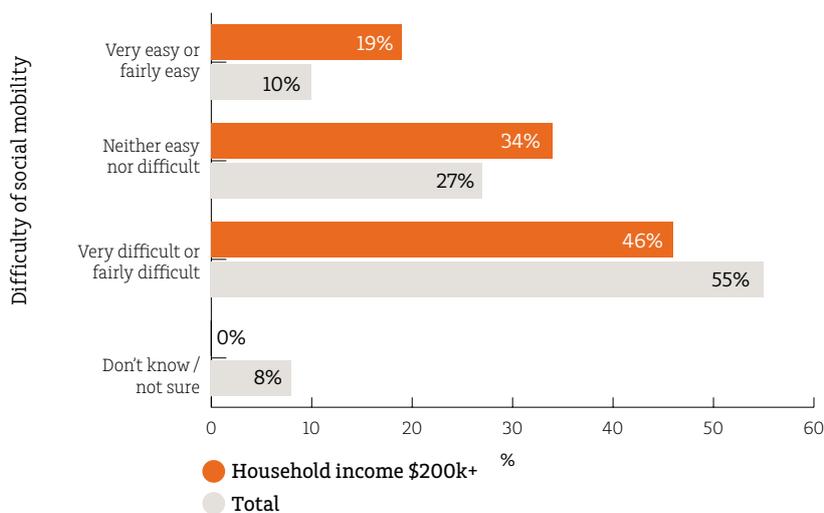
Not surprisingly, those aged 50–70 were more likely than the general population to have indicated that their parents were working class, which makes sense as this cohort was best placed to enjoy the era of upward social mobility simply because they came of age at its height. Specifically, amongst those aged 50–70, 39% indicated that their parents were a lower social class than them, compared to 26% for 25–29 and 30–49 year olds.

A different picture, however, emerged for younger Australians. Of those aged 25–29, almost one quarter said that their parents are a higher class than them—compared to only 15% of the general population and 9% of 50–70 year-olds. This could be because young people are just starting out in their careers and are yet to accumulate significant assets, or may be a sign that today’s young people feel that the wealth of their baby boomer parents will be difficult to replicate.

But it’s a different story now—some believe that moving up the ladder is harder than it’s ever been

While most acknowledged that they have ridden the wave of social mobility, some worried that those days may be over—**39% believed that social mobility is more difficult than it was 20 years ago.** Income, however, played a crucial role in people’s perceptions—the wealthiest among us (those on household incomes of \$200k +) were much more likely to perceive social mobility to still be possible (19% believed it is very easy or fairly easy compared to 10% of the total.

Perceptions of social mobility in Australia today



Q11. How easy do you think it is to move up in social class in Australia today?
Base: all; n=2038

Research findings: Part 1 – We’re all in the middle, aren’t we?

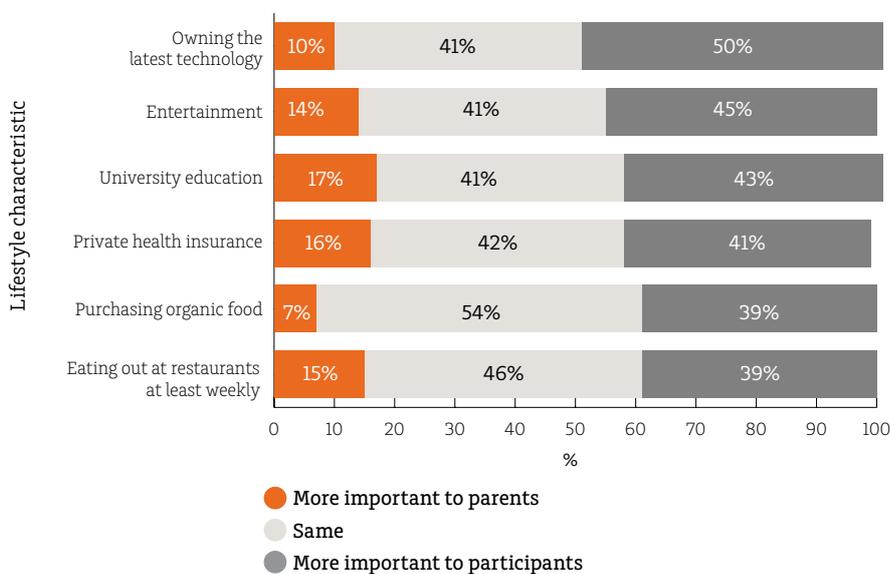
Are we living for today, not tomorrow? Have we confused ‘lifestyle’ for ‘standard of living’?

One of the most striking findings of the research revealed how people defined a ‘comfortable’ lifestyle. **Three quarters of respondents agreed that ‘having a comfortable lifestyle means having enough money to do what I want, when I want,’** suggesting that the freedom to spend at will has become the new ‘standard of living’ for many Australians, as opposed to an aspiration.

Indeed, much of what is considered the norm today would have been considered ‘luxuries’ 20 or even 10 years ago. At the top on the list of the new lifestyle essentials are international travel, private schooling, technology and eating out.

A staggering 8,125,000 Australians travelled internationally in the year ending December 2014 compared with 4,258,000 in 2005¹¹. Meanwhile, more than 1 in 3 parents (35%) are now paying for private schooling (up from 26% in 1985¹²). However, parents are clearly prioritising their children’s high school education, possibly because of a greater ability to afford to do so, with around 40% of Australian students attending non-government secondary schools.¹³

Our top lifestyle priorities



Q4. Please indicate how important how important each of the characteristics is important to you.

A significant slice of disposable income is also being spent on technology –71% use a smartphone and 62% use a tablet (up from 64% and 49% in 2013 respectively).¹⁴ Meanwhile, disposable income is also being spent on entertainment and eating out. In 2013, Australians ate out (at food chains, restaurants or clubs/pubs) or bought ready-made meals from supermarkets 2.5 times per week.¹⁵

The research findings show that owning the latest technology and entertainment are clear lifestyle priorities for Australians, ranking in first and second positions on their list, while eating out ranks as number 6.

¹¹ Australian Government, Austrade, Tourism Research Australia, Outbound Tourism Statistics <http://www.tra.gov.au/research/Australians-travelling-overseas.html>

¹² Australian Bureau of Statistics, 4221.0, National School Statistics Collection, 1985 [http://www.ausstats.abs.gov.au/ausstats/free.nsf/0/37E293B9F9672B11CA2574400019253E/\\$File/42210_1985.pdf](http://www.ausstats.abs.gov.au/ausstats/free.nsf/0/37E293B9F9672B11CA2574400019253E/$File/42210_1985.pdf)

¹³ ABS figures quoted in The Age newspaper, February 2014; <http://www.theage.com.au/comment/rise-of-private-schools-marks-return-to-19th-century-waste-20140207-32745.html>

¹⁴ Enhanced Media Metrics Australia (emma™), on-going survey of 54,000 Australians, conducted by Ipsos, figures as of November 2013 and October 2015 respectively.

¹⁵ Ipsos Syndicated Food Health Study, 2013.

Research findings: *Part 1 – We're all in the middle, aren't we?*

How can we afford these new essentials? Almost half are spending the entirety of their wages to pay for them—46% admit that they live 'pay-cheque to pay-cheque'. Those with high incomes were not exempt from this pattern of spending—one in four (27%) \$150,000-\$199,000 householders and one in five (22%) \$200,000 + householders indicated that they live 'pay-cheque to pay-cheque'.

This lifestyle has also increased the need to go into debt. Over 70% of households had some level of debt in 2013–14. Of these, 26% were servicing a total debt that was three or more times their annualised disposable income.¹⁶ Over the past 25 years, household debt has increased nearly twice as fast as the value of household assets. Expressed as a percentage of the value of household assets, household debt increased from just under 11% at the end of 1988 to nearly 21% at the end of 2011, before easing a little to below 20% at the end of 2013.¹⁷

Interestingly, while respondents were honest about their expectations for their own 'what I want, when I want it' lifestyles, they took a far more conservative approach when asked to consider how we live as a 'society.' The overwhelming majority (**85%**) **believed that people nowadays live beyond their means.**

Strikingly, 90% of those who believe 'having a comfortable lifestyle means having enough money to do what I want when I want' also think that 'people nowadays live beyond their means,' which further suggests the complex relationship between how we view our own behaviour versus the behaviour of others or society as a whole.

¹⁶ Australia Bureau of Statistics, 6523.0— Household Income and Wealth, Australia, 2013–14.

¹⁷ Australian Bureau of Statistics, 4102.0 —Australian Social Trends, Trends in Household Debt, 2014.

Research findings: Part 1 – We’re all in the middle, aren’t we?

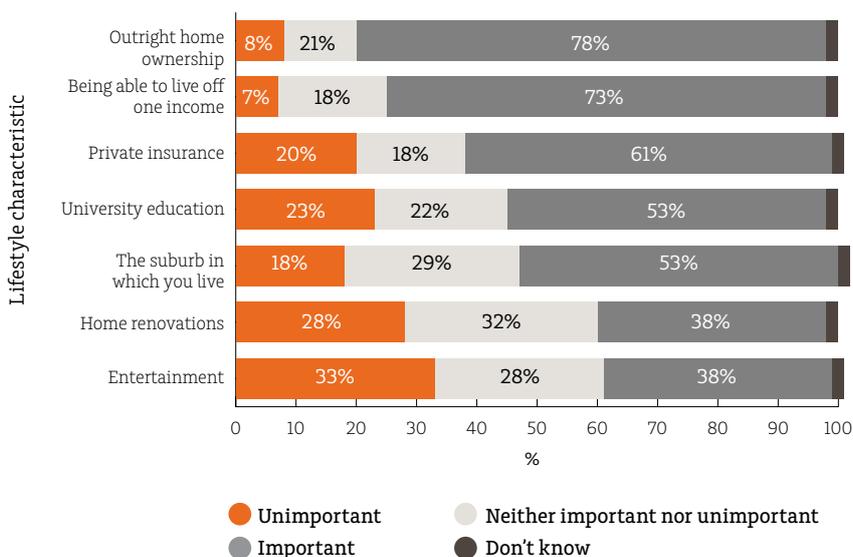
The ‘cost’ of being ‘comfortable’

If being ‘comfortable’ means being able to have ‘what we want, when we want it,’ what does it cost to maintain this lifestyle? At least one hundred and fifty thousand dollars a year according to **almost half (48%) of research participants, who agreed with the statement ‘You need an annual household income of at least \$150,000 to maintain a comfortable lifestyle in Australia.’** Those who lived in NSW (55%) were more likely than those who lived in other states to agree with this statement, suggesting that the cost of housing may be putting extra strain on the household budget.

Where respondents lived, what they earned and whether or not they had dependants played a big role in shaping their attitudes, with **those with kids (56%), those who live in Sydney (58%) and those on higher incomes—\$150k–199k (61%) and \$200k+ (75%) much more likely** to believe that a minimum of \$150,000 a year is needed to maintain a comfortable lifestyle.

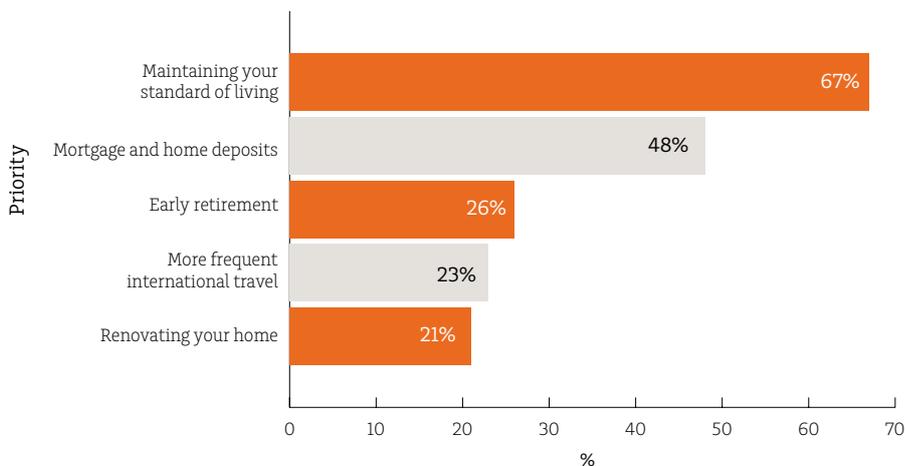
Age too, played a role. Those aged 50–70 were much less likely to have agreed (36%), demonstrating not only the generational divide around expectations for their lifestyles but also the stronger financial position this cohort are more likely to find themselves in, with mortgages paid off (or close to—the mean age is 53) and the financial obligations of raising a young family behind them.

What we value



Q14. Please indicate how important each of the characteristics is important to you. Base: all; n=2038

Our aspirations for the future



Q16. What are your three main goals for the future? Base: all; n=2038

Research findings: *Part 1 – We're all in the middle, aren't we?*

What about assets and net worth? The magic number of \$1,000,000—which used to open the door to the millionaire's club—no longer impresses. Three in five **(59%) believed that being worth \$1,000,000 does not mean that you are rich in Australia**. Where you live and how much you earn also played a role, with those who lived in our most expensive cities Sydney (64%) and Melbourne (64%) and **those with annual household incomes of \$200k+ (77%) much more likely** to have believed that being worth a million dollars does not qualify you as rich.

So if being 'comfortable' is at the heart of our expectations for how we should live, what else do we value? The research findings reveal that, despite our love of lifestyle and soaring property prices, **owning your home is still the great Australian dream, with this ranking as the number 1 priority (78%)**. Fascinatingly, **being able to live off one income came in at number 2 (73%)**, suggesting that this is now perceived to be something of a 'luxury' in an era defined by the busy, 'time poor' double income household.

Interestingly, other options participants could choose from such as owning a holiday house, owning a luxury car or designer clothing did not make it into the top 10, suggesting that these are no longer considered to be important symbols of status for every day Australians.

When it comes to goals for the future, maintaining standard of living and paying off the house (mirroring current priorities) were ranked as the most important. So too does an early retirement, more frequent international travel and home renovations (also mirroring current priorities).

Research findings: Part 1 – We’re all in the middle, aren’t we?

The mortgage and the cost of living are our biggest commitment but also our greatest financial burdens

The cost of living and the increase in the cost of property have been a hot topic of discussion amongst participants in recent qualitative research by *The Ipsos Mind & Mood Report*, Australia’s longest running social trends study.

‘The cost of living is huge. Payments on the house, food is expensive, the bills don’t stop coming in.’

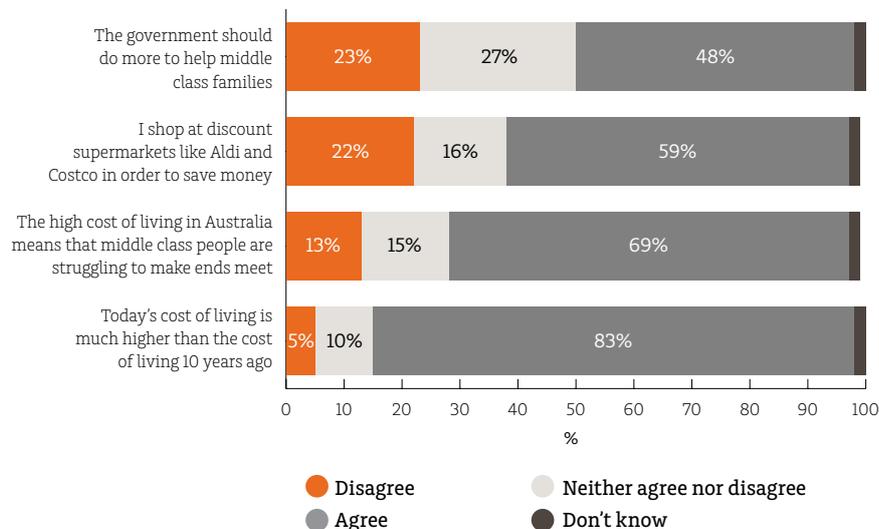
‘My main objective was to buy a house that I could pay off before retirement and have some security. But that’s not going to happen..’

The cost of living is a lot. It’s hard to save. It makes it hard to get ahead.

In 2015 median house prices reached numbers that were unthinkable just five years before—\$1,000,616 in Sydney, \$668,030 in Melbourne and \$701,827 nationally¹⁸—which led many Australian’s to ponder what it would mean for the next generation’s ability to enter the housing market. While the housing price boom may now officially be over, concerns around affordability persist.

Despite this, outright home ownership is still our greatest aspiration, as evidenced by the findings above. However, the

The cost of living hitting the middle class



Q10. Please indicate how much you agree with each statement.
Base: all; n=2038 Disagree/agree = nets of slightly/somewhat/totally

pressure of paying off a mortgage to fulfil the Australian dream is also our greatest commitment and burden, according to survey participants, irrespective of what they earn.

The average mortgage in Australia is currently \$461,608 (\$558,418 in Sydney)¹⁹ and repayments are taking up a greater slice of household income—around 27% today compared to 17% in 1981.²⁰

Given these amounts, it comes as no surprise that **three quarters (76%) of the 2040 people surveyed say that their mortgage has a big impact on their lifestyle.** Those on household incomes of \$70,000–\$99,000 (80%) and \$150,000–\$199,000 (82%) were more likely to agree. Interestingly, there was no difference by location for this finding: those that lived in our most expensive cities and those living in regional areas were just as likely as each other to agree with this statement.

¹⁸ The Domain Group, *Domain House Price Report*, June quarter 2015. http://www.domain.com.au/group/wp-content/uploads/2015/07/Domain_House_Price_Report_June2015.pdf

¹⁹ Figures as June, 2105, AFG Mortgage Index, July 2015 <http://www.afgonline.com.au/wp-content/uploads/2015/07/AFG-June-Mortgage-Index.pdf>

²⁰ Australian Housing and Urban Research Institute, *Generational Change in Home Purchase Opportunity in Australia*. November 2014 http://www.ahuri.edu.au/downloads/publications/EvRevReports/AHURI_Final_Report_No232_Generational_change_in_home_purchase_opportunity_in_Australia.pdf

Research findings: *Part 1 – We're all in the middle, aren't we?*

Even our highest income earners reported feeling the pressure of the mortgage with 66% of \$200k+ householders agreeing that the mortgage had a big impact on their lifestyle.

Further, if gifted \$50,000, participants would put more than half of it on their mortgage as their first priority, more evidence of just how much the mortgage rules the financial life of Australians today.

The 'cost' of the cost of living

Amongst survey participants, the cost of living emerged as the other great burden putting pressure on the household budget.

This result is unsurprising given the increases in the cost of living in Australia over the last decade. According to the March 2015 NATSEM²¹ Household Budget Report, as of the end of 2014, the cost of living index was 212, substantially higher than the index value of 150 at the end of 2002.

Almost all respondents believed that life in Australia is more expensive than it ever has been, with **(83%) having agreed that the cost of living is much higher than the cost of living ten years ago**, while almost half **(44%) agreed that the cost of living where they live makes it difficult for them to maintain their standard of living**. Additionally, around two thirds (60%) felt that their salaries hadn't kept up with the cost of maintaining their standard of living. Interestingly, **59% said they shopped at discount retailers Aldi and Costco to save money**.

The cost of living was seen to be having a significant impact on the middle class. Almost half felt the government should provide more support, with **48% believing that the government should do more to help middle class families, while 69% believed that the high cost of living meant that middle class people were struggling to make ends meet**.

²¹ National Centre for Economic Modelling, University of Canberra.

About the research: methodology and sample

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

Sampling

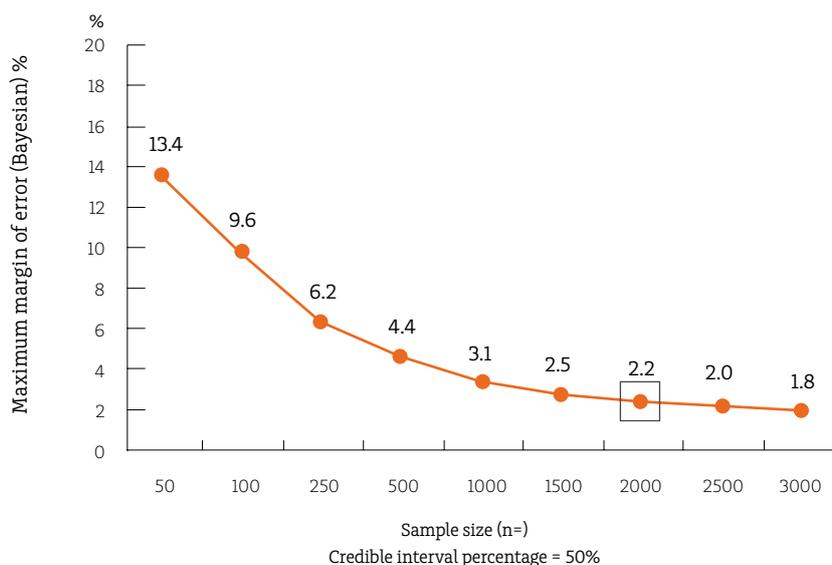
- National sample of n=2038, aged 25–70 collected through an online panel during August 2015. Gender, age and location quotas and weights were applied to ensure the sample was representative of the population

Age, gender and location quotas were used in fieldwork. These were calculated on the ABS's 2011 Census data.

- This sample size has a maximum Bayesian margin of error of +/- 2.2% at 95% confidence, as depicted below. This means that if the study was repeated, a result of 50% could fall in the range of 47.8% and 52.2% and still be a reliable and valid finding. It should be noted that the margin of error decreases more slowly as sample sizes increase (for example, a sample of n=3000 would only decrease the maximum error by +/- 0.4%).

Weighting

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



Statistical analysis

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

Additional qualitative research

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

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

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

About Ipsos and MLC



About Ipsos

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

About MLC

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

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