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The Roy Morgan
Wealth Report
October 2019

The Roy Morgan Wealth Report

Investigating how Australians' wealth changed
between 2007 and 2019

Released October 2019



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Glossary of terms

Below is a summary of the terms commonly used in the Roy Morgan Wealth Report.

Personal Assets: The Gross Wealth held in products which constitute assets. These include:

- Owner occupied homes
- Deposits / Transaction accounts
- Property investments
- Other direct investments
- Managed funds
- Pensions & Annuities
- Work-based & Personal superannuation

Personal Debt: The value held in products which constitute a debt. These include:

- Owner occupied mortgages
- Mortgages on investment properties
- Personal loans
- Other loans
- Credit cards

Net Wealth: The overall value of Wealth, when Debt is subtracted.

- **Personal Net Wealth = Personal Assets – Personal Debt**

CPI: Consumer Price Index. This report uses January-December 2007 as the “baseline” for CPI.

Owner Occupied home: Home which is either fully owned; or is being paid off (mortgage).

Per capita: Measure per person, within relevant base.

Helix Communities / Personas: Geo-digital psychographic segmentation created by Roy Morgan Research. See appendix for details.

Gini coefficient/ Gini Index: A measure used to estimate financial inequality in a population. In this case, inequality of Net Wealth. See appendix for details.

Foreword

by Michele Levine, CEO of Roy Morgan

Wealth matters. It matters to individuals, to communities and to nations. Who has wealth matters and what form it takes matters. Whether wealth is growing or shrinking matters, and how it is being transferred matters.

On the surface it might seem that all the information we needed to understand wealth in Australia was readily available. But on further examination it becomes clear that some important pieces of the puzzle have been missed.

The Roy Morgan Wealth Report fills these gaps, presenting detailed, evidence-based answers to the many important questions around wealth in Australia. We do so by examining Net Wealth. Not income, not assets in isolation, but a true picture of wealth determined by calculating total personal assets minus total personal debt.

This third edition of the report confirms some suppositions but also reveals surprising facts and concerning trends.

In 1776, Scottish economist and philosopher Adam Smith published a treatise on economics that continues to shape our world. 'An Inquiry into the Nature and Causes of the Wealth of Nations' is a 750-page analysis of every aspect of wealth, from the finest detail to the biggest picture. But, crystallising a view offered at length by his predecessor Thomas Hobbes, Smith needed just three words to express a central, ineffable truth: Wealth is power.

This power takes many forms, but at the most basic level wealth is both a buffer and a launch pad. It protects against the slings and arrows of outrageous fortune, allowing unforeseen crises to be handled while maintaining an existing trajectory, and it offers a platform from which to pursue opportunity and maximise potential.

Globally, wealth increased throughout the early years of the 21st century on a remarkable scale. Notably this economic growth was spread both geographically across nations and vertically within them. Emerging economies, including China and India, drove the growth while gaining from it, and across the globe people at all levels of society benefitted. In Australia per capita wealth almost doubled between 2000 and 2007. As the United Nations notes, this kind of sustained and inclusive economic growth drives progress, creates fairer and more secure jobs and improves living standards.

But then, in 2008, the Global Financial Crisis (GFC) hit. Having grown by \$111 trillion between 2000 and 2007 (measured in 2018 USD), global wealth fell by \$21 trillion in 2008. In Australia, Net Wealth actually grew during that year by more than \$550 billion, and even though stockmarkets tumbled here as well as internationally, unemployment rose and GDP growth slowed to a crawl, by December

2009 our Net Wealth had decreased just 1.18%. That put us far ahead of the rest of the world, economically. Some Australians felt pain.

Perhaps none felt it more sharply than those who had recently retired, or were planning to. With much of superannuation funds channelled into the stockmarket, the fact that more than 40% was wiped from the value of Australian shares was a major blow for many people. In all, the value of superannuation held by Australians fell by between 14% and 18% as a result of the GFC, causing many to have to put off retirement, try to return to work post-retirement, or face far more meagre circumstances than they had expected. Surely few of those people most affected would have anticipated the degree to which the nation's Net Wealth, including superannuation assets, would have grown in the relatively short period since then.

From 2007, just before the GFC, to 2019 household wealth in Australia increased by 46.2 percent (adjusted for inflation). The famed mining boom was part of this — although our state-by-state breakdown in this report reveals the truth behind some cherished boom myths, showing huge disparity in wealth gain across the country. However our nation's social and human capital, valuable public assets and intellectual capital are other major and all-too-often overlooked factors in achieving these gains.

According to Credit Suisse, Australia's per capita wealth is the fourth highest in the world, and in terms of median wealth we are second only to Switzerland. Government-mandated superannuation and very high property prices are key elements in Australians' Net Wealth.

But not everyone is benefitting from our current relatively rosy economic status, and among those who are, the benefits are not being spread evenly.

Breaking a population into 10 equal parts (deciles) and showing how much wealth is held by each demonstrates the degree of wealth inequality. Globally, the richest 10% of the population has 47% of the wealth; that figure is matched almost perfectly in Australia where, in what we like to think of as our egalitarian nation, the richest 10% of the population holds 47.3% of Net Wealth. The bottom five deciles, a full 50% of our population, have just 3.6% of Net Wealth. Inequality has increased, rather than decreased, between 2007 and 2019. A further measure of Net Wealth inequality can be seen in this report's adaptation of the Gini coefficient — see Section 3.11 for details, and the Appendix for more on the Gini coefficient.

In both economic and 'people' terms, such disparity is concerning. As Dr Anne Holmes, Senior Research Officer to the Australian Parliament's Senate Economics References Committee, has observed, inequality can hamper national performance in several ways: "At a microeconomic level, inequality increases ill health and health spending and reduces the educational performance of the poor. These two factors lead to a reduction in the productive potential of the work force. At a macroeconomic level, inequality can be a brake on growth and can lead to instability."

In order to capitalise on our national strengths and address the weaknesses that place us at potential risk of becoming a more fragile nation, Australia's political leaders, policy advisers, corporate decision-makers, NGOs and other social service providers, media and the populace as a whole requires rich factual evidence and context on which to base decisions. The Roy Morgan Wealth Report provides precisely that.

Note on external sources:

In the Foreword, global wealth data was derived from the 2010 and 2019 editions of Credit Suisse's Global Wealth Report. Comment on the GFC on financial markets and superannuation holdings in Australia was informed by the 2010 discussion paper 'Retirement Incomes in Australia in the Wake of the Global Financial Crisis' by H. Bateman, UNSW's Centre for Pensions and Superannuation.

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