FINANCIAL WELLBEING AND GENERAL LIFE SATISFACTION IN AUSTRALIA

THE UNIVERSITY OF NEWCASTLE AUSTRALIA

This project aims to identify the factors that influence financial wellbeing in Australia and their impact on the life satisfaction of people in the community.

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EXECUTIVE SUMMARY

Financial wellbeing – or the contentment or happiness that we feel in relation to the state of our personal finances – is an important component of our general life satisfaction. Financial distress is one of the largest negative shocks that can occur in the life of any person. People who experience higher levels of financial wellbeing generally have higher levels of financial literacy, make prudent financial decisions and prepare financial plans and targets for their future.

In 2021, Greater Bank commissioned the University of Newcastle to conduct a survey study on financial literacy and financial wellbeing. Greater Bank operates financial literacy programs targeting youth and seniors through the Greater Bank Finance Lab located at the Newcastle Business School and provides direct funding for other financial literacy programs and charities through the Greater Charitable Foundation.

The aim of this research project was, firstly, to investigate the financial wellbeing of Australians and to understand how financial wellbeing affects life satisfaction.

Secondly, Greater Bank was interested in gaining an understanding of the effectiveness of intervention strategies that could be implemented to improve a person's financial wellbeing, leading to an overall improvement in the general life satisfaction of people in society.

The survey was conducted in September 2021 during the New South Wales and Victorian COVID-19 pandemic lockdowns. Survey responses must be considered within this context.

SURVEY AIMS

In the survey, respondents were asked to provide information about their financial wellbeing, financial literacy, financial behaviours, financial situation (including financial hardship) and overall life satisfaction, in addition to demographic information.

In summary, the aims of the study were to investigate and identify:

1. The level of financial wellbeing of individuals in Australia.
2. The personal factors and characteristics that determine financial wellbeing.
3. The individuals and generational groups most likely to experience financial hardship and those in greatest need of assistance with regard to financial literacy, training and support.
4. The importance of financial wellbeing to a person's overall life satisfaction.

The study was informed by a Conceptual Framework, which is illustrated in Figure 1. The Framework provides a definition of financial wellbeing (hardship, autonomy and satisfaction), identifies the determinants of financial wellbeing (literacy, planning and behaviours), and illustrates how financial wellbeing eventually affects an individual's general life satisfaction.

Figure 1: Conceptual Framework of Financial Wellbeing and General Life Satisfaction

FINDINGS

FINANCIAL WELLBEING

Financial wellbeing was examined with regards to hardship, autonomy and satisfaction.

In terms of ***financial hardship***, the survey provided the following results:

- 13.4% of respondents reported they had received financial hardship assistance within the last 12 months.
- Young people experienced the highest levels of financial hardship with 43% of respondents in the 18–24 years age category reporting that they could not meet their personal debt obligations.
- On average, women were marginally better able to meet their debt obligations than men.
- In summary, young people (especially men), people with children, those on low income, those with fewer years of education and those with lower levels of financial autonomy were more likely to experience financial hardship.

In terms of ***financial autonomy,*** the survey results showed that:

- Younger adults – specifically those aged 18–24 years – have significantly lower levels of financial autonomy compared to all other age categories.
- Unsurprisingly, adults with zero or negative income reported the lowest levels of financial autonomy compared to all other income categories.

In terms of ***financial satisfaction***, the results showed that:

- The average level of financial satisfaction for all respondents was 6.14 (on a 10 point scale). This is slightly higher than the financial satisfaction levels of 59 (on a 100 point scale) observed by the ANZ in 2018.[20]
- Women reported lower levels of financial satisfaction compared to men, specifically those aged 18–24, 25–35 and 35–44 years.
- Individuals who owned a home, who were married and who had children reported greater financial satisfaction compared to those who were not married, who did not own a home and who did not have children.

DETERMINANTS OF FINANCIAL WELLBEING

The determinants of an individual's financial wellbeing were examined in terms of financial literacy, planning and behaviours.

With regard to ***financial literacy:***

- On average, respondents answered 61.69% of the five financial literacy questions (interest rates, inflation, diversification, risk, and time value of money) correctly.
- In comparison, the 2021 Australian Financial Capability Survey conducted by the Australian Government found that 68% of respondents were financially literate.[24] This suggests a slightly lower level of financial literacy among respondents in the current sample compared to those in the national survey sample.
- On average, women had higher levels of financial illiteracy (53.77% were financially literate) compared to men (with 70.19% being financially literate).
- Younger adults, those aged 18–24 years and 25–34 years, had the lowest level of financial literacy of all age groups.

With regard to ***financial planning:***

- Younger women aged 18–24 years were much more likely (50% of respondents) to have a household budget compared to younger men aged 18–24 years (31% of respondents).
- However, among those aged 25–54 years, men were generally more likely to have a household budget compared to women. Men were also generally more likely to have a financial goal and to strive to achieve their financial goals compared to women although this relationship was inversed for the 18–24 age category.
- This suggests that while younger men have higher levels of financial literacy, they are less likely than women to apply their financial knowledge to make good financial decisions.

With regard to ***financial behaviours:***

- Men aged 25 years and above had a higher number of credit cards and personal loans compared to women aged 25 years and above.
- Men above 25 years were more willing to take financial risks, especially younger men in the 25–34 years category.
- Approximately 25% of respondents took out a payday loan in the last 12 months. On average, these respondents had 6.7 payday loans during that period.

The study also investigated how financial literacy, planning and behaviours impact an individual's financial wellbeing. The results show that:

- The higher a person's financial literacy, the less likely that person is to experience financial hardship. However, the higher a person's financial literacy, the lower that person's financial satisfaction. The 'ignorance is bliss' effect could provide an explanation in this regard, - with those knowing more about their financial situation more likely to experience greater dissatisfaction with that situation.
- Individuals who did not set financial goals and/or did not strive to meet their financial goals were more likely to be financially dissatisfied.
- Individuals who had more credit cards and those with a personal loan were more likely to experience financial hardship. However, having access to credit cards could help to reduce financial hardship.

GENERAL LIFE SATISFACTION

Last, the study investigated participants' general life satisfaction and found the following:

- The overall life satisfaction of respondents was 6.8 (on a scale of 1–10, with 10 being most satisfied). This was marginally lower than the reported level of life satisfaction for Australians in 2020 but still higher than the Organisation for Economic Co-operation and Development (OECD) average of 6.5.3 This result was notably high, noting that the current survey was conducted during COVID-19 pandemic lockdowns.
- Men aged 25–34 and 35–44 years were more satisfied with their lives than women in those age categories. However, for those aged 55–64 years, women reported greater life satisfaction than men.
- Older adults – especially those over 65 years – were more satisfied with their lives than younger respondents.

Finally, regression analysis showed that individuals with higher financial wellbeing experience significantly higher levels of general life satisfaction.

WAYS FORWARD

This study has indicated that Australians are generally satisfied with their lives but, in relation to their financial wellbeing, there is room for improvement. In fact, when estimating the predicted influence of financial wellbeing on life satisfaction, the results show that individuals with higher levels of financial wellbeing experience greater life satisfaction.

Several ways can be identified to improve the financial wellbeing of individuals in Australia, the first of which is to improve the rate of financial literacy. However, as the current study found, financially illiterate people appear to be more financially satisfied than financially literate people. This indicates that financial literacy does not directly lead to improved life satisfaction, but it can lead to better and more informed financial behaviours including planning, which then improves the financial wellbeing and, thus, the life satisfaction of an individual.

Another way to improve life satisfaction would be to improve Australians' financial behaviours (i.e., the appropriate use of credit cards and personal loans), which would reduce the probability of an individual experiencing financial hardship. Financial wellbeing is also significantly positively impacted by a person having a financial goal and striving to achieve their financial goals.

In particular, the following areas would offer opportunities to support Australians improve their financial wellbeing and life satisfaction:

- Younger adults need assistance in developing financial literacy and knowledge, especially younger women.
- Men, especially younger men, need assistance with regard to financial behaviours.

SURVEY BACKGROUND AND DEFINITIONS

BACKGROUND TO THE SURVEY

To understand current levels of financial wellbeing and the relationship between financial wellbeing and life satisfaction in Australia, the University of Newcastle and Greater Bank surveyed 1,062 Australians from 3–17 September 2021. Respondents were asked about their finances, financial literacy, financial behaviours, financial and general wellbeing, financial circumstances and trust, as well as general demographic questions (their age, level of education, employment, income and marital status). This research was well placed to inform initiatives to improve the financial wellbeing and life satisfaction of Australians. It should be noted that during the survey collection, both Victoria and New South Wales were experiencing COVID-19 pandemic lockdowns.

SURVEY SAMPLE

Survey respondents were from all parts of Australia (see Figure 2) with a well-represented sample from each Australian state and mainland territories. However, most responses were from densely populated capital cities and larger regional towns. Despite the good geographical distribution, the small sample size meant that the survey responses were assessed at the national level. In addition to its good geographic distribution, the sample was well represented by age, marital status and employment status.

IN SUMMARY,

- The survey sample comprised responses from 575 women and 536 men aged from 18–90 years.
- The average age was 43.78, with 24.5% of respondents aged 35–44 years, closely followed by those aged 25–34 years (21.3%).
- Approximately 40% of respondents were married.
- Among respondents, 17.8% were retired.
- In terms of employment status, 55.7% of respondents were in full-time or part-time employment.

In terms of the gender and age distributions of the current study's sample, the proportions were largely consistent with the 2016 Australian Census.4 However, the current survey's demographic responses and the 2016 Census differed in marital status which was lower in the current study's sample (40% versus 48% in the 2016 Census), whereas the level of education was higher in the current study (38% with at least a bachelor's degree versus 22% in the 2016 Census).

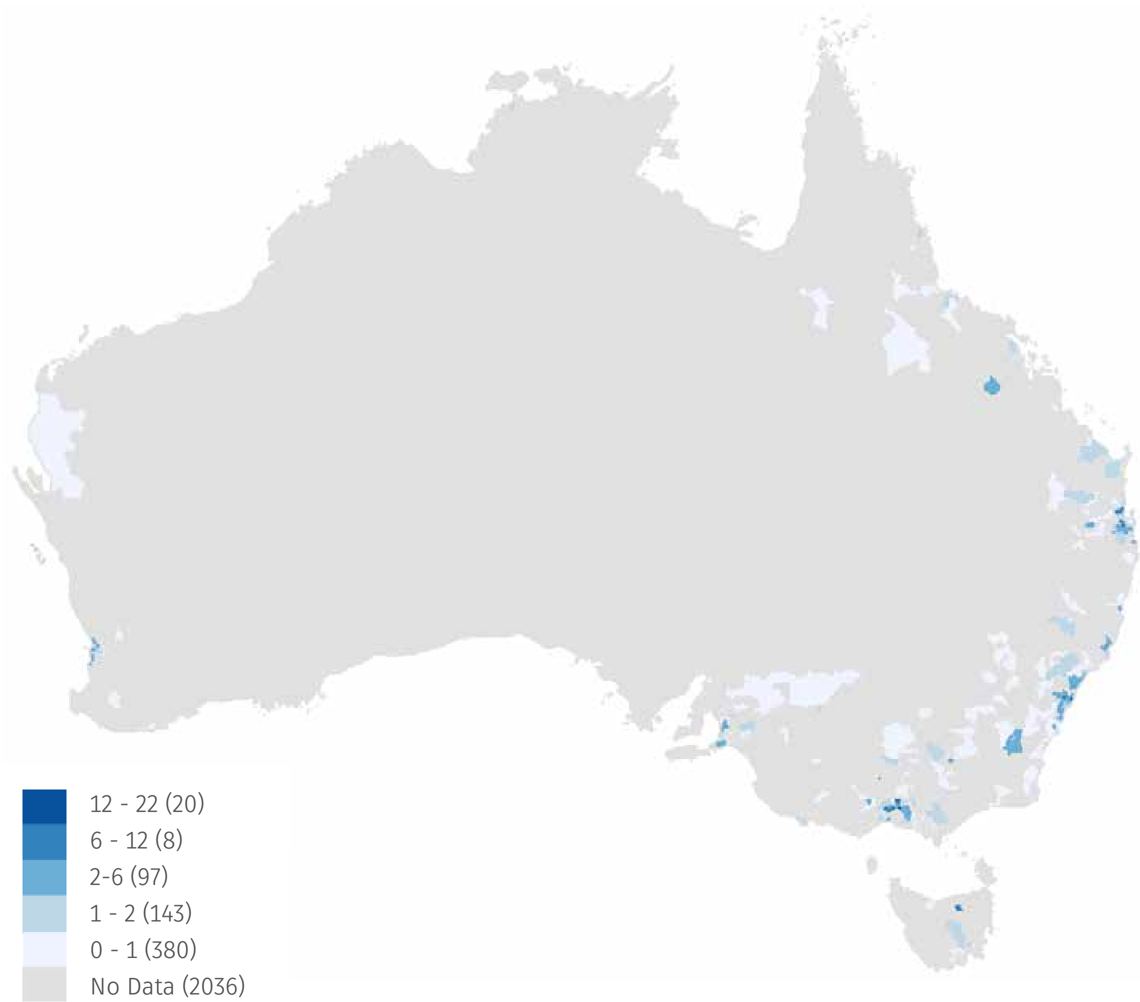


Figure 2: Australian geographic distribution of survey responses by postcode

DEFINITIONS OF FINANCIAL WELLBEING AND GENERAL LIFE SATISFACTION

WHAT IS FINANCIAL WELLBEING?

Formal definitions of financial wellbeing include the following:

1. *"Financial wellbeing is when a person is able to meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future."*[5]
2. *"Financial wellbeing as the perception of being able to sustain current and anticipated desired living standards and financial freedom."* [1]

Many variables affect our financial wellbeing; these can be subjective, that is, linked to how we perceive our wellbeing, and objective as measured in terms of income and assets, etc.[6]

In this report, financial wellbeing is defined as the extent to which an individual is experiencing: (1) financial hardship, (2) financial autonomy7 and (3) satisfaction with his/her current financial situation8 (Figure 3).

WHAT IS GENERAL LIFE SATISFACTION?

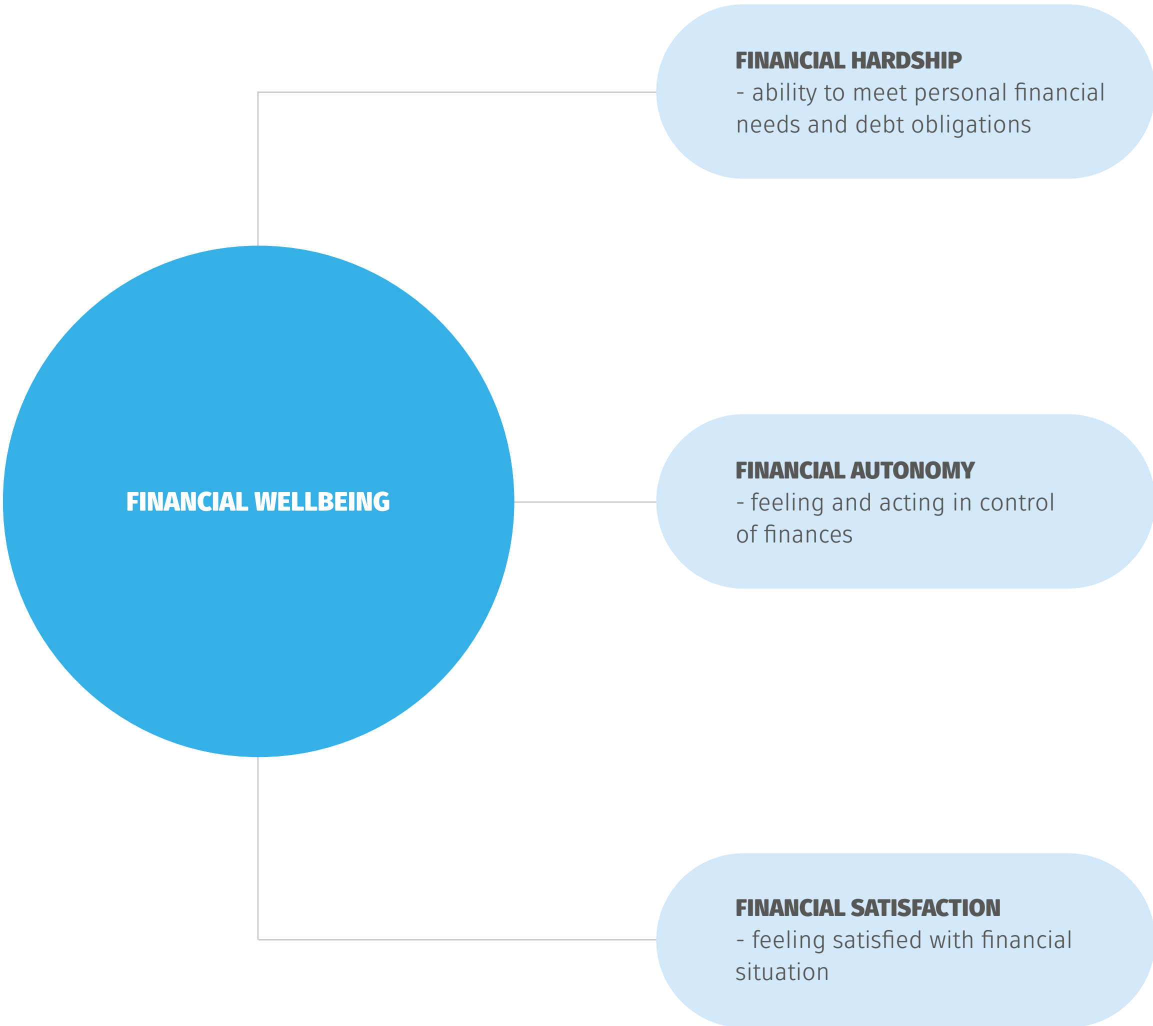
Life satisfaction refers to the degree to which a person feels satisfied with his/her life with this being an important factor in how we perceive ourselves.9 At the individual level, life satisfaction is affected by our relationships, work, income and, importantly, our mental10 and physical health.[11]

In the current survey, respondents were asked the following questions about their general life satisfaction:

1. *"All things considered, how satisfied are you with your life?"*
2. *"All things considered, to what extent do you feel that the things you do in your life are worthwhile?"*

One factor consistently found to influence life satisfaction is financial wellbeing.[12,13] Negative financial events, such as a reduction or loss in income, significantly reduce our life satisfaction.[14,15]

Figure 3: Financial Wellbeing



1.

CHARACTERISTICS OF FINANCIAL WELL-BEING

1.1. FINANCIAL HARDSHIP

In the survey, respondents were asked questions about their ability to pay utility bills on time, and whether they could meet their debt obligations including paying their home loan or rent, credit card bills and personal loans on time. In addition, respondents were asked if they had applied for or received financial hardship assistance in the last 12 months.

With regard to being able to ***meet debt obligations***, the survey responses were as follows:

- Young people struggled the most in relation to financial hardship with 43% of respondents aged 18–24 years reporting that they could not meet their debt obligations (Figure 4).
- Younger people (those aged under 45 years) struggled much more with paying their bills on time and paying their rent or home loan when compared to older adults (Figure 4).
- On average, women were marginally better able to meet their debt obligations than men (Figure 5).
- Homeowners reported they were more likely to be able to meet their debt obligations compared to those who did not own a home (Figure 6).

Figure 4: Meeting debt obligations by age

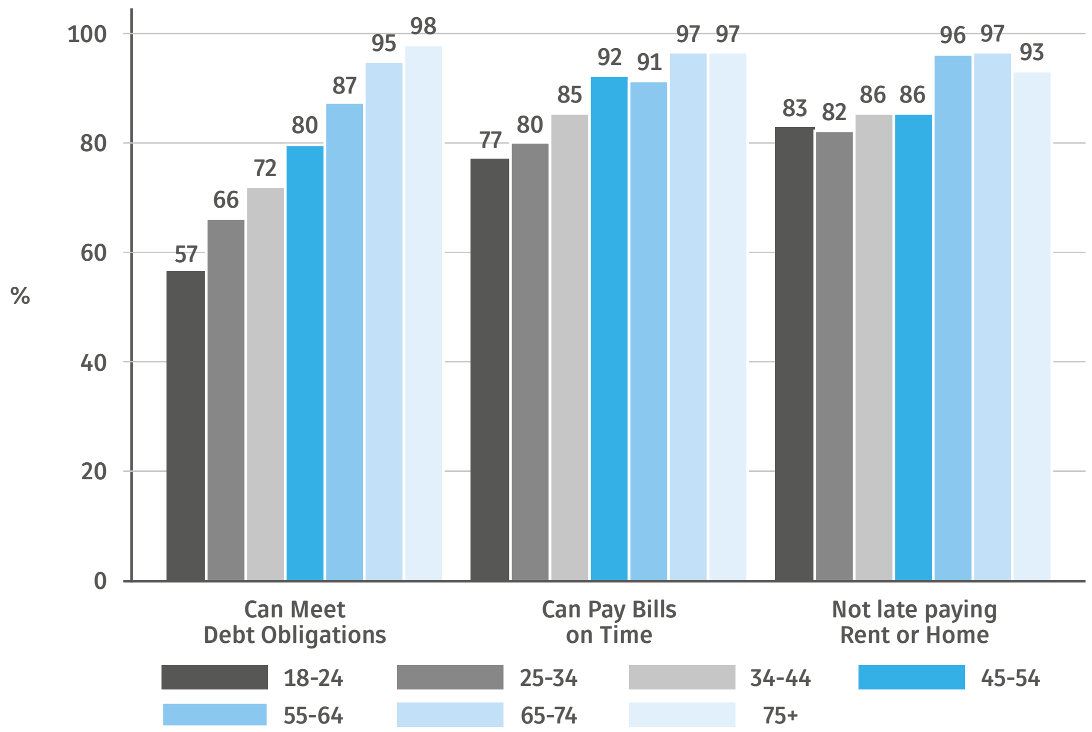


Figure 5: Meeting debt obligations by gender

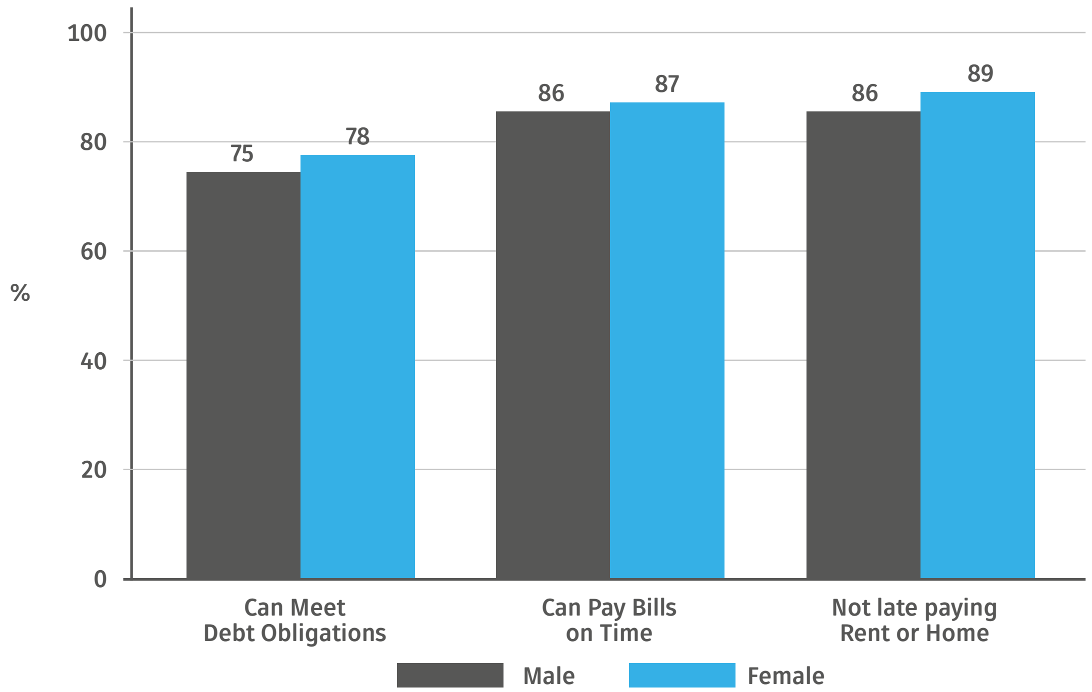
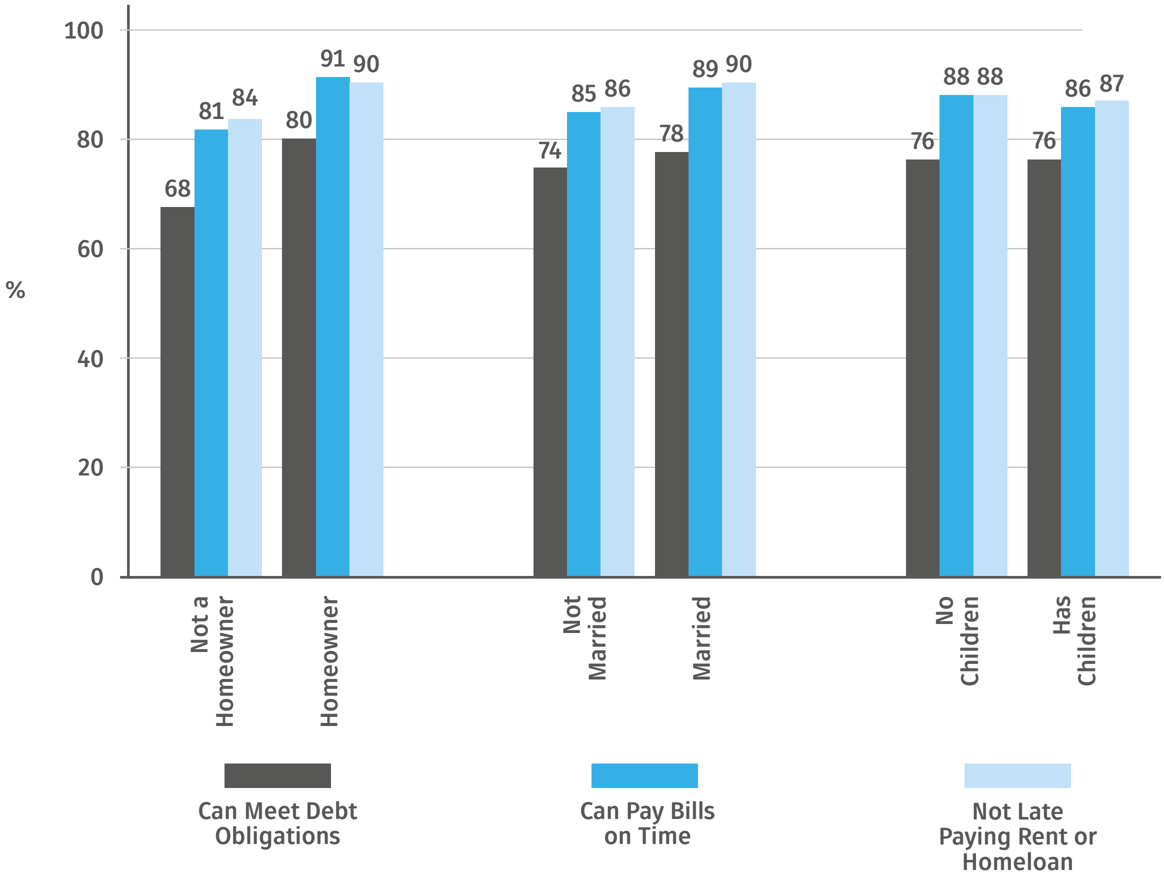


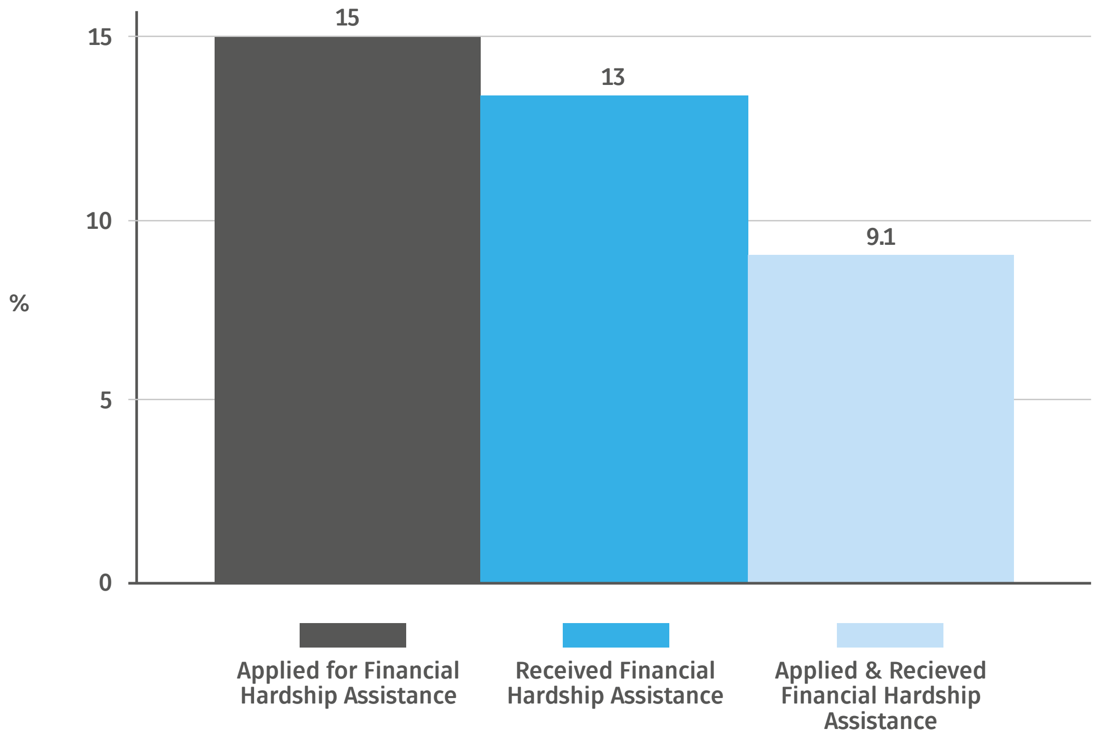
Figure 6: Meeting debt obligations and household characteristics



With regard to ***financial hardship assistance***, the survey responses indicated the following:

- Among respondents, 13.4% reported they had experienced financial hardship and received financial hardship assistance (Figure 7). This was higher than the Australian average in 2014 which, at that time, was reported to be 8%.16 This difference could be the result of the COVID-19 pandemic. Reportedly, one-third of Australians were under financial stress (as distinct from financial hardship) in early 2021.17
- Approximately 15% of respondents indicated they had applied for financial hardship assistance (Figure 7).
- Of those that applied for hardship assistance, 61% received assistance (which is 9.1% of the overall sample [Figure 7]). This level of receipt of financial assistance is greater than that reported in the 2019 HILDA Statistical Report, where the main income source in 6% of households came from welfare programs.[18]

Figure 7: Applying for and receiving financial hardship assistance



To examine the characteristics of the Australians who are more likely to experience financial hardship, we analysed probit models to predict the probability of an individual experiencing financial hardship or receiving hardship assistance.

When testing what predicts financial hardship (with all else held constant), individuals with the following characteristics were reported to be more likely to experience financial hardship and to receive hardship assistance (see Table 1 and Annexure 1):

- Younger people.
- Men.
- People with children.
- People with less educational qualifications.
- People with low income.
- People with low levels of financial autonomy.

* We used regression analysis in the form of probit models to predict the probability of an individual experiencing financial hardship. This tests the significance of the variables and indicates which characteristics increase the probability of experiencing financial hardship.

These findings are consistent with the 2019 HILDA Statistical Report which observed that young Australians need more assistance, especially young, single men. While traditionally, women have had higher rates of financial hardship, the shift towards men experiencing more hardship may be explained by the increasing financial education of women.[18]

Table 1: Characteristics of individuals more likely to receive financial hardship assistance.*

Younger Age	■	Younger people are more likely to experience financial hardship
Individual is Female	□	Women are less likely to experience financial hardship
Increasing No. of Children	■	Individuals with more children are more likely to experience financial hardship
Increasing Years of Education	□	People with higher levels of education are less likely to experience financial hardship
Lower Income	■	Individuals on lower income are more likely to experience financial hardship
Individual is Married	□	Married people are less likely to experience financial hardship

■ indicates an increase in financial hardship, □ indicates a reduction in financial hardship.

1.2. FINANCIAL AUTONOMY

In the survey , respondents were asked to identify the person in their household who was responsible for managing day-to-day spending and paying bills, making decisions about large household purchases (e.g., cars and major appliances) and making financial decisions about savings, investment and borrowings.[19]

The survey responses to the ***financial autonomy*** questions indicated that:

- Younger adults – specifically those aged 18–24 years – have significantly lower levels of financial autonomy compared to all other age categories (Figure 8).
- Unsurprisingly, adults with zero or negative income reported the lowest levels of financial autonomy compared to all other income categories (Figure 9).
- Homeowners perceived themselves to have greater financial autonomy compared to those who did not own a home (Figure 10).
- No significant differences were reported between men and women with regard to financial autonomy.

* Please note that the higher likelihood to receive financial hardship assistance is associated with a lower level of financial wellbeing in individuals.

iii Financial autonomy did not increase or reduce the receipt of financial hardship assistance, but those who were non-autonomous or partially autonomous were more likely to apply for financial hardship assistance.

iV If a respondent selected 'always me' or if the decision was 'shared equally' with their partner, then the person was considered to be fully financially autonomous.

Figure 8: Financial autonomy by age

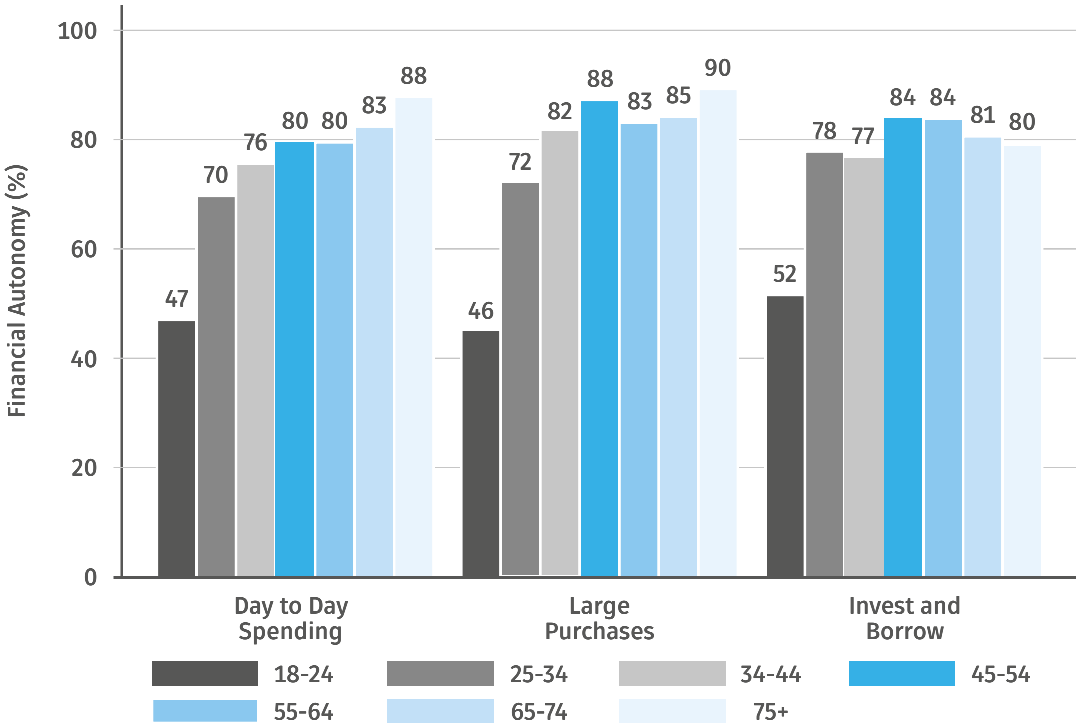
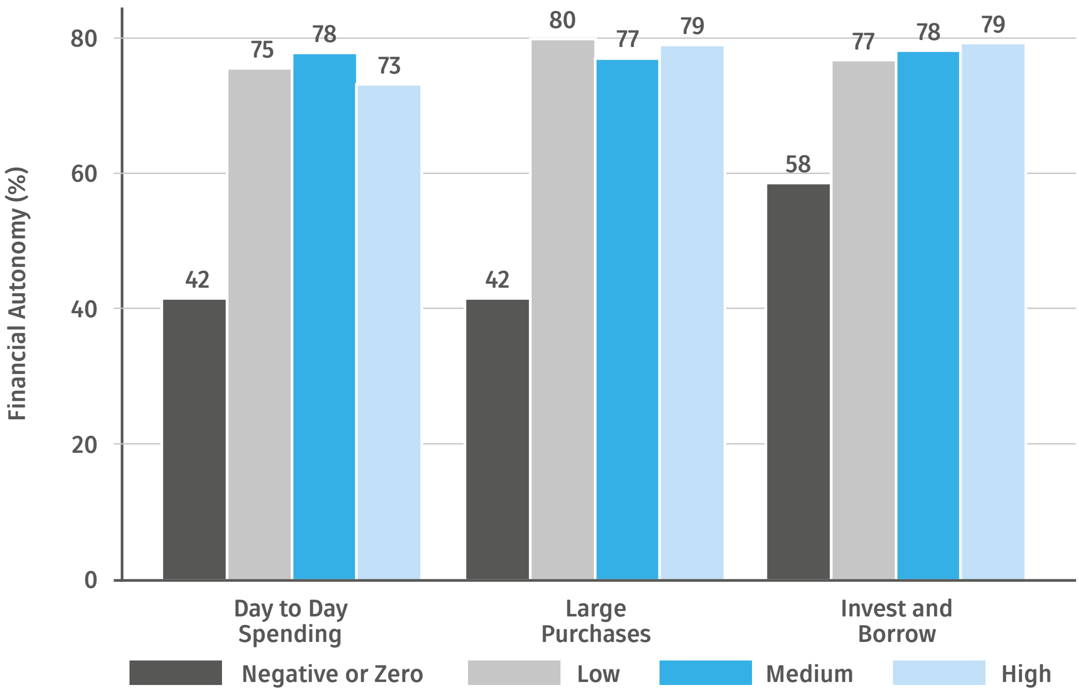
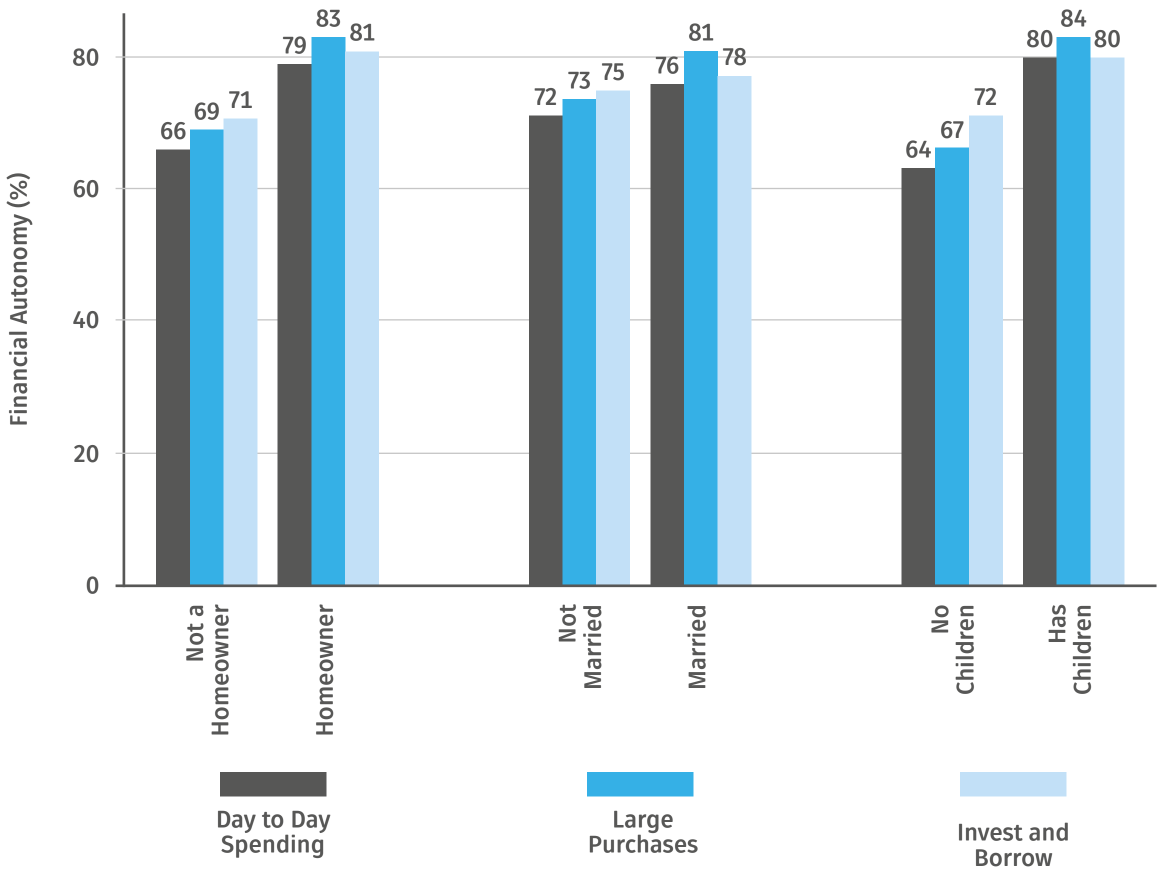


Figure 9: Financial autonomy by income category



Note: Low ($1 - $39,999), Medium ($40,000 - $79,999), High ($80,000) - $199,999)

Figure 10: Financial autonomy and household characteristics



In summary, individuals with the following characteristics were reported to experience lower levels of financial autonomy:

- Younger people.
- People who do not own property.
- People with zero or negative income.
- People with less educational qualifications.

These descriptive results indicate the importance of improving financial literacy by educating Australians on how to make financially sound decisions[19]

1.3. FINANCIAL SATISFACTION

Financial satisfaction was measured through responses to questions about how satisfied respondents were with their current financial situation, with this rated on a scale of 1–10, with 10 being extremely satisfied.

The average level of financial satisfaction was 6.14/10, which was slightly higher than the financial satisfaction levels of 59/100 observed by the ANZ in 2018.[20]

With regard to ***financial satisfaction,*** the survey results showed that:

- Women reported lower levels of financial satisfaction compared to men, specifically among those aged 18–24, 25–35 and 35–44 years (Figure 11).
- Older people (specifically men) aged 65–74 years and those aged 75+ years exhibited higher levels of financial satisfaction while adults aged 45–54 and 55–64 years reported the lowest level of financial satisfaction (Figure 11).
- Not surprisingly, those with lower incomes (between $1–$39,999) had lower levels of financial satisfaction (Figure 12).

Individuals who owned a home, who were married and who had children reported greater financial satisfaction (Figure 13) compared to those who were not married, who did not own a home and who did not have children.

Figure 11: Financial satisfaction by age and gender

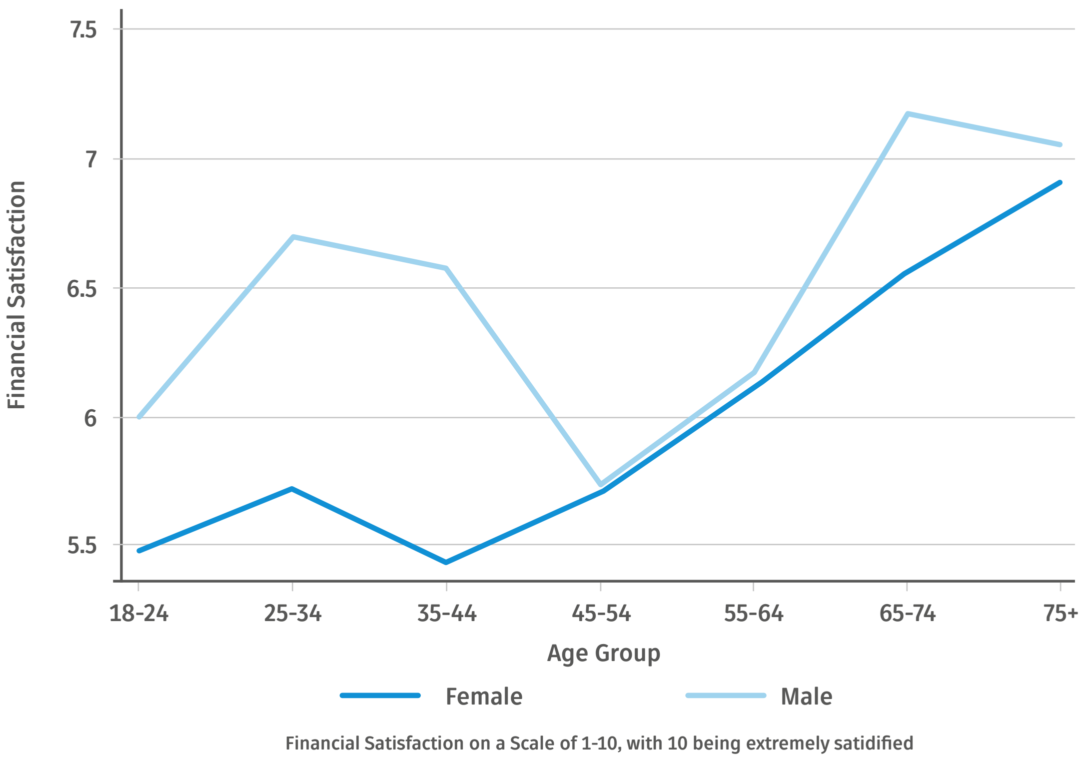
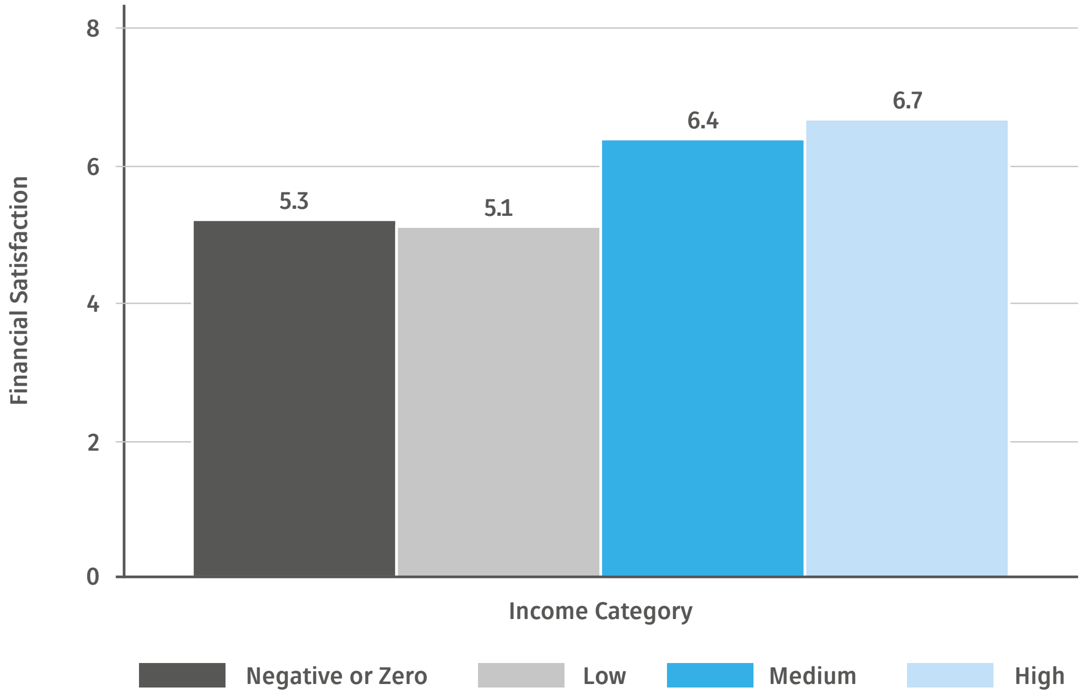


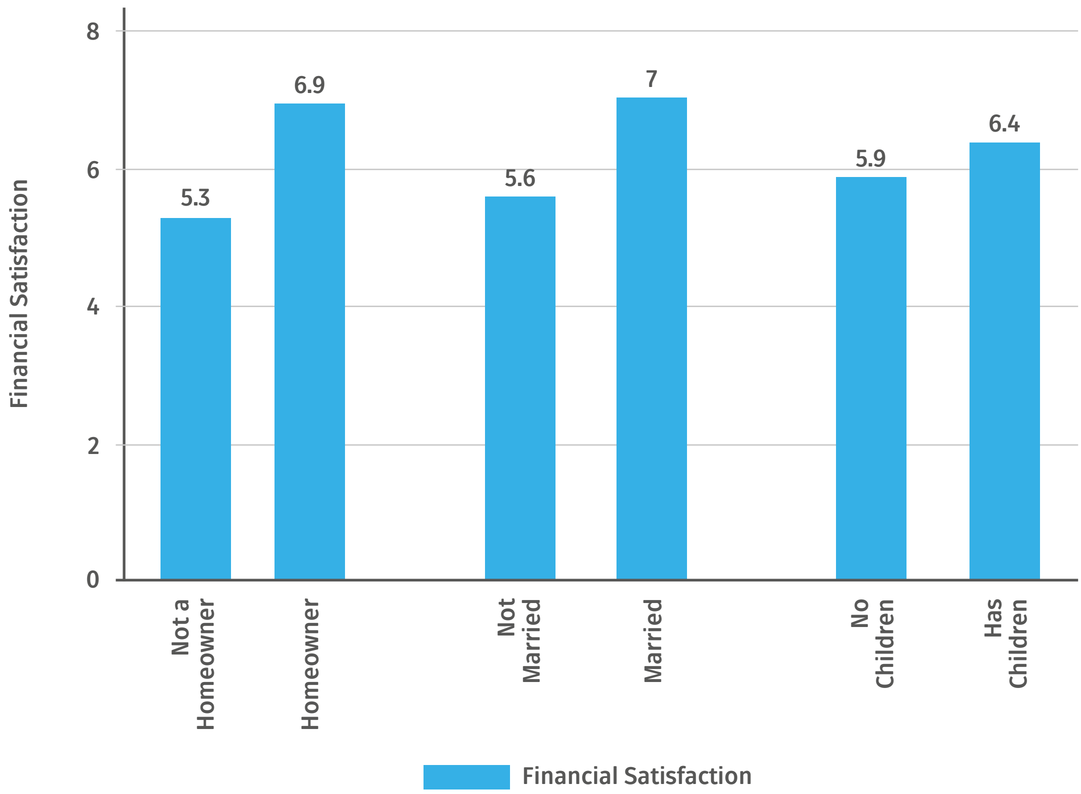
Figure 12: Financial satisfaction by income category



Financial Satisfaction on a Scale of 1-10, with 10 being extremely satisfied

Legend key: Low ($1 - $39,999), Medium ($40,000-$79,999), High ($80,000)- $199,999)

Figure 13: Financial satisfaction and household characteristics



Financial Satisfaction on a Scale of 1-10, with 10 being extremely satisfied

2.

DETERMINANTS OF FINANCIAL WELLBEING

Three aspects that impact a person's financial wellbeing include: (1) the person's financial literacy; (2) his/her ability to financially plan ahead; and 3) his/her financial behaviours and spending patterns. The following sections report the responses to the survey's questions on financial literacy, financial planning and financial behaviours.

2.1. FINANCIAL LITERACY

Financial literacy is the ability to understand and make sound financial decisions. An individual's ability to understand basic financial concepts is important to achieving and sustaining good levels of financial wellbeing and life satisfaction.[21] Financial literacy has also been linked to improving younger women's financial choices and, thus, their financial autonomy.[19] Previous research indicates that, compared to global rankings, the level of financial literacy in Australia is higher than in many other countries; however, financial illiteracy, at 55%, is still extensive amongst Australians.[2]

Financial literacy was measured in the current study by asking respondents five basic questions about their understanding of financial concepts in the following areas, with these questions also asked in the HILDA survey:[2]

1. Interest rates
2. Inflation
3. Diversification
4. Risk
5. Time value of money (also known as money illusions).

WITH REGARD TO FINANCIAL LITERACY:

- Respondents of the current survey, on average, answered 61.69% of the five financial literacy questions (interest rates, inflation, diversification, risk and time value of money) correctly. In comparison, the 2021 Australian Financial Capability Survey conducted by the Australian Government found that 68% of respondents were financially literate.[24] This suggests a slightly lower level of financial literacy among respondents in the current survey's sample compared to those in the national survey sample.
- The results from the current survey also indicated that only 26.3% of respondents answered all five financial literacy questions correctly, which suggests there is still room for improvement.
- Women, on average, had lower levels of financial literacy (only 53.77%) compared to men (70.19%). However, as reported above, women indicated that they are better able to meet their debt obligations, which suggests that, despite their lower level of financial skills, women seemed to be better skilled at managing their finances.
- Middle-aged adults (i.e., those aged 45–54 years) exhibited higher levels of financial literacy, while younger adults, for example, those aged 18–24-years and 25–34 years, had the lowest level of financial literacy. Financial literacy declined in respondents aged 65–74 years and in respondents aged 75+, which is likely to reflect the deterioration in cognitive ability experienced in the ageing process (Figure).
- Across all age groups, there was a gap between respondents' self-perceptions of their financial literacy and their actual financial literacy (see Figure 14 and 15), which suggests that people are less likely to be fully aware of their financial literacy skills.

Figure 14: Financial literacy by age and gender

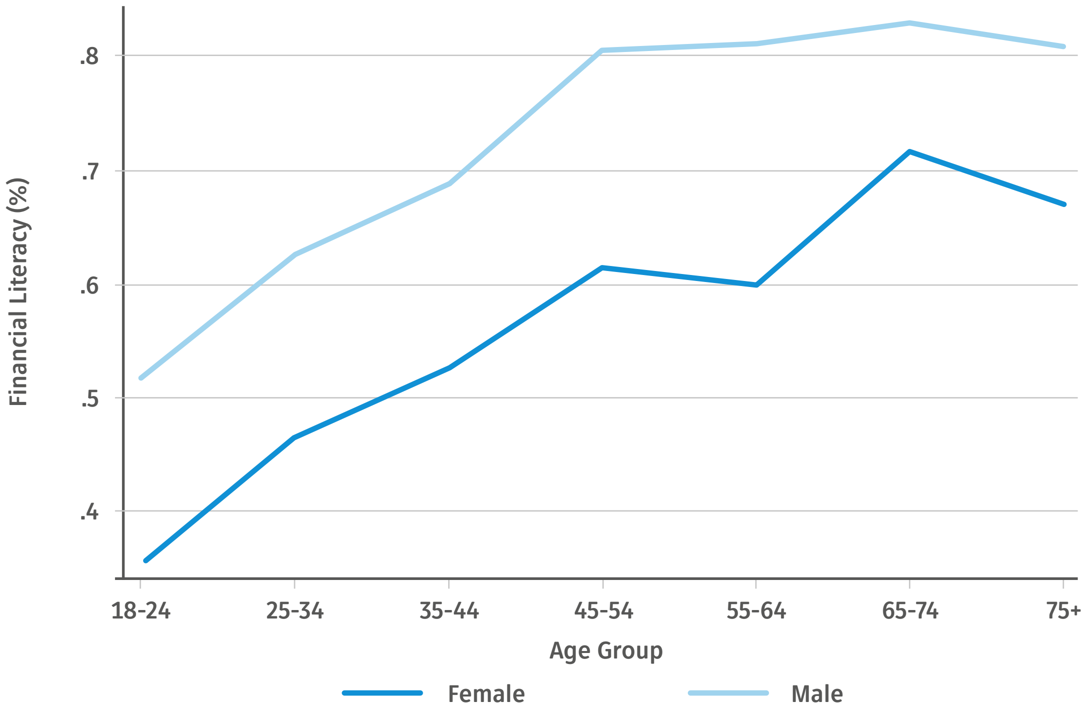
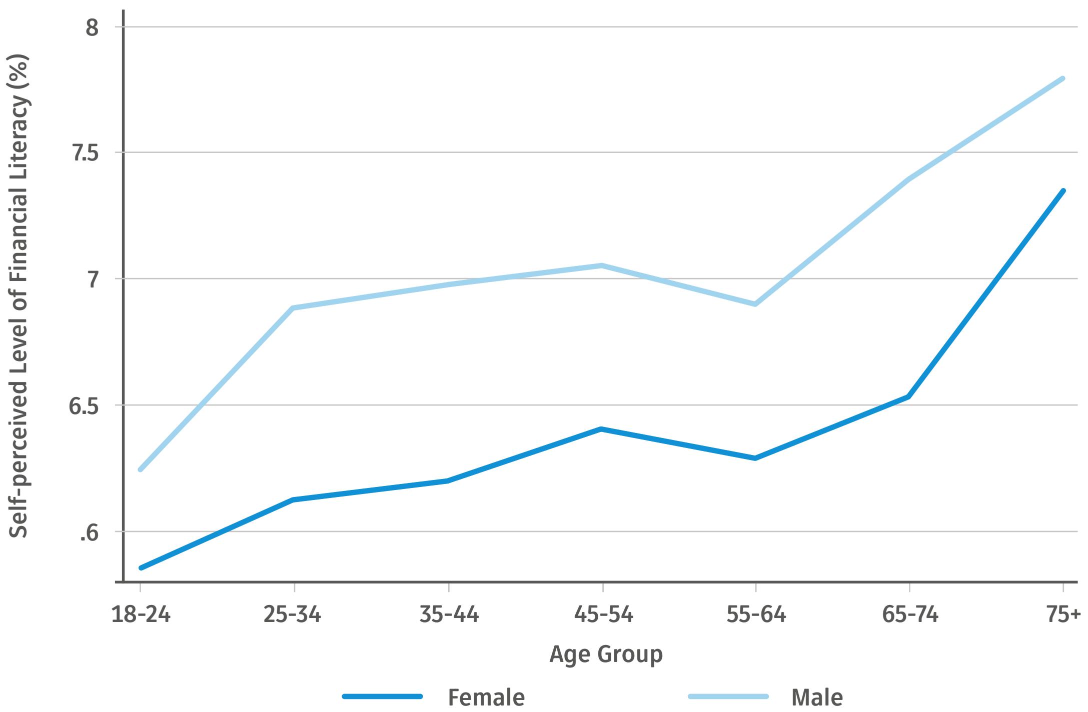


Figure 15: Financial literacy self-assessed as high by age and gender



2.2. FINANCIAL PLANNING

Financial planning is defined as the ability to set and achieve financial goals. It is important in preparing for future financial needs including household expenditure, childcare costs and retirement living.[22] In relation to financial wellbeing, the balancing act required is between making choices to enjoy life in the present while controlling spending to plan for the future.[23]

In the current survey, the level of financial planning was determined by asking respondents whether they had a household budget, if they set long-term financial goals and if they strived to achieve their long-term financial goals.^

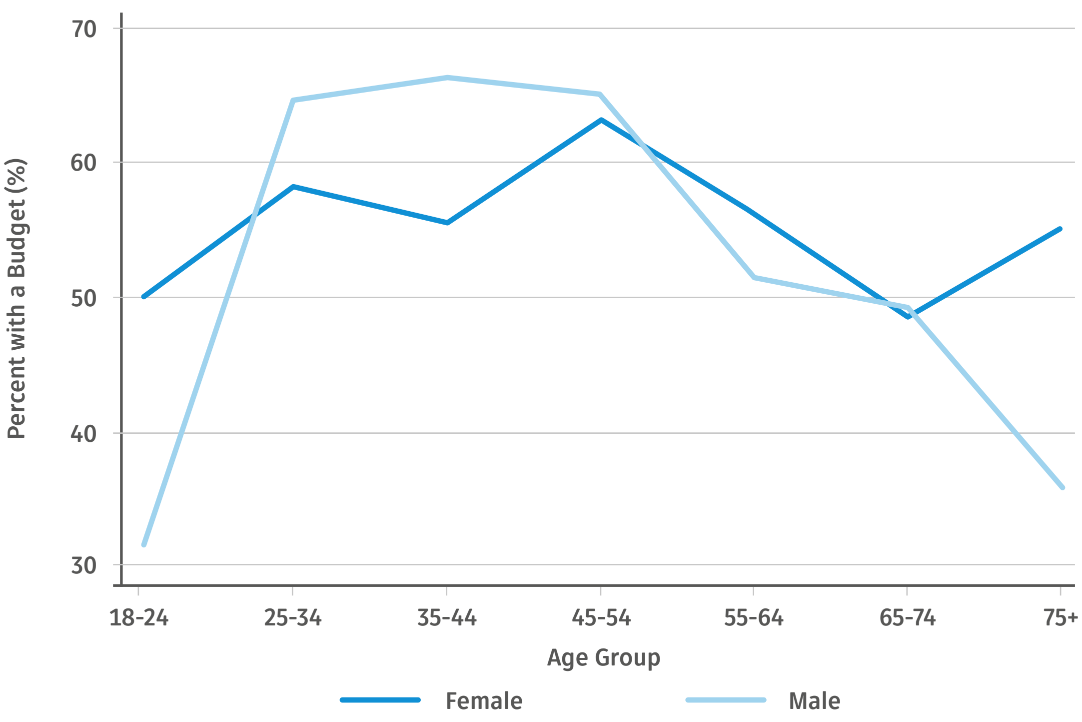
With regard to financial planning, the survey responses indicated that:

- Younger women aged 18–24 years (50%) were much more likely to have a household budget compared to younger men aged 18–24 years (31%) (Figure 16).
- However, in those aged 25–54 years, men were generally more likely to have a household budget compared to women (Figure 16).
- Men were generally more likely to have a financial goal and to strive to achieve their financial goals compared to women (Figure 17 and Figure 18), although this relationship was inversed for the younger age category.

This suggests that while younger men had higher levels of financial literacy, they were less likely than women to apply their financial knowledge to make good financial decisions.

Despite younger women having significantly lower levels of financial literacy (as previously shown), they were more likely to plan and strive to achieve financial goals.

Figure 16: Having a household budget by age and gender



^ The questions regarding setting and striving for long-term financial goals were asked on a scale from 1–10, with 10 being 'strongly agree'. Scores greater than 5 indicated that the respondent set and strived for long-term goals.

Figure 17: Setting long-term financial goals by age and gender

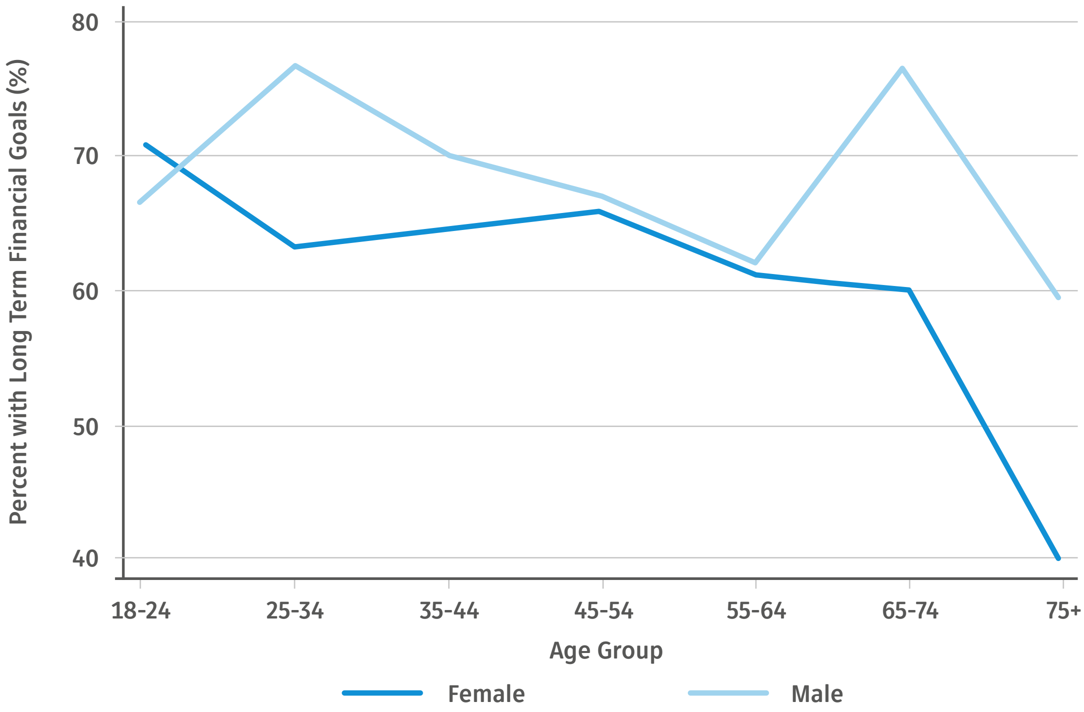
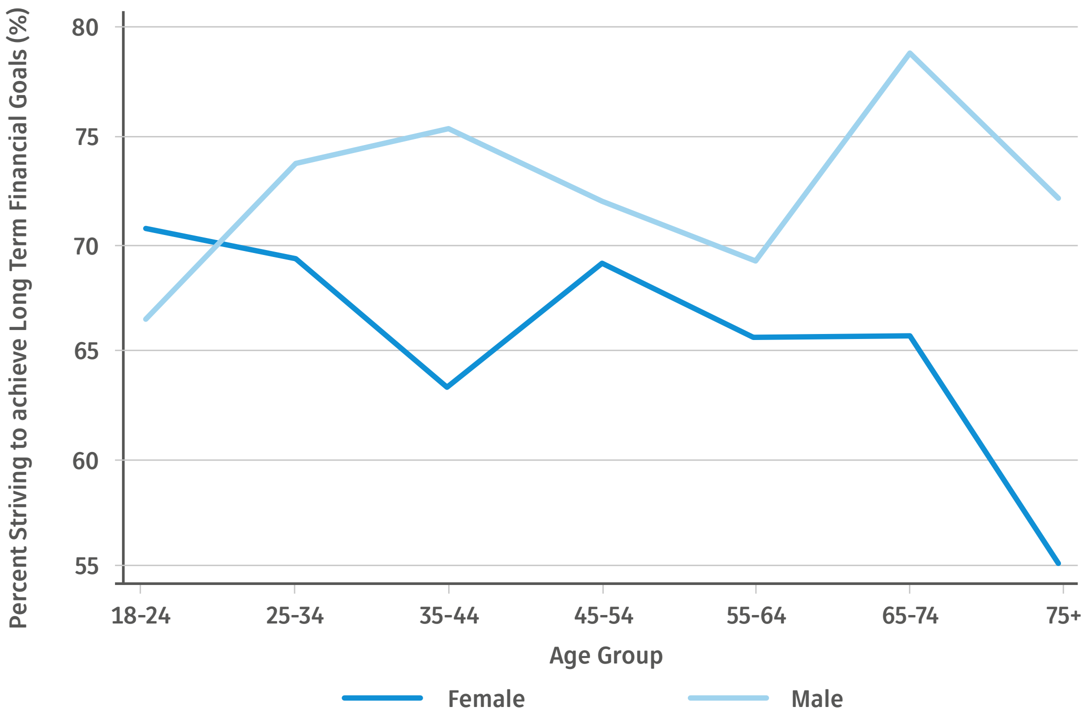


Figure 18: Striving to achieve financial goals by age and gender



2.3. FINANCIAL BEHAVIOURS

Financial behaviours concern an individual's ability to make good financial decisions. These include, but are not limited to, decisions about savings, credit cards and loans. The current survey asked respondents whether they had a savings account, credit card, personal loan or home loan (mortgage).

Financial behaviours can have a significant impact on a person's financial wellbeing and, thus, on their life satisfaction.

With regard to ***financial behaviours***, the survey results showed that:

- Australians, on average, were more likely to pay for their daily expenses using debit cards, with younger people less likely to use cash.
- Men, especially older men, had a higher number of credit cards compared to women (Figure 19).
- Men, especially older men, had a higher number of personal loans compared to women (Figure 20).
- Notably, approximately 25% of respondents had taken out a payday loan in the last 12 months. On average, these respondents had 6.7 payday loans during that period.
- Men, especially men aged 25–34 years, were more willing to take financial risks (Figure 21).

Figure 19: Respondents with a credit card by age and gender

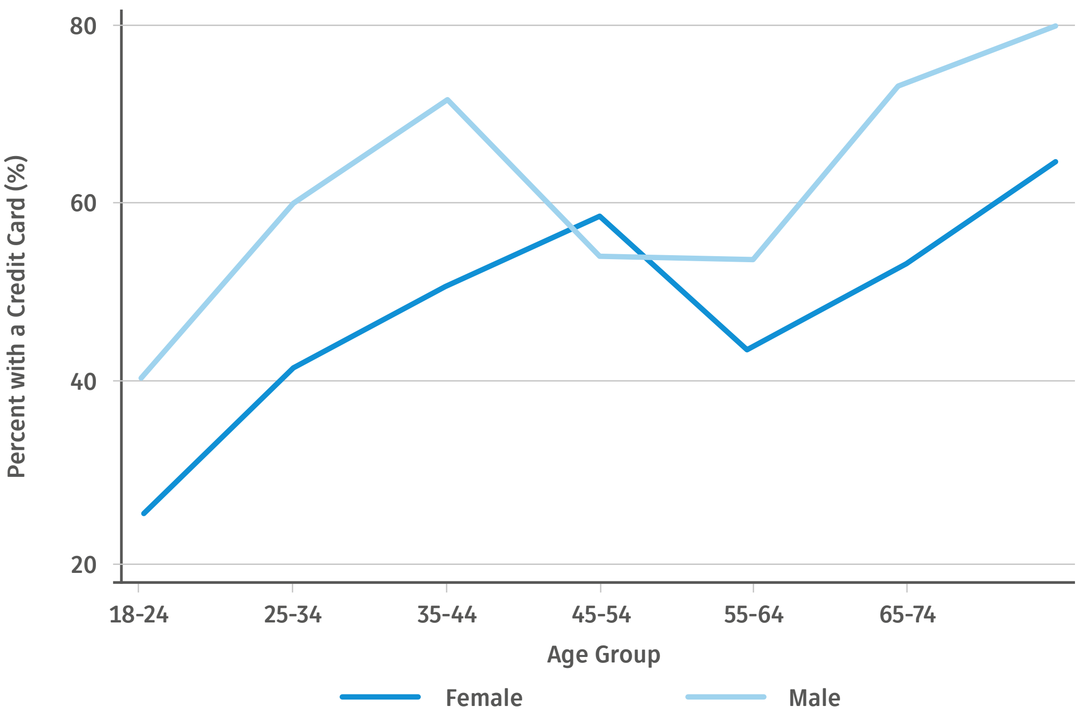


Figure 20: Respondents with a personal loan by age and gender

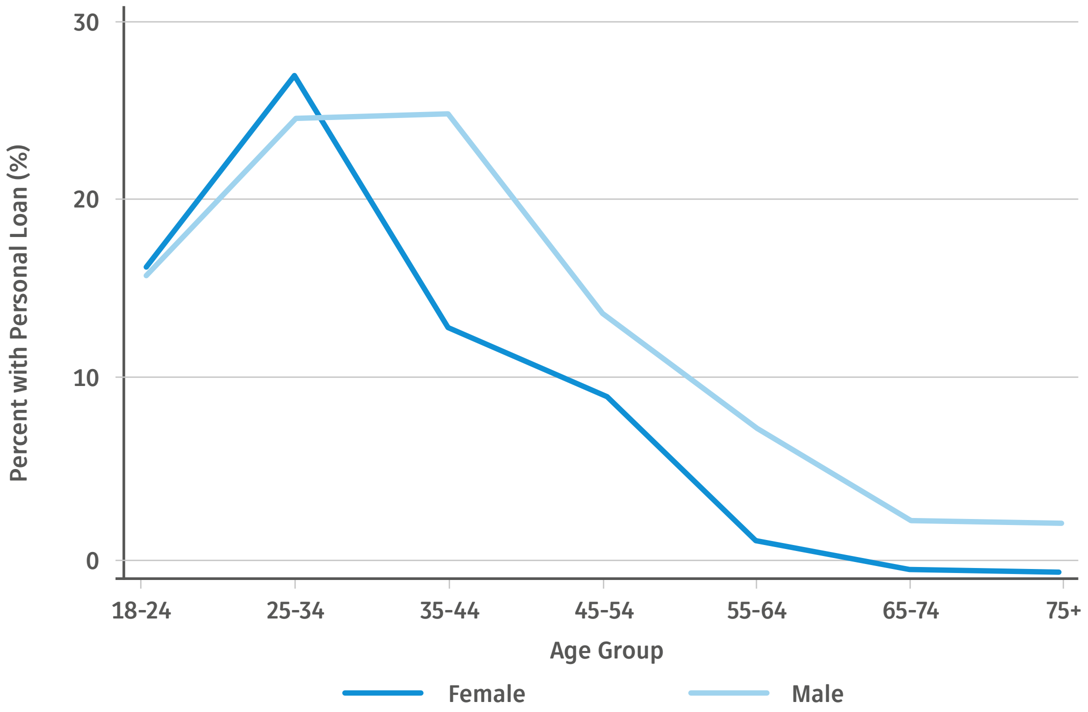
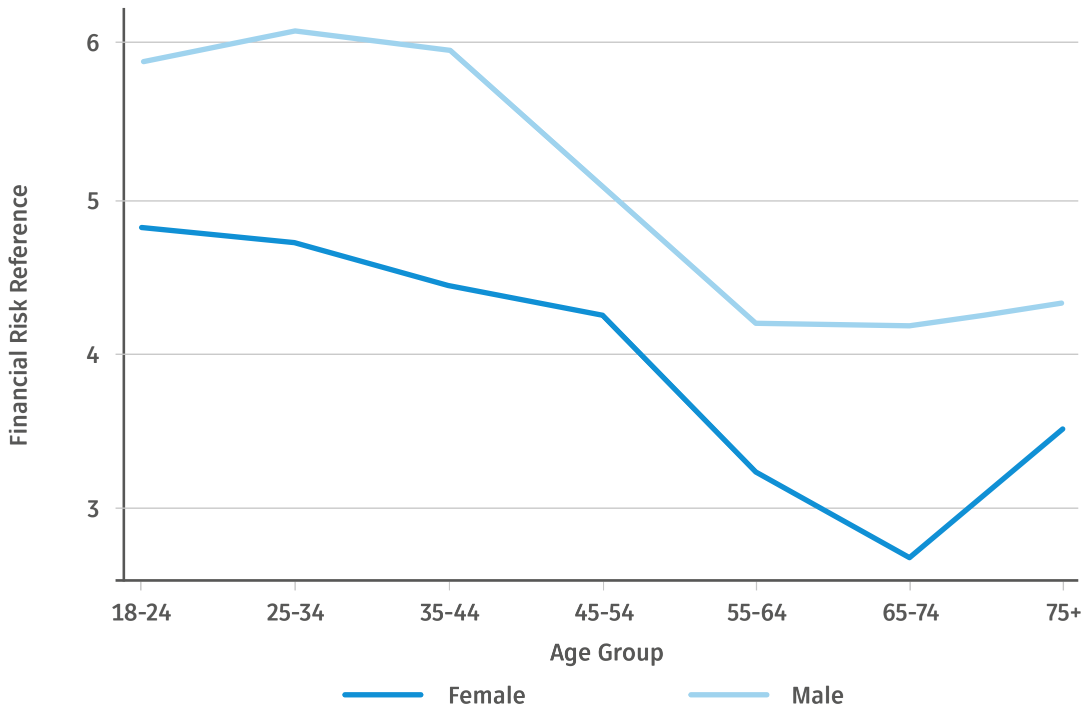


Figure 21: Respondents' willingness to take financial risks by age and gender



Willingness to take financial risk on a scale 1-10, with 10 being extremely willing

2.4. PREDICTED IMPACT ON FINANCIAL WELLBEING

To understand the relationships that existed and what areas could be targeted for change (e.g., who needed more help with financial literacy), the current study ran several regression analyses.

When assessing the relationships between financial wellbeing and respondents' characteristics (including the three key determinants of financial wellbeing), the results shown in Table 2 (see also Annexure 2) indicated that:

- The higher a person's financial literacy, the less likely the person was to experience financial hardship.
- However, the higher a person's financial literacy, the less financial satisfaction felt by that person. This could be driven by an 'ignorance is bliss' effect through which those who knew more about their financial situation were more dissatisfied with their current financial position.
- Financial literacy had no statistically significant impact on an individual's financial autonomy.
- Setting long-term financial goals improved a person's financial wellbeing. Those who did not set financial goals and/or who did not strive to meet their financial goals were more financially dissatisfied.
- Those who had more credit cards and those who had a personal loan were more likely to experience financial hardship. However, having access to credit cards could help to reduce financial hardship.
- Those with more credit cards and those who delayed their credit card repayments were more financially dissatisfied.
- People with children were more financially satisfied. However, with each additional child, the level of financial satisfaction decreased. This suggests that while having children made people more satisfied, the financial cost of additional children reduced their financial satisfaction.

Table 2: Characteristics of improving financial wellbeing

	Financial Autonomy: Spending & Bills	Financial Autonomy: Large Purchases	Financial Autonomy: Investing & Borrowing	Financial Satisfaction	Reduced Financial Hardship
Higher financial literacy					
Has a household budget					
Setting a long-term financial goal					
Striving for a long-term financial goal					
Financial Behaviours					
Has credit card(s)					
Number of credit cards					

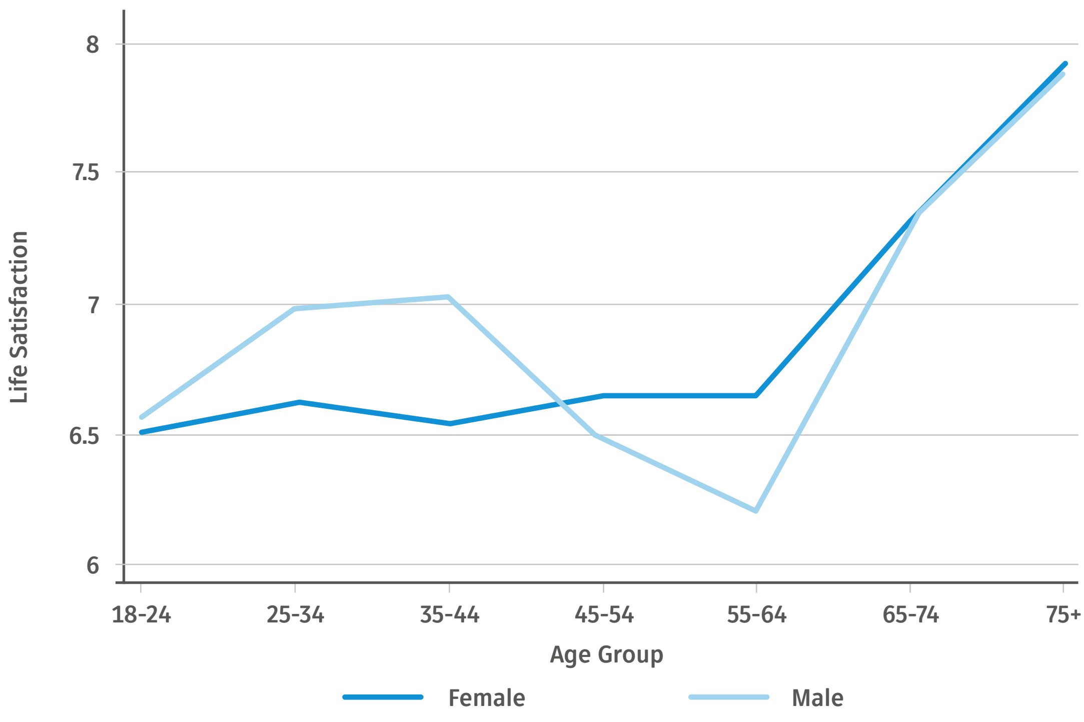
indicates a reduction in financial hardship, indicates an increase in financial hardship.

GENERAL LIFE SATISFACTION

Financial wellbeing is a key factor in influencing a person's overall wellbeing and general life satisfaction. This final section of the report details the survey results of respondents' general life satisfaction.
With regard to general life satisfaction, the survey responses showed that:

- On average, the general life satisfaction of respondents was 6.8 (on a scale of 1–10, with 10 being most satisfied). This was marginally lower than the reported life satisfaction for Australians in 2020 but still higher than the OECD average of 6.5.[3]
- Men aged 25–34 and 35–44 years reported they were more satisfied with their lives than women in these age categories (Figure 22).
- However, for those aged 55–64 years, women reported greater life satisfaction compared to men (Figure 22).
- Older adults – especially those aged over 65 – found life to be more worthwhile and were more satisfied with life than younger respondents (Figure 22).

Figure 22: Life satisfaction by age and gender



Note: Scale for Life Satisfaction was 1-10, with 10 being totally satisfied

Finally, regression analysis showed that individuals with higher financial wellbeing experience significantly higher levels of general life satisfaction.

4.

CONCLUSION AND INTERVENTIONS

The current survey has indicated that Australians are generally satisfied with their lives, but that there is room for improvement in relation to financial wellbeing. The results support previous findings that individuals with higher levels of financial wellbeing experience greater life satisfaction.

Several ways can be identified for improving financial wellbeing in Australia, the first of which is to continue to improve financial literacy. However, this study has indicated that financially illiterate people appear to be more financially satisfied than financially literate people. This suggests that financial literacy does not directly lead to improved life satisfaction, but that it can lead to better and more informed financial behaviours, which are linked to financial wellbeing and, thus, to life satisfaction.

The results provide evidence that younger Australians (aged 18-34) require more support and assistance to improve their financial wellbeing. Assistance to guide financial behaviours is particularly important for younger men, whilst assistance to improve financial literacy and knowledge is essential for younger women.

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ANNEXURES

Annexures 1 Regression Analysis on the Determinants of Financial Hardship

	From Demographic		Control for Financial Planning and Behaviours		Control for Financial Autonomy and Satisfaction	
VARIABLES	(1) Applied for Hardship Assistance	(2) Applied for Hardship Assistance	(3) Received Hardship Assistance	(4) Received Hardship Assistance	(5) Received Hardship Assistance	(6) Received Hardship Assistance
Age	-0.0026*** (0.010)	-0.0031*** (0.002)	-0.0029*** (0.005)	-0.0030*** (0.002)	-0.0030*** (0.004)	-0.0031*** (0.002)
Female	-0.0739*** (0.001)	-0.0451** (0.042)	-0.0693*** (0.003)	-0.0423* (0.059)	-0.0702*** (0.003)	-0.0419* (0.063)
Health satisfaction	-0.0136** (0.020)	-0.0064 (0.253)	-0.0161*** (0.008)	-0.0079 (0.176)	-0.0143** (0.028)	-0.0079 (0.207)
Years of education	0.0125** (0.027)	0.0050 (0.355)	0.0112** (0.050)	0.0036 (0.516)	0.0098* (0.088)	0.0035 (0.531)
No. of children	0.0243** (0.041)	0.0415*** (0.000)	0.0225* (0.058)	0.0414*** (0.000)	0.0199* (0.097)	0.0411*** (0.000)
Married	0.0227 (0.514)	0.0431 (0.198)	0.0242 (0.486)	0.0394 (0.240)	0.0338 (0.337)	0.0404 (0.236)
Living together	0.0234 (0.525)	0.0231 (0.514)	0.0309 (0.400)	0.0258 (0.467)	0.0336 (0.363)	0.0264 (0.460)
Separated	0.0377 (0.520)	0.0533 (0.346)	0.0441 (0.452)	0.0579 (0.307)	0.0388 (0.511)	0.0573 (0.316)
Divorced	0.0032 (0.952)	-0.0000 (1.000)	0.0152 (0.777)	0.0026 (0.960)	0.0088 (0.871)	0.0005 (0.992)
Windowed	0.0137 (0.826)	0.0389 (0.516)	0.0244 (0.695)	0.0439 (0.465)	0.0173 (0.781)	0.0428 (0.479)
Income band	-0.0148*** (0.000)	-0.0183*** (0.000)	-0.0156*** (0.000)	-0.0190*** (0.000)	-0.0148*** (0.000)	-0.0191*** (0.000)
Employed FT or PT	0.0143 (0.658)	0.0305 (0.328)	0.0106 (0.742)	0.0274 (0.379)	0.0092 (0.777)	0.0268 (0.394)
Retried	-0.0752 (0.124)	-0.0172 (0.714)	-0.0889* (0.070)	-0.0223 (0.637)	-0.0821* (0.097)	-0.0224 (0.639)
Not in labour force	-0.1136** (0.016)	-0.0791* (0.081)	-0.1128** (0.017)	-0.0792* (0.082)	-0.1157** (0.014)	-0.0800* (0.080)
Own or paying off home	-0.0374 (0.433)	-0.0186 (0.686)	-0.0528 (0.270)	-0.0252 (0.585)	-0.0721 (0.149)	-0.0285 (0.556)
Renting accommodation	0.0178 (0.700)	0.0291 (0.513)	0.0148 (0.749)	0.0307 (0.493)	-0.0083 (0.865)	0.0279 (0.552)
Financial literacy	-0.0247*** (0.000)	-0.0178*** (0.005)	-0.0246*** (0.000)	-0.0183*** (0.004)	-0.0261*** (0.000)	-0.0182*** (0.005)
Has household budget			0.0021 (0.929)	0.0176 (0.430)	0.0007 (0.977)	0.0175 (0.433)
Has a long-term financial goal			-0.0099 (0.150)	0.0007 (0.919)	-0.0097 (0.161)	0.0006 (0.933)
Strives to achieve a long-term financial goal			0.0172** (0.018)	0.0011 (0.880)	0.0182** (0.013)	0.0013 (0.857)
Expenses cash paid			0.1577 (0.149)	-0.0156 (0.883)	0.1593 (0.145)	-0.0159 (0.881)
Expenses debit card paid			0.1231 (0.252)	0.0041 (0.968)	0.1209 (0.262)	0.0043 (0.967)
Expenses credit card paid			0.1884* (0.085)	0.0547 (0.605)	0.1867* (0.088)	0.0546 (0.606)
Autonomous – Spending & Bills					0.0006 (0.959)	-0.0017 (0.869)
Autonomous – Large Purchases					0.0029 (0.787)	0.0041 (0.693)
Autonomous – Invest & Borrowing					0.0080 (0.276)	-0.0009 (0.900)
Financial satisfaction					-0.0054 (0.353)	0.0000 (0.997)
Constant	0.4472*** (0.000)	0.4294*** (0.000)	0.3126** (0.022)	0.4336*** (0.001)	0.3941*** (0.007)	0.4420*** (0.002)
Observations	1,017	1,017	1,017	1,017	1,017	1,017
R-squared	0.118	0.106	0.131	0.112	0.134	0.112

Notes: standard error in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Annexure 2 Regression Analysis on the Determinants of Financial Autonomy

All regressions include demographic controls of age, gender, income, education, health status, number of children, marital status, employment status and living status, as well as financial literacy and financial planning behaviours.

Dependent Variable: Financial Autonomy - Spending & Bills

VARIABLES	(1) From Demographic	(2) From Savings	(3) From Credit Card	(4) From Personal Loan	(5) From Payday Loan
Financial literacy	0.0350 (0.226)	0.0322 (0.268)	0.0375 (0.198)	0.0408 (0.161)	0.0345 (0.232)
Has household budget	0.1769* (0.082)	0.1538 (0.142)	0.1705* (0.094)	0.1602 (0.117)	0.1705* (0.093)
Has a long-term financial goal	0.0372 (0.223)	0.0283 (0.365)	0.0378 (0.217)	0.0349 (0.252)	0.0427 (0.162)
Strives to achieve a long-term financial goal	-0.0423 (0.187)	-0.0434 (0.178)	-0.0434 (0.177)	-0.0398 (0.215)	-0.0452 (0.158)
Has saving account		0.2037 (0.297)			
Savings account linked		-0.1614 (0.272)			
Has saving goal		0.1080 (0.392)			
Has credit card			0.1712 (0.273)		
Number of credit cards			0.0029 (0.972)		
No. late credit card payments/yr			-0.0010 (0.978)		
Has personal loan				0.2350 (0.123)	
Amount of personal loan (in thousand)				0.0012 (0.740)	
Number of payday loan this year					0.0171** (0.017)
Constant	-6.7304*** (0.000)	-6.7874*** (0.000)	-6.6664*** (0.000)	-6.7913*** (0.000)	-6.8289*** (0.000)
Observations	1,017	1,017	1,017	1,017	1,017
R-squared	0.212	0.214	0.214	0.215	0.217

Notes: t-statistics in parentheses. + < 0.10; *p < 0.05; **p < 0.01

Dependent Variable: Financial Autonomy - Large Purchases

VARIABLES	(1) From Demographic	(2) From Savings	(3) From Credit Card	(4) From Personal Loan	(5) From Payday Loan
Financial literacy	0.0136 (0.657)	0.0112 (0.716)	0.0160 (0.605)	0.0235 (0.444)	0.0131 (0.667)
Has household budget	0.1132 (0.293)	0.0858 (0.439)	0.1089 (0.313)	0.0845 (0.433)	0.1072 (0.319)
Has a long-term financial goal	0.0511 (0.114)	0.0415 (0.209)	0.0518 (0.110)	0.0478 (0.138)	0.0563* (0.082)
Strives to achieve a long-term financial goal	-0.0740** (0.030)	-0.0758** (0.027)	-0.0748** (0.028)	-0.0707** (0.037)	-0.0767** (0.024)
Has saving account		0.1738 (0.400)			
Savings account linked		-0.1463 (0.347)			
Has saving goal		0.1315 (0.324)			
Has credit card			0.0586 (0.723)		
Number of credit cards			0.0185 (0.832)		
No. late credit card payments/yr			0.0093 (0.821)		
Has personal loan				0.2529 (0.116)	
Amount of personal loan (in thousand)				0.0061 (0.112)	
Number of payday loan this year					0.0160** (0.034)
Constant	-6.3322*** (0.000)	-6.3705*** (0.000)	-6.3026*** (0.000)	-6.4028*** (0.000)	-6.4246*** (0.000)
Observations	1,017	1,017	1,017	1,017	1,017
R-squared	0.189	0.191	0.190	0.196	0.193

Notes: standard error in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Dependent Variable: Financial Autonomy - Investing & Borrowing

VARIABLES	(1) From Demographic	(2) From Savings	(3) From Credit Card	(4) From Personal Loan	(5) From Payday Loan
Financial literacy	0.1314*** (0.000)	0.1302*** (0.000)	0.1347*** (0.000)	0.1410*** (0.000)	0.1310*** (0.000)
Has household buget	0.1316 (0.263)	0.1044 (0.388)	0.1275 (0.279)	0.1037 (0.378)	0.1256 (0.285)
Has a long-term financial goal	0.0339 (0.336)	0.0226 (0.531)	0.0359 (0.311)	0.0311 (0.377)	0.0390 (0.269)
Strives to achieve a long-term financial goal	-0.0188 (0.612)	-0.0218 (0.558)	-0.0203 (0.585)	-0.0165 (0.656)	-0.0215 (0.563)
Has saving account		0.1298 (0.565)			
Savings account linked		-0.0262 (0.877)			
Has saving goal		0.1499 (0.304)			
Has credit card			0.0260 (0.886)		
Number of credit cards			0.0091 (0.924)		
No. late credit card payments/yr			0.0320 (0.472)		
Has personal loan				0.1462 (0.405)	
Amount of personal loan (in thousand)				0.0086** (0.040)	
Number of payday loan this year					0.0158* (0.056)
Constant	-6.3352*** (0.000)	-6.3764*** (0.000)	-6.3407*** (0.000)	-6.3813*** (0.000)	-6.4262*** (0.000)
Observations	1,017	1,017	1,017	1,017	1,017
R-squared	0.154	0.156	0.155	0.160	0.157

Notes: standard error in parentheses. *** p<0.01, ** p<0.05, * p<0.1

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