

**VOLUME 2:**  
**A QUANTITATIVE REPORT ON**  
**FINANCIAL EXCLUSION**



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## 1. MAIN FINDINGS

### 1.1 Fourteen Categories of Financial Products

The following charts have been compiled from Roy Morgan Research – Finance Monitor data collected in the period April 2003 to March 2004. There were 55,687 individuals in the full data set, aged from 14 years and upwards. Two sets of filters were used to obtain different analyses of this data:

- ] One set of data used here focused only on the adult population (eliminating those under 18 years of age, n=51,830).
- ] A second set focused only on adults who were decision makers in the household, in order to explore home ownership and insurance issues surrounding home ownership status (n=48,396).

The product categories examined in the analysis included the fourteen product categories, within three macro categories:

- ] Savings and investment products:
  - Transaction accounts .
  - Deposit accounts .
  - Superannuation, rollover, retirement savings accounts .

- Managed investments.

- Direct investments.

] Credit & loan products:

- Store/finance cards (excludes debit-only cards).

- Major 5 credit cards (excludes debit-only cards).

- Home loans.

- Other loans (eg personal loans).

] Insurance (excluding vehicle compulsory third party):

- Private health insurance.

- Life insurance.

- Contents insurance.

- Building insurance.

- Other insurance (excluding vehicle compulsory third party).

Later analysis in this report deals with:

] Four banking channel categories, including:

- Face to face.

- Electronic.
- Giro/Post Office.
- Cheque.

The data has been weighted to reflect the actual make-up of the Australian population at large.

## 1.2 Characteristics of Consumer Segments Based on Increasing Product Ownership<sup>1</sup>

	Total popul'n	Zero	Txn/ deposit category only	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
<b>% Adult Population</b>	<b>100</b>	<b>0.8</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>7</b>
% Decision Makers	100	0.7	5	6	8	9	10	11	13	13	11	7
<b>Age of Respondent</b>												
18-19	<b>4.4</b>	3	22	<b>27</b>	21	13	9	3	1	1	0.2	0.2
20-24	<b>8.8</b>	1	10	17	<b>19</b>	17	14	10	7	3	2	1
25-29	<b>8.9</b>	0.8	6	10	11	11	12	<b>13</b>	11	11	8	4
30-34	<b>10.4</b>	1	4	6	7	9	10	11	13	<b>14</b>	11	8
35-39	<b>8.9</b>	0.4	4	5	6	7	9	11	<b>14</b>	<b>14</b>	12	10
40-44	<b>9.9</b>	0.6	3.1	5	6	6	7	10	13	<b>15</b>	<b>15</b>	11
45-49	<b>10.1</b>	0.5	3	4	4	6	7	10	14	16	<b>17</b>	11
50-54	<b>9.2</b>	0.7	3	3	5	6	7	10	14	<b>16</b>	15	11
55-59	<b>8.0</b>	0.6	3	4	5	6	9	12	15	<b>17</b>	14	8

<sup>1</sup> Only up to “ten products owned” are shown. Read percentages horizontally, except for the first column (total population) whose percentages are to be read vertically. Only those aged 18 and over are included. The mode is shown in red to aid analysis.

	Total popul'n	Zero	Txn deposit category only	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
<b>% Adult Population</b>	<b>100</b>	<b>0.8</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>7</b>
60-64	5.9	0.8	5	5	6	9	12	14	14	14	11	6
65-69	4.6	1	6	6	8	11	15	14	15	13	8	4
70+	11.0	0.8	7	7	12	16	18	15	11	8	4	1
<b>Sex</b>												
Men	49	0.7	5	7	8	9	10	11	12	13	11	7
Women	51	0.9	6	8	9	10	11	11	12	12	10	6
<b>Country of Birth</b>												
Australia	74	0.6	5	7	8	9	10	11	12	13	11	7
New Zealand	2.6	1	6	9	11	9	11	8	12	12	9	7
Asia	6.0	2	11	15	14	12	10	9	10	8	5	2
UK	7.8	0.8	4	6	7	8	10	13	13	13	12	8
Other Europe	4.4	1	7	8	10	11	13	13	12	10	7	4
Other	5.2	1	8	10	11	11	11	9	11	10	9	5
<b>Pension Status</b>												
Age pensioner	10.6	0.3	5	6	9	14	18	18	15	10	5	1



	Total	Zero	Txn only	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
<b>% Adult Population</b>	<b>100</b>	<b>0.8</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>7</b>
<b>Income (Personal)</b>												
<\$6,000	0.6	1.7	15	14	12	14	14	7	7	8	5	1
\$6,000 to \$9,999	2.1	2.0	21	17	16	15	12	8	6	3	1	1
\$10,000 to \$14,999	5.4	1.1	17	15	16	16	14	10	6	3	2	1
\$15,000 to \$19,999	4.9	0.6	12	10	12	15	17	14	10	5	3	1
\$20,000 to \$24,999	4.8	0.6	8	11	11	13	15	14	13	8	5	2
\$25,000 to \$29,999	4.1	0.1	6	10	11	12	14	15	11	11	6	3
\$30,000 to \$34,999	4.0	0.3	5	8	10	9	12	13	16	14	9	4
\$35,000 to \$39,999	3.8	0.2	4	7	8	10	11	16	15	12	9	5
\$40,000 to \$44,999	3.9	0.2	3	6	9	10	11	14	14	14	10	5
\$45,000 to \$49,999	3.6	0.4	3	5	6	8	11	13	16	16	11	7
\$50,000 to \$59,999	6.0	0.5	2	4	6	7	9	12	16	17	14	8
\$60,000 to \$69,999	5.6	0.2	2	4	4	7	10	11	15	18	14	9
\$70,000 to \$79,999	5.4	0.2	1	3	4	6	7	10	15	18	16	13
\$80,000 to \$89,999	4.5	0.1	1	2	4	4	7	10	15	16	18	13
\$90,000 to \$99,999	3.4	0.2	0.3	2	2	4	6	8	13	17	20	15
\$100K to \$109K	3.3	0.2	1	3	3	4	6	8	12	19	19	13
\$110K to \$119K	2.1	0.5	0.2	2	4	7	7	7	10	17	18	14
\$120K to \$129K	2.0	0.2	0.8	2	3	4	6	6	10	18	21	16
\$130,000+	7.1	0.1	0.6	2	3	5	5	8	11	16	17	15

	Total	Zero	Txn only	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
<b>% of Population</b>	<b>100</b>	<b>0.8</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>7</b>
<b>Employment status</b>												
Employed	60	0.4	2	5	7	8	9	11	13	15	14	10
Not employed	40	1.4	12	12	12	13	13	11	10	8	5	2
<b>Remoteness (ABS defined)</b>												
Major city	68	1	6	8	9	9	10	11	12	12	10	7
Inner regional	21	0.4	5	6	8	10	11	12	13	13	10	7
Outer regional	10	0.4	7	8	8	10	11	11	11	11	10	7
Remote	1.2	0.8	6	9	7	7	9	12	13	15	10	6
Very remote	0.1	0	4	2	4	3	18	23	8	15	17	2
<b>Housing tenure (Note this data includes only decision makers in the home)</b>												
Own home	38	0.7	2	3	6	10	13	14	16	14	11	6
Paying off	32	0	0	1	2	3	5	9	15	20	19	14
Rent	29	1.1	13	17	16	14	13	10	7	5	3	1
Other/not stated	1	11	5	9	13	13	11	8	10	6	7	5

## Key Findings

Analysis of the number of financial products owned in 2003, by demographic variables showed that:

- ] **Total “exclusion”:** Only 0.8% of the Australian adult population (and 0.7% of decision makers in the home) owned no financial products.
- ] **Minimum access:** 6% owned only a transaction product.
- ] **Median number of products:** The median number of financial products owned in Australia was six.
- ] **By age:** The median number of products owned increased with age from 1 product at age 14-15, to 4 products by the age of 20 to 24, 7 products at 40-44, 6 products at 60 to 64, and 5 products at age 70 years and over.
- ] **By sex:** There was little difference between the sexes, although females owned slightly fewer products than males on average.
- ] **By country of birth:** Those born in Australia were less likely to have zero products than, say, those born in Asia. However, this may have been an age and income effect caused by the number of overseas students.
- ] **By pension status:** Those with an aged pension did not appear particularly excluded, having a median number of five products, and a similar proportion of them (compared the total population) had at least one product (5% versus 6% of the population).
- ] **By income (personal):** The median number of products increased rapidly with income, from 3 products at annual income of \$10,000, to 7 products at \$40,000 pa, and 8 products at annual incomes exceeding \$100,000.

- ] **By employment status:** Those who were employed had a median number of products of 7, versus 4 for those who were unemployed. Only 2.5% of employed people had no products (0.5%) or a transaction product only (2%), versus 18% of unemployed people (3% of unemployed people lacked any products and 15% had a transaction product only).
- ] **By remoteness:** There were no appreciable differences in number of products owned by remoteness (whether in a large city, inner regional, outer regional, remote or very remote).
- ] **By housing tenure:** Those paying off a home were more likely to have a larger number of products (median 8) than those who already owned their home (6 products). Those renting (29% of the population) had a median number of products of only 3, while those who had other housing arrangements or did not state their housing tenure status, also had a median of only 3 products.

**General Conclusions:**

- ] The data reinforces the conclusion that relative to the UK, where 7% of households were thought to own zero financial products, there are only 0.8% of adults in Australia who lack a financial product.
- ] Few people are financially excluded, in the sense of not owning any financial products in Australia. However, a substantial number (6%) only owned a transaction/deposit product.
- ] A small number of financial products was associated most strongly with:
  - Income
  - Age (although this may be an income effect).
  - Employment status (almost certainly an income effect).

- Housing tenure (ownership, paying off a home, renting or other living arrangements) had a large effect on the likely number of financial products owned. 29% of the population were renting, and usually have half as many financial products as those who own, or are buying a home.

] There was no appreciable relationship between the number of products owned and the following variables:

- Sex
- Pension status
- Remoteness

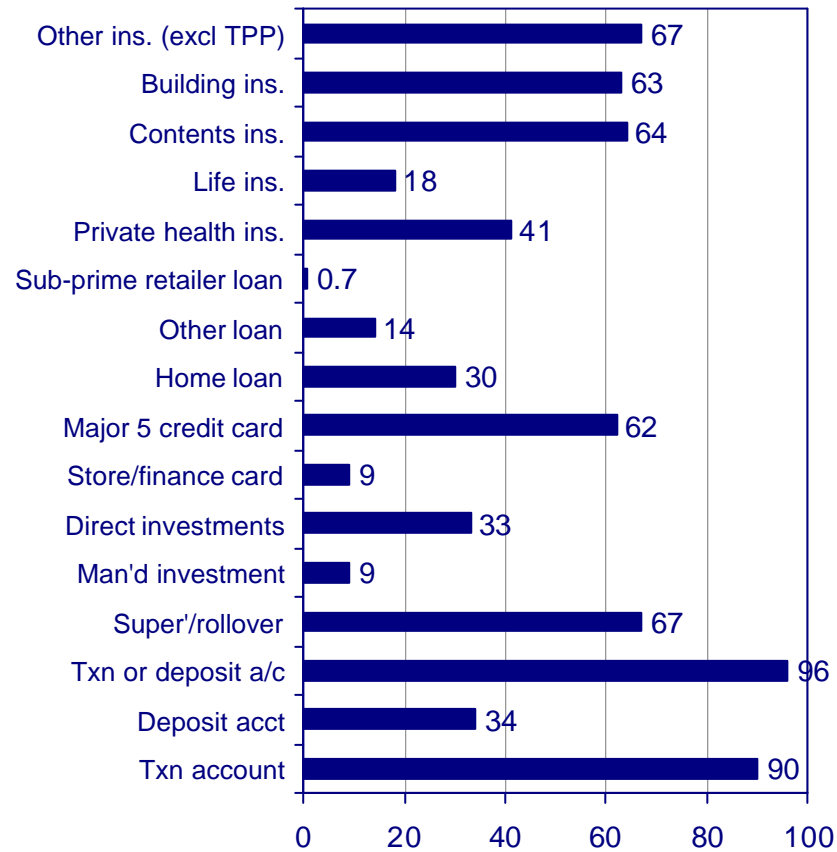
] Country of birth may have an impact, with those born in Asia tending to own fewer products.

The subsequent charts and findings relate to understanding the nature of:

- Those who owned (and those who did not own) various categories of products.
- Those who had ever used (and those who had never used) various banking channels.

### 1.3 Extent of Adult Ownership of Each of Fourteen Financial Services

(n = 51,830)



#### Key Findings

- ] Highest ownership product areas included:
  - Transaction account (owned by 90%).
  - Superannuation or rollover (67%).
  - Other insurance (63%).
  - Building insurance (63%).
  - A “major five” credit card (62%).
- ] Least owned products included:
  - Sub-prime retailer loan (0.7%).
  - A managed investment (only 9% owned).
  - Store/finance cards (9%).
  - Personal & investment loans (14%).
  - Life insurance (18%).

Thus, there were high levels of non-ownership of many product categories.

### 1.4 Lack of Product Ownership - By Age

	Total	18-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70+
No transaction acct	<b>10</b>	9	6	10	13	13	13	12	12	10	9	7	5
No deposit account	<b>66</b>	82	76	68	62	62	62	61	62	64	67	69	72
No super/rollover	<b>33</b>	52	27	20	17	18	19	19	21	32	48	66	83
No managed invest <sup>+ts</sup>	<b>91</b>	98	96	94	94	92	91	90	89	89	88	89	89
No direct invest <sup>+ts</sup>	<b>67</b>	90	85	77	67	66	60	58	56	56	60	63	70
No store/fin'ce card	<b>91</b>	97	94	91	90	90	88	89	88	89	91	92	94
No major credit card	<b>38</b>	84	62	41	32	30	29	26	25	28	34	37	50
No home loan	<b>70</b>	99	93	72	54	47	47	50	61	73	87	94	98
No personal loan	<b>86</b>	92	80	76	77	81	83	83	87	89	95	96	99
No priv health ins.	<b>59</b>	84	77	70	60	58	54	47	45	47	51	55	65
No life insurance	<b>82</b>	97	94	88	80	73	71	70	72	81	86	91	94
No contents ins.	<b>36</b>	94	82	56	37	31	26	22	20	19	21	19	22
No building ins.	<b>37</b>	76	79	63	43	33	28	22	21	20	22	24	27
No other insurance	<b>33</b>	72	56	39	29	26	25	23	22	24	27	30	40

### Main Findings Regarding Age Effects

- ] Those under 24 years of age seemed to have a higher incidence of not owning a variety of products. Most notable such age effects were observed for: deposit accounts, super/rollovers, direct investments, a major credit card, home loan, private health insurance, life insurance, home & contents insurances, other insurance.
- ] 20% of people at age 20 to 24 did have a personal loan, compared with much lower proportions of younger people.
- ] Some of the main differences by age were in:
  - Superannuation, where higher levels of non-ownership applied to those over 60 years of age.
  - Major credit cards (62% of those aged 20 to 24 had no credit card, declining to only 25% aged 50-54, beyond which lack of ownership of credit cards rises to 50% for those over 70 years of age.
  - Home loans, which were lacking for 93% of 20 to 24 year olds, were not owned by 47% of 40-44 year olds, and 98% of those aged 70+
  - The lack of private health insurance declined from 84% at age 18-19 to 45% at age 50 to 54, then rose again to 65% at age 70+.



**1.5 Lack of Product Ownership - By Income <sup>2</sup>**

	Total	<6	10	15	20	25	30	35	40	45	50	60	70	80	90	100	110	120	130	>130
No transaction acct	<b>10</b>	7	6	5	6	5	7	8	8	9	10	11	11	13	13	11	12	13	13	13
No deposit account	<b>66</b>	81	83	80	76	73	74	71	71	68	66	63	62	56	55	51	54	52	48	51
No super/rollover	<b>33</b>	60	77	81	69	57	45	36	29	26	24	21	18	15	13	11	12	11	10	13
No managed invest <sup>ts</sup>	<b>91</b>	93	97	95	93	93	92	91	91	92	91	91	91	90	89	89	89	88	87	84
No direct invest <sup>ts</sup>	<b>67</b>	77	88	86	81	77	75	72	73	70	67	64	62	59	58	51	51	51	47	38
No store/fin'ce card	<b>91</b>	94	96	94	93	93	91	92	91	90	90	89	89	88	87	87	88	87	87	87
No credit card	<b>38</b>	59	71	66	56	52	47	44	41	39	36	32	29	27	23	19	21	22	19	17
No home loan	<b>70</b>	86	93	95	92	89	84	76	71	69	64	58	57	52	51	49	49	51	49	54
No personal loan	<b>86</b>	92	96	96	93	92	87	85	84	82	82	81	81	79	79	78	80	80	81	82
No priv health ins.	<b>59</b>	70	87	82	78	71	73	69	68	66	61	58	54	49	46	40	40	36	35	29
No life insurance	<b>82</b>	87	94	94	93	90	89	84	84	85	81	79	76	74	72	69	71	71	71	68
No contents ins.	<b>36</b>	54	53	44	40	39	40	38	40	38	33	31	30	26	25	24	26	28	24	27
No building ins.	<b>37</b>	60	56	52	44	43	46	42	41	40	36	31	29	27	26	24	25	25	23	26
No other insurance	<b>33</b>	53	57	53	46	43	40	36	36	35	31	28	26	23	23	20	22	24	19	18

<sup>2</sup> Column headers are individual annual income in \$'000.

### 1.6 Adult Ownership of Sub-Prime Retailer Loan and Store/Card Credit - By Income <sup>3</sup>

	Total	<6	10	15	20	25	30	35	40	45	50	60	70	80	90	100	110	120	130	>130
Sub-Prime Retailer Loan	0.7	0.3	0.2	0.2	0.5	0.5	0.7	0.9	0.9	1.3	1.0	2	1	1.2	1.2	0.9	1.6	1.0	1.8	0.2
Store card credit	9	6	7	7	8	9	9	11	12	12	11	12	12	11	11	10	14	13	12	16

#### Main Findings Regarding Income Effects

- ] Income tended to have a more unidirectional association with lack of product ownership, than age, and was therefore considered a better predictor of financial exclusion than age.
- ] For several products types, there were **very high levels of non-ownership** (eg from 70 or 80%) **at low incomes**, down to only 30 to 40% lack of ownership at the highest income levels. These included:
  - Direct investments.
  - Private health insurance.
- ] With some other product types, **non-ownership was quite high** (above 50%) **at low incomes**, and declined to quite low levels (under 20%) by incomes of \$130,000 and above. The main examples of this type were:

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<sup>3</sup> Column headers are individual annual income in \$'000.

- Super/rollovers.
  - Major credit cards.
  - House and contents insurance
  - Other insurance.
- ] There were several products which displayed a very slight reduction in non-ownership with increasing income, with the highest income cohorts tending to lack the product in about 50% of cases:
- Deposit accounts.
  - Home loans,
  - Life insurance.
- ] For a few product areas, there was very little effect of income on non-ownership, with most of the population not owning the product, but with slightly lower non-ownership levels at higher incomes. This applied to:
- Managed investments.
  - Store/finance cards.
  - Personal loans.
- ] For one product type – transaction accounts, non-ownership seemed to increase slightly with income, which is perhaps consistent with the observation that low income people in Australia tend to require a bank account for receiving social security payments electronically.

### **Non-Mainstream Products**

- ] Sub-prime retailer loans were owned by 0.7% of adults, with very low levels of ownership in the income range zero to \$20,000 pa. Highest ownership was only 1.3% for those in the \$36,000 to \$40,000 income range.
- ] Similarly, Store/card credit was owned by 9% of adults, peaking in two income ranges:
  - In the \$36,000 to \$45,000 income range (at 12%).
  - In the \$110,000+ income range (at 14 to 16% ownership).

**1.7 Lack of Product Ownership - By Gender, Employment Status and Housing Tenure**

Product Category	Total	Sex		Employment Status		Housing Tenure (decision makers only)			
		Men	Women	Employed	Not employed	Own home	Paying off	Renting	Other/not stated
No transaction acct	10	12	10	11	11	8	16	7	28
No deposit account	66	68	68	62	76	64	54	78	77
No super/rollover	33	31	42	12	71	45	14	37	53
No managed invest <sup>ts</sup>	91	91	93	91	93	87	92	95	94
No direct invest <sup>ts</sup>	67	65	72	62	78	57	59	83	77
No store/fin'ce card	91	94	90	90	94	91	87	92	94
No credit card	38	40	44	30	58	33	20	54	53
No home loan	70	71	73	60	89	93	10	96	87
No personal loan	86	85	88	81	94	92	83	79	90
No priv health ins.	59	61	61	53	71	50	46	77	63
No life insurance	82	80	85	77	92	84	70	87	85
No contents ins.	36	41	39	35	47	17	12	66	43
No building ins.	37	39	39	35	45	17	0	92	48
No other insurance	33	35	39	27	51	26	17	51	41

## 1.8 Adult Ownership of Sub-Prime Retailer Loan and Store/Card Credit - By Gender, Employment Status and Housing Tenure

Product Category	Total	Sex		Employment Status		Housing Tenure (decision makers only)			
		Men	Women	Employed	Not employed	Own home	Paying off	Renting	Other/not stated
Sub-Prime Retailer Loan	0.7	0.7	0.6	1	0.2	0.3	1.4	0.7	0.3
Store card credit	9	7	11	10	7	9	13	8	6

### Main Findings Regarding the Effects of Gender, Employment and Housing Tenure

#### *Gender*

- ] There were few and only minor differences between men and women on financial product ownership.
- ] The main gender effect was in superannuation, where 42% of women lacked ownership, compared to only 31% of men.

#### *Employment*

- ] Whether a person is in paid employment or not had a **major impact** on the likelihood of owning/not owning financial product in the case of:
  - Superannuation.

- Major credit cards.

- Home loans.

] There was a **fairly high impact** of employment status on ownership/lack of ownership of:

- Deposit accounts.

- Direct investments.

- Personal loans.

- Private health insurance.

- Life insurance.

- House and contents insurance.

] There was almost **no impact** of employment status on ownership of:

- Transaction accounts.

- Managed investments.

- Store/finance cards.

**Housing Tenure**

- ] Those who were renting, as opposed to owning their own home or paying it off, were more likely to lack deposit accounts, direct investments, credit card, private health insurance, and other kinds of insurance. A lack of income, and to some degree assets may contribute to these effects on exclusion.
- ] There were 17% of people who owned their own homes lacking building insurance, and 17% lacked contents insurance.
- ] Similarly, 12% of those with a mortgage lacked contents insurance.
- ] A massive 66% of those with rental accommodation lacked home contents insurance.

**Ownership of Non-Mainstream Products**

- ] Store/card credit was owned by 9% of the adult sample, with the following more likely to own it:
  - Women (11% versus 7% of men).
  - Those who are employed (10%) versus 7% of unemployed.
  - Those paying off a house (13%) versus owning (9%) or renting (8%).
- ] Sub-prime retailer loans were owned by 0.7% of the adult sample, with the following more likely to own it:
  - Those who are employed (1%) versus 0.2% of unemployed.
  - Those paying off a house (1.4%) versus owning (0.3%) or renting (0.7%).



**1.9 Lack of Product Ownership - By Remoteness (Location)**

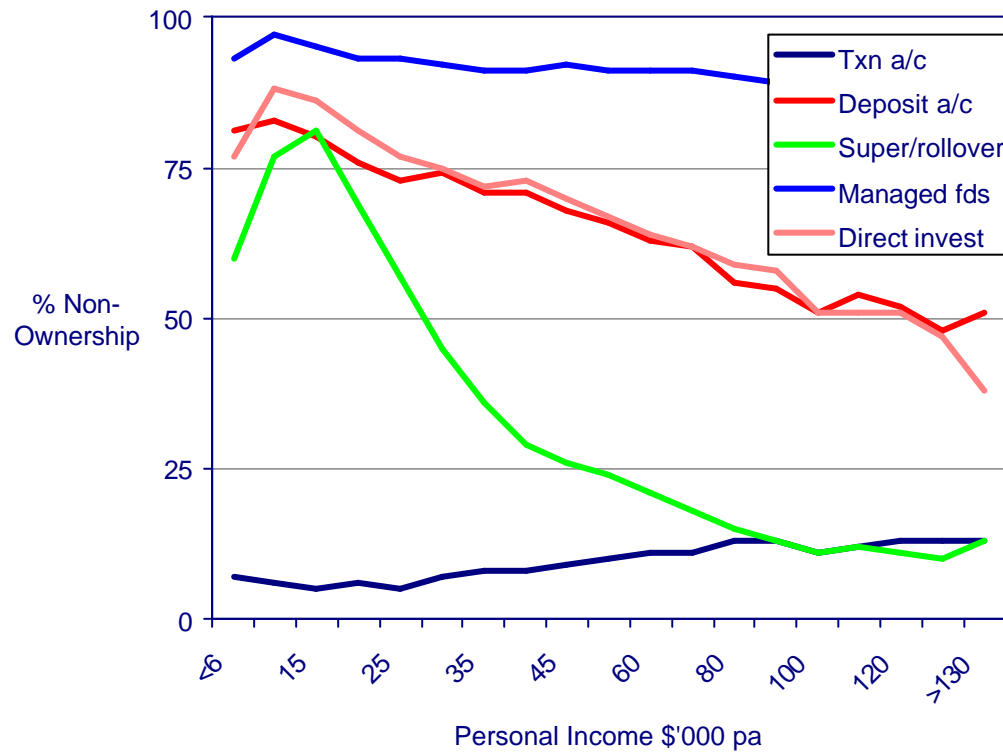
	Total	Major city	Inner regional	Outer regional	Remote	Very remote
No transaction acct	10	11	9	8	10	5
No deposit account	66	67	67	65	68	73
No super/rollover	33	32	37	36	30	30
No managed invest <sup>ts</sup>	91	91	92	92	94	92
No direct invest <sup>ts</sup>	67	66	67	69	69	58
No store/fin'ce card	91	91	91	91	93	83
No credit card	38	36	41	43	39	33
No home loan	70	70	69	71	70	73
No personal loan	86	87	84	81	80	80
No priv health ins.	59	56	63	65	62	61
No life insurance	82	83	81	79	79	81
No contents ins.	36	38	29	35	34	18
No building ins.	37	39	31	37	42	22
No other insurance	33	34	29	34	36	34

**Key Findings Regarding Location Effects**

- ] There were few product categories which showed any relationship between non-ownership and an ABS defined measure of remoteness.
- ] In some cases there was a mild reduction in non-ownership with remoteness (eg transaction account, personal loan) but the differences were quite small.

### 1.10 Exclusion Curves (Income Versus % Non-Ownership)

(n = 51,830)



#### Key Findings

Income exclusion products included:

- Superannuation.

Price exclusion products:

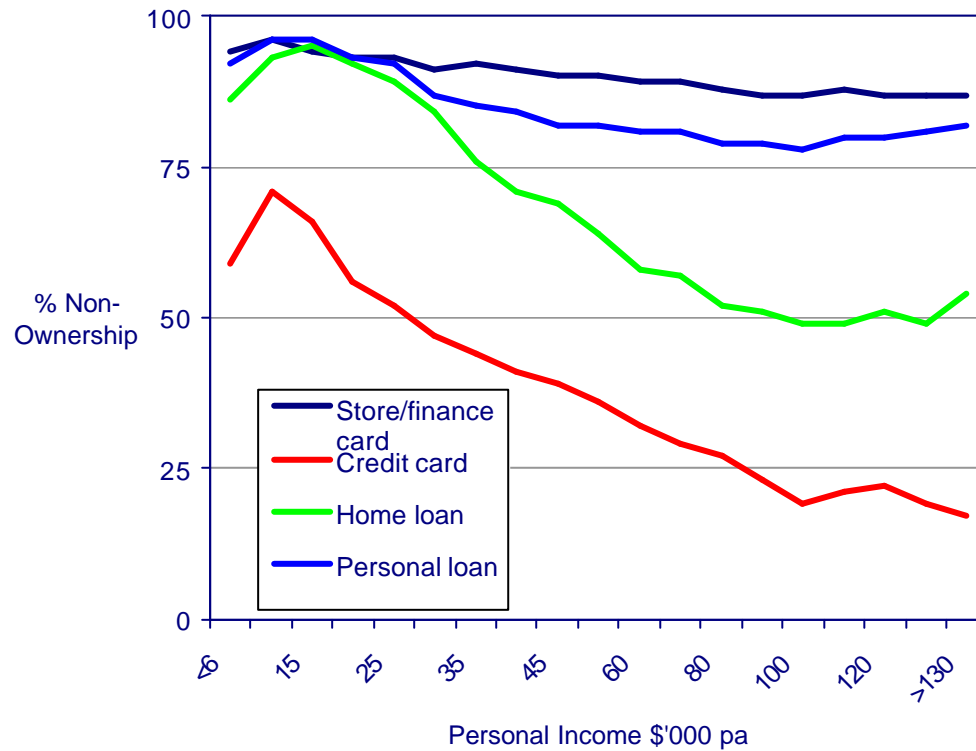
- Deposit accounts and direct investments.

Unclassified:

- Managed funds (large part of all income groups did not own).
- Transaction accounts (low incidence of non-ownership generally, but *surprisingly*, slightly more non-ownership as income increases).

### 1.11 Exclusion Curves (Income Versus % Non-Ownership)

(n = 51,830)



#### Key Findings

Income exclusion products included:

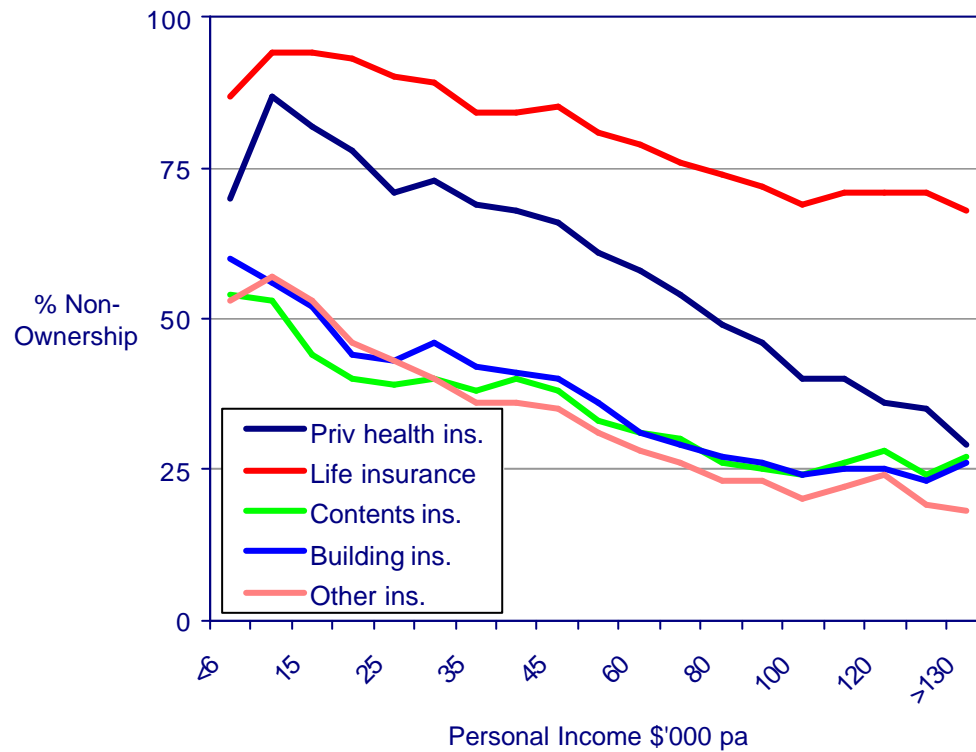
- Home loan (below \$40,000 pa).
- Credit card (below \$40,000 pa).
- Personal loan (below \$40,000 pa).

Price exclusion products:

- Store/finance card.

### 1.12 Exclusion Curves (Income Versus % Non-Ownership)

(n = 51,830)



### Key Findings

Income exclusion products included:

- Building insurance (below \$25,000 pa).
- Contents insurance (below \$25,000 pa).
- Health insurance (below \$80,000 pa).

Price exclusion products:

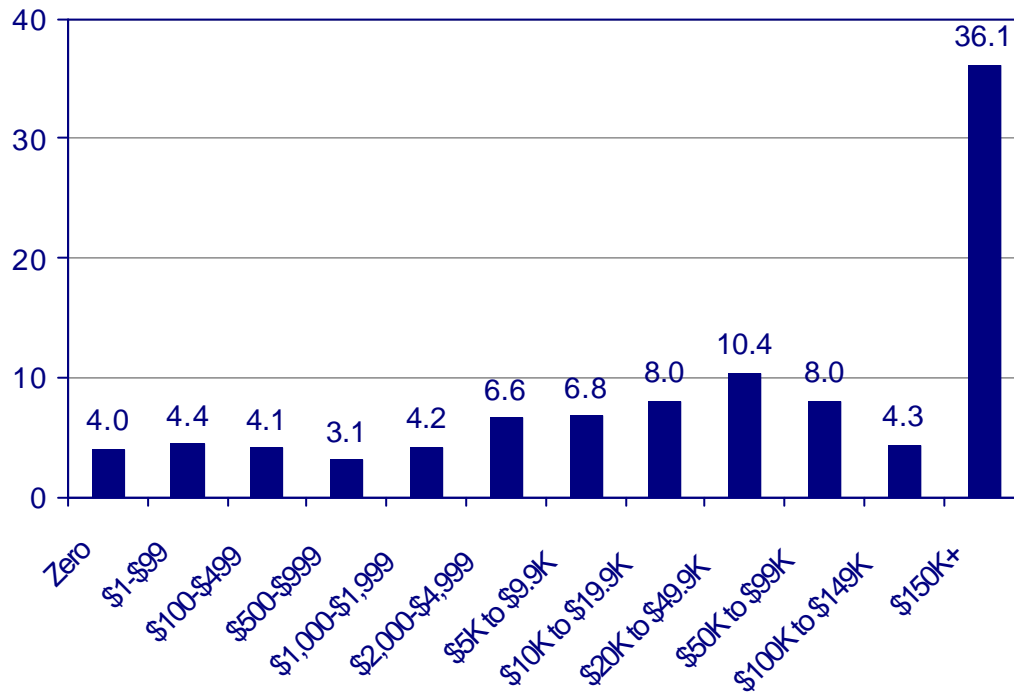
- Life insurance.

High levels of insurance non-ownership

across all income levels in all insurance product categories.

### 1.13 Level of Savings and Investments - Adults

(n = 51,830)

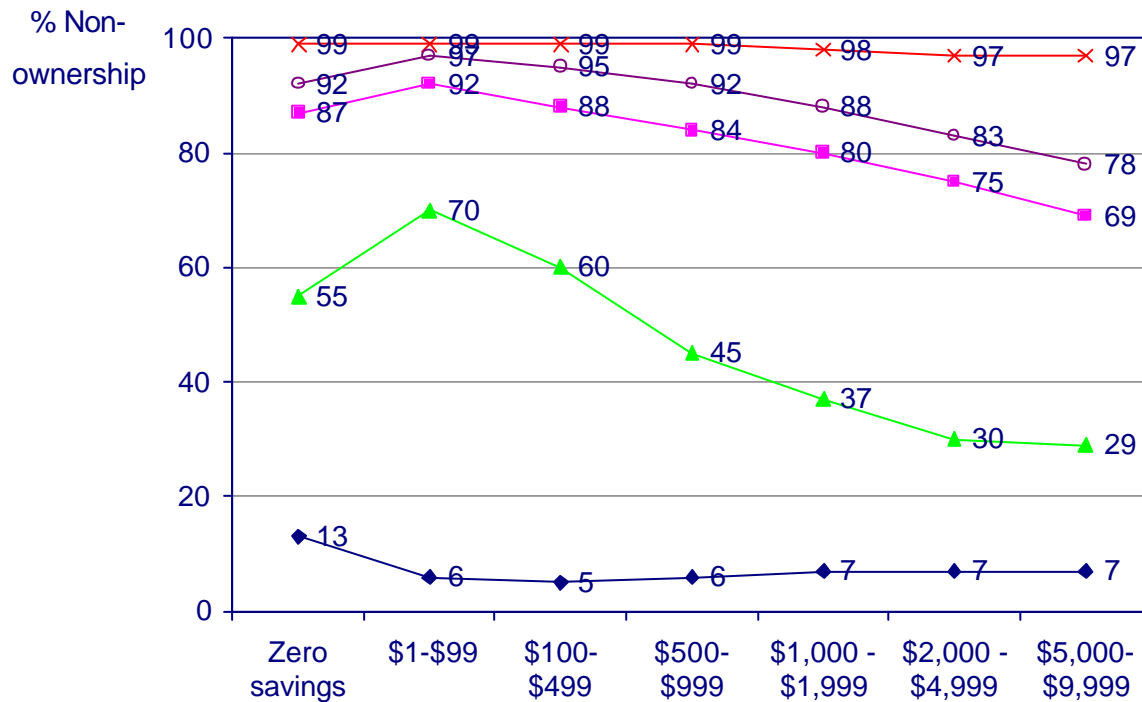
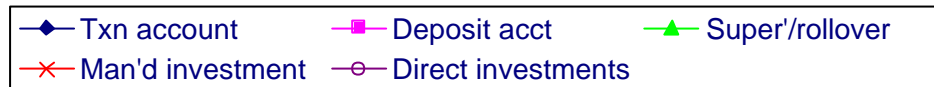


#### Key Findings

- ] 4% of adults possessed no savings or investments.
- ] Another 4.4% possessed only \$1 to \$99.
- ] Overall, there were;
  - 19.5% of the community with less than \$2,000 of savings or investments.
  - 26% had less than \$5,000.
  - 33% had less than \$10,000.

### 1.14 Savings Style Products and Levels of Overall Savings

(n = 51,830)



### Key Findings

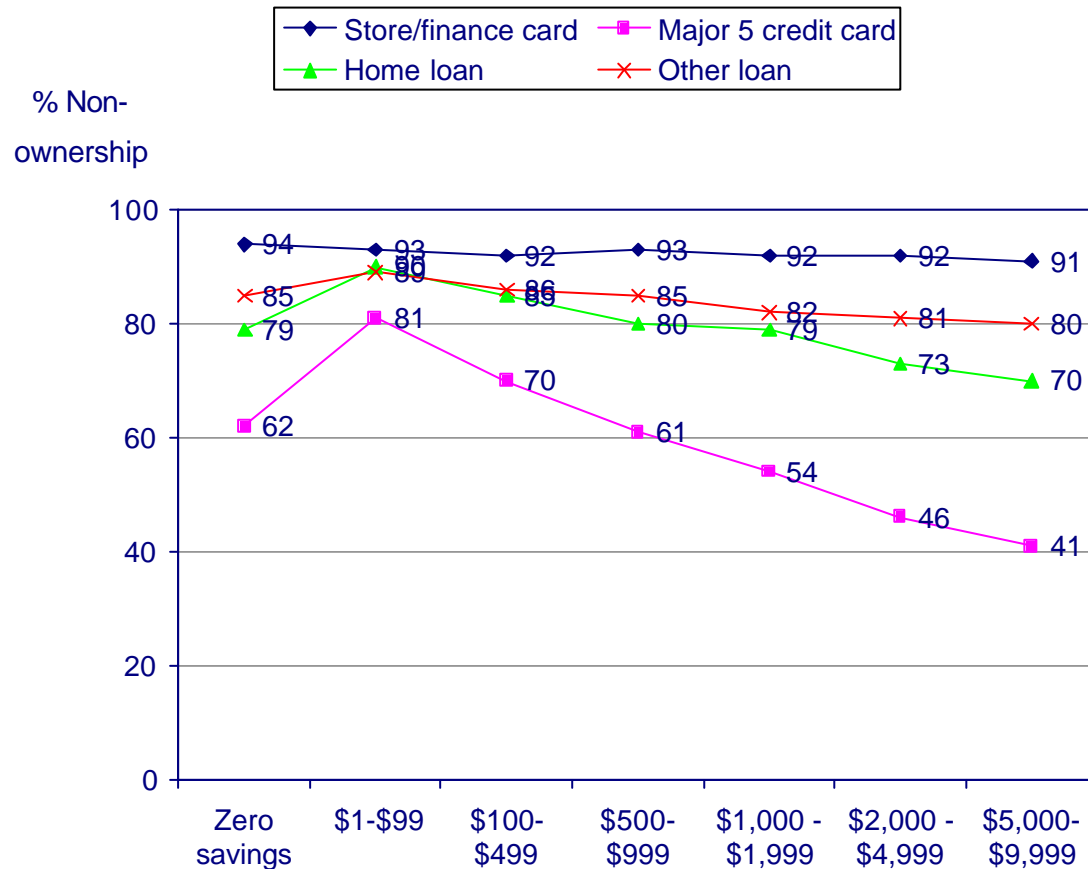
- ] Those with zero savings were more likely to lack a transaction account (13% were excluded from a transaction account versus 10% of the overall population).
- ] Amongst those with low savings (less than \$10,000 saved or invested), level of savings was closely aligned with the incidence of non-ownership of superannuation, deposit accounts and direct investments (as expected).

### 1.15 Credit/Loan Products and Levels of Overall Savings

(n = 51,830)

#### Key Findings

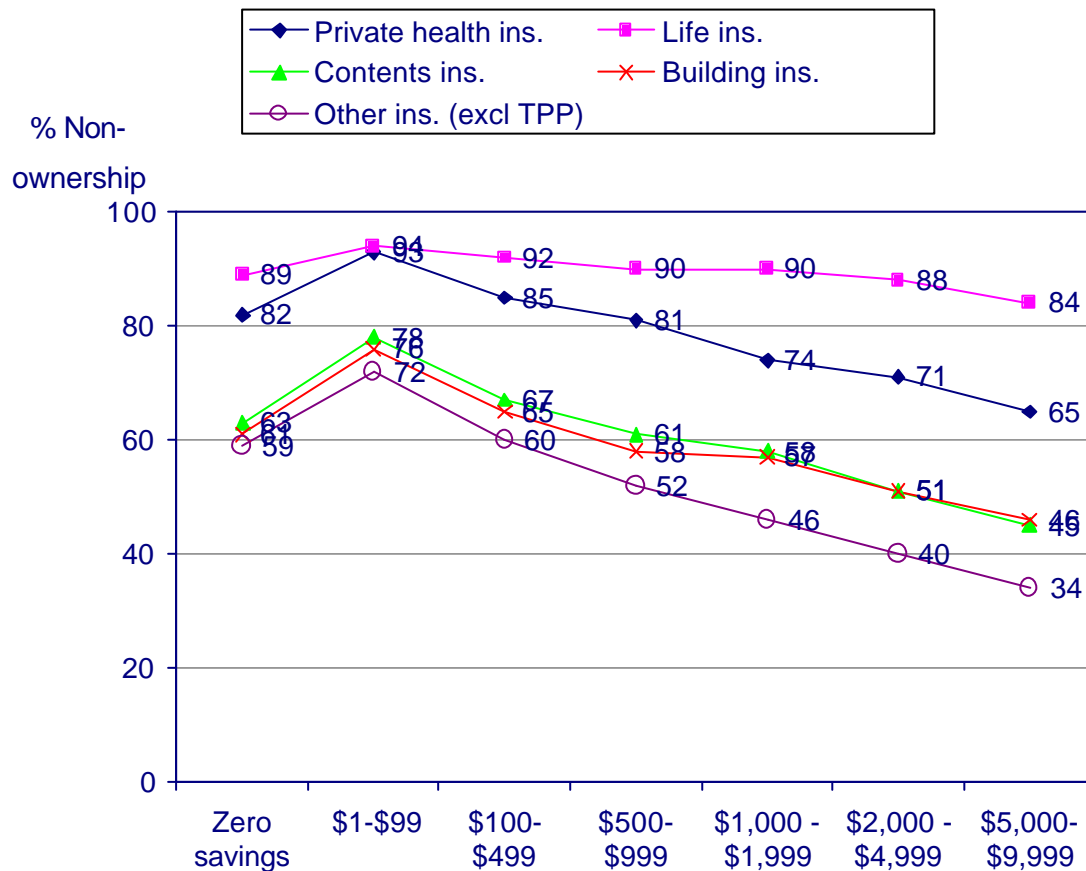
- ] Those with savings under \$1,000 were more likely to lack a major credit card (60 to 81% did not own a major credit card versus 38% of the overall population).
- ] While 70% of the overall population lacked a home loan, those with very low savings showed higher incidence of non-ownership home loans (up to 80 to 90%).





### 1.16 Insurance Products and Levels of Overall Savings

(n = 51,830)

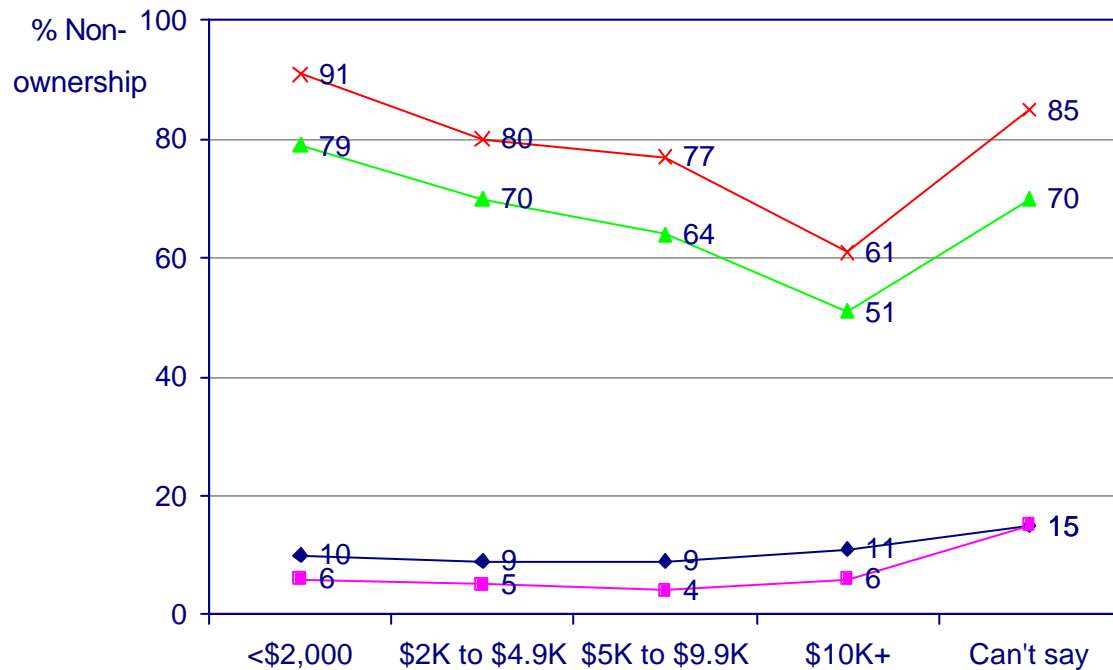
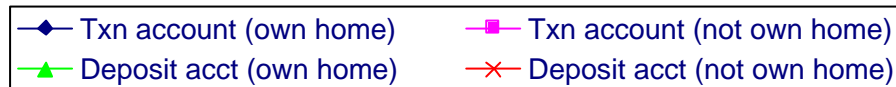


#### Key Findings

- ] Those with less than \$10,000 savings were more likely to lack most forms of insurance than the general population.
- ] Amongst those with low savings (less than \$10,000 saved or invested), level of savings was closely aligned with the incidence of non-ownership of most insurance products.
- ] Overall, level of savings and investments in the range zero to \$10,000 appeared to be a very strong predictor of non-ownership across a wide variety of products.

### 1.17 Savings Style Products – Home Ownership & Wealth

(n = 48,396)



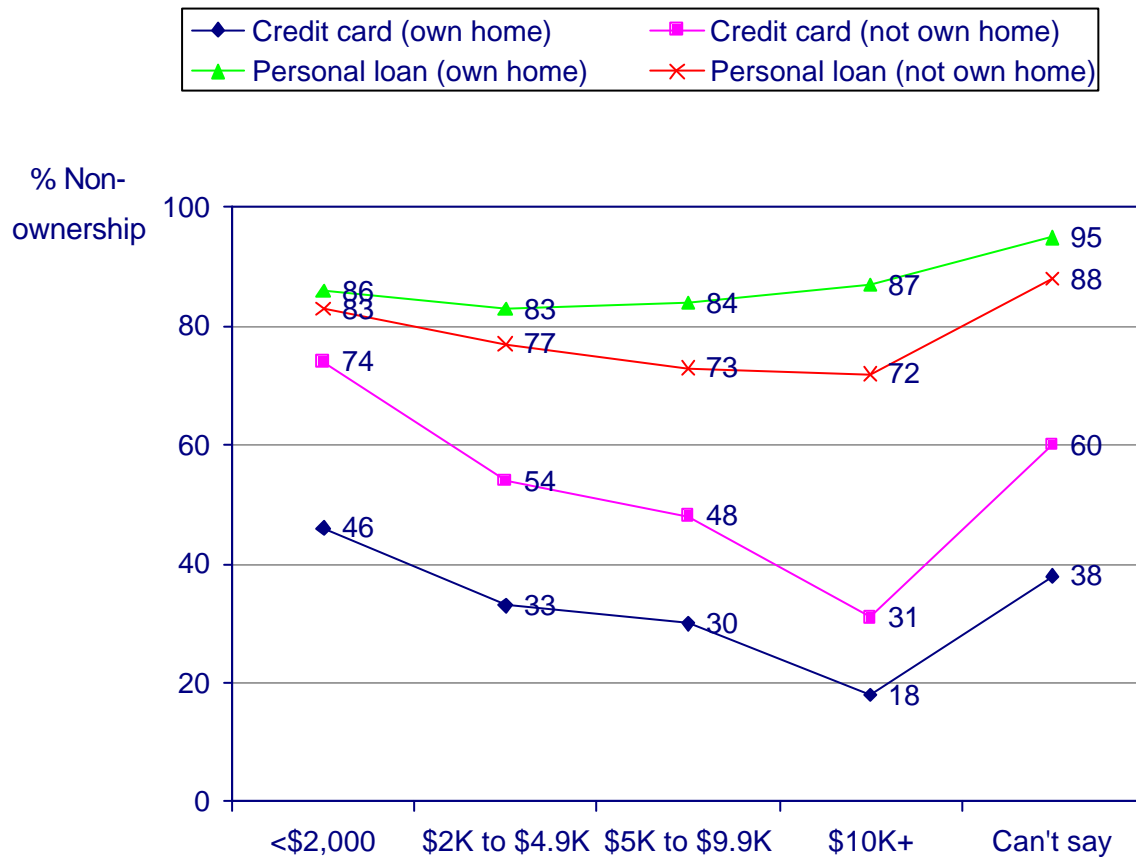
#### Key Findings

- ] This data considers decision makers in the house only, and plots the effects of home ownership and total savings and investments (excluding the family home) on ownership of several transaction & savings style products.
- ] Those who did not own (or part own) their homes, showed higher incidence of non-ownership of deposit accounts than owners/part owners).
- ] Level of savings had a larger impact on non-ownership of deposit accounts than home ownership.
- ] Non-ownership of a transaction account was uniformly low.

### 1.18 Credit/Loans Products – Home Ownership & Wealth

(n = 48,396)

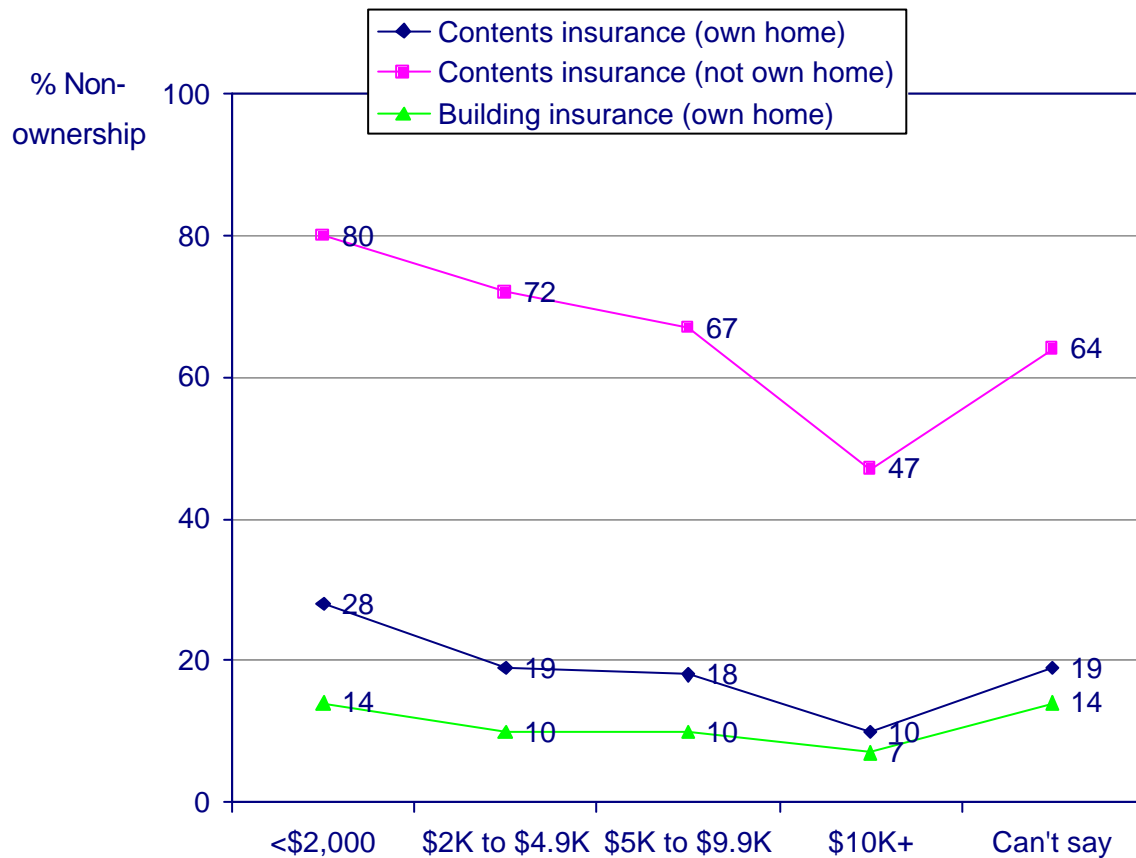
#### Key Findings



- ] This data considers decision makers in the house only, and plots the effects of home ownership and total savings and investments (excluding the family home) on ownership of several credit style products.
- ] Those who did not own (or part own) their homes, Showed higher levels of non-ownership of credit cards than owners/part owners).
- ] Home owners were less likely to own a personal loan than non-owners of homes (which may reflect a greater need for such loans by non-home owners).
- ] Changes in level of savings under \$10,000 were associated with large changes in incidence of non-ownership of credit cards.

### 1.19 Insurance Products – Home Ownership & Wealth

(n = 48,396)

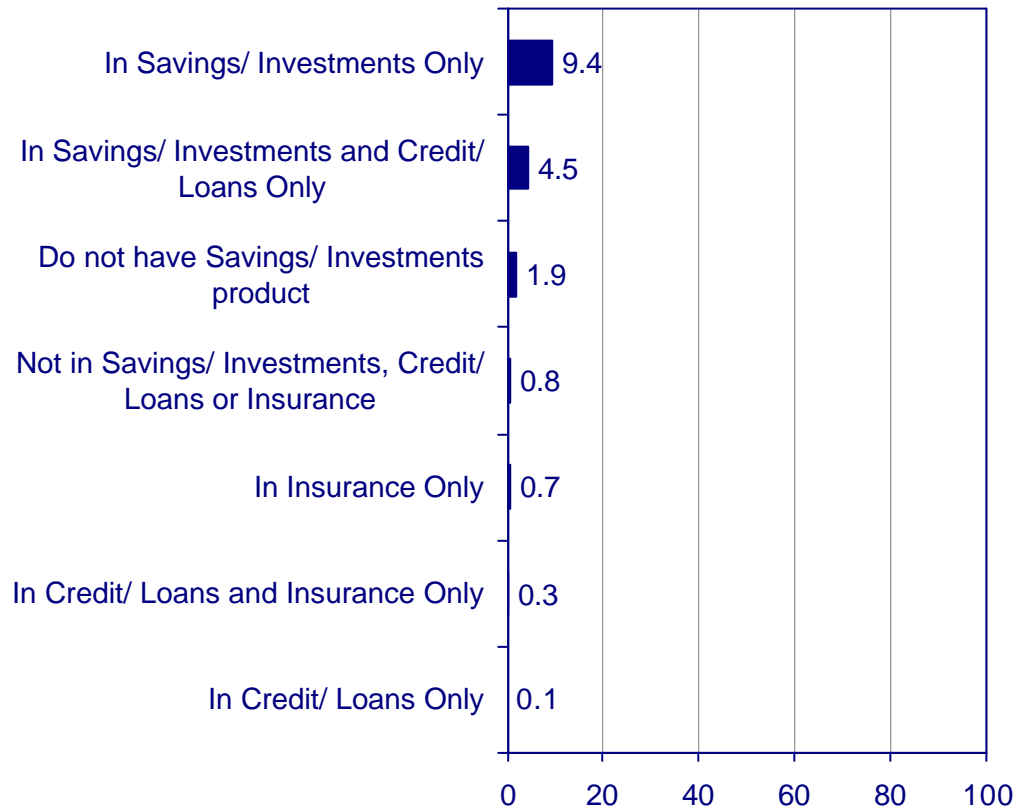


#### Key Findings

- ] This data considers decision makers in the house only, and plots the effects of home ownership and total savings and investments (excluding the family home) on ownership of several insurance style products.
- ] Those who did not own (or part own) their homes, showed much higher incidence of non-ownership of contents insurance than those who did own their own home.
- ] The level of savings had a marked effect on non-ownership of contents insurance for both owners and especially so for non-owners of homes.
- ] Level of savings had smaller, but still significant effect on non-ownership of building insurance.

## 1.20 Ownership of Formal Products By Macro-Class of Financial Service

(n = 51,830)

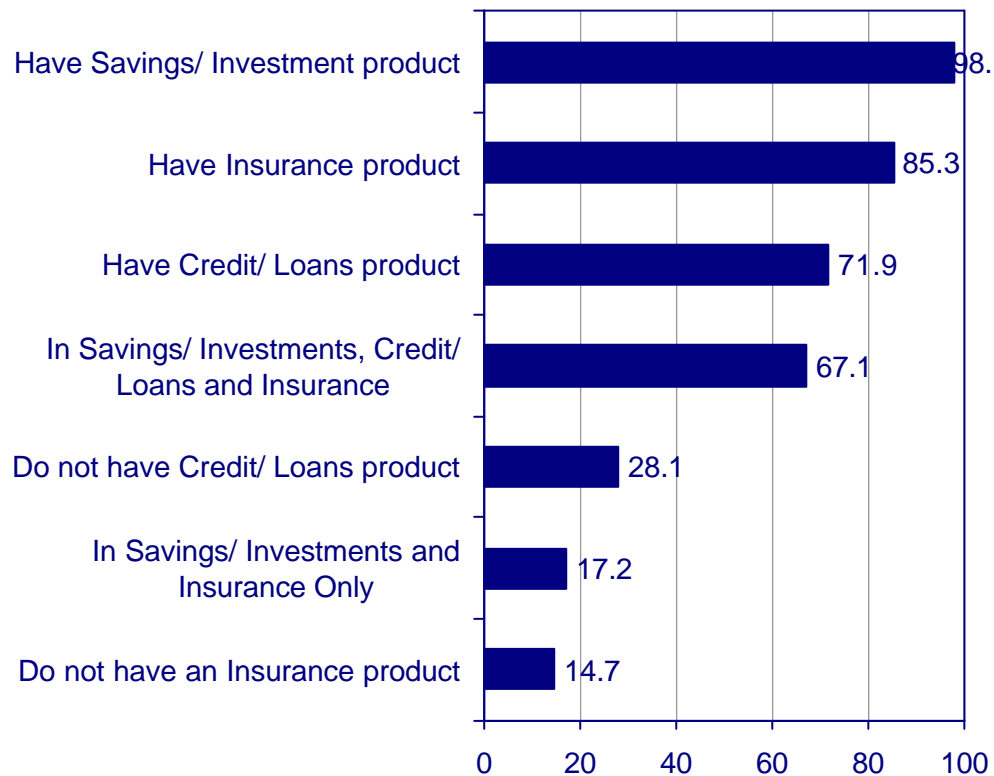


### Key Findings

- ] 0.8% of the sample did not possess any products from mainstream providers in the three main categories (savings/investments, credit/loans, and insurance).
- ] Another 0.7% possessed insurance only.
- ] A total of 1.9% did not possess any formal savings or investment products.
- ] 9.4% only possessed a savings or investment product, and did not have insurance, or a credit/loan product of any kind.

**1.21 Ownership of Formal Products By Class of Financial Service (continued....)**

(n = 51,830)

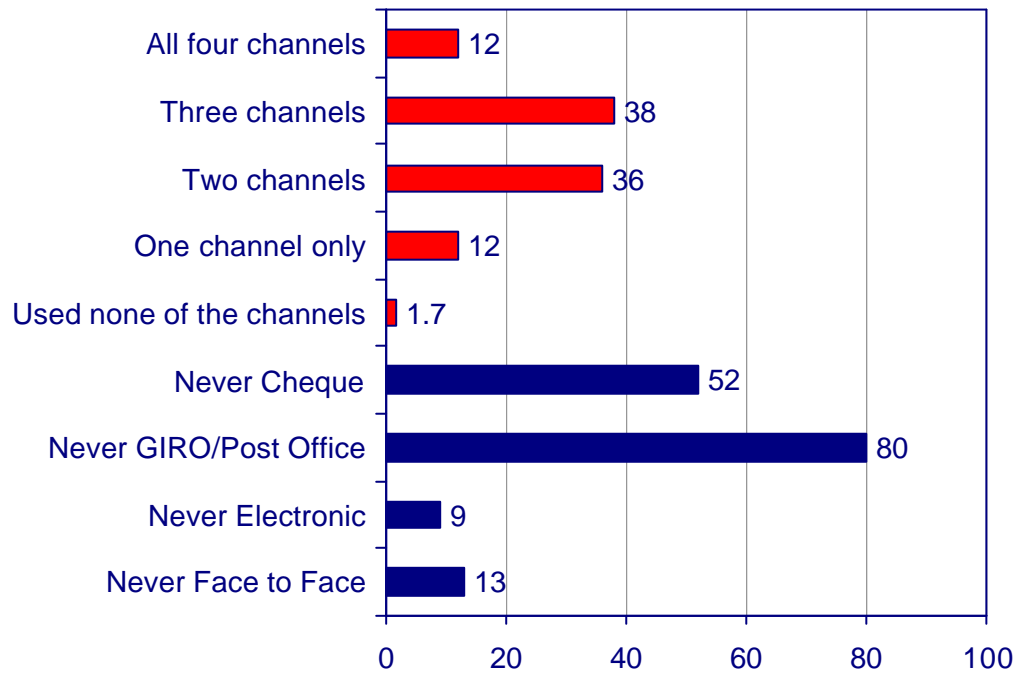


**Key Findings**

- ] Over one quarter of the sample did not have a credit or loan product from a mainstream provider.
- ] 14.7% did not have an insurance product.

## 1.22 Usage of Channels at a Macro Level

(n = 51,830)

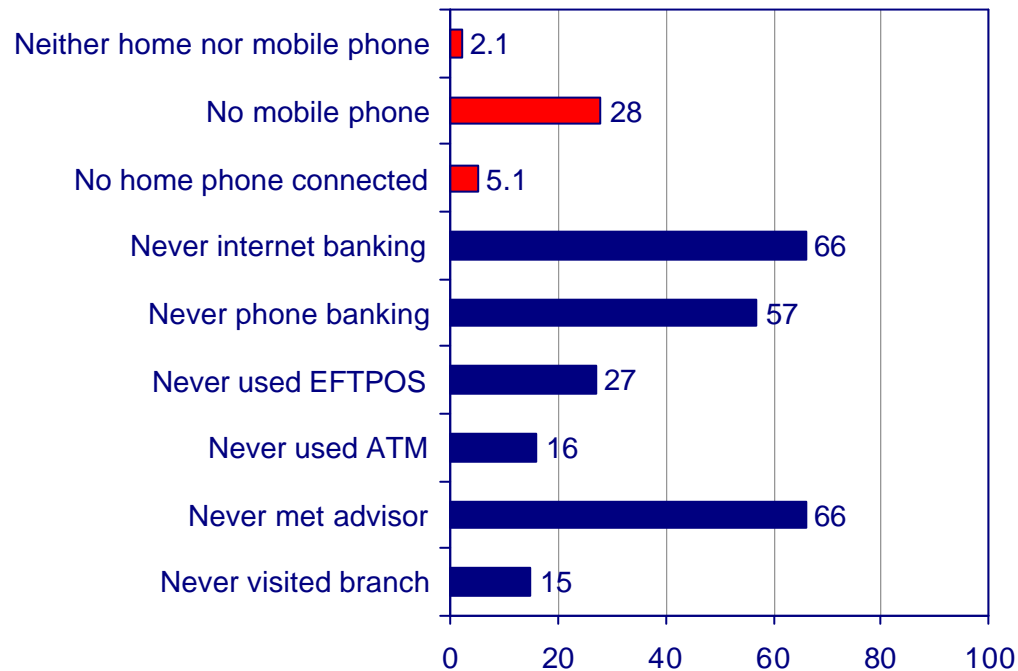


### Key Findings

- ] 1.7% of the sample had not used any of the channels from mainstream providers.
- ] Another 12% had used one channel only.
- ] 13% had never used face to face dealings in banking.
- ] 9% had never used electronic banking.
- ] The vast majority (80%) had never used a Post Office GIRO facility.

### 1.23 Non-Usage of Individual Channels

(n = 51,830)



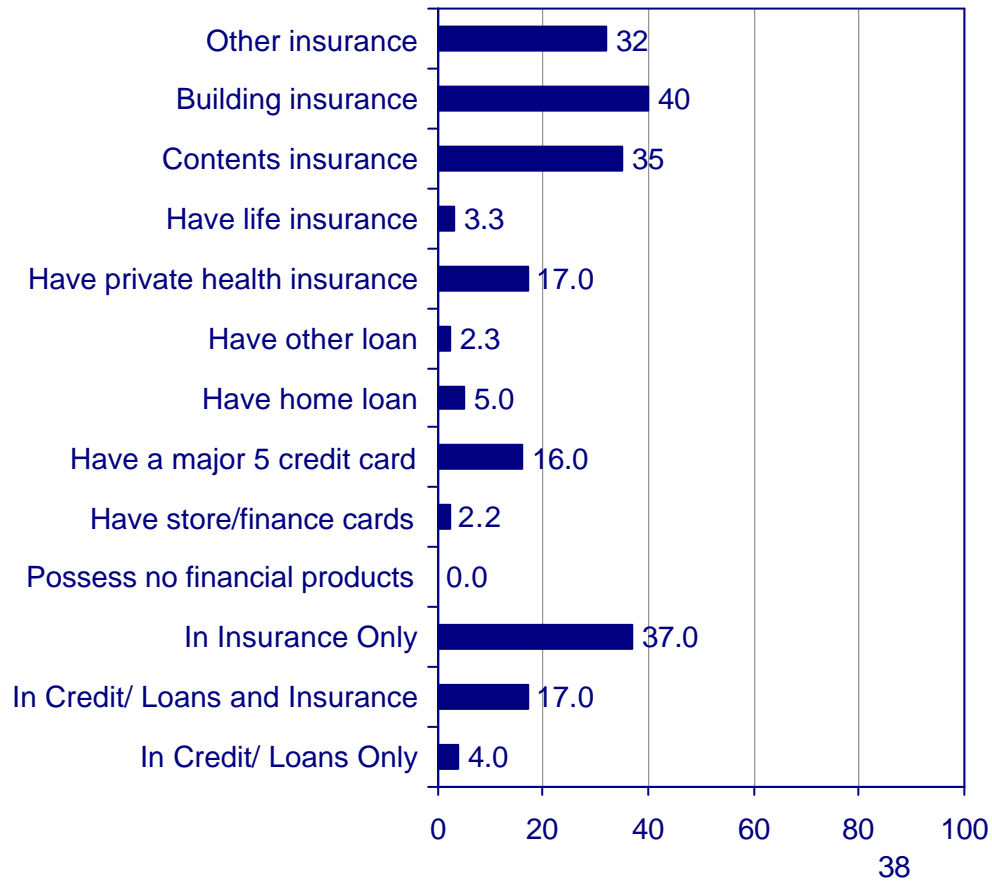
#### Key Findings

- ] A large proportion of the sample had never met a bank advisor (66%).
- ] A large proportion had never used internet banking (66%) or phone banking (57%).
- ] A lower proportion had never used EFTPOS (27%).
- ] 16% had not used an ATM.
- ] 15% had never visited a branch.
- ] 5.1% did not have a home phone line connected, and 2.1% had neither a home phone nor a mobile phone, so had little scope to use phone banking.



## 1.24 Analysis of Those Who Lacked a Savings/Investment Product of Any Kind

(n = 993 or 1.9% of the adult sample)



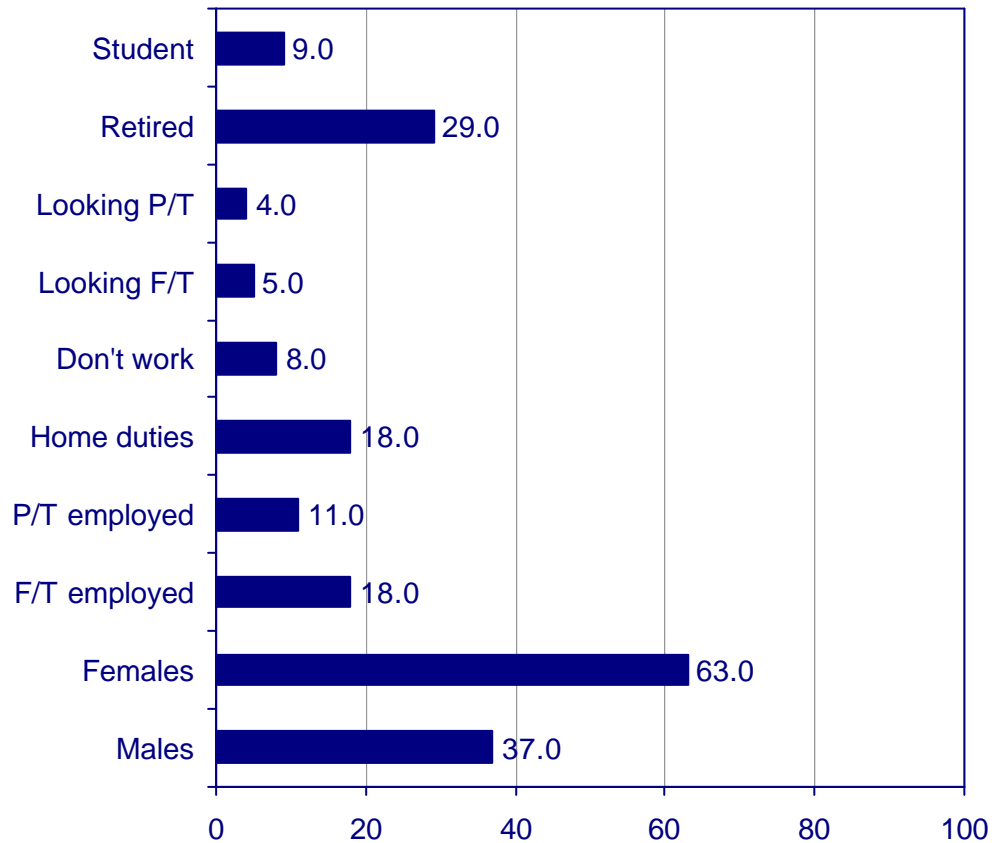
### Key Findings

Of the group who lacked a savings or investment product:

- ] About 54% had insurance of some kind.
- ] However, only 4% had a credit or loan product from a mainstream provider.
- ] Thus, lack of ownership of a savings or investment product appeared to be strongly associated with a lack of a credit or loan product.
- ] 16% had a mainstream credit card, and only 2% had a store credit card.

## 1.25 Those Who Lacked a Savings/Investment Product of Any Kind(continued)

(n = 993 or 1.9% of the adult sample)



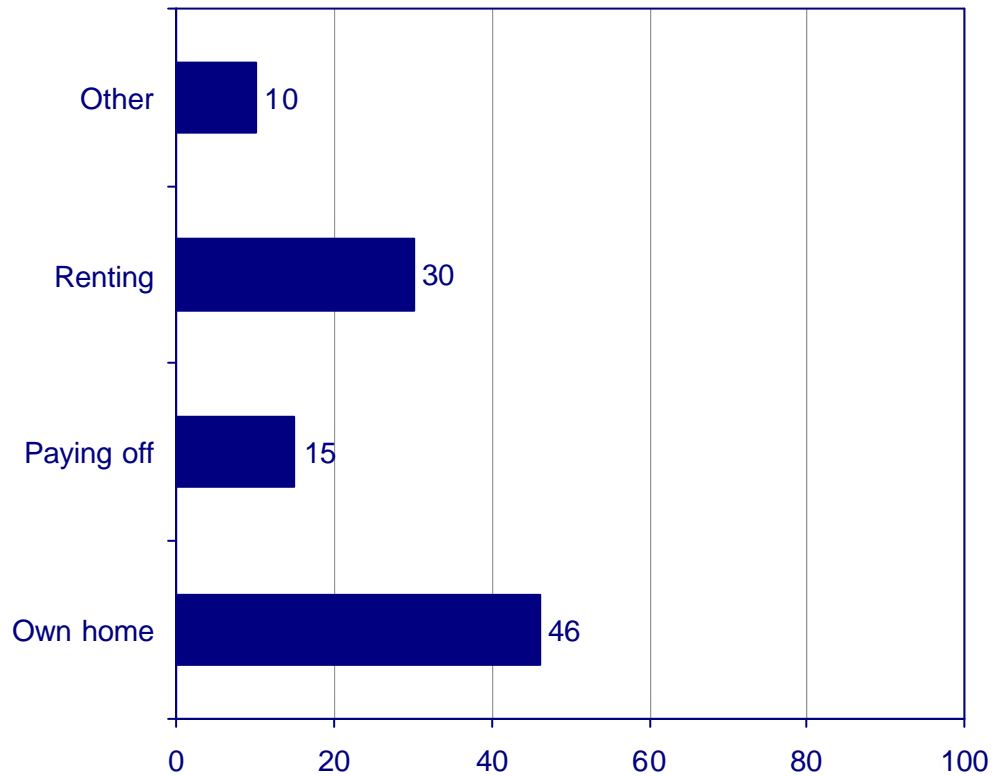
### Key Findings

Of the group who lacked a savings or investment product:

- ] 38% of this group were comprised of students (9%) or retired people (29%).
- ] Other data (not shown) indicated fairly low personal income applied to this group, in line with their status as either students or retirees.
- ] There were many more females than males in his category.

**1.26 Those Who Lacked a Savings/Investment Product of Any Kind(continued)**

(n = 993 or 1.9% of the adult sample)



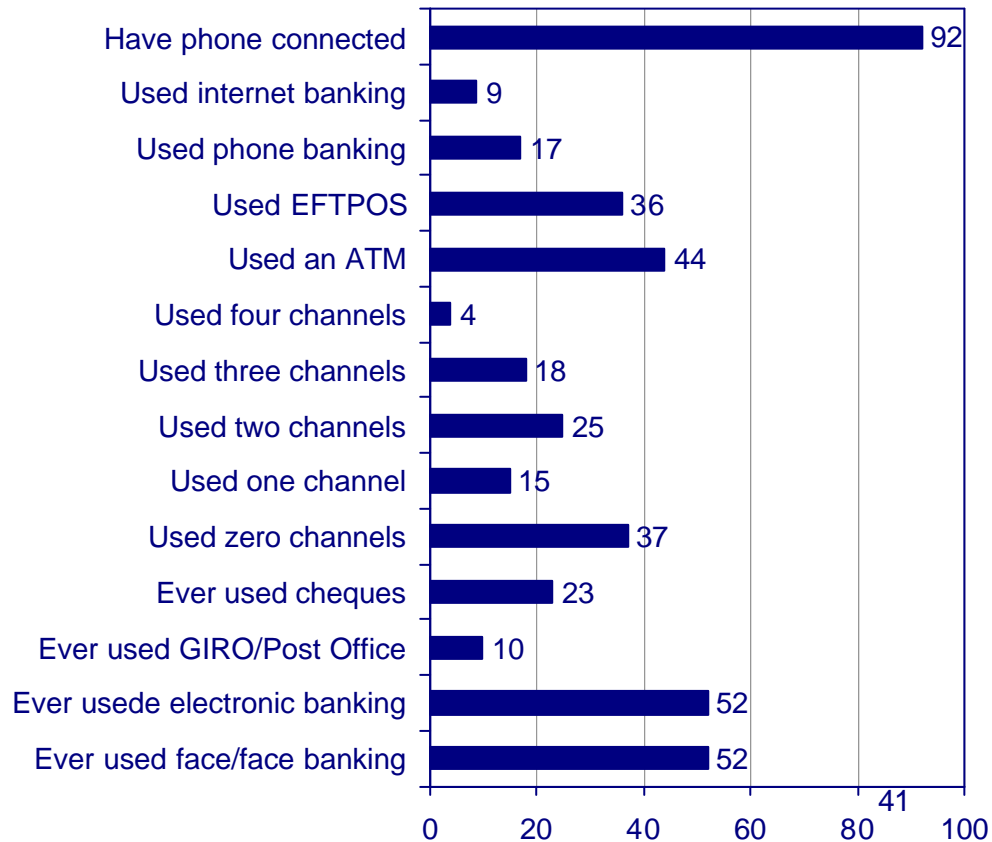
**Key Findings**

Of the group who lacked a savings or investment product:

] 61% of this group either owned their own home or were paying it off, compared with 71% of the whole adult population.

**1.27 Those Who Lacked a Savings/Investment Product of Any Kind(continued)**

(n = 993 or 1.9% of the adult sample)



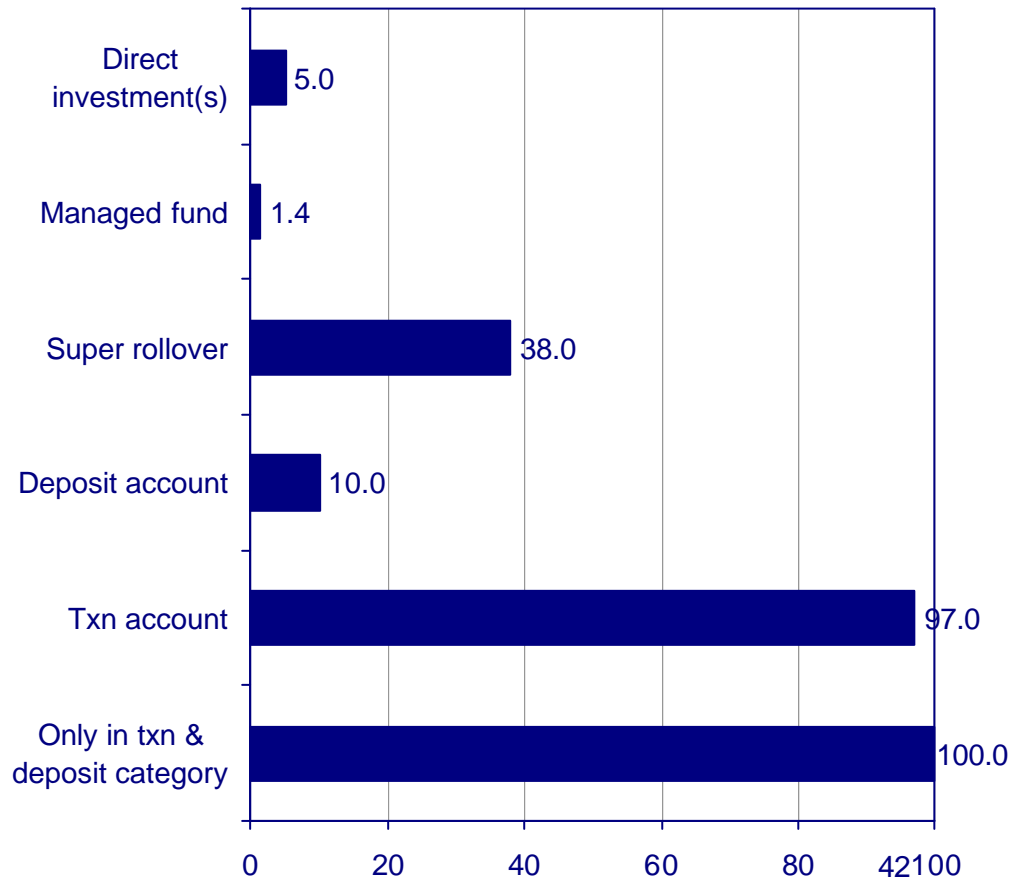
**Key Findings**

Of the group who lacked a savings or investment product:

- ] 37% said they had never used any of the banking channels.
- ] 44% had ever used an ATM.
- ] 36% had ever used EFTPOS.
- ] Only 10% had ever used a Post Office for banking business.
- ] Fairly high proportions of this “potentially financially excluded” group had ever used electronic banking (52%) or face to face banking (52%).

## 1.28 Analysis of Those Who Only Possessed Savings or Investment Products

(n = 4,777 or 9.4% of adults)



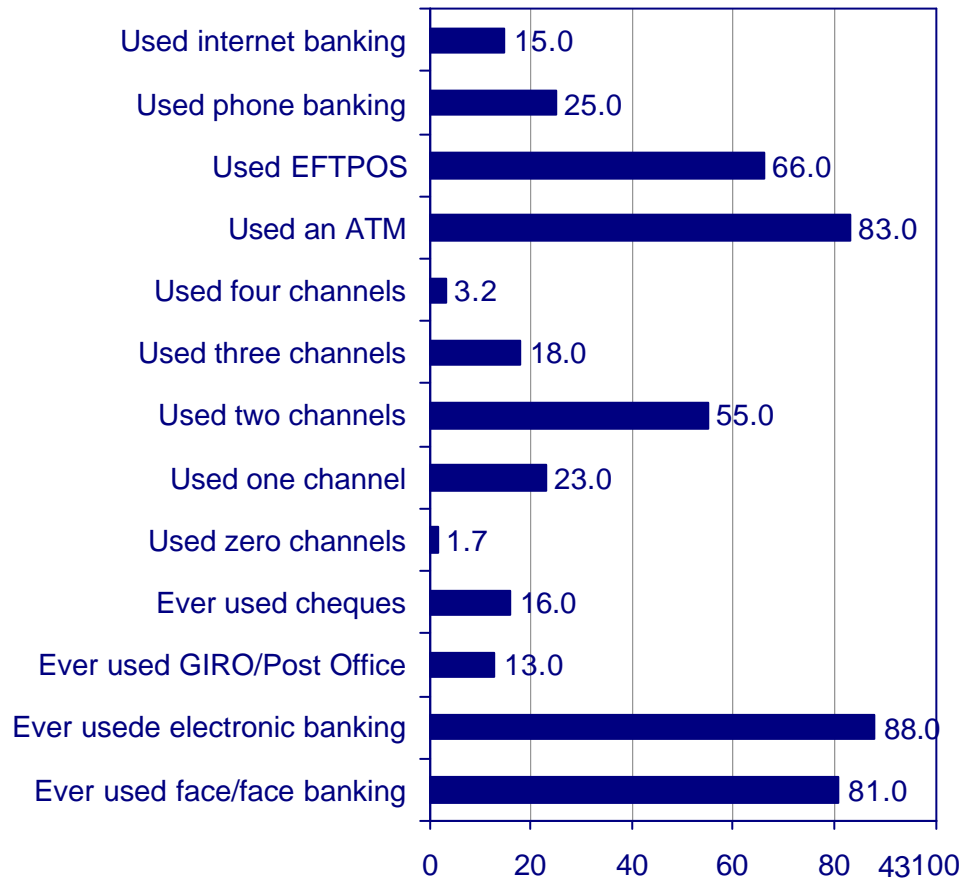
### Key Findings

Of the group who only had a savings or investment product:

- ] The vast majority had a transaction account (97%).
- ] 38% had a superannuation rollover product.
- ] Only 10% had a deposit account.

## 1.29 Analysis of Those Who Only Possessed Savings or Investment Products

(n = 4,777 or 9.4% of adults)



### Key Findings

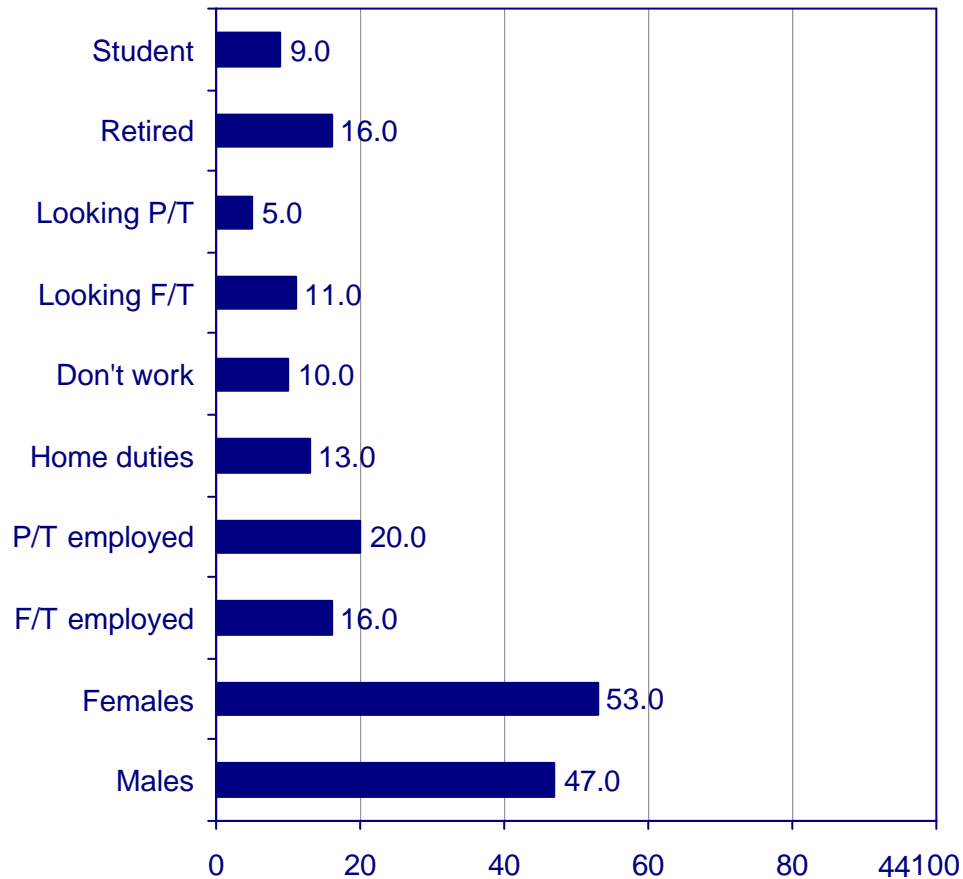
Of the group who only had a savings or investment product:

] Most had used face to face banking (81%) and ATMs (83%), with fewer having used internet banking (15%), and phone banking (25%), showing that lack of a relationship with a mainstream bank beyond a transaction and/or savings account did not preclude usage of modern banking channels.

] 13% of this group had ever used the Post Office for banking matters (compared with 20% of the whole sample and only 10% of those who did not have a basic banking account, who had ever dealt with a Post Office for banking).

### 1.30 Analysis of Those Who Only Possessed Savings or Investment Products

(n = 4,777 or 9.4% of adults)



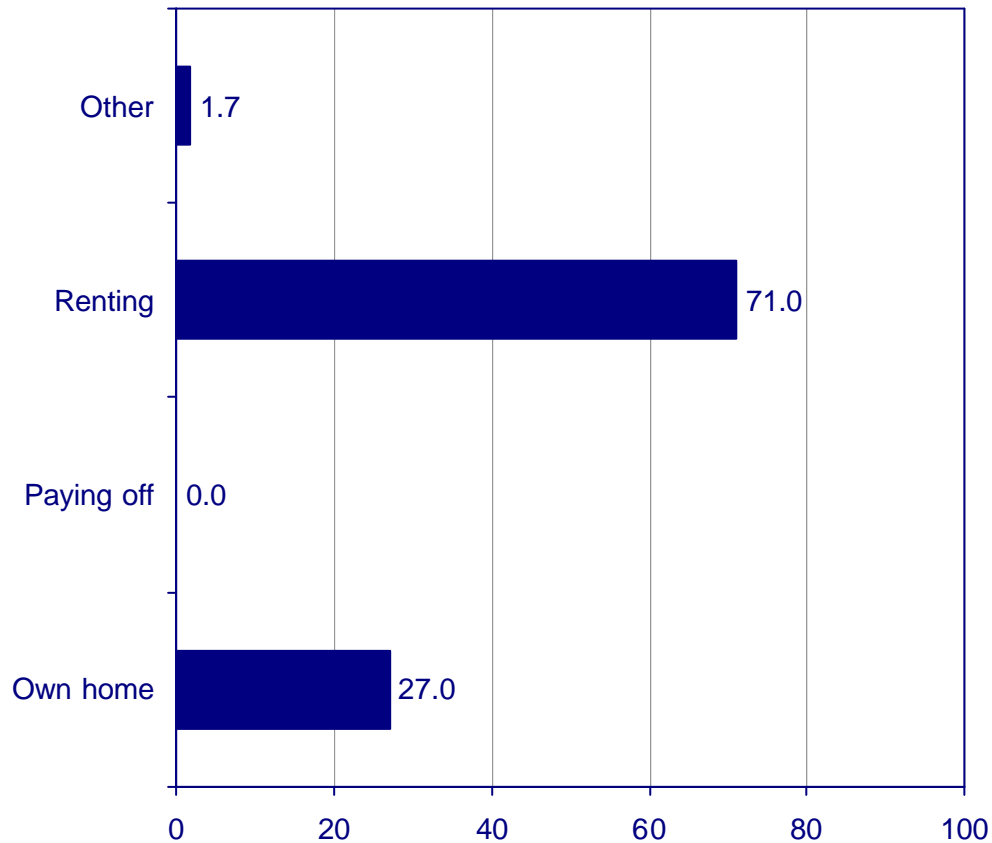
#### Key Findings

Of the group who only had a savings or investment product:

- ] 9% of this group were students, compared with 3.4% in the total sample.
- ] 16% of this group were retired, versus 19% in the sample overall.
- ] There was little gender difference from the overall population.

**1.31 Those Who Only Possessed Savings or Investment Products (continued)**

(n = 6,511 or 11.7% of the overall sample)



**Key Findings**

Of the group who only had a savings or investment product:

- ] 71% were renting, versus 28% in the whole sample.
- ] 27% owned their own home, versus 40% in the entire sample.
- ] None were paying off their home (by definition, they had no loans or credit products), versus 31% in the overall sample who were paying off their homes.



## 2. CONCLUSIONS

### 2.1 General Conclusions

- ] **Financial exclusion in Australia is not about “the unbanked”.** The data reinforces the expected finding that relative to the UK, where 7% of households were thought to own zero financial products, this is not a large problem in Australia with only 0.8% of adults lacking a financial product.
- ] **So what is it about?**
  - While few people are financially excluded, in the sense of not owning any financial products in Australia, a substantial number (6%) only owned a transaction/deposit product, and 23% of people **only owned products in three or less out of 14 possible categories** of financial products.
  - In addition, the data showed that **many people who needed home or home contents insurance, did not own such insurance.**
  - Lack of ownership appears generally to be **most prevalent among those with low income and low level of savings** – including the lowest quintile, using either measure, but also exists across all income and savings levels.
- ] **Likely drivers of non-ownership:** A “small number of financial products owned” was associated most strongly with:

- Low level of savings and investments.
  - Low income.
  - Younger age (although this may be an income effect).
  - Employment status (almost certainly an income effect).
  - Housing tenure (ownership, paying off a home, renting or other living arrangements) had a large effect on the likely number of financial products owned. 29% of the population were renting, and usually have half as many financial products as those who own, or are buying a home.
- ] There was no appreciable relationship between the number of products owned and the following variables:
- Sex
  - Pension status
  - Remoteness
- ] Country of birth may have an impact, although this may be an age and income effect.

## 2.2 Conclusions From More Detailed Analysis

More detailed analysis of those with and without various products and channels usage shows that:

### Fourteen Product Category Levels

- ] Most owned products included transaction accounts (96% owned), superannuation (67%), other insurance (67%), building insurance (63%) and a major five credit card (62%).
- ] Least owned products included managed investments, store/finance cards (9%), personal & investment loans (14%), life insurance (18%) and deposit accounts (34%).

### Age Effects

- ] **Age** played a large role in driving lack of ownership of many products, but mainly only in the age range under 24 years of age.
- ] From 25 onwards, there were fewer major variations with age.
- ] The major exceptions were:
  - Credit cards, where 62% of those aged 20 to 24 had no credit major cards, declining to only 25% aged 50-54, rising again to 50% without a credit card at 70 years plus.
  - Home loans.
  - Private health insurance.

## Income Effects

- ] Income played an even more pronounced role in predicting non-ownership of financial products, than age. This finding matches stakeholder opinions that low income is a major driver of financial exclusion (and financial hardship).
- ] Income tended to have a more unidirectional association with lack of product ownership, than age, and was therefore a better predictor of lack of financial product ownership than age.
- ] For several products types, there were **very high levels of non-ownership** (eg from 70 or 80%) **at low incomes**, down to only 30 to 40% lack of ownership at the highest income levels. These included:
  - Direct investments.
  - Private health insurance.
- ] With some other product types, **non-ownership was quite high** (above 50%) **at low incomes**, and declined to quite low levels (under 20%) by incomes of \$130,000 and above. The main examples of this type were:
  - Super/rollovers.
  - Major credit cards.
  - House and contents insurance
  - Other insurance.
- ] While low income was shown to be a good predictor of lack of ownership of many financial product classes, equating lack of ownership with financial exclusion as defined by stakeholders is fraught with difficulty because of two factors:

- Some products have low ownership (high incidence of non-ownership) across all income categories, as is indeed likely to be the case with luxury yachts. Thus, the notion of financial exclusion needing to be related to basic or accepted needs or minimum standards of living must be considered in interpreting these data.
- For many products, the implications of a lack of ownership of the category has varying implications according to income, and according to whether or not various assets are owned (eg home, car). Thus, financial exclusion (if it implies harmful or unfair exclusion) needs to take into account not only a lack of product ownership, but also whether that lack has any negative impacts on the people concerned.
- Stakeholders often pointed to some product categories as being better suited to higher incomes, or more importantly, potentially damaging to some lower income people, depending on the type and level of their existing debt, and their attitudes and behaviour in repaying debt. Thus, a lack of ownership of major credit cards in low income cohorts, is not necessarily interpreted as an important financial exclusion issue. Conversely, a lack of personal loan availability for 90 to 96% of those with a low income was seen by many stakeholders as a significant exclusion issue, although some may argue that a return to a savings culture for addressing unplanned expenditure needs is preferable to “solving” the lack of small loan availability issue.

### **Level of Savings Effects**

- ] 4% of adults had no savings or investments, and 20% had less than \$2,000 saved. Stakeholders regarded the \$2,000 saved as a marker of those capable of withstanding a typical financial shock in a low income household (eg due to illness, an important appliance breakdown, car repair).

- ] Non-ownership in many product categories was very high and varied strongly with declining levels of savings under \$10,000, especially for a savings (deposit) account, a credit card, a home loan, personal loans, all forms of insurance. Store/finance cards were used by few people in all categories of income and savings levels, including those in low income and low savings situations. However, stakeholder interviews suggested that where used by low income and poorer people, store/finance cards impose greater burdens on already financially deprived homes.

#### **Employment and Home Ownership Effects**

- ] Those who were unemployed and/or renting, were less likely to own many financial products than those who were employed and/or owned a home, or were paying off a home. This is likely to be largely an income effect and partly an asset ownership related effect.
- ] However, despite this, 17% of those who owned their home lacked building insurance and contents insurance.
- ] 12% of those paying off their home lacked contents insurance, and a massive 66% of those in rental accommodation lacked home contents insurance.

#### **Location/Remoteness Effects**

- ] There were few product categories which showed any relationship between non-ownership and an ABS defined measure of remoteness.
- ] Discussion with stakeholders suggested that there are known areas on the outskirts of capital cities, within major cities, and in regional and remote locations around Australia, where financial hardship is prevalent, and may be associated with higher levels of financial exclusion than average.

**Three Macro-Product Category Levels and Four Channel Categories**

- ] A total of 1.9% did not possess any savings or investment products.
- ] 1.7% of the sample had not ever used any channels.
- ] 13% had never used face to face dealings with their bank.
- ] A large proportion had never used internet banking (66%) or phone banking (57%). 5.1% did not have a home phone line connected and 2.1% had neither a home phone nor a mobile phone.
- ] 16% had not used an ATM.
- ] Lack of ownership of a savings or investment product (which was the case for 1.9% of adults) appeared to be strongly associated with:
  - Non-ownership of a credit card (only 16% of them had a mainstream credit card versus 62% of the whole sample).
  - Often (in 61% of cases) either owned their home or were paying it off.
- ] Those who **only** possessed financial products in the “deposit/savings/investments macro category” (9% of adults) tended:
  - To have only a transaction product (in 97% of cases) and maybe a deposit account (in 10% of cases).
  - To be younger than the overall population profile.
  - To be renting, and to display lower income (both personal and household) and lower savings, than the general population.