WHITE PAPER 1:
Spending, Saving & Debts
A detailed study of Australia’s 18-29 year olds

INTRODUCTION

In the second year of an ongoing investigation into Australia’s young minds, this first White paper from the 2015 Future Leaders Index (created by the Co-op in partnership with BDO) takes a unique look into the financial life of an 18-29 year old today.

Based on an extensive independent market research program involving interviews with more than 5000 18-29 year olds nationwide, this report provides a validated, comprehensive insight into Australia’s Future Leaders.

This report - the first of a series of three White papers to be launched across 2015 - brings under the microscope the current spending, saving and debt habits of this generation of Australians.

The next White paper will look at Future Leader’s lifestyles in more detail and the final paper will discuss attitudes toward career and employment.
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Against a backdrop of some of the most expensive property and living costs globally the 2015 Future Leaders Index reveals that the majority of young Australians are concerned about the prospect of a lifetime of debt. As a result, many are converting their concern into action by reducing spending and by saving regularly.

- **Generation Concerned**: The majority of young Australians are concerned about the prospect of facing a lifetime of debt and costs:
  - 8 in 10 (79%) concerned about the mortgage debt they may face over their lifetime
  - 8 in 10 (78%) concerned about having enough money for retirement
  - Three quarters (76%) concerned about the costs they may face bringing up children
  - 7 in 10 (68%) concerned about debt arising from study / education

Their number one perceived issue going forward? Not being able to afford a home, ahead of falling job opportunities and environmental issues.

- **The Property Paradox**: With low interest rates continuing to drive up house prices, young Australians feel pressured to buy a property ‘now.’ Despite considerable discomfort over the prospect of future debt levels, most (75%) are still willing to take on debt for a mortgage, and the majority (72%) still believe buying a home as soon as possible is preferable to renting.

- **Mum & Dad: The Real Bank of Yes**: In light of the high cost of property, the 2015 Future Leaders Index highlights that the majority of 18-29 year old Australians who buy property are using direct financial help and/or guarantors to secure their place on the property ladder.

- **Prudent, Planned, Financially Sustainable**: The majority of young Australians are converting their concern and desire for a property into positive financial planning and action in order to create a financially sustainable position. The majority have both short term savings goals (80% agree) and long term savings goals (65% agree), as well as clear financial budgeting systems in place (69% agree).

- **Saving Savvy**: An overwhelming majority (93%) of 18-29 year olds have money set aside. The average young Australian has saved $8,271. More than 8 in 10 put money away at least monthly, on average saving $199 at a time. How are they able to save money? The research reaffirms how widespread employment is among young Australians and also how ‘self-made’ these Future Leaders are, even when studying. 7 in 10 (70%) of all Future Leaders are working either full time or part time. More than 5 in 10 (52%) Future Leaders who are tertiary students are working either full time or part time.

- **The Canny Consumer**: Young Australians are employing many ways to save ‘that little bit extra’, including buying no-name groceries and groceries on special, putting off upgrading their smartphones and other devices, making meals at home instead of eating out and exercising for free.

- **Debt Laden, Debt Light**: Although ‘saving’ is at the forefront of Future Leaders’ minds, the research uncovers that half (50%) of young Australians still carry a debt, with an average overall personal debt of $4,599. The research also shows that certain groups are much more financially burdened than others.

- **Getting Ahead, Falling Behind**: In net terms, 18-29 year olds fall into three broad credit or debt streams:
  - **Higher net credit ($5,000+)**… one third (32%) of 18-29 year olds in 2015 have a net credit of $5,000 or more. The typical portrait within this group is one of a mid-twenties capital city-based full-time working Future Leader, male and/or someone who has gone through higher education (undergrad degree or higher).
  - **Lower net credit ($0-$5,000)**… 4 in 10 (39%) have a net credit of between $0 and $5,000. The typical portrait here is more likely to be one of a younger Future Leader, single and/or someone who is currently studying and/or living with parents.
  - **In the red (less than $0 net credit)**… 3 in 10 (29%) 18-29 year olds are in net debt in absolute terms (i.e. where their personal debt is greater than their savings). The typical portrait of the indebted is one of a late 20s Future Leader, female, living with a partner and/or someone who has achieved a TAFE/Diploma (further) level of education.
The 2015 Future Leaders Index series of reports reveals a number of key emerging issues facing 18-29 year old Australians today. Inextricably linked to this are broader associated macro-economic, social and political factors affecting this group. Below is a (non-exhaustive) summary to provide context to the report findings:

1. **An increasing unemployment rate**: 2015 is expected to see higher unemployment within Australia (predicted by the RBA), the impact of which will particularly be felt by this age cohort.

2. **A truly global job market**: This group will enter a job market continually shaped by global working practices. Flexible working arrangements, contract based assignments and global outsourcing will be the 'norm' for this age cohort.

3. **The effect of technology on job opportunities**: Associated with point 2, the rapidly changing technological landscape will have a particular impact on both their employment opportunities and also their personal lives over the coming decades.

4. **Continued house price inflation alongside the potential introduction of macro prudential legislation by APRA**: The need for a larger deposit alongside much bigger lifetime mortgages appears inevitable for this group. The resulting impact on 18-29 year olds will be felt not only financially but also across their lifespan, with significant effects on their lifestyle and other choices.

5. **An aging population and the impact on asset prices**: With people over 65 years usually being net sellers of property, the aging population will likely have a significant slowing impact on the demand for housing over the coming decades. The most probable outcome from this is much greater difficulty in getting the same levels of asset price growth as was achieved over previous decades. What does this most likely mean for 18-29 year olds? Bigger mortgages, less growth and more money to pay back to mum and dad too.

6. **The end of the resources boom**: The end of a ‘once in a generation’ resources boom and the effect of it on lower economic growth rates and consequently lower living standards for all Australians will have a major impact on Future Leaders over the next 10 years.

7. **An austerity style of government**: Across the board spending cuts promised by the government to balance budgets will have direct and indirect economic impacts on every Australian, with 18-29 year olds being no exception, especially in relation to education budget legislation changes.

These issues (and others) will prove significantly challenging to 18-29 year olds going forward, especially when juxtaposed against the buoyant economic conditions this group of Australians has only ever experienced growing up.
The 2015 Future Leaders Index reports young Australians are concerned about the size of looming debts they will accrue across their lifetime.

**INSIGHT 01**

‘GENERATION CONCERNED’

The prospect of a lifetime of debt prompting concern

As Australians continue to be faced with some of the most expensive property and living costs in the world, the 2015 Future Leaders Index brings to light 18-29 year olds’ concerns about their financial future.

The research shows their major concerns include:

- The volume of property debt ahead
- The cost of bringing up children
- Debts incurred through study, and
- Having sufficient money to retire on

Within these ‘concern’ figures there also lies a significant and interesting gender divide. The research substantiates that the female 18-29 cohort are significantly more concerned than their male counterparts about the magnitude of debt they may face, particularly in respect to mortgage debt (82%), having enough money to retire on (82%) and the cost of bringing up children (81%) in Australia.

Why is there such a concern gap by gender? As part of the study, the 2015 Future Leader Index also canvassed the total personal savings and debts of each 18-29 year old (covered in more detail in Insight 08: Getting ahead, Falling behind) and found that the overall financial position (by taking personal debts away from personal savings) of females was substantially weaker when compared with that of males. The research findings thus reveal that young Australian women are more financially burdened than men, which helps explain this concern gap.

Housing unaffordability tops issues predicted to affect Australia in 2020

Alongside the concern cited earlier regarding all debts and costs 18-29 year olds are likely to face in their lifetime, when asked about which issues are most to likely affect Australia in 2020, unaffordability of housing dominated all other factors as the #1 perceived concern amongst this age group.

Young Australians are also concerned about falling employment opportunities, global warming and a declining economy. They appear to believe the road ahead will be bumpy.
Consequently, Future Leaders have a strong attitudinal aversion to debt

In light of the issues perceived by Future Leaders as likely to hit Australia in the next 5 years, it is unsurprising that this age group is broadly averse to the idea of debt.

When questioned about debt comfort levels, the majority (68%) of 18-29 year olds stated they were not comfortable with taking on any debt at all. Although we see later that a sizable proportion do have personal debt, the overriding sentiment of this age group towards the concept of debt is a hostile one.

Within the 18-29 age subgroups we also see a clear-cut demarcation, with this discomfort proving significantly higher among younger Future Leaders (18-23 year olds and also Future Leaders currently living with parents) when compared to older age groups. Older Future Leaders appear to be moderately more comfortable with the idea, probably a consequence of their greater exposure to financial matters and life experiences.

A concerned generation

At the heart of all this opinion lies a young Australian generation that is concerned: concerned about taking on debt now; about the potential looming debts they will face over the course of their lifetime as a result of taking on mortgages; about the cost of bringing up children; about paying for their own education; about preparing for retirement. They are also concerned about the broader issues facing Australia such as unaffordable housing, continuing falling employment opportunities, the potential impact of global warming and a declining Australian economy, all of which will drive significant headwinds for the nation as a whole.
Despite a generalised discomfort with debt and sky-rocketing house prices making true home ownership a perceived improbability, the aspiration of property ownership still persists for this generation.

**INSIGHT 02**

**‘THE PROPERTY PARADOX’**

The Aussie dream of home ownership still thrives, despite 18-29 year olds feeling somewhat financially thwarted

Despite the unease felt around indebtedness, the research demonstrates that this generation remains doggedly committed to pursuing the Australian property dream.

The combination of unprecedented recent house price rises, discomfort with debt, and a clear awareness they may never own their home outright does not deter young Australians from their intended property purchasing behaviour and taking on a mortgage. Moreover, despite the unaffordability of it all, Future Leaders believe it is important to buy that house as soon as they can, rather than rent and postpone the inevitable:

- 9 in 10 (87%) are resigned to the fact that many of their generation will never own their home outright as a result of the high price of housing
- However, over 7 in 10 (72%) still believe it’s important to buy a home as soon as you can
- And three quarters (75%) are still willing to take on debt for a mortgage

Ironically, those experiencing highest house price rises remain the most ardent advocates

Even though Sydney-siders have experienced significant growth in property prices in the current housing boom and now face the most expensive properties ever seen in Australia, Sydney-based 18-29 year olds remain significantly more committed to buying as soon as they can, are more likely take on a mortgage to do so and are even more likely to accept that many of their generation will never own their own home outright.

Why do young Australians living in Sydney believe so strongly in property? Using the qualitative research as a basis, we see this property craving being due to a number of factors:

- ‘I can make easy money’… the current boom suggests it’s easy to make money through property
- ‘If I don’t I’m going to be left out’… if everyone else is doing it, I should too
- ‘Waiting only makes the payments worse’… the repayments just get bigger by procrastinating
- ‘Interest rates keep coming down’… making a mortgage perceptually much more manageable as time goes on
- ‘Australian property is ‘guaranteed’, isn’t it?’… Future leaders have only ever really seen house prices rise
Families find themselves bankrolling children’s property dreams due to prohibitively expensive property.

INSIGHT 03
‘MUM & DAD… THE REAL BANK OF YES’

Research reveals serious financial engagement between Future Leaders and parents
Exploring the financial relationship between 18-29 year olds and their parents/family in some detail, the study shows many have a very close financial connection with their parents. Many frequently seek their parent’s financial guidance and importantly, ‘saving’ emerges as a very common component of family philosophy:
• Almost 9 in 10 (87%) 18-29 year olds say family always encouraged them to save
• 6 in 10 (60%) say parents are a strong influence in their financial decision making

Within these ‘financial engagement’ figures a clear educational split is evident. Those educated at a paid-for private school and those who have achieved a higher education qualification (undergraduate degree or higher) are more likely to have parents who encouraged them to save and who are a strong influence in their financial lives.

A potential house of cards
The 2015 Future Leaders Index reveals that in light of the ever-growing expense of property, the role of today’s parents is extending far beyond the provision of mere guidance and into that of financial assistance and/or guarantor to help offspring achieve their property dreams.

The findings of the Future Leaders research demonstrate just how widespread this phenomenon is.

The research uncovers that most 18-29 year old Australians who have bought a house (either to live in or as an investment property) have turned to parents or others to gain either financial assistance or guarantor help to enable them to achieve their property dreams.

From a relationship perspective, we hypothesise this arrangement has a number of likely ramifications, including:
• Development of stronger parent-child relationship ties (whether wanted or not)
• Transformation of a parent-child connection into a more financially-based relationship
• Creation of greater financial ‘pressure’ or complications between parents and children
• Prevention or a delay in development of children’s true independence

Whilst this arrangement may be an effective working solution for a generation under financial pressure, the potential negative consequences of such a strategy are considerable. Should there be a downturn in the economy and/or increasing unemployment leading to mortgage default and the child defaults on the loan, then the loan must be paid out by the parent. Such a situation would place significant financial and emotional pressure on both parties.
Young Australians possess an overriding prudent and planned attitude to finances.

INSIGHT 04
‘PRUDENT, PLANNED & FINANCIALLY RESPONSIBLE’

‘Generation Sensible’, financially speaking
Consistent with the ‘Generation Sensible’ research findings uncovered in the 2013 Future Leaders Index, the 2015 Index continues to paint a generational portrait that is not only astute and practical in a broader sense, but also prudent and very planned regarding their finances.

Only 3 in 10 (29%) claim to ever buy things without checking whether or not they can afford them.

Whilst a few sub-groups (Sydney-siders, full time workers and males) emerge as marginally more likely to ‘splurge’ when compared against the total, overall they all still remain broadly sensible in their purchasing.

Short and long term savings goals and budgets feature strongly among young Australians in 2015
This careful purchasing behaviour is also reflected in Future Leaders’ savings strategies and budgeting approach. In 2015, most 18-29 year olds emerge as forward thinking, financially organised and effective at setting financial goals for themselves.

The research findings show that the majority have both short and long term savings goals as well as having clear budgets around their finances. In summary:

• 8 in 10 (79%) have clear short term saving goals (up to 2 years away)
• Furthermore, two thirds (65%) have long term saving goals (over 2 years away)
• 7 in 10 (69%) have clear budgets around finances

Within these saving and budgeting figures again lies a distinct divide. In line with greater life experience, slightly older and more ‘settled’ groups (18-29 year olds who are homeowners, 24-26 year olds, couples with no children, 18-29 year olds working full time) are even more saving and goal focused, while those who are younger tend to be less so.
18-29 year old Future Leaders are financially in the black and regularly set money aside ‘just in case’.

INSIGHT 05
‘SAVING SAVVY’

A protective ‘savings’ mindset
The 2015 Future Leaders Index also investigated the current saving behaviour of young Australians, in particular the proportion currently saving, the total amount saved, the frequency of their savings as well as the amount saved each time.

The findings provide a clear picture of Australian 18-29 year olds’ saving behaviour in 2015:

• Over 9 in 10 (93%) have at least some money saved
• On average, 18-29 year olds have $8,271 in savings
• Over 8 in 10 (81%) save regularly (i.e. monthly or more often)
• On average, 18-29 year olds save $199 each time they put money aside

Looking more closely, we see that of all 18-29 year olds:

• 4 in 10 (39%) have $5,000 or more in savings
• 3 in 10 (28%) have $10,000 or more in savings
• 1 in 6 (16%) have $20,000 or more in savings

These findings fortify the emerging picture of the financial mindfulness of Australia’s Future Leaders in 2015.

The Future Leaders savings divide - the have and have nots
The average total amount saved per Future Leader varies quite significantly by subgroup, with certain groups having considerably more savings and others having considerably less.

Whilst some life stage differences are to be expected in terms of total amounts saved, what is intriguing is the pronounced difference between males and females and also city vs. regionally based Future Leaders.
I just want to have some money in the bank (…oh, and can I buy a property too?)

When asked about their reasons for saving, by far the most frequently stated reason given by Future Leaders was simply to ‘have savings/money in the bank’, with the next strongest motivations for saving being to ‘buy a property’ and for ‘holidays (under 1 month in length)’.

This ‘safe’ mind-set closely reflects the more general Australian societal trends of recent years such as the higher national savings rates evidenced since 2005, weaker recent consumer spending data as well as lower consumer confidence figures.

This cautious approach to finances is also a reflection of the inherent savings philosophy evident in most Future Leaders’ families (as highlighted in Insight 03) as well as in this generation’s desire for security and stability.

Saving safe

Future Leaders were quizzed in depth about the different investment options they currently have and the results reaffirm this generation’s careful approach to finances as well as their low appetite for risk.

The bank remains the preferred investment place for 18-29 year olds to hold their money, with most holding their finances either in a cash account or in a higher interest savings account that they can access immediately. More aggressive, risky (and potentially more profitable) financial instruments don’t as yet really feature as a part of their financial repertoire.

Busy worker bees

In order to better understand how this age group is able to save money, the study additionally investigated both working status and income levels of 18-29 year olds. The statistics reaffirm how widespread employment is among young Australians and also how ‘self-made’ Future Leaders are, even when they are studying. In particular:

- 7 in 10 (70%) future leaders are working - full time or part time
- Approximately one third are working full time, one third working part time
- One quarter (24%) of the sample are currently studying
- Over 5 in 10 (52%) of 18-29 year old currently studying are also working either full time or part time

The survey also asked income levels in order to identify how much money Future Leaders are living on per month on average to assess how they save money every month. The findings highlight that future leaders have an income of $2,071 per month on average, equating to $24,852 total income per annum. However, within overall averages there lie significant differences in income by subgroup. For example, a 27-29 year old who is working full time has an income of $4,094 per month on average, whereas an 18-20 year old has an income of just $797 per month on average.
Simple everyday strategies are enabling young Australians to maintain control over their budgets but also enabling them to save ‘that little bit extra’.

INSIGHT 06
‘THE CANNY CONSUMER’

Look after the cents, and the dollars take care of themselves

With an underlying ‘look after the cents and the dollars will take care of themselves’ financial philosophy, the research shows that Future Leaders use many means and ways to avoid spending discretionary income.

The top strategies employed are wide ranging in nature and include (in rank order) making meals at home, buying groceries on special, staying in rather than going out, only upgrading technology when really needed, buying fewer material goods, exercising for free, buying home-brand groceries and buying fewer premium / branded clothing and footwear.

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<tr>
<th>WHAT IS DONE TO AVOID SPENDING MONEY</th>
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<tr>
<td>Make meals at home</td>
<td>69</td>
</tr>
<tr>
<td>Buy groceries on special</td>
<td>65</td>
</tr>
<tr>
<td>Often just stay in rather than go out</td>
<td>64</td>
</tr>
<tr>
<td>Only upgrade phone, iPad, laptop, other technology when needed</td>
<td>62</td>
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<tr>
<td>Buy fewer material goods (e.g. fashion, accessories, etc.)</td>
<td>53</td>
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<tr>
<td>Buy cheaper groceries rather than branded ones</td>
<td>49</td>
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<tr>
<td>Exercise for free (run, swim at beach, etc.)</td>
<td>47</td>
</tr>
<tr>
<td>Buy less expensive non-food (clothing, footwear, etc.)</td>
<td>46</td>
</tr>
<tr>
<td>Get movies, TV shows, music, games, books for free</td>
<td>43</td>
</tr>
<tr>
<td>Live with parents to pay lower / no rent</td>
<td>41</td>
</tr>
<tr>
<td>Take cheaper forms of transport</td>
<td>41</td>
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<tr>
<td>Do fewer health activities</td>
<td>37</td>
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<tr>
<td>Lookout for best deals on utilities, mobile, Internet, etc.</td>
<td>37</td>
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<tr>
<td>Go to fewer cultural activities</td>
<td>35</td>
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<tr>
<td>Cancelled / have avoided gym membership</td>
<td>34</td>
</tr>
<tr>
<td>Go to fewer leisure / sporting events</td>
<td>32</td>
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<tr>
<td>Buy more online than in shops</td>
<td>32</td>
</tr>
<tr>
<td>Drink / party at someone’s house rather than go to bars / clubs</td>
<td>30</td>
</tr>
<tr>
<td>When travelling I travel on really tight budget</td>
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While in the main Australian 18-29 year olds are net savers, half still have personal debt of some kind.

INSIGHT 07
‘DEBT LADEN, DEBT LIGHT’

Sizable proportions of 18-29 year olds own personal debt

Although ‘saving’ is at the forefront of Future Leaders’ minds in 2015 and attitudinally they feel uncomfortable in having any debt at all, the research uncovers that a sizeable proportion of 18-29 year olds still carry some form of personal debt:

- Half (50%) state they have personal debt of some kind
- The average total amount of debt is $4,599 per person

Consistent with their frugal and conservative nature, in net terms (when we take away average debts from savings) these findings highlight that our Future Leaders remain in an overall positive situation financially, with a net financial position of +$3,672 (by taking $4,599 average debt away from $8,271 savings). However, it is evident that the debt is not evenly spread and that certain groups of young Australians are much more indebted than others.

Higher debt skews to older 18-29 year olds with more responsibility

The research also uncovered who is more and who is less saddled with debt, enabling a much clearer perspective on where this debt is concentrated:

- 68% of 18-29 year olds with kids have debt of some kind
- 67% of 18-29 year old couples without kids have debt of some kind
- 64% of 18-29 year olds working F/T have debt of some kind

The debt laden and the debt light

Investigating Future Leaders' debt load in greater detail, it is clear different 18-29 year olds have varying average debt loads:

Debt laden (higher total debt ranked)
- 18 to 20 years ($711)
- Currently studying tertiary education ($1,757)
- Achieved Year 12 or below ($3,532)
- Adelaide ($5,071)
- ACT ($3,558)

Debt light (lower total debt ranked)
- 18 to 20 years ($711)
- PT work <15 hrs ($2,008)
- Brisbane based ($2,920)
- PT work 15-24 hrs ($3,017)
- Melbourne based ($3,276)
- PT work 25-34 hrs ($5,220)
- Not Currently Studying Tertiary Education ($5,689)
- PT work 25-34 hrs ($5,220)
While some of the larger/smaller debts are obviously life stage related (e.g. related to older / younger age groups) and therefore to some degree to be expected, what’s particularly intriguing is how:

- Sydney ($5,721 average debt) and Adelaide ($5,071) based Future Leaders have considerably more debt when compared with other major cities such as Brisbane ($2,920) or Melbourne ($3,276)
- 18-29 year olds who have achieved further education (e.g. TAFE/Diploma/Advanced Diploma) have higher levels of debt ($6,869)
- Regionally based Future Leaders also have higher amounts of debt ($5,474)

The research shows that greater debt is being taken up by certain groups of young Australians and that there are clear demographic and geographic pockets within Australia that are more financially encumbered than others.

**Who is the debt with**

When Future Leaders were asked about the sources of their debts, results highlight a mixture of different sources. The main debt owned is a personal loan (outside of HECS/HELP), with approximately 3 in 10 having this debt type. Other main debts included personal debt with parents / guardians, debt on a credit card and debt associated with buying a house.

**Debts owned**

- Have a personal loan outside of education debt (e.g. HECS / HELP) 28%
- Have personal debt with my parents / guardians 17%
- Have debt on a credit card or charge card that I don’t pay off every month in full 17%
- Have debt associated with buying a house (e.g. a mortgage) 16%
- Have other debt not listed here 13%
- Have a bank overdraft 6%
- Have debt associated with buying shares (e.g. margin loans, etc.) 1%
Higher educated Future Leaders, Melbournians and Sydneysiders have the best net financial positions of all 18-29 year olds, with regional Future Leaders having the weakest net financial position of all in 2015.

INSIGHT 08
‘GETTING AHEAD, FALLING BEHIND’

Who is in credit, who is indebted

By taking total personal debt away from total savings for each individual questioned, we are able to calculate the net credit or debt of 18-29 year olds in 2015. Within this analysis, three distinct demographic profiles or groups emerge from the research findings:

- **Higher net credit ($5,000+)**... one third (32%) of 18-29 year olds in 2015 have a net credit of $5,000 or more. The typical portrait within this group is one of a mid-twenties capital city-based full-time working Future Leader, male and/or someone who has gone through higher education (undergrad degree or higher).

- **Lower net credit ($0-$5,000)**... 4 in 10 (39%) have a net credit of between $0 and $5,000. The typical portrait here is more likely to be one of a younger Future Leader, single and/or someone who is currently studying and/or living with parents.

- **In the red (less than $0 net credit)**... 3 in 10 (29%) 18-29 year olds are in net debt in absolute terms (i.e. where their personal debt is greater than their savings). The typical portrait of the indebted is one of a late 20s Future Leader, female, living with a partner and/or someone who has achieved a TAFE/Diploma (further) level of education.

Who’s really ahead, who’s really behind

Profiling different 18-29 year old demographic subgroups in terms of their specific financial position (FP) provides a further layer of insight regarding which particular young Australians are financially ahead in 2015 and which groups are falling behind.

The findings (key subgroups shown below) point to varying levels of financial stability amongst 18-29 year olds, again correlating strongly with factors including education level, geography and gender.
The findings above highlight that 18-29 year olds in a weaker overall financial position include:

• Regional Australian 18-29 year olds… whilst still in a positive financial position overall (+$157 FP), regional based Future Leaders have the weakest financial situation of any key subgroup

• Adelaide Future Leaders… Adelaide based Future Leaders’ higher absolute debt ($5,071) and lack of relative savings is substantially contributing to its weaker financial position (+$585 FP)

• Females… females (as noted in Insight 01) have a significantly weaker financial position ($1,752 FP), when compared to males ($5,705 FP)

18-29 year olds in an especially stronger overall financial position include:

• Future Leaders who have achieved higher education… this group have the strongest financial position of any major subgroup (+$9,888 FP), suggesting education and positive financial outcomes are significantly correlated

• Melbourne Future Leaders… Melbourne (+$7,656 NFP) has the 2nd highest financial position (a result of their lower debt as much as their slightly higher savings)

• High saving and high spending Sydney… although Sydney has quite high debt of $5,721 on average, their savings proportion is high enough to give them a stronger financial position (+$7,258 FP)

• Perth Future Leaders… with an FP of +$6,026, Perth based 18-29 year olds are also in a stronger position than the average

• City Australia… with an FP of +$5,928, city based Future Leaders are also in a demonstrably stronger position compared to their regional counterparts
CONCLUSION

Against the backdrop of some of the most expensive property and living costs globally, the Future Leaders Index uncovers that Australia’s 18-29 year olds are highly concerned about the potential looming debt they will face across the course of their lifetime. As a result, many are approaching their financial life with frugality, conservatism and forethought.

The emerging picture is one of a careful, canny young consumer. In the era of extensive government spending cuts and a prevailing weak economic environment. In 2015, Australia’s young minds are employing a gamut of simple everyday strategies to help them restrain their spending.

Furthermore, the research reveals that almost all 18-29 year olds have money saved, and are already committed to saving on a regular basis. Frugality at such a young age will almost certainly have implications for the future consumer behaviour of this generation going forward.

Interestingly, despite broader economic malaise and low interest rates driving unprecedented rises in house prices, the Index uncovers that for 18-29 year olds, home ownership still remains an important aspiration.

The persistence of the Australian dream amongst this age group is interesting, especially given their expressed discomfort with debts of all kind and also their despondency about the prospect of ever truly owning their home outright. The Index also brings to light that the majority are resorting to the bank of Mum and Dad to help them secure their place on the property ladder and realise this dream.

The 2015 report ends by acknowledging that while this age group is certainly frugal, sensible and financially ‘in the black,’ a sizable proportion of Future Leaders already carry personal debt in one form or another. Moreover, the findings point to a ‘have and have not’ Australia, where certain groups of young Australians are financially much further ahead than others.
This unique research study covering the financial mind-set and behaviour of 18-29 year olds presents as a clear picture of how Future Leaders really think about money in 2015, and financially speaking, where they are currently at. This paper debunks the typical broad brush and often inaccurate picture of the ‘lazy millennial’.

The research paints the portrait of a much more considered and thoughtful group of young Australians who have deep concerns about how they’ll fare financially across their lifetime. They are listening to their parents’ advice, reflecting and setting future financial goals for themselves.

The research points to a range of potential shorter and longer term implications and thought starters for businesses, government and media when thinking about 18-29 year olds’ financial needs and attitudes in 2015. In summary:

1. **Helping alleviate concern about future debts**... the paper indicates that State and Federal Government recognition of Future Leaders’ concerns around future debts is paramount; active solutions to help them effectively manage these lifetime debts are also critical.

2. **Short and long term financial planning and support**... in light of the current housing bubble and this generation’s continued willingness to purchase property, the findings demonstrate that Future Leaders need guidance and advice about affordable housing, as well as how to protect themselves in the event of potential changing market circumstances.

3. **Effective property planning and zoning to create affordable property**... the research highlights that 18-29 year olds are unlikely to lose interest in the property market, at least in the short term. With this in mind, it is critical State and Federal Governments play a significant role in helping make property more affordable.

4. **Showing Future Leaders financial respect and communicating in the right tone**... the research findings indicate that this group is financially prudent and plans. Organisations should beware of underestimating young Australians’ canny and frugal philosophy when considering marketing to this financially-aware generation. Moreover, given the independent and self-made nature of this group, communication should be neither patronising nor overly paternal in tone.

5. **18-29 year olds are viable partners for Australian businesses**... the findings reveal that almost all young Australians have a lump sum of money in the bank and, moreover, are saving on an ongoing basis. They therefore present a significant lifetime opportunity for financial or other organisations who are looking to commence a serious relationship with this consumer.

6. **An appetite for saving safe**... the ‘saving safe’ mind-set evident among Future Leaders suggests any financial institution attempting to sell banking or other financial products or services to this generation must acknowledge and reflect their desire for safety when engaging with them – young Australians will likely seek stable, secure and trusted organisations.

7. **A cost effective approach to living**... the results show this group is actively looking for ways to save on their weekly spend. Should budgets tighten further in the event of a declining economy, then this planning mentality is set to compound. Companies that recognise and embrace this frugality will be well received by Australian 18-29 year olds, particularly in the current economic climate.

8. **Provide better help for the have nots**... the paper also highlights that whilst a large proportion of 18-29 year old Australians are in net credit, there is also a sizable proportion who are not. The research suggests financial education and training options are still required by some 18-29 segments who have more debt than savings.
RESEARCH APPROACH & SAMPLE

The research underpinning this report comprised of a comprehensive two stage process conducted by the insight room, an independent market research agency, with a sample of over 5000 18-29 year olds canvassed for their opinions.

Stage 1: A series of qualitative focus groups conducted with students aged 18-29 in December 2014. This stage was designed to garner in-depth insights into what this age group deem to be the prevailing issues facing 18-29 year olds today.

Stage 2: A nationwide independent quantitative research study involving an online survey with over 5000 18-29 year olds in February 2015. This stage was designed to validate and quantify the issues being faced by the young minds of Australia today.

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FOOTNOTES

1. For the purposes of this report, all 18-29 year old Australians surveyed are defined as ‘Future Leaders’.


3. Q Using the following scale, how concerned or not concerned are you about the following future debts or costs that you may face in your life? Top 3 scores (extremely / very / somewhat) concerned out of a 5 point concern/unconcerned scale.

4. Q Which of the following do you believe will be the biggest issues affecting Australia in 2020?

5. Q Approximately, in total, how much money do you currently have in personal savings? Please take into account cash in your bank, savings accounts, shares in the stock market, managed funds, unit trusts, etc., but please do not include any equity you have in your home or other property. Calculation using trimmed average based on all 18-29 year olds (e.g. includes 7% of 18-29 year olds who had $0 savings) (n=5029).

6. 18-29 year old tertiary students defined as ‘currently studying at university, TAFE, etc.’.

7. Q Approximately, how much personal debt do you have in total? Please note, by personal debt we mean any money you owe, such as a bank overdraft, personal loan, loan from your parents, car loan, money on a credit card that you don’t pay off in full each month, etc. We do not mean debt that you have with a house (e.g. mortgage) or educational related (e.g. HECS/HELP) debt. Calculation based on all 18-29 year old surveyed (e.g. includes 50% of 18-29 year old who had $0 debt) (n=5029).

8. Each 18-29 year olds total stated personal debt amount was taken away from their stated total saving amount, giving a net credit or debt score for every person interviewed. All respondents were then grouped into three bands: those with a net credit of $5,000 or more, those with a net credit of $0 - $5000 and those who were in net debt (less than $0 in net terms) (n=5029).

9. The three portraits above reflect the most dominant profiles within each of the three financial groups identified, using a ‘more or less likely to total’ analysis approach. Other minor subgroups may also exist within these financial groups, which for ease of understanding are not detailed here. These results should be interpreted with this in mind.

10. Trimmed average used (the average calculated after deleting the top 5% and bottom 5% of values of the people in the sample).

11. Approximately, in total, how much money do you currently have in personal savings? Please take into account cash in your bank, savings accounts, shares in the stock market, managed funds, unit trusts, etc., but please do not include any equity you have in your home or other property. Calculation using trimmed average based on all 18-29 year olds (e.g. includes 7% of 18-29 year olds who had $0 savings) (n=5029).

12. Trimmed average. Calculation based on all 18-29 year olds who stated they saved something at Q2.6 * (n=4617).

13. The research asked what the total monthly income was for each person in an open ended format. Trimmed average used (the average calculated after deleting the top 5% and bottom 5% of values of the people in the sample). Calculation based on all 18-29 year old.

14. Personal debt question asked: How much personal debt do you have in total? Please note, by personal debt we mean any money you owe, money on a credit card that you don’t pay off in full each month, etc. We do not mean debt that you have with a house (e.g. mortgage) or educational related (e.g. HECS/HELP) debt.

15. Trimmed average used (the average calculated after deleting the top 5% and bottom 5% of values of the people in the sample). Calculation based on all 18-29 year olds (e.g. includes 50% of 18-29 year old who had $0 debt. n=5029).

16. Only the most and least debt laden groups are featured in the report.

17. Each 18-29 year old total stated personal debt amount was taken away from their stated total saving amount, giving a net credit or debt score for every person interviewed. All respondents were then grouped into three bands: those with a net credit of $5,000 or more, those with a net credit of $0 - $5000 and those who were in net debt (less than $0 in net terms).

18. The three typical portraits above reflect the most dominant profile within each of the three financial groups identified, using a ‘more or less likely to total’ subgroup analysis approach. Other subgroups may also exist within these financial groups, which for ease of understanding are not detailed here. These results should be interpreted with this in mind.

19. The ‘financial position’ (FP) (for the total sample and for each key subgroup) is calculated by taking away the average total personal debt from the average total savings using trimmed averages.


21. The research was designed and conducted by the independent market research agency, the insight room.

22. The email sample of 5029 respondents was drawn from two quality email database sources: 1) the Co-op database of 18-29 year olds and 2) an independent online (research only) research panel of 18-29 year old. The results were weighted to represent the most recent 18-29 year old Australian Bureau of Statistics age, gender, location and tertiary education level data.
Further Information

About the Co-op
The Co-op is Australia’s largest member-owned business; 1.8 million member-owners and 60 retail stores across Australia. It has given more than $60 million to community and education projects, including university scholarships and support for students.

About BDO
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The Co-op is Australia’s largest member-owned business; 1.8 million member-owners and 60 retail stores across Australia. The Co-op is the largest provider of educational, professional and learning resources to tertiary students. It also retails tech gear, games and software as well as clothing, stationery and travel accessories. The Co-op has given more than $60 million to community and education projects, including university scholarships and support for students.

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