

The ANZ Roy Morgan Financial Wellbeing Indicator

Mission: To develop a continuous measure of FWB for Australia

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Agenda

- Why we developed the FWB Indicator ?
- How we did it ?
- Discuss what have we learnt ?

We developed the FWB Indicator so as we could have a continuous measure of the financial wellbeing of the Australians

Every 3 years we funded a large FWB study and learnt a lot, but we wanted a continuous measure....



...so we partnered with a Roy Morgan who already had a research product with a long history of banking behaviours



- 50,000 interviews per year
- The Financial Services Module is the source of Strategic NPS
- Attitudinal, financial, product usage and balance data collected.

We constructed a FWB Indicator with five years of back-data to form a timeseries of Australian financial wellbeing

We ran a re-contact study where we asked the 11 financial wellbeing questions to provide an dependant variable (FWB)

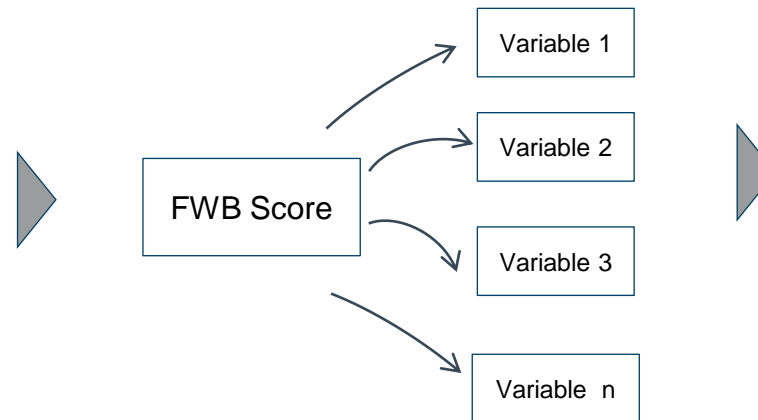
n=985



The 11 questions that comprise the FWB measure were asked of people who recently completed the Roy Morgan Survey.

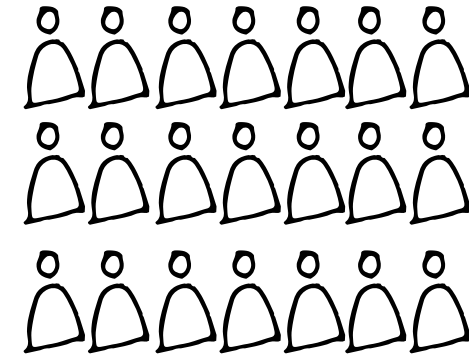
- Managing commitments
- Resilience
- Feeling Good about the future

We calibrated existing measures in Roy Morgan to the FWB variable to engineer an algorithm



- Proxy variables for FWB questions within the Single Source survey were used as independent variables to predict the FWB score.
- From this process, we understood how the proxy variables could be used to forecast the FWB score of Single Source Respondents.

We then scored up a fives years back series of survey responses with that algorithm to provide a time series of FWB



n=60,000 per year

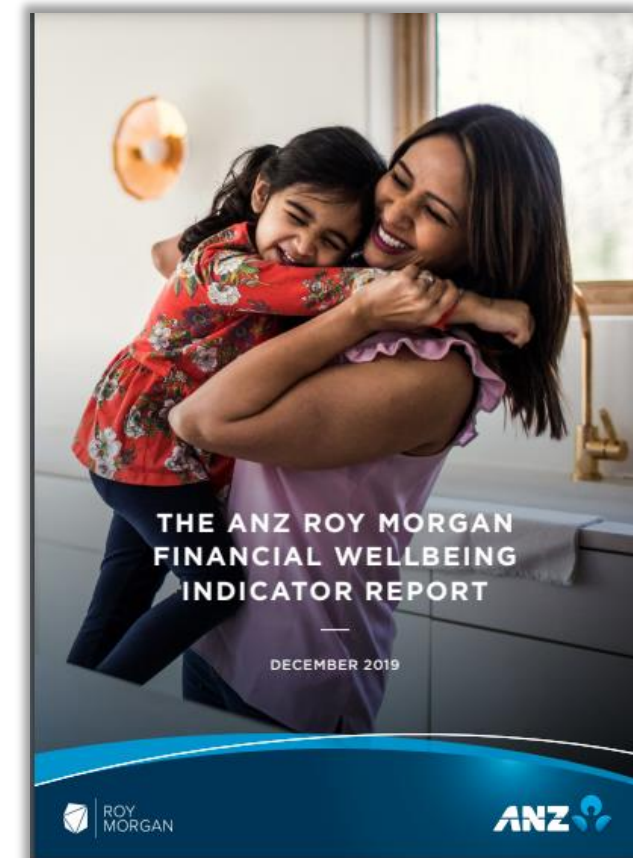
- FWB Indicator calculated for all respondents to Single Source

The indicator algorithm uses the three main constructs on FWB, and is published quarterly, commencing December 2019

Questions that comprise the FWB indicator

Meeting Commitments	<p>Q. Meeting my bills and commitments is a struggle from time to time</p> <p>Q. In the past 12 months I have sometimes been unable to pay bills or loan commitments at the final reminder due to lack of money</p> <p>Q. I sometimes run short of money for food or other regular expenses</p>
Feeling Comfortable	<p>Q. I feel financially stable at the moment</p> <p>Q. I have planned enough to make sure I will be financially secure in the future</p> <p>Q. Would you say you and your family are better-off financially – or worse-off than you were at this time last year?</p> <p>Q. Looking ahead to this time next year... do you expect you and your family to be better-off financially – or worse-off than you are now?</p>
Resilience	<p>Number of months' income in savings calculated using following questions:</p> <p>Q. Household's total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income</p> <p>Q. Would you please say the approximate amount that is in the (main/second) (say institution and account name) account as of today</p> <p>Managing a drop in income by a third is calculated using the following questions:</p> <p>Q. Household's total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income</p> <p>Q. Approximate amount that is in the (main/second) (say institution and account name) account as of today</p> <p>Q. How much does your family spend on all living and household expenses in an average week? Please include all expenses such as shopping, luxuries, transport costs, bills, credit and loan repayments, rent and home loans, school fees etc. (if living in a shared household, only include your own total living expenses)</p>

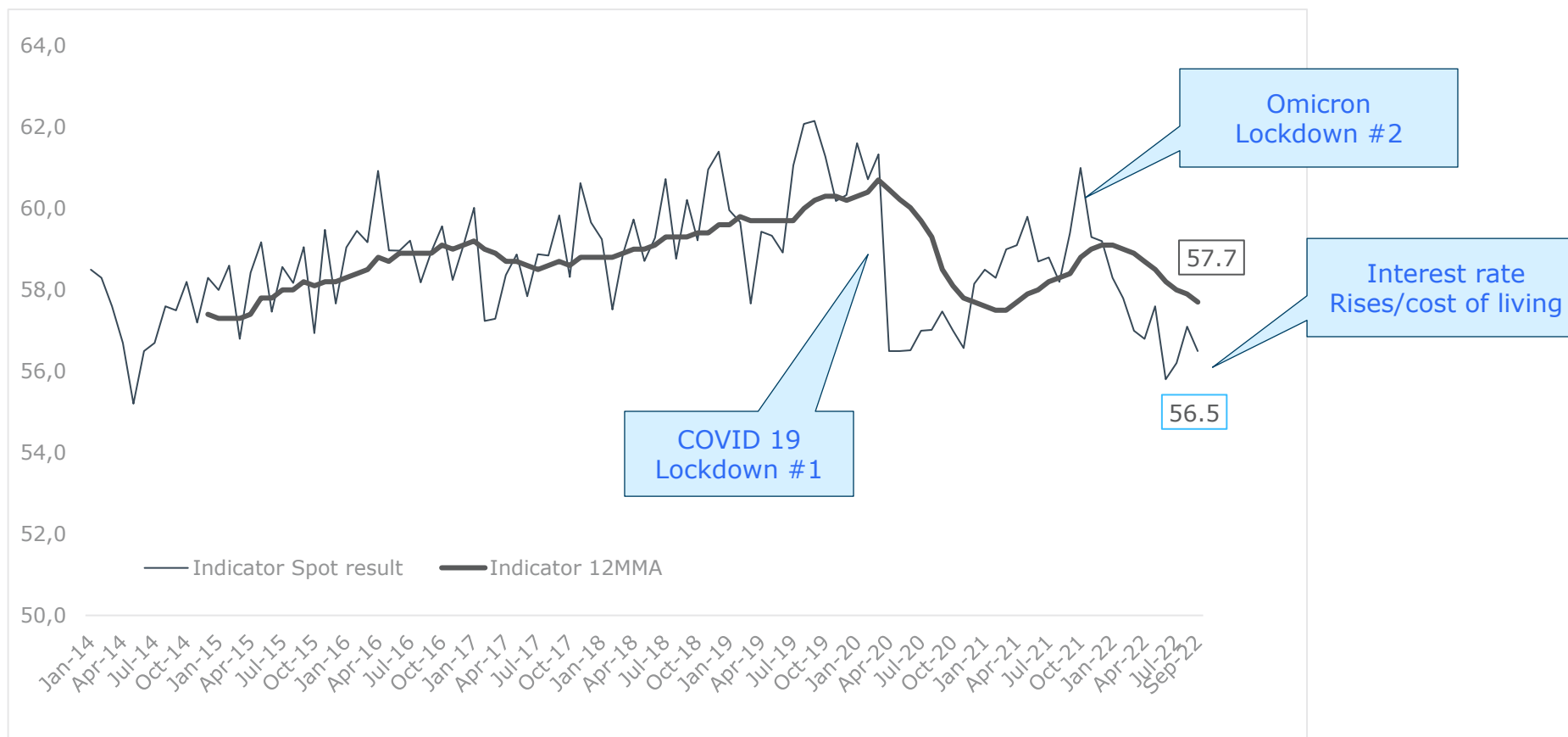
First published in 2019...published quarterly



<https://www.anz.com.au/about-us/esg/financial-wellbeing/>

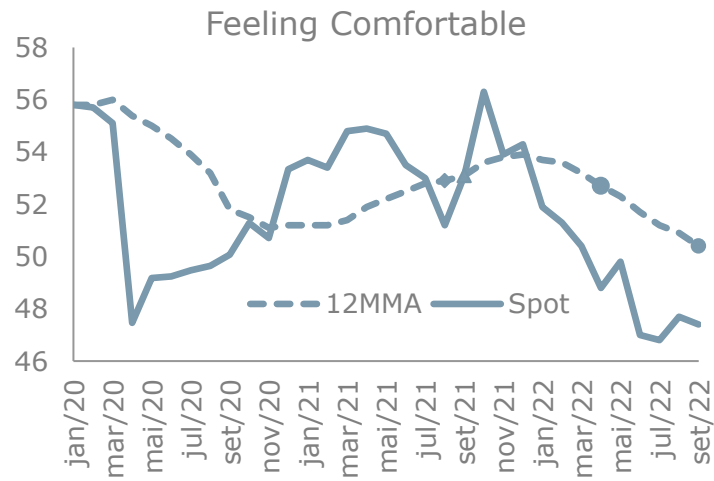
The indicator responded instantly to COVID and is now responding to the cost of living challenges...

The Australian FWB Indicator responded to COVID-19 as anticipated providing a good validation exercise for the project

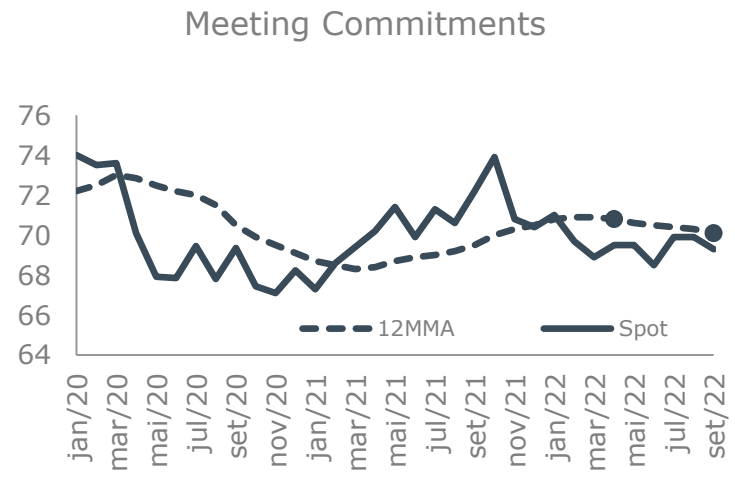


The indicator components reflected the fact that in Australia confidence was most damaged by COVID while the real financial impacts were muted by Government support

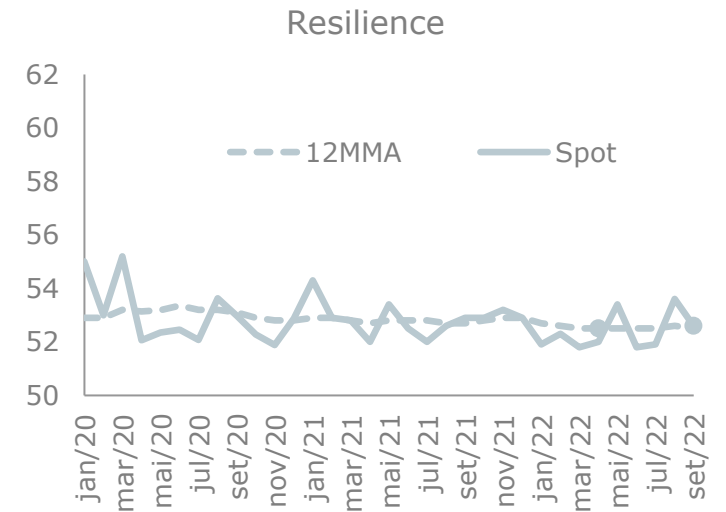
Feeling comfortable was the most impacted



Meeting commitments less so...



Resilience did not really shift



The COVID experiment has demonstrated to us the importance of how people feel as being important context for objective measures of FWB

Deferred consumption during lockdowns and the additional benefits given out by the Australian Government meant most people had more money in their accounts, making Resilience and Managing Commitments as measures less impacted by COVID.

TABLE 3: MEDIAN AMOUNT IN SAVINGS, BY FINANCIAL WELLBEING SEGMENT ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)

	Pre COVID-19 (12 months to March 2020)	Post COVID-19 (5 months to August 2020)
	Median amount of savings in accounts	Median amount of savings in accounts
No Worries	\$ 64,400	\$ 72,696
Doing OK	\$ 6,000	\$ 9,056
Getting By	\$ 1,400	\$ 2,131
Struggling	\$ 300	\$ 446
All respondents	\$ 5,910	\$ 7,490

Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

Thank you