

MEDIA RELEASE:

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What Recovery? 26% of NSW Residents “Financially Unfit”

The benefits of the economic recovery have yet to be felt by many NSW residents with more than one in four being classed as “financially unfit”, the second annual Bankwest Financial Fitness Index has revealed.

The 2010 Financial Fitness Index revealed that more than one in four (26%) NSW residents were Financially Unfit, compared to 29% this time last year, representing a small improvement on the year.

Once again, women bore the brunt of the bad news with more females “Financially Unfit” (32%) than men (25%). Generation Y also continued to struggle with their finances over the year with 34% “Financially Unfit”.

“While it’s certainly encouraging to see a slight decrease in the number of NSW residents who are Financially Unfit the fact remains that many are still doing it tough and struggling to manage their finances,” Bankwest spokesperson, Adrian Bradley said.

“It is important to remember that while there has been a recovery, the market and super-funds (a major form of wealth for many Australians) are still well down from the pre-GFC highs of November 2007.”

Nearly three quarters of NSW residents (69%) said that 2009 had been a difficult year for them financially.

Mr Bradley said the survey also revealed that marginally more NSW residents were classed as “Border Line Fitness” this year (54%) compared to 2009 (52%), while the proportion of “Financially Fit” remained steady (20%).

Part of Bankwest’s ongoing Social Indicator Series, the Index is a novel finger on the pulse of how “fiscally fit” Australians are by measuring 14 vital signs, including housing costs, debt, savings, income protection & financial assets before reaching a rating of either:

- **“Financially Fit”**: regular savings, a range of insurance, low housing costs, high asset levels relative to debt and income.
- **“Borderline Fitness”**: moderate savings, some insurance, average housing costs, moderate debt levels.
- **“Financially Unfit”**: over reliance on debt, little or no regular savings, no insurance coverage, high housing costs relative to income.

On a national level, more West Australians are financially fit (36%) while Queenslanders are the least financially fit (18%).

Generation Y (30 years of age and under) continue to struggle; 34% of Gen Ys were Financially Unfit compared to 29% last year.

Generation X (aged 31 to 44) followed closely behind with 30% being Unfit (28% last year).

A large number of Baby Boomers (aged 45-63) also struggled – the Index showed a 10% increase in the proportion of unfit Baby Boomers in the past year, the biggest increase of any generation.

Retirees (aged 64 plus) were financially the fittest generation with 35% being Financially Fit and only 15% classified as Financially Unfit.

A higher percentage of men became unfit in the past year - 8%, compared to 3% of women.

Research for the Financial Fitness Index was conducted online in January 2010 by Brand Management, anonymously surveying 833 Australians across all states, territories and age groups.

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About Bankwest

Bankwest is a wholly owned subsidiary of the Commonwealth Bank (Group). Bankwest is a full service bank which originated in Western Australia in 1895 and services more than 900,000 customers. Bankwest promotes a range of products using cost-effective direct and third party distribution channels, including 24-hour telephone and internet services and mortgage brokers. In WA, Bankwest is a market leader with about one quarter of all bank advances and deposits and an extensive network of branches.

Table 1 – Financial Fitness by State

1a – Percentage of Financially Fit individuals

2010	Financially Fit %	Borderline Fitness %	Financially Unfit %
NSW	20%	54%	26%
QLD	18%	54%	28%
VIC	22%	46%	32%
SA	21%	52%	27%
WA	36%	42%	22%
Tas	na	na	na
ACT	na	na	na
NT	na	na	na
Australia	22%	50%	28%

1b – Change in Financial Fitness over past year

ppt change on year	Financially Fit %	Borderline Fitness %	Financially Unfit %
NSW	0%	3%	-3%
QLD	-6%	-6%	12%
VIC	5%	-18%	13%
SA	-3%	-8%	11%
WA	18%	-17%	0%
Tas	na	na	na
ACT	na	na	na
NT	na	na	na
Australia	1%	-7%	6%

Table 2 - Financial Fitness by Gender

2a – Percentage of Financially Fit individuals

2010	Financially Fit	Borderline Fitness	Financially Unfit
Male	24%	51%	25%
Female	18%	50%	32%
Total	22%	50%	28%

2b – Change in Financial Fitness over past year

ppt change on year	Financially Fit	Borderline Fitness	Financially Unfit
Male	1%	-9%	8%
Female	2%	-5%	3%
Total	1%	-7%	6%

Table 3 - Financial Fitness by Generation

3a – Percentage of Financially Fit individuals

2010	Financially Fit %	Borderline Fitness %	Financially Unfit %
Gen Y (30 and under)	7%	59%	34%
Gen X (31-44)	20%	50%	30%
Baby Boomers (45-63)	28%	47%	25%
Retirees (64 plus)	35%	50%	15%
Total	22%	50%	28%

3b – Change in Financial Fitness over past year

ppt change on year	Financially Fit %	Borderline Fitness %	Financially Unfit %
Gen Y (under 30)	0%	-5%	5%
Gen X (30-43)	6%	-8%	3%
Baby Boomers (44-62)	-4%	-6%	10%
Retirees (63 plus)	6%	-12%	6%
Total	1%	-7%	6%

Table 4 - Was 2009 a difficult year for you financially?

4a – Difficulty by State

2010	Not Difficult	Somewhat Difficult	Very Difficult	Extremely Difficult
NSW	34%	42%	16%	8%
QLD	30%	48%	12%	9%
VIC	29%	45%	11%	14%
SA	28%	54%	13%	4%
WA	32%	45%	13%	11%
Tas	na	na	na	na
ACT	na	na	na	na
NT	na	na	na	na
Australia	31%	46%	13%	10%

4b – Difficulty by Gender

2010	Not Difficult	Somewhat Difficult	Very Difficult	Extremely Difficult
Male	34%	44%	13%	9%
Female	27%	48%	15%	10%
Total	31%	46%	13%	10%

4c – Difficulty by Generation

2010	Not Difficult	Somewhat Difficult	Very Difficult	Extremely Difficult
Gen Y (30 and under)	38%	44%	11%	7%
Gen X (31-44)	32%	44%	15%	8%
Baby Boomers (45-63)	27%	47%	14%	13%
Retirees (64 plus)	26%	56%	12%	6%
Total	31%	46%	13%	10%

Editors Notes: Financial Fitness Index

The Financial Fitness Index rates financial fitness based on answers to 14 questions relating to a general financial position.

There are four broad categories of the Financial Fitness Index – savings position, insurance coverage, housing costs and net asset (assets less debts) position. Each of these four categories is scored out of five and then added together to produce a Financial Fitness score out of 20.

A Fit score is 13 or above. Borderline Fitness is a score of 7 to 13. An Unfit score is 0 to 7.

Financially Fit – Score of 13 to 20

A “fit” score indicates a strong financial position. Being financially fit indicates high scores in the majority of the four fitness categories e.g. a sizeable (10% plus) regular savings plan, low housing costs relative to income (10% or less); a substantial asset base relative to debt and income levels and a range of insurance coverage.

Borderline Financial Fitness – Score of 7 to 13

A “borderline” fitness score indicates an adequate financial position but with room to do more to secure a financial future. Borderline fitness indicates a satisfactory but not high score in the majority of financial fitness categories e.g. a moderate level of regular savings (6% of income); some insurance coverage to cover unforeseen circumstances; moderate housing costs (25%) as a proportion of income and a reasonable accumulation of assets relative to debt and income levels.

Financially Unfit – Score of 0 to 7

A “financially unfit” score indicates a weak financial position and the need to do more to secure a financial future. Being financially unfit indicates a low score in the majority of financial fitness categories e.g. little or no regular savings; little or no insurance coverage for unforeseen circumstance; high housing costs relative to income – (40% or more); little or no assets relative to debt and income levels.

Financial Fitness Categories

Savings

The monthly savings are calculated as a percentage of monthly gross income. The higher regular savings relative to income are, the higher the savings fitness score will be. Scores range from “5” for regular saving of 12.5% or more of gross income to “0” for no regular savings.

Insurance Cover

The level of insurance coverage is measured by the types of insurance cover held. Four types are surveyed - Life Insurance, Total & Permanent Disability Insurance, Critical Illness Insurance and Income Protection Insurance. Scores range from “5” for having four insurance products to “0” for no insurance products held.

Housing Costs

Housing costs are measured by calculating annual mortgage interest costs or rent payments as a percentage of gross annual salary. The lower the housing costs as a percentage of income are, the higher their housing fitness score will be. Scores range from “5” for no housing costs to “0” for housing costs of more than 50% of annual pre-tax income.

Net Asset Position

The net asset position is calculated by measuring net assets (total assets levels minus total debt levels) as a percentage of gross annual income. Total assets cover physical assets (house, car etc) along with financial assets (cash held, shares, other investments etc). Total debt covers mortgage, credit card and other personal debt. The higher the net asset level is relative to income, the higher the net asset score will be. Scores range from “5” for net assets of 600% or more of gross annual income to “0” for net assets relative to income of 0% or less.

Research for the Financial Fitness survey was conducted anonymously online by Brand Management in Jan 2010. 833 individuals were surveyed. Individual survey participants did not receive a financial fitness rating.