

Wealth benchmarks™

Personal Finances of Wealthy Australians - 2008 Institutional Report

Contents overview

This report covers the following topics (Section No.)

- | | |
|-----------------------------|---|
| About this study (1) | Report methodology and introduction to quantitative personal financial analysis and how benchmarking can help clients and advisors |
| Wealth measures (2) | Introduction to 5 new measures to describe wealth including those that exclude the home and lifestyle assets, predict wealth based on age and income and explore individual efficiency accumulating assets |
| Evolution of wealth (3) | A highly comprehensive and single-database study of how personal finances change with age and income, covering both sides of the balance sheet and the full income statement |
| Other wealth drivers (4) | Examination of what other factors may drive wealth (or “secrets to...”) |
| Group characterisations (5) | Detailed tables including Balance Sheet (2: summary and detailed product level), Income Statement, Ratio analysis (2), Asset allocation (incl. and excl. home and lifestyle assets), Detailed expenditure for: <ul style="list-style-type: none">- Investment-, Net-Worth-Only- and non-Millionaires- Working employed, self-employed, retired, those “not doing paid work” (a new important segment?) |
| Products and services (6) | Analysis of superannuation contributions, balances and retiree expense funding; life insurances, ordinary investments, debt for investing, the home and mortgage, investment property, use of financial advisors |
| Revenue implications (7) | Unique determinations of industry average and expected earned client revenue based on 6 product relationships and respective holdings. Analysis by client age, lifetime value, by wealth and for retirees including with 7 th product category reverse mortgage |
| Expenditure (8) | Detailed break down of spending in 8 categories and 3-7 items per category for five different life stage / socio-demographic wealthy groups |
| Money and Happiness (9) | Observed correlations about feelings of financial security and overall happiness with various financial parameters including wealth, debt, income, spending and use of advisors |

Over 130 pages and over 100 charts and tables all in full colour

Detailed contents (cont.)

Detailed contents

Executive Summary

Contents

List of Figures and Tables

Terms of Use

1. About this study
 - 1.1 About Wealth benchmarks™ and personal financial analysis
 - 1.2 About the author
 - 1.3 Acknowledgements
 - 1.4 Survey methodology
 - 1.5 Input and calculated variables
 - 1.6 Demographic and financial characterisation of participants
 - 1.7 How personal financial analysis and benchmarking can help ...
 - 1.7.1 Individuals and families
 - 1.7.2 Financial advisors and dealer groups
 - 1.7.3 Accountants and solicitors
 - 1.7.4 Personal bankers and other relationship advisors
 - 1.7.5 Group superannuation providers
 - 1.7.6 Investment, finance and insurance product providers
 - 1.7.7 Lending advisors and mortgage brokers
 - 1.7.8 Real estate professionals
 - 1.7.9 International
 - 1.8 Other resources available
 - 1.8.1 Web-based analysis and comparison tools for advisors and individuals
 - 1.8.2 Guides and training for advisors and other front-line professionals
 - 1.8.3 Content for publications to consumers, distribution staff and intermediaries
 - 1.8.4 Custom research and consulting services
 - 1.8.5 Calculators, algorithms and benchmarks
 - 1.9 How to be involved

2. New and different ways of measuring wealth
 - 2.1 Net Worth (NW)
 - 2.2 Investment Wealth (IW)
 - 2.3 Investment Wealth Expense Cover (IWEC) (or *Make Work Optional*™ ratio)
 - 2.4 Expected Net Worth (ENW)
 - 2.5 Wealth efficiency

3. How wealth and personal finances evolve with age and income
 - 3.1 How personal finances change with age
 - 3.1.1 Timing and incidence of lifestyle events (ie. marriage, children, home)
 - 3.1.2 "Work choices" made by primary and secondary earners
 - 3.1.3 Timing and incidence of finance related decisions (eg. see an advisor)
 - 3.1.4 Accumulated assets and asset allocation
 - 3.1.5 Use of debt
 - 3.1.6 Wealth
 - 3.1.7 Income
 - 3.1.8 Expenditure
 - 3.1.9 Saving

- 3.2 How changes in income effect wealth and other financial factors
 - 3.2.1 Factors differentiating higher and lower income households
 - 3.2.2 Influence of income on the timing of various life decisions
 - 3.2.3 Size, composition and allocation of assets by income
 - 3.2.4 Use of debt by low and high income earners
 - 3.2.5 How well income is translated into wealth
 - 3.2.6 Sources of income (earned, passive, support)
 - 3.2.7 Expenditure by lower and higher income earners
- 3.3 How age and income together drive financial outcomes
 - 3.3.1 Net Worth for Accumulators by age and income
 - 3.3.2 Financial benchmarks for households with varying age, income and other characteristics (example and introduction to online resources)
- 4 Other wealth drivers (“secrets to wealth?”)
 - 4.1 Demographic characteristics which may correlate with wealth
 - 4.2 Wealth behaviours which may drive wealth
 - 4.3 Other correlations (esp. time in the market)
 - 4.4 Differences between the wealthy “efficient” and “inefficient”
- 5 Characterisation of specific groups
 - 5.1 Millionaire accumulators (comparisons of Non-Millionaires, Net Worth-only (home-rich) Millionaires, Investment Wealth Millionaires)
 - 5.1.1 Demographic characteristics and wealth behaviours
 - 5.1.2 Balance sheet (assets, liabilities and wealth)
 - 5.1.3 Balance sheet ratios
 - 5.1.4 Income statement
 - 5.1.5 Income, expense and savings ratios
 - 5.1.6 Asset allocation including and excluding lifestyle assets
 - 5.1.7 Detailed expenses for All Millionaires
 - 5.1.8 Detailed assets and liabilities for All Millionaires
 - 5.2 Retirees and those aged 55 and over Not Doing Paid Work
 - 5.2.1 Demographic characteristics and wealth behaviours
 - 5.2.2 Balance sheet (assets, liabilities and wealth)
 - 5.2.3 Balance sheet ratios
 - 5.2.4 Income statement
 - 5.2.5 Income, expense and savings ratios
 - 5.2.6 Asset allocation including and excluding lifestyle assets
 - 5.2.7 Detailed expenses
 - 5.2.8 Detailed assets and liabilities
 - 5.3 Employed and self-employed
 - 5.3.1 Demographic characteristics and wealth behaviours
 - 5.3.2 Balance sheet (assets, liabilities and wealth)
 - 5.3.3 Balance sheet ratios
 - 5.3.4 Income statement
 - 5.3.5 Income, expense and savings ratios
 - 5.3.6 Asset allocation including and excluding lifestyle assets
 - 5.3.7 Detailed assets and liabilities of self-employed
 - 5.3.8 Detailed assets and liabilities of employees

- 6 Product and service perspectives
 - 6.1 Superannuation
 - 6.1.1 How much is being contributed by age and income
 - 6.1.2 How much is invested by age and income
 - 6.1.2.1 Incidence of DB pensions
 - 6.1.3 How are funds invested (asset allocation)
 - 6.1.4 How much is being withdrawn
 - 6.2 Managing life risk with insurance
 - 6.2.1 Term/tpd: who has and how much
 - 6.2.1.1 How many have cover
 - 6.2.1.2 How much cover they have (absolute, relative)
 - 6.2.2 Income protection and trauma: who has and what type
 - 6.3 Other products and services (who has, how much, other)
 - 6.3.1 Ordinary shares, managed investments, fixed interest and cash
 - 6.3.2 Direct property investing
 - 6.3.3 Debt for investment
 - 6.3.4 Home and mortgage
 - 6.3.5 Use of financial advisors

- 7 Revenue implications for product and service providers
 - 7.1 Industry-realised average and maximum-potential client revenue by age
 - 7.2 Client revenue by level of wealth (Working Non-Millionaires, Net Worth / Home-Millionaires, Investment Wealth millionaires)
 - 7.3 Retiree client value (with and without reverse mortgages)
 - 7.4 Life-time revenue potential
 - 7.5 Distribution versus product margin
 - 7.6 Assumptions

- 8 Expenditure – detail for typical lifestage groups and other patterns
 - 8.1 Total expenditure
 - 8.2 Principal housing and mortgage expense
 - 8.3 Value of automobiles and all transport related expenses
 - 8.4 Food and alcohol
 - 8.5 Health and fitness
 - 8.6 Personal and dependent care including education and clothing
 - 8.7 Charitable giving – incidence and amounts given
 - 8.8 Holidays and recreation
 - 8.9 Other finance charges and directly paid financial services

- 9 Money and happiness – correlations with feelings of financial security and happiness
 - 9.1 Relationships with lifestage and sex of primary earner
 - 9.2 Wealth and feelings of security and overall happiness
 - 9.3 Unhappiness and indebtedness
 - 9.4 Income, expenditure and savings

Appendices

For more information contact: Dr Douglas Turek or Jovina Lee, Ph. +61/3 8620 9915, dturek@wealthbenchmarks.com.au
 GPO Box 4975, Melbourne VIC 3001 (3/379 Collins Street), or visit www.wealthbenchmarks.com.au/reports