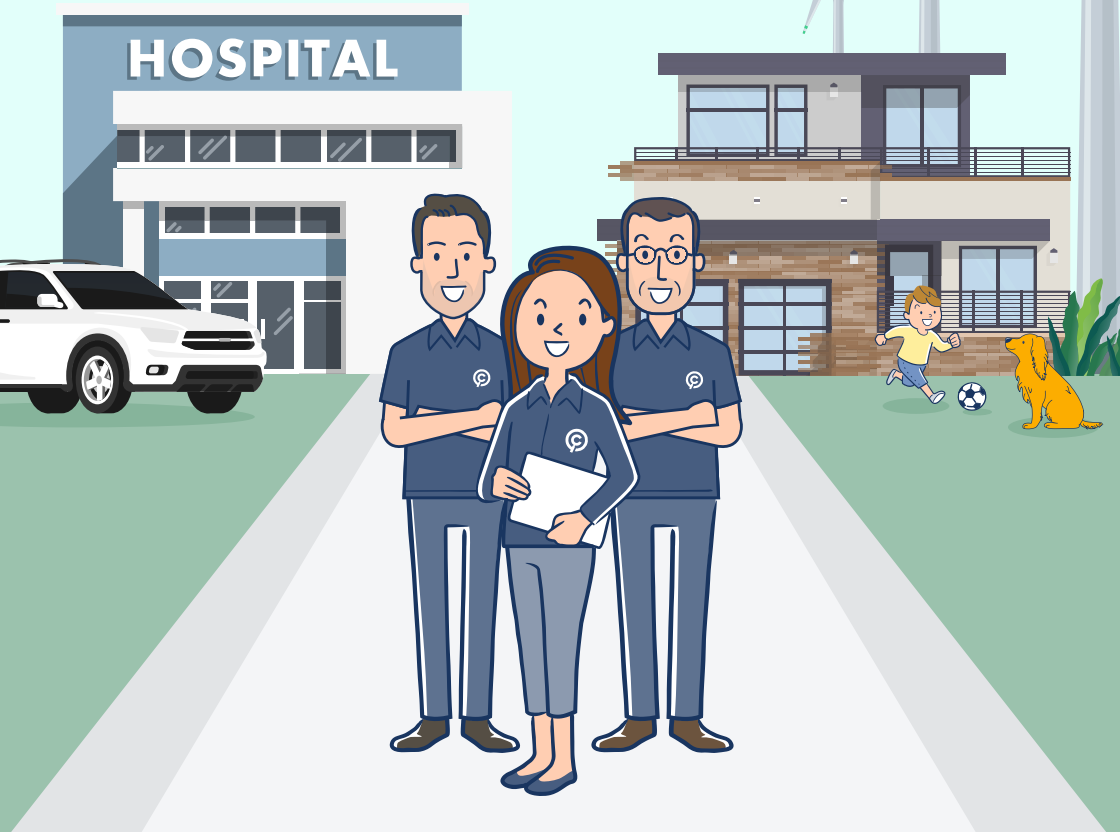


Compare Club's Bill Stress Index

May 2023



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Introducing the **Compare Club** **Bill Stress Index: May 2023**

At the start of the year, we noticed something unusual at Compare Club. Our health insurance experts were spending more time talking about home loans.

The team were fielding calls from households who didn't want to abandon their health cover, but were trying to reduce costs, inadvertently compromising on the value of the coverage they receive.

These customers were people who knew the health insurance market, and who ordinarily would have been fine paying a few dollars more for better extras limits. But the feedback was always the same. Mortgage payments had shot up so much that homeowners couldn't look past their next month's bottom line: making cuts today takes precedence over managing problems for the future.

That's how the Bill Stress Index was born. We figured that if a sample of our customers were stressed about the cost of health insurance and their mortgage, then there must be other stressors elsewhere.

This report paints a picture of where Australian households are feeling the pinch. Low earners, renters and older Australians are seriously stressed about their energy bills. Parents are worrying about their income, while juggling home and car loans. Some households are suffering sleepless nights due to credit card debt.

At Compare Club, we believe that to fix people's financial challenges, you first have to understand them. This is the first step.

And, yes, we're in the business of helping people switch, but it's genuinely surprising that people would rather cut back on other non-essential expenses before tackling their personal finance products. We recently found that the average household could save over \$7,000 a year by switching multiple financial products, which would seriously help family budgets at the moment. And in this day and age, it's crucial for our mental wellbeing to be able to afford the occasional treat.

Hopefully this report will highlight the cost of living pressure that Australians are living under right now and inspires people to see that there's always a way to cut costs without compromising on value for money.

Lance Goodman & Andrew Davis
Co-CEOs, Compare Club

Report highlights

- **75%** of Australians report **high levels of Bill Stress**
- Biggest causes of **Bill Stress**:



Mortgage



Utilities

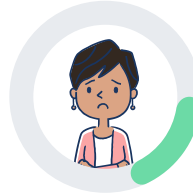


Health Insurance



70%

Get anxious about bills at least once a month



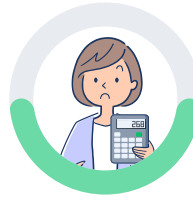
20%

Struggling to make ends meet



33%

Have borrowed from family & friends to pay a bill



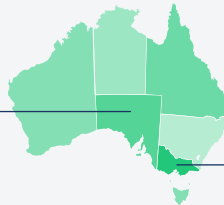
A third spend more than

50%

of their income on bills

Most stressed state

SA



Least stressed state

VIC

54% of Australians have paid a bill late due to a lack of finances



Attempting to save,

30%

Have switched their lender, insurer or utility company.



41%

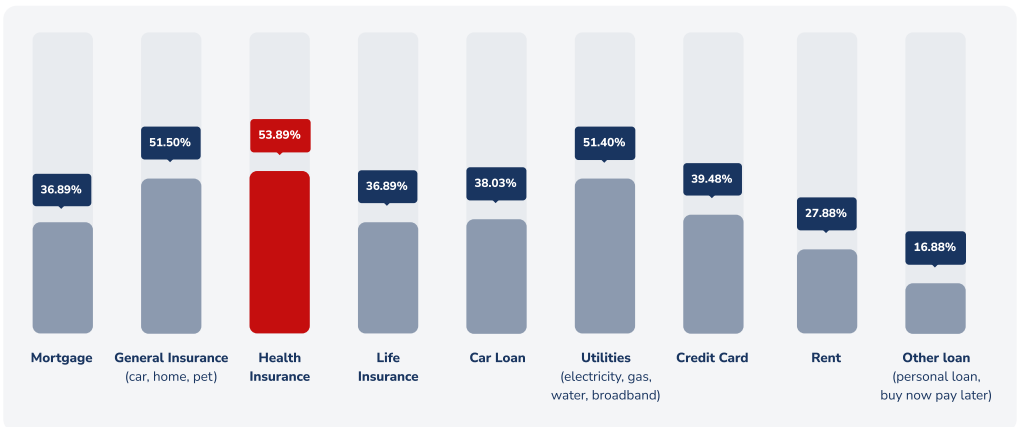
of Australians expect to feel more stressed in the next 3 months

What we're paying for: the state of Australia's bills

Our nationally representative survey of just over 1,000 Australian households roughly mirrors the country in terms of overall bill responsibilities. Over 50% are responsible for paying for general insurance, health insurance and utilities, while 36% of respondents hold a mortgage and 28% pay rent.

Just under 40% hold a credit card or a car loan, 36% hold life insurance and just 17% are currently paying off another form of credit such as a personal loan or a Buy Now Pay Later account.

Bill breakdown: what we're paying for



Overall, the findings show that while a portion of Australians are living comfortably, an alarming number are experiencing significant bill stress. Between a fifth and a quarter of Australians say they are seriously struggling to pay their bills.

Low income earners of \$45k or under make up the bulk of these, but at least 15% of respondents across all ages and incomes say they're not confident in their ability to make ends meet.

How **confident** are households that they can **pay their bills**?

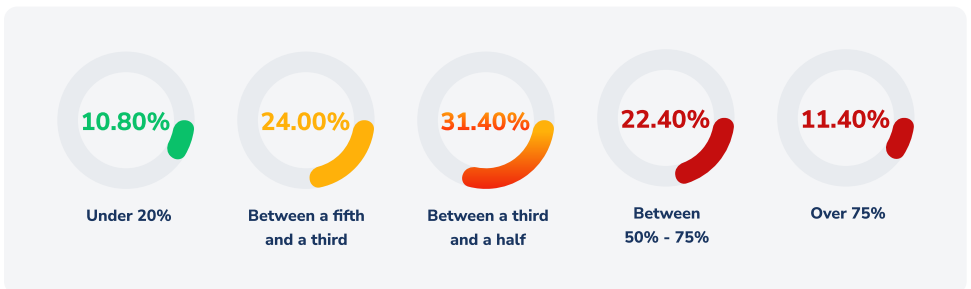


3.1 Age breakdown: the squeezed older middle

These are the main outliers by age that our research uncovered;

- Middle aged households have the highest number of bills. These correlate to the stresses felt in section 4.
- **Older demographics are really feeling the squeeze, with over 50% of people aged 45 or over describing their situation as either having minimal disposable income or struggling to make ends meet, with 18-24 year olds not far behind.**
- 35-44 year olds have the most disposable income, with 51% describing themselves as comfortable or very comfortable financially due to having the lowest percentage of their monthly paycheck going towards bills.

How much of **monthly household income** is spent on bills?



The age group that is facing the biggest challenge in making ends meet is the over 55s. On average, 30% of Australians are seeing more than half of their monthly income go towards bills, but this jumps to 41% for those approaching retirement age.

- 18-24 year olds were far less likely to hold health or general insurance (22.5%) than the average Australian, but were far more likely to have a BNPL account.
- The 25-34 and 35-44 age brackets are more likely to be juggling multiple bills. Over 60% of both these age groups are paying for health insurance and over 40% hold a mortgage.
- Life insurance - which can cost upwards of several hundred dollars a month - is far more likely to be an expense for middle aged Australians; 48% of 35-44 year olds and 41.5% of 45-54 year olds.
- Old Australians aged 55 and above have a very different set of financial challenges, with utilities the most common expense, followed by general insurance and health insurance. Only 25% hold a mortgage, although 30% are renters - above the national average.

How much money do households have to play with?



3.2 The parent trap: where families are getting squeezed financially

Any parent can tell you kids are expensive. While this survey didn't look at childcare costs, it's very apparent that parents have a number of different financial pressures to juggle as opposed to non-parents, but they also seem to be coping slightly better.

Parents tend to spend less of their overall income on monthly bills, despite often having other significant expenses such as car loans to service. Regardless of the overall slightly higher level of comfort, there's a similar amount of parents and non-parents alike who are seriously struggling financially.

- Non parents are over 50% less likely to hold life insurance or a car loan than parents. These two items alone can cost over \$500 a month, and often more.
- Parents are also more likely to hold a mortgage (38% v 34%) and health insurance (56% v 48%).
- Worryingly, around 20% of both parents and non-parents alike say they're struggling to make ends meet.

3.3 Expert analysis: more kids, more debt, more problems

“It’s unsurprising to see the ages and life stages such as middle-aged parents with big expenses like mortgages and car loans also holding life insurance, as these people have the most to lose if their income disappears.

“This can be a major expense, as life insurance costs vary wildly from person to person. A healthy person with a low sum insured could be paying around \$250 a month, while somebody with one or two issues in their health history and a higher sum insured could be paying over a thousand dollars a month. They’re also more likely to be paying top dollar for health insurance as well.

“Life cover isn’t an expense households tend to review regularly, but switching policies could put several hundred dollars back into your bank balance. And if you’ve quit smoking over 12 months ago and hold life insurance, review your policy asap. Smokers pay 100% more in premiums versus non-smokers.”

Lisa Varker
Compare Club Financial Advisor



Bill Stress:

which bills are giving us **the most anxiety**

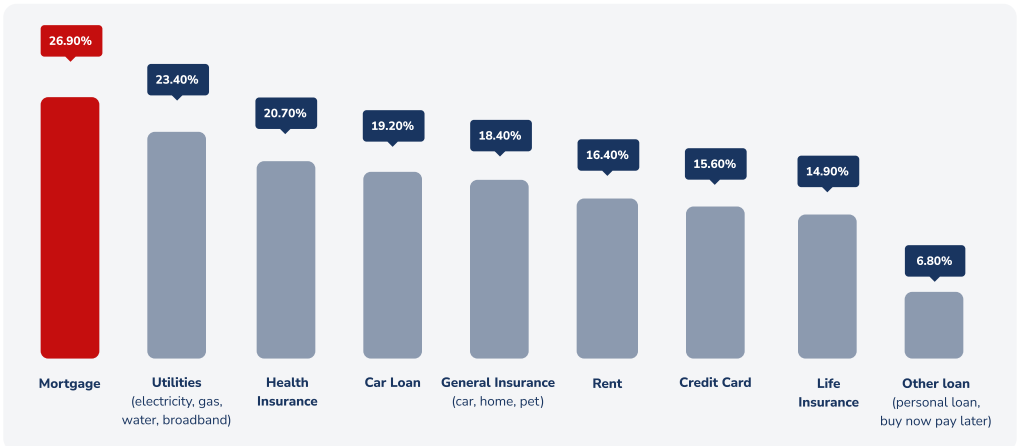
“Services inflation remains strong. Input cost pressures and strong demand continue to contribute to large price increases.”

Reserve Bank Board of Australia (RBA) Statement on Monetary Policy May 2023

The cost of living is hurting Australian families right now, but much of it is outside of their control. This is reflected in the spread of bills that are causing stress.

The Reserve Bank of Australia’s year-long rate hikes have clearly taken a toll, as has the skyrocketing cost of energy. When we asked what bills are causing the most stress, it was mortgages that topped the table (27%), with utilities second (23%). Around one in five of us are also stressed about health insurance and car loans.

Bill breakdown: what **expenses** give us most **stress**

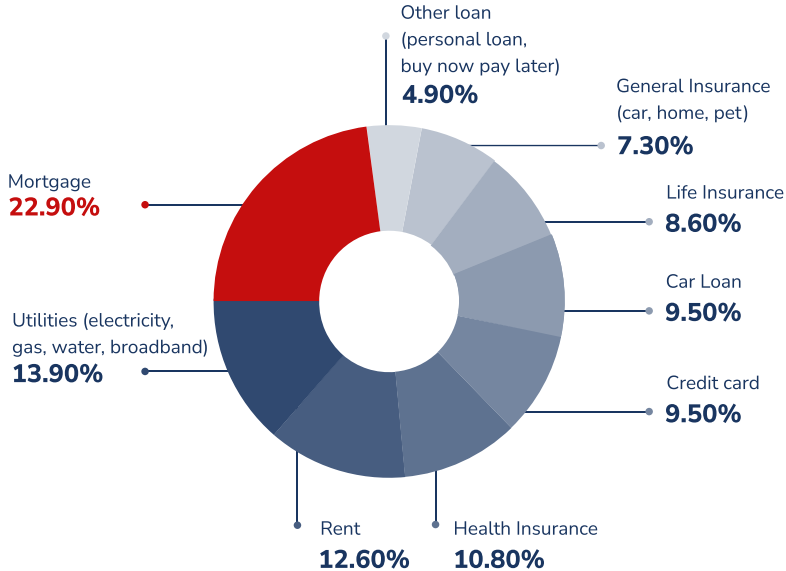


The above chart looks at the total number of people surveyed. But dive a little deeper and the extent of stress becomes clear:

- 74% of mortgage holders say their home loan gives them anxiety.
- 63% of mortgage holders say their home loan is their biggest cause of stress.
- For all other products such as health insurance and credit cards, between 35% - 40% of holders say that the product gives them stress.

While utilities, car loan repayments and other insurance premiums are also major sources of anxiety, over one-fifth of Australians indicated that their home loans were the scariest bill in the bunch.

One bill to rule them all: the one expense that gives us the most anxiety



4.1 Expert analysis: RBA rate rises begin to bite

"Twelve months ago, this report would have been very different. The cash rate was under 0.5% and cheap fixed term loans were still readily available. Today, those homeowners who took advantage of the sub-2% loans are starting to roll out onto rates of anywhere upwards of 5%. Fixed rates are now out of reach for many households, with those on variable rates anxiously awaiting the RBAs monthly cash rate update.

"It's not a surprise to see how this is impacting home loan holders' mental health. Our brokers have spoken to homeowners who've been renting out their spare rooms to cover the mortgage, or are skirting incredibly close to the 80% Loan-To-Value ratio, which further stymies their ability to refinance.

"Throw in an increase in HECS-HELP debt for those graduates in their 30s and 40s who are still paying off their student debt and a drop in property prices in some suburbs, and it's no wonder mortgage holders are highly stressed. Expect mortgage brokers to be in high demand this year as hundreds of thousands of households see their fixed rate expire."

Anton Stevenson
Head of Home Loans, Compare Club

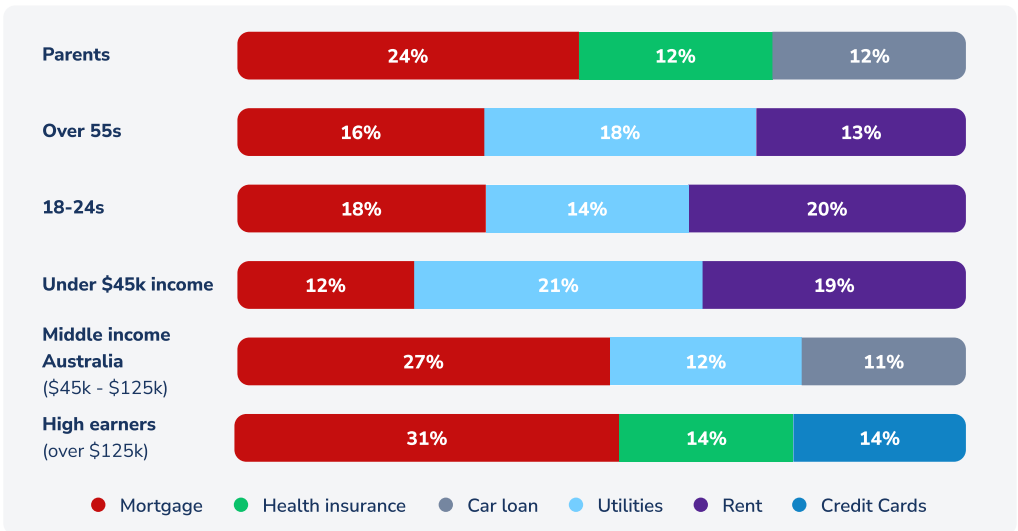


4.2 How Bill Stress affects different demographics

Digging into specific demographics, other interesting trends emerged.

- Housing is a major stress for all demographics, whether it's being able to pay the rent or service a home loan.
- For ages and income groups less likely to hold a mortgage, utilities emerges as a major cause of stress.
- Car loans cause a lot of stress for middle income and, middle aged households, especially those with children.
- Health insurance is also a major cause of stress for parents or more affluent individuals, reflecting the consistent rises in premiums.
- The more affluent the individual, the more stressed they were about credit cards, which suggests those with higher incomes are living a little beyond their means.

Top 3 bills Australians fear the most by demographic

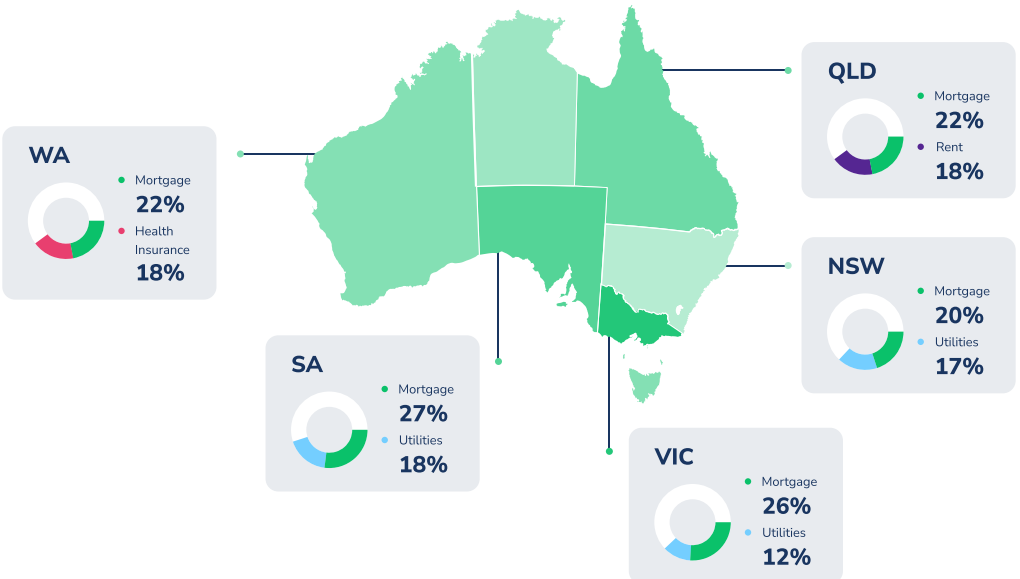


4.3 Bill Stress by state

Across Australia, the picture of stress was largely similar, with mortgages and utilities the most common cause of anxiety. Two exceptions here: Queensland had a very high percentage of respondents concerned about rent, while WA's second biggest stress was health insurance.

- **South Australians appear to be the most stressed.** Respondents in this state returned the highest overall stress score and were significantly above the national average for utilities and health insurance. However, rent and car loans are far less of a concern.
- **Victoria's stress appears to be mostly mortgage based.** They're 4% above the national average for this expense, but are much less stressed than the average Australians on all other big financial expenses.
- **NSW is largely on par with the average amount of stress for most expenses,** although they're 4% above the national stress level for utilities. They are also more concerned about rent and life insurance than other Australians. Despite having some of the country's highest property prices, they're the least stressed about mortgages relative to other states.
- **Queensland's bill stress levels are above average and are focused on housing.** Their two biggest concerns are mortgages and rent. These score significantly higher than the national average for credit card stress.
- **Western Australia's stress makeup is very different from the rest of the country,** potentially reflecting the nature of their energy market. Mortgages are still the biggest expense, but car loans and credit cards cause more anxiety than utilities.

Which bills cause the most stress across Australia



4.4 Expert analysis: a fine line between power, pleasure and pain

"It's no surprise to see utilities coming so high on the Bill Stress Index. Wholesale costs have skyrocketed and bills could have been even worse without government intervention - although the measures are only a band-aid as we navigate an increasingly uncertain energy market.

"What is certain is that bills will be rising by as much as 30% from July, when the new default offers kick in across NSW, Victoria, South East Queensland, SA, and the ACT. A lot of households will get a nasty shock when their winter bills arrive.

"But there is some good news. With higher default rates, energy retailers have much more ability to offer discounts to new customers. These have been in short supply over the past 12 months as the energy industry battled to make any money at all, but we're already seeing some extremely competitive offers coming into the market.

"It's why I'm actually quite optimistic about energy bills in the second half of this year. Any household that's proactive and shops around could make some seriously good savings, especially on bundled energy and broadband packages. We already know a large percentage of households aren't on their supplier's best deal, so there's huge potential for savings here in 2023."

Paul Coughran,
GM Utilities, Compare Club



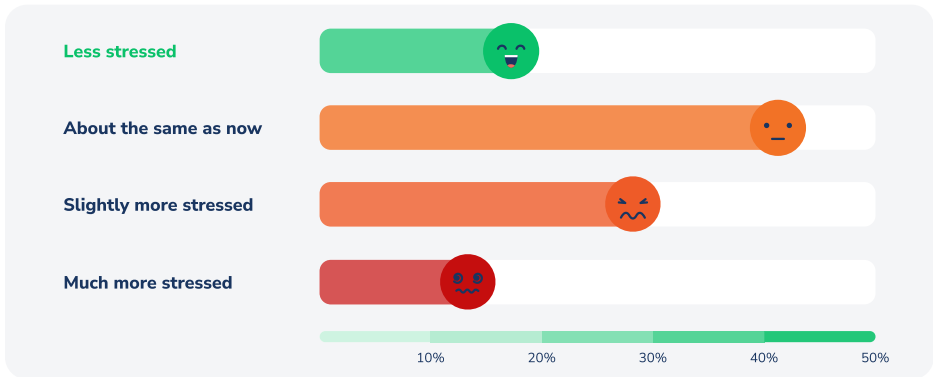
4.5 Bill stress and the impact on our mental health

So how is this affecting our quality of life? A whopping 35% of Australians indicated that they experience daily or weekly anxiety when paying their household bills, and another 35% admitted to similar feelings at least once a month. That's over 70% of respondents experiencing stress and anxiety on a regular basis.

Interestingly, the 55 and above demographic showed the lowest levels of stress, with under half of this age group saying they felt stressed about bills on a regular basis. And although mortgages are the biggest source of stress, individuals with health or life insurance experience higher levels of regular anxiety regarding their bills overall.

Just under 80% of respondents indicated they weren't confident in managing their household bills without stress this year. Around the same number expect to feel similarly, or more stressed, over the next 3 months.

How people expected to feel about their **finances in 3 months**



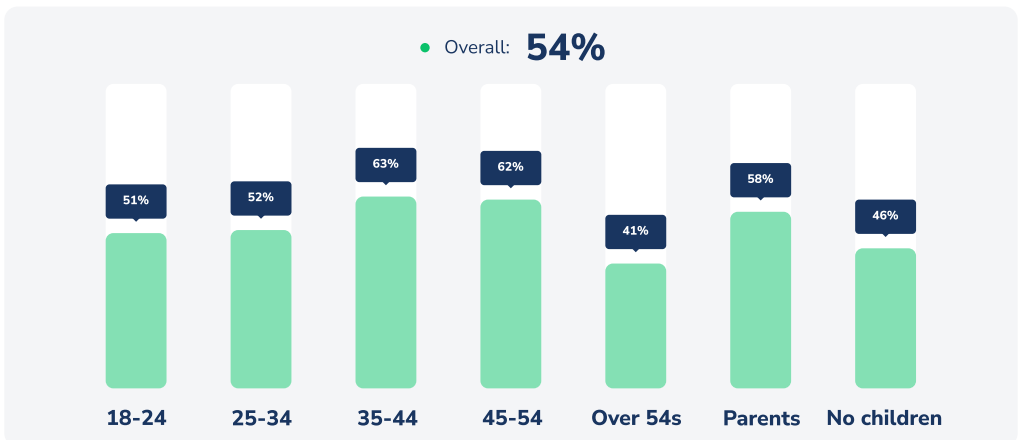
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Coping mechanisms: how we're tackling the cost of living

No two people are the same when it comes to managing their personal finances, but there are some clear trends that emerge from the research.

The “stress metrics” in the previous section show how the cost of living is affecting people mentally. This section lays out exactly how we're coping with rising bills and some of the answers give cause for concern, particularly as over half of those surveyed admitted to paying their bills late due to a lack of finances.

Late payers. Who has paid a **bill late** due to **lack of finances** in the last year



5.1 Household strategies to cut Bill Stress

Firstly, households are already being proactive, with only 6% of respondents saying they have not taken any steps to manage their bills. Non-essential spending is being stripped back (59%) and the good old fashioned spreadsheet and calculator is back in as people look to create budgets (51%).

Tactics households are employing to manage their bills



59.30%

Cutting back on non-essential spending



50.60%

Creating a budget



31.80%

Seeking financial advice



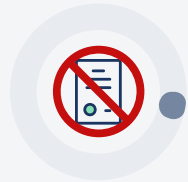
34.70%

Using a payment plan or payment extension



29.30%

Switching lenders, insurers, or utility companies



5.70%

None of the above

More worrying are the 1 in 3 households who are either using payment plans or have actively sought financial advice. Given that 45% of people describe themselves as less than comfortable financially and 54% have paid a bill late due to lack of finances, this is perhaps not a surprise but it will be a key barometer of how households are coping in future Bill Stress Indexes.

The Reserve Bank's lending indicators already show that credit card applications have risen in 2023, so it's little surprise that nearly half of us have used a credit card to pay bills, although younger demographics are more likely to use BNPL for bills.

This suggests that many of us could struggle to get out of a cycle of debt - and extend the financial stress to family members - if inflation isn't kept under control or if there are many more expected or unexpected hikes in mortgage payments or energy bills.

Debt tactics used to pay household bills

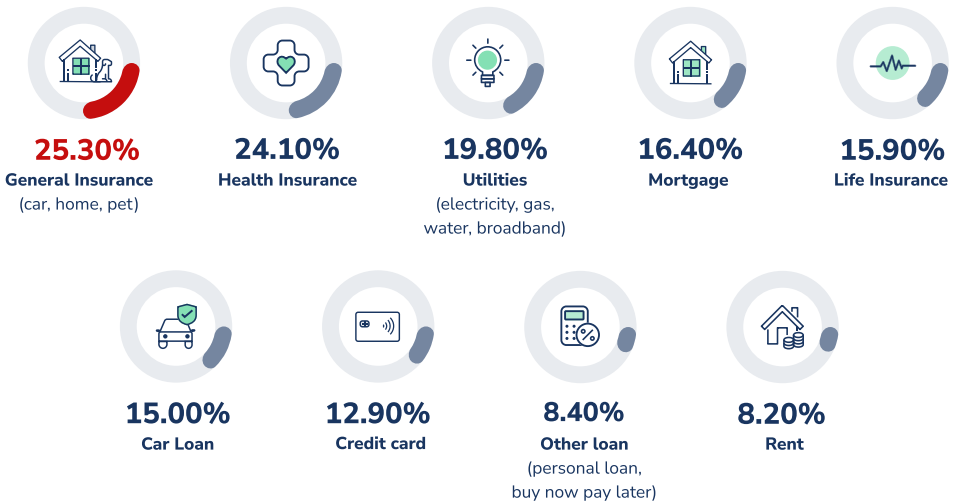


5.2 Switching behaviour: shopping around is last on the list

Given the cost of bills, few people have actively sought out a better deal on their insurance, loans and other expenses (29%), with more than double this amount of people making cutbacks on non-essential items and between 13% - 17% opting to cancel a service altogether.

In the case of car loans, more respondents have said they've sold their car (17.5%) than have refinanced (15%). This may also account for a similar number of people who have cancelled some form of general insurance (17%) due to concerns over their finances, while a large number of people have opted to reduce their level of cover on car, home or pet insurance (31%).

The services people have switched in the past 12 months



Insurance is the most common type of bill to switch in search of a better deal with 25% of people moving a general insurance product elsewhere, and a similar number swapping health funds (24%) for the same reason.

While 1 in 5 people have switched energy or broadband providers, this is still significantly less than the number of people who experience anxiety about these bills. Similarly, despite home loans causing the most stress, only 16% of mortgage holders say they've refinanced.

Perhaps unsurprisingly, life insurance holders were least likely to cancel their policy, although this is one of the least held products. This may be because fewer life claims are made and that, unlike health cover, if people stop paying their premiums, they will have spent thousands of dollars for no benefit.

It's also unsurprising that more of us cancel our credit cards (14%) than switch lenders (13%), although more than a quarter of us have dropped our limits. That said, 41% of credit card holders have taken no steps to tackle their level of debt. This suggests that many households are needlessly paying additional interest on top of their existing credit card debt - and harming their chances of refinancing other loans, including their mortgage.

5.3 Expert analysis: shopping around has never been so vital

“As the leaders of a financial comparison business, shopping around and switching to cheaper or better value insurance, loans, or utility plans seems like second nature to us. But this data puts us in somewhat of a minority. Fewer than 1 in 3 of us are taking this step.

“This isn’t to say households shouldn’t budget, or cut back on a few of their non-essentials. But in both the short and long term, it’s tackling the biggest bills that will have the greatest impact on finances.

“For example, earlier this year, our team worked out that the average driver could save \$2,600 by refinancing their car loan while homeowners who cut their rates by 0.6% could save \$2,700. And if your lender is willing to bundle your vehicle financing into a refinanced mortgage, you could be looking at even higher savings. That will make a material difference to a household’s monthly cash flow.

“Overall, the Bill Stress Index suggests that we’re just about surviving and that the Reserve Bank’s conclusion that we had enough savings to stomach successive cash increases was probably correct.

“However, we’re now at a critical point in time for household finances. The results from the Bill Stress Index show that 20% of us are struggling to make ends meet, and it may not take much to push more people into serious financial difficulties.

“And the fact that 46% of people rate their stress levels at a 4 out of 5 or higher shows the human side to the cost of living crisis.

“Yes, we may just about be financially ok, but that’s not the same as being emotionally fine. We’ve just started to recover from the psychological impact of Covid and a rise in the cost of living is also going to affect our mental health. Policy makers and financial institutions will need to balance taming inflation and individual stress levels at the same time. In the meantime, we’ll continue to do what we can to help all Australian households put more money back into their bank balances.”

Lance Goodman & Andrew Davis
Co-CEOs, Compare Club



Methodology

Nationally representative sample of 1000 Australians via Pollfish, April 2023

Demographic	%	n-value
Gender:		
Male	44.6%	446
Female	55.40%	554
Age:		
18-24	20%	200
25-34	20%	200
35-44	20%	200
45-54	20%	200
55+	20%	200
State / Territory:		
NSW	32%	317
VIC	26%	261
QLD	16%	163
WA	14%	137
SA	8%	77
TAS	2.5%	25
ACT	1.5%	14
NT	1%	5

Demographic	%	n-value
Parents:		
No children	32%	324
1 child	25%	247
2 children	26%	255
3 children	13%	128
4+ children	4.5%	45
Income:		
\$200k+	9%	86
\$125k - \$199k	19%	179
\$75k - \$124k	26%	248
\$45k - \$74k	15%	148
\$30k - \$44k	13%	129
\$15k - \$29k	10%	101
Under \$15k	8%	74

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