The Role of Financial Literacy and Financial Adviser Anxiety in Older Australians' Advice Seeking

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Productive Ageing Centre
National Seniors Australia

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Foreword

The future financial security of senior Australians will be influenced by the effectiveness of their financial plans. Key to ensuring this goal is the financial literacy of the individual, as well as their access to appropriate professional financial advice. This National Seniors Productive Ageing Centre report entitled *The Role of Financial Literacy and Financial Adviser Anxiety in Older Australians' Advice Seeking*, authored by Paul Gerrans from the University of Western Australia and Douglas A. Hershey from Oklahoma State University, examines these issues in detail and reveals some valuable findings.

The research, based on findings of a 2011-12 survey of over 2,200 people aged 40-74 years, shows that financial knowledge is higher amongst people aged 50 years and over compared with their younger counterparts. Men were found to have higher levels of self-assessed knowledge than females. Professional financial advice, which can assist individuals in their financial decisions, is currently used by 18% of respondents and previously used by 41%.

A key feature of this research is the investigation of financial adviser anxiety, which can arise from people worrying about sharing information about their finances or being negatively judged by a financial adviser because of their financial situation. Around one-quarter of respondents were found to have moderate to severe financial adviser anxiety. These people have lower financial literacy and lower income, as well as unsurprisingly a lower likelihood of seeking financial advice.

Australians face a complex environment in which to make their financial decisions, with a wide range of financial products available. The authors suggest that public information campaigns sponsored by governmental and private sector sources could assist people's attitude to their personal responsibility, which will help individuals in planning for their longer-term financial security.

A full copy of the report is available at www.productiveageing.com.au.

Dr Tim Adair
Director
National Seniors Productive Ageing Centre

January 2013

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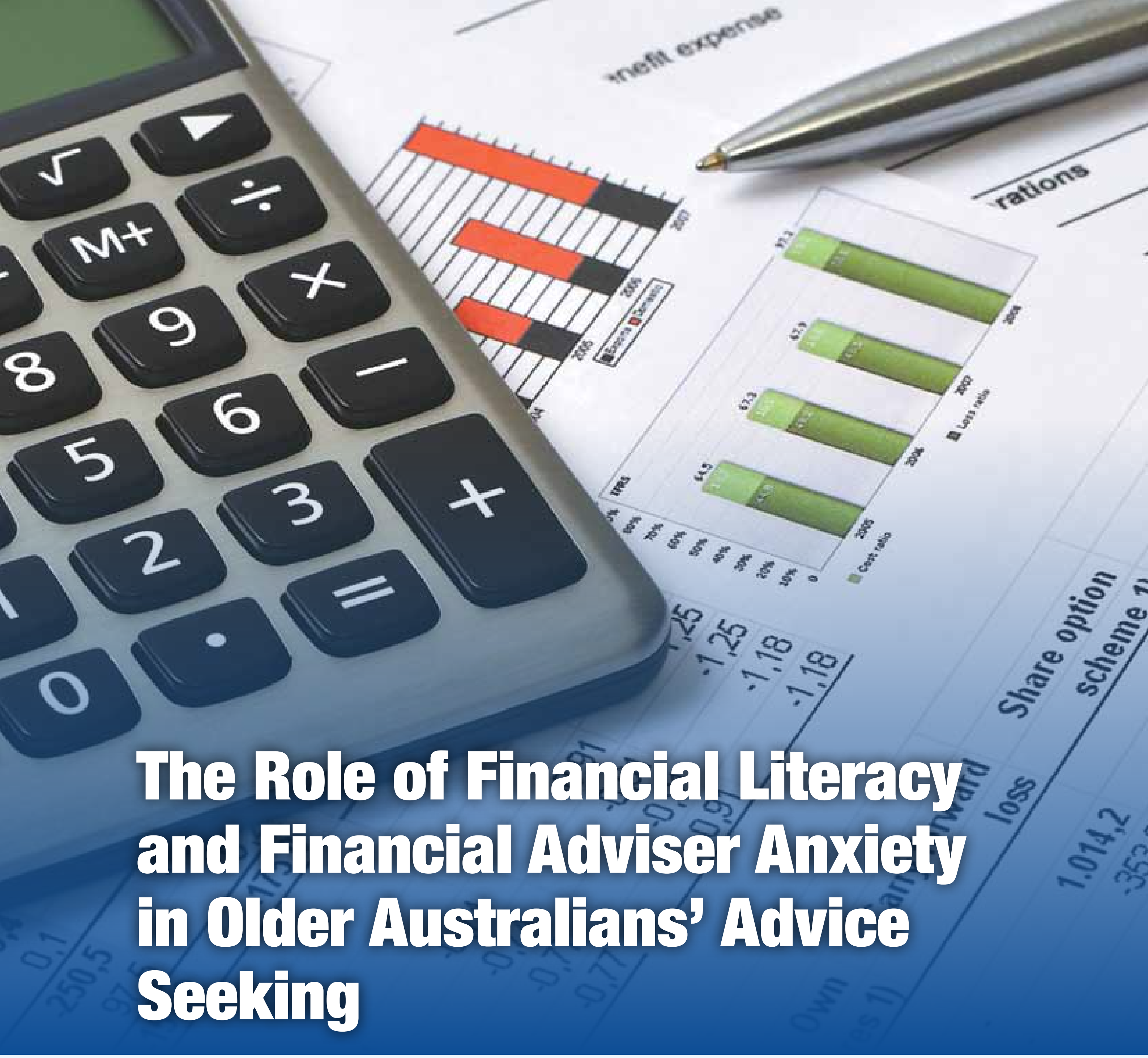


The Role of Financial Literacy and Financial Adviser Anxiety in Older Australians' Advice Seeking

Introduction

This project investigated the role of financial literacy and financial anxiety in the financial decision-making of older Australians, specifically the decision to seek personal financial advice from a finance professional. Reaching and maintaining a level of financial independence is a key objective for older Australians. A feature of government policy over the past twenty years has been to transfer the responsibility for major financial decisions and significant financial risks to households. At the same time the level of sophistication of financial products has also increased (Davis, 2007). Therefore, achieving financial goals has become more challenging.

As the range and sophistication of financial products expand, and as a myriad of regulations change, the pursuit of financial independence requires careful planning and effective decision-making. Given the increasing size of savings, particularly in superannuation, these decisions have never been more consequential. Financial literacy is a key component in making effective financial decisions. Where understanding is not sufficient to make an effective decision, professional financial advice at the appropriate time can be crucial. The willingness to seek financial advice from qualified finance professionals is therefore important.

Existing empirical research has examined a range of socio-demographic variables associated with accessing financial advice. Financial literacy components are important in determining whether people seek financial advice. One innovative aspect of this study is that we examined a wider set of financial literacy components, beyond knowledge and skills per se, including money management attitudes and future time perspective. The second innovation of this study was an examination of the role of a construct we labelled as financial adviser anxiety. We explored how such a variable can be measured, why it varied and what role it played in seeking financial advice.

The study examined the role of anxiety in a medical advice seeking setting, which served as a model to develop the measure for financial adviser anxiety.

Financial Adviser Anxiety

Anxiety is a common problem for many adults. According to data reported by BeyondBlue (2010), some 14% of Australian adults confront serious anxiety issues in any given year, a prevalence rate that is comparable to that seen in other westernised nations (National Institute of Mental Health, 2012). Anxiety disorders tend to be more common in women than men, and less common in older individuals relative to people at other stages of life.

Far more individuals, however, are affected by less serious forms of anxiety that do not qualify as a "diagnosable" psychological disorder based on recognised criteria. Like a true mental disorder, these milder forms of anxiety are accompanied by a variety of troubling symptoms including worry, nervousness, feelings of discomfort, and apprehension. These symptoms are particularly prominent when people are confronted by the feared object, circumstance or event. Anxiety issues can take many different forms and stem from a variety of different sources, but this study was primarily concerned with anxiety resulting from the prospect of consulting with a professional financial adviser.

Research in the medical sector has established that embarrassment may prevent individuals from seeking professional medical advice. An American study (Consedine, Krivoshekova, and Harris, 2007) found that individuals with high levels of medical embarrassment were less likely to make general visits to a health professional, compared to those who did not report being embarrassed by doctors' appointments.

This study of financial adviser anxiety examined whether a factor comparable to medical professional anxiety exists in the financial advice arena and, if so, the role it may play in explaining the use of services from financial professionals. Recently, the Australian Securities and Investments Commission (2010) hinted that anxiety may influence the use of financial advisers, identifying "embarrassment and exposure of personal details" as important issues for potential clients. This study zoomed in on that issue by exploring:

- The prevalence of financial adviser anxiety,
- The types of individuals who are prone to it, and
- The impact it is likely to have on individuals' willingness to seek out professional financial advice.

It is generally believed that anxiety about meeting with a financial professional is linked, at least in part, to how much one knows about general financial planning practices, and more specifically, retirement investing and superannuation.

Financial Literacy - Definitions

The Australian National Financial Literacy Strategy (Australian Securities and Investments Commission, 2011)[1] adopted a definition of financial literacy as: "the ability to make informed judgements and take effective decisions regarding the use and management of money" (Noctor, Stoney, & Stradling, 1992).

A more comprehensive approach to measuring financial literacy, labelled as financial capability, was adopted by the Financial Services Authority (2005) who extended financial literacy from a knowledge-based measure to include dimensions of behaviours (e.g. budgeting practice, information search), and attitudes (e.g. perceived importance of financial planning). They also noted that financial capability assessments need to reflect the individual's wider context, including their financial circumstances, which change over the life-cycle. This is an important point, which emphasises that there is a dynamic element to financial literacy. Financial choices range in their complexity and significance and may be linked to important milestones. Examples include: taking out a mortgage, deciding which debt to pay off first, choosing an investment strategy for a superannuation fund, or deciding whether to take a transition to retirement.

The OECD built on this broader definition of financial literacy and included a specific objective: "A combination of awareness, knowledge, skills, attitude, and behaviours necessary, to make sound financial decisions and ultimately achieve individual financial wellbeing" (OECD-INFE, 2011).

The financial literacy assessment in this study used the OECD measure cited above, but was conducted online, rather than by telephone.

The Value of Financial Advice

There is much debate in the literature about the value of financial advice. Weatherhead (2009, p.44) argues that there is an inherent difficulty in valuing financial advice because the "quality of advice is itself generally a qualitative assessment". Industry commissioned research has supported the value of advice seeking, whereas academic research has produced mixed results. A study by KPMG Econtech (2009) suggests increased savings both individually and nationally as a consequence of consultation of a financial planner. However, it is possible that those who save more may be more likely to consult a financial planner in the first place.

Of the industry commissioned research, the Financial Planning Association (2008) report a series of case studies which identify the value added to a client as a consequence of advice and action. The nature of advice covered in the case studies includes: establishment of a risk protection plan for a young family, investment of a lump-sum payout for disability, and debt reconstruction advice for a retired couple. The value added in each case, net of cost of advice, is substantial.

The Australian Securities and Investments Commission (2012) provides an assessment of actual retirement advice for 64 cases, finding 39% to be advice which it classified as poor, 3% classified as good and the majority classified as adequate. These findings are consistent with a series of similar reports which find that a significant proportion of advice is "not reasonable" in terms of meeting legislated requirements for advice (Australian Securities and Investments Commission, 2005, 2006). Despite the fact that only 3% of clients were judged to have received "good quality advice" by an independent arbiter, 86% of respondents rated the quality of advice they received as of "good quality".

[1] The Financial Literacy Foundation was transferred to The Australian Securities and Investments Commission in 2008 from Treasury.

The academic research has tended to be more narrowly focused on investment performance, and there are mixed views as to the value of advice in lifting such performance. However, the benefit of advice may extend beyond portfolio performance to: tax planning, saving extra, asset class participation, and more effective estate planning.

Financial Adviser Anxiety within an Existing Relationship

The personal financial advice relationship requires disclosure of accurate and complete information. This study explored financial adviser anxiety and its role in seeking advice. A potential impact of financial adviser anxiety within an advice relationship is that anxiety may prevent full disclosure by a client. For example, poor prior investments, tax liabilities, a ballooning credit card balance, or changed employment circumstances may be withheld which then compromises the ability of the professional to provide appropriate personal financial advice.

Sample Overview

A sample of 2,304 completed surveys was received following administration of the survey by MyOpinions to an online panel. A review of the response times of surveys resulted in 22 respondents being dropped on the basis that the survey was completed in less than 8 minutes. The average completion time for the final remaining 2,282 surveys was 25 minutes.

Potential respondents were selected based on three key variables:

1. Consultation with a financial professional
2. Age
3. Superannuation fund type

The first selection criteria was based on those who had consulted a financial adviser. To clarify who was referred to when financial advice was being provided, the following introduction was provided:

> *Different titles are used by those who provide personal financial advice, including "financial planner" and "financial adviser" and these titles may describe individuals who carry out different tasks. In this survey, we use the broader phrase of "financial professional" which you can take to mean somebody who provides personal financial advice on a professional basis, most commonly a financial planner or financial adviser.*

Table 1 shows that 59% of respondents were currently consulting or have previously consulted a financial professional.

***Table 1:** Consultation with a Finance Professional*

	n	Per cent
I currently consult a financial professional	421	18.5
I have consulted a financial professional in the past but not presently	932	40.8
I have never consulted a financial professional	929	40.7
Total	2,282	100.0

Table 2 shows the break down of those who currently consult a financial professional and those who have previously consulted a financial professional by the type of advice. The three types of advice were Basic Advice (e.g. budgets, debt repayments), Single Issue Advice (e.g. super contributions, salary sacrifice, super account consolidation), and Comprehensive Advice (e.g. investment portfolio, estate planning, transition to retirement, retirement). Of those who have consulted a financial professional, the largest proportion (50%) had received Comprehensive advice, as reported in Table 2. Single Issue advice was received by 36%, and 14% had received Basic advice. A larger proportion (73%) of those currently consulting a finance professional received Comprehensive advice, compared with those who had consulted previously (39%).

Table 2: *Consultation Type*

		Type of Advice			
		Basic Advice	Single Issue Advice	Comprehensive Advice	Total
When Consulted	Currently consult	18	95	308	421
	% of row	4	23	73	100
	% of column	10	19	46	31
	Have consulted	167	400	365	932
	% of row	18	43	39	100
	% of column	90	81	54	69
	Total	185	495	673	1,353
	% of row	14	36	50	100
	% of column	100	100	100	100

The second selection criteria was on the basis of age. The sample was restricted to those aged between 40 and 75 years with the objective of ensuring a representative sample as indicated by the ten-year age groups. The sample breakdown presented in Table 3 has a relative over-representation of those aged 60-69 years and under-representation of those aged 40-49 years and > 69 years compared with the general population aged 40 years and above.

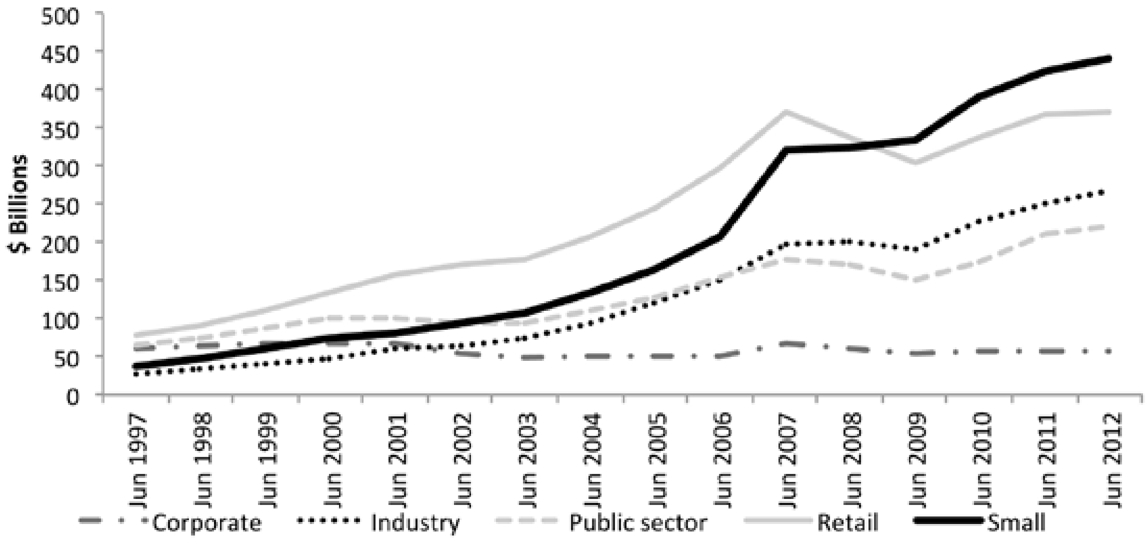
Table 3: *Age Breakdown*

Age	n	Per cent	ABS[1]
40-49	636	27.9	30.8
50-59	630	27.6	27.6
60-69	649	28.4	20.9
>69	367	16.1	20.7
Total	2,282	100.0	100.0

[1] *Source: Australian Bureau of Statistics (2011)*

The third selection criteria was based on the type of superannuation account held by respondents. One specific objective was to ensure that a sufficient number of individuals with a self-managed superannuation fund (SMSF) were included in the study, in order to examine how their demographic profiles compare with those who hold professionally managed funds. A SMSF is limited to fewer than five members and each member is a trustee of the fund. SMSFs are of particular interest because of their rapid growth in assets size.

Figure 1: *Superannuation Assets by Fund Classification[1]*



[1] Source: (Australian Prudential Regulation Authority, 2013)

Members of SMSFs are also older than their counterparts in other fund classifications, as shown in Table 4. Available data does not allow a match of age groupings but the data shows that the proportion of members in SMSFs aged 55 years and above is 56 per cent, whereas the largest proportion of those aged 50 years or more in public sector funds, the classification with the oldest members, is 45 per cent.

Table 4: *Proportion (%) of Superannuation fund classification+ by member's age group*

	Age Group (yrs)					
Superannuation fund type	< 35	35-49	50-59	60-65	> 65	Total
Corporate	33.8	40.3	17.6	5.4	2.9	100.0
Industry	50.1	30.6	13.2	4.2	1.9	100.0
Public sector	22.2	35.5	23.8	9.1	9.3	100.0
Retail	35.3	37.1	16.3	6.5	4.8	100.0
	<35	35-44	45-54	55-64	> 64	
SMSFs	5.2	13.8	25.3	33.3	22.4	100.0

+ Source: Australian Prudential Regulation Authority (2013) and Australian Taxation Office (2012)

The Australian Prudential Regulation Authority (2013) reported a total of 32 million member superannuation accounts across all fund types, of which 914,000 were self-managed superannuation fund members. It is difficult to determine an accurate incidence of Australians in self-managed funds given the prevalence of multiple accounts. In the sample summarised in Table 5, 10% of respondents were from a SMSF.

Table 5: *Number of respondents by Superannuation fund type*

	n	Per cent
An account managed by a superannuation fund (e.g. normally established through your work or an account you have opened yourself separately)	1,447	64.5
A Self-Managed Superannuation Fund	232	10.4
I don't have a superannuation fund account currently	563	25.1
Total	2,242	100.0

Results

Financial Literacy

Assessment of financial literacy was based on the "Financial Literacy Measurement Core Questions" (OECD-INFE, 2011) which provides an accepted international benchmark. This measure focuses on financial knowledge, financial attitudes, and financial behaviour.

General Financial Knowledge Quiz

Financial knowledge was measured through eight questions from OECD-INFE (2011):

1. Imagine that five brothers are given a gift of $1,000. If the brothers have to share the money equally how much does each one get?
2. Now imagine that the brothers have to wait for one year to get their share of the $1,000. In one year's time will they be able to buy:

   a) More with their share of the money than they could today

   b) The same amount

   c) Less than they could buy today

   d) Other, please specify
3. You lend $25 to a friend one evening and he gives you $25 back the next day. How much interest has he paid on this loan?
4. Suppose you put $100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?
5. Continuing with the previous question, how much would be in the account at the end of five years? That is, you put $100 into a savings account with a guaranteed interest rate of 2% per year, you don't make any further payments or withdrawals, how much would be in the account at the end of five years? Would it be:

   a) More than $110,

   b) Exactly $110,

   c) Less than $110,

   d) It is impossible to tell from the information given

   e) Don't know (coded as incorrect)

I would like to know whether you think the following statements are true or false:

6. An investment with a high return is likely to be high risk
7. High inflation means that the cost of living is increasing rapidly
8. It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stocks and shares.

Table 6 shows the mean score for the financial knowledge questions by age group and gender. The overall average correct "score" was 6.6 out of the 8 financial knowledge questions. A comparison by age and gender, presented in Table 6 shows that overall males (mean score of 6.8) performed better on the financial knowledge test than females (6.2) which was statistically significant.[2] This was true within each age group. There was no significant difference across age groups for females though there was for males. Older males performed better than the youngest, 40-49 years, age group.

Table 6: *Financial knowledge mean score by age and gender*

Age group (yrs)	Female Mean Score	Male Mean Score
40-49 years	6.2	6.5
50-59 years	6.3	6.9
60-69 years	6.2	7.0
>69 years	6.3	7.1
Overall	6.2	6.8

Each t-test of difference in mean significant at the 99% confidence level, except for the youngest age group which is significant at 95% confidence.

Self-assessed knowledge

Respondents were asked to rate their own knowledge across a series of three seven-point scales (1=extremely poor, 2=poor, 3=somewhat poor, 4=neither poor nor good, 5=somewhat good, 6=good, 7=extremely good) in the areas of general maths, investing in financial assets, and superannuation and retirement savings. The results are presented in Table 7. The lowest scores were for investing in financial assets, followed by superannuation and retirement savings, with self-assessed ability to do maths calculations the highest. The mean scores for knowledge of investing and superannuation are relatively lower than maths but overall are in the mid-range of knowledge levels. Women report a significantly[3] lower score in each area. Knowledge of superannuation and retirement savings is significantly lower for women in the > 69 years age group relative to the 60-69 and 50-59 years age groups. It is possible that the experience of making financial decisions during retirement, at least for women, highlights a lack of understanding of the rules and products that is not anticipated pre-retirement. No significant difference exists for males by age.

Table 7: *Scores for self-assessed knowledge questions by age and gender*

	Age Group (yrs)	Number of people	Ability to do general maths calculations	Investing in financial assets	Superannuation and retirement savings
Female	40-49	294	5.55	3.72	4.19
	50-59	299	5.67	3.87	4.29
	60-69	312	5.44	3.90	4.38
	>69	164	5.35	3.85	3.96
	Overall	1,069	5.52	3.83	4.24
Male	40-49	342	5.78	4.45	4.45
	50-59	331	5.90	4.36	4.54
	60-69	337	5.82	4.39	4.63
	>69	203	5.76	4.32	4.44
	Overall	1,213	5.82	4.39	4.52

[2] Reference to significance is at 95 per cent confidence level unless otherwise noted.
[3] T-tests between gender within each age-group.

Money management - savings

Table 8 shows the proportion of people with various types of savings. The question asked was "In the past 12 months have you been saving money in any of the following ways?" The vast majority (95%) of respondents indicated that they had saved or reduced debt levels over the previous 12 months. Surprisingly, 36% of respondents reported keeping cash at home as their savings.

Table 8: *Proportion of people in each type of saving scheme*

Savings Type	Per cent (n=2,172)
Saving money in a savings account or term deposit	66.3
Paying off credit cards or loans	50.0
Saving cash at home (e.g. money jar)	36.3
Making extra superannuation contributions	15.0
Investing in financial investment products (other than super) e.g. shares, bonds, etc.	14.8
Investing in property	7.7
Saving in an informal savings club	3.3
Giving money to family to save on your behalf	2.5
Other	0.7

Total does not add up to 100% because respondents can choose more than one category.

Financial budgeting and financial difficulty

Approximately half (53%) of the sample indicated that they had a household budget which was defined as something "used to decide what share of your income will be used for spending, saving and paying bills".

Respondents were also asked whether they had experienced financial difficulties over the past twelve months. The question asked was "Sometimes people find that their income does not quite cover their living costs. In the last 12 months, has this happened to you?". Table 9 indicates a large proportion (39%) reported such an experience and a breakdown by age identifies a significant difference with the youngest age group having the largest proportion of respondents experiencing difficulties.

Table 9: *Financial difficulty in last 12 months by age group*

	40-49	50-59	60-69	> 69	Total
No	343	380	427	249	1,399
(within age-group per cent)	53.9	60.3	65.8	67.9	61.3
Yes	293	250	222	118	883
(within age-group per cent)	46.1	39.7	34.2	32.2	38.7
Total (n)	636	630	649	367	2,282

Pearson X2 = 26.97, p-value < 0.001

People were also asked the question "How important were the following options to help you make ends meet the last time this happened [financial difficulty]?" Responses range from 1 (not at all important) to 5 (very important). Table 10 indicates that for the group who had experienced financial difficulty in the past twelve-months, the most important option for dealing with financial difficulty was "Cutting back on spending, spend less, do without" followed by using savings. The remaining options received low ratings.

Table 10: *Importance of options when last faced financial difficulty*

Options	Mean (n=883)
Cut back on spending, spend less, do without	4.1
Draw money out of savings or transfer savings into current account	3.6
Work overtime, earn extra money	2.4
Use credit card for a cash advance or to pay bills/buy food	2.4
Sell something that I own	2.4
Pay my bills late; miss payments	2.0
Take money out of a flexible mortgage account	1.8
Borrow food or money from family or friends	1.7
Take out a personal loan from a financial service provider	1.6
Take a loan from my savings and loans clubs	1.5
Apply for loan/withdrawal on pension fund	1.5
Pawn something that I own	1.4
Borrow from employer/salary advance	1.3
Use unauthorised overdraft	1.3
Take out a payday loan	1.2
Take out a loan from an informal provider/moneylender	1.2

Mean was calculated by multiplying each category by the number of respondents and then average across all categories.

Attitude to money management

A series of questions were asked to assess attitudes to spending, paying bills and saving. These results are summarised in Table 11. A very small proportion of respondents seemed to have always set long term financial goals and strive to achieve them (27%).

Table 11: *Money management attitudes*

	Never 1	2	3	4	Always 5
	Per cent (n=2,282)				
Before I buy something I carefully consider whether I can afford it	1.5	3.1	15.3	29.8	50.2
I pay my bills on time	0.9	1.9	7.2	19.9	70.1
I keep a close personal watch on my financial affairs	0.9	1.9	11.3	28.0	58.0
I set long term financial goals and strive to achieve them	4.2	8.8	29.3	30.7	27.0

Percentage (%) for each cell was calculated out of the row total

Choosing financial products – product awareness

In addition to the set of eight knowledge questions respondents were also asked whether they currently owned, had previously owned, or had heard of a list of products. These results are summarised in Table 12. Savings accounts, credit cards, and superannuation were the three products with the greatest proportion of current ownership. An unsecured bank loan, bonds and managed funds had the three largest proportions indicating that they had never heard of the product.

Table 12: *Proportion (%) of people having financial product awareness by knowledge & behaviour*

	Knowledge & Behaviour				
Financial product type	Currently hold this product	Don't hold it now but have held at some stage over the past two years	Have heard of this product but haven't held it at all or at least not over the past two years	Have never heard of this product	Total
Superannuation fund	71.5	5.6	19.9	2.9	100.0
Managed fund	21.9	8.3	52.6	17.3	100.0
Mortgage	36.8	9.5	46.9	6.7	100.0
Secured bank property loan	18.9	8.1	57.2	15.8	100.0
Unsecured bank loan	5.7	6.5	63.6	24.2	100.0
Credit card	80.1	4.2	12.9	2.9	100.0
Cheque account	51.4	7.6	34.6	6.3	100.0
Savings account	93.6	2.1	3.5	0.8	100.0
Shares	43.9	7.1	39.5	9.5	100.0
Bonds	2.4	4.6	70.0	23.0	100.0

Planning ahead – loss of income

Respondents were asked how long they could cover living expenses without their main source of income. The question asked was "If you lost your main source of income, how long could you continue to cover your living expenses for, without borrowing any money or moving house?" Table 13 indicates that 17% could not last a month and 35% indicated that they could cover expenses for at least six months.

Table 13: *Proportion (%) of people having emergency funds*

	Per cent
Less than a week	5.3
At least a week, but not one month	11.9
At least one month, but not three months	14.7
At least three months, but not six months	15.1
More than six months	35.4
Don't know	17.6
Total	100.0

Attitude to planning ahead

The results for three questions which sought respondents' attitudes towards financial planning are summarised in Table 14. The question asked was "How much do you agree or disagree with each of the following statements?" Responses range from 1 (completely agree) to 5 (completely disagree). A higher score is taken as more indicative of a positive financial planning attitude.

Table 14: *Financial planning attitudes*

	Mean (n=2,282)
I find it more satisfying to spend money than to save it for the long term	3.6
I tend to live for today and let tomorrow take care of itself	3.7
Money is there to be spent	3.3

Cronbach Alpha 0.7663. Mean is calculated by multiplying each response category with the number of people and then average over all categories.

Three separate questions sought knowledge of planning for retirement as presented in Table 15. The questions asked respondents to rate on a scale from 1 (strongly disagree) to 7 (strongly agree) their knowledge about financial planning. Mean scores are low, generally lower than the middle score of four. A pervasive result is that women rate themselves lower than men on each question: whether they know a great deal about retirement planning, whether they have informed themselves about preparing for retirement, and whether they consider they know more than most people about retirement. The gender differences in most cases are statistically significant within age groups. The trend is consistent across those who are retired and those who are not.

Table 15: *Knowledge about financial planning for retirement by gender, age group, and retirement status*

	Gender	Age group (yrs)	Number of people	Know a great deal about financial planning	Have been informed about financial preparation	Know more than most people
Not Retired	Female	40-49	290	3.24**	3.40*	3.00**
		50-59	259	3.39	3.59*	3.09*
		60-69	105	3.36*	3.77**	3.06**
		>69	13+	3.31	3.69	3.23
		Overall	667	3.32**	3.54**	3.05**
	Male	40-49	333	3.53**	3.62*	3.37**
		50-59	278	3.65	3.83*	3.35*
		60-69	116	3.68*	4.24**	3.59**
		>69	25	4.08	4.60	3.68
		Overall	752	3.61**	3.83**	3.41**

Retired	Female	40-49	4+	2.50	2.75	3.50
		50-59	40	3.55	3.78	3.43**
		60-69	207	3.46*	3.71**	3.13**
		>69	151	3.18	3.60	2.97
		Overall	402	3.35**	3.67**	3.10**
	Male	40-49	9+	2.89	3.00	2.67
		50-59	53	4.00	4.30	4.15**
		60-69	221	3.74*	4.17**	3.55**
		>69	178	3.41	3.82	3.26
		Overall	461	3.63**	4.03**	3.49**

+ Note insufficient cell size for comparisons

***Significant gender difference within age group at 95% confidence, * at 90% confidence*

Enough money for retirement?

A final question asked respondents whether they thought they had enough money to live comfortably in retirement, or the remainder of their retirement if they were already retired. The question asked was “Do you think you will have enough money to live comfortably throughout (the remainder) of your retirement?” Responses range from 1 (certainly not) to 5 (certainly). The results in Table 16 show that those who are not retired have significantly lower scores, lower than the middle score of 3 (maybe). Because of the relative numbers, comparisons between retired and not retired are only valid for the 50-59 years and 60-69 years age groups.

***Table 16:** Enough money to live comfortably (remainder of) in retirement by gender and age group*

		Not Retired		Retired	
Gender	Age group (yrs)	Number of people	Mean	Number of people	Mean
Female	40-49	290	2.76	4+	2.00
	50-59	259	2.64**	40	3.38**
	60-69	105	2.70**	207	3.09**
	>69	13+	2.38 (n=13)+	151	3.23
	Overall	667	2.70	402	3.16
Male	40-49	333	2.76	9+	2.78
	50-59	278	2.71**	53	3.60**
	60-69	116	2.62**	221	3.20**
	>69	25	2.92	178	3.30
	Overall	752	2.73	461	3.27

+ Note insufficient cell size for comparisons

*** Significant difference between non-retired and retired within gender age group at 95% confidence, * at 90% confidence.*

F-test by age-group within gender and retired/not-retired not significant.

Financial Adviser Anxiety [4]

What is financial adviser anxiety?

When considering the prospect of visiting a financial professional for advice, some people quickly become anxious. It really doesn't matter whether the topic is changing one's super investment allocations, making a salary sacrifice decision, finding the best way to invest for a child's college education, or obtaining general financial advice, some people just feel uneasy about meeting with a financial adviser.

Medical doctors have long been aware of the fact that embarrassment, or the possibility of it, can keep individuals from seeking medical assistance, even when they are concerned about symptoms that seem serious (Shinn et al., 2004). In the financial arena, it is believed that a comparable form of adviser anxiety stems from one of two different sources (or both):

(1) Expectations of being negatively judged by the financial professional (what researchers refer to as evaluation anxiety), or

(2) Feelings of discomfort at the prospect of sharing personal information with a professional adviser (disclosure anxiety).

Financial adviser anxiety can be a real hurdle in formulating a long-range financial plan.

Financial adviser anxiety score

A 15 item measure was developed to determine the financial adviser anxiety of respondents, as presented below.

One subset of items was designed to assess "disclosure anxiety"; that is, the likelihood of being anxious about revealing details about one's money management practices (e.g., "I would be hesitant to show my private financial records to a financial professional"). And a second set of items was designed to tap "evaluation anxiety"; that is, concerns about being negatively judged by a financial professional during the course of a consultation (e.g., "I [would] worry that a financial professional would criticise me for some of the unwise spending and saving decisions I have made"). Ratings for all items on the adviser anxiety scale were made using a 5-point response format (1 = strongly disagree; 5 = strongly agree). Further analysis suggested that a final measure relying on 11 of the 15 items, highlighted in bold below, was equivalent to that of the 15-item scale.

[4] The detailed reporting of results for this section can be found in the full report at www.productiveageing.com.au.

Financial adviser anxiety score – the questions

1. I (would) feel embarrassed when financial professionals use complicated financial words I don't fully understand
2. I (would) find it difficult to ask a financial professional to explain something again, repeat themselves, or use words that I can easily understand
3. I (would) worry that financial professionals would think I'm silly if I come into their office with a minor financial concern
4. I am (would be) uncomfortable when a financial professional has to examine my financial records, because I worry that they are poorly organised
5. I (would) worry that a financial professional would criticise me for not saving all of the receipts I should
6. I'm embarrassed I haven't made more of an effort to keep careful financial records
7. Describing to a financial professional how I spend money on frivolous or unnecessary items is (would be) exceptionally embarrassing for me
8. I (would) worry that a financial professional would criticise me for some of the unwise spending and saving decisions I have made
9. Sometimes I feel silly about some of the unnecessary things I spend money on
10. If I have financial difficulties I tend to hide this fact from others, even close people, because I am (would be) embarrassed
11. When I have financial difficulties I (would) avoid seeing a financial professional because I worry that my concerns will turn out to be nothing
12. I am (would be) embarrassed by the fact that I have allowed my financial situation to deteriorate to the point it has
13. The thought that a financial professional might ask me for detailed transaction information and receipts is humiliating for me
14. I would be hesitant to show my private financial records to a financial professional
15. I am generally uncomfortable talking about personal financial matters with others

How prevalent is financial adviser anxiety?

The study revealed that financial adviser anxiety is quite common. The financial adviser anxiety score was categorised into four levels, with the scale extending between one (low) and five (high). Those with a score of less than two, which accounted for 28% of the sample, were classified as having "Little or No" financial adviser anxiety. Those with a score between two and less than three, which accounted for 46%, were classified as having "Mild" financial adviser anxiety. Those with a score between three and less than four, 21%, were classified as having "Moderate" financial adviser anxiety. Those with higher anxiety scores, 4%, were classified as "Severe".

In short, just under a third of the sample had little or no anxiety at the prospect of visiting a financial professional, nearly half were mildly worried, but a quarter had moderate-to-severe financial adviser anxiety.

Who is likely to experience adviser anxiety?

Findings from the study revealed that certain types of people were more likely to experience financial adviser anxiety than others.

Financial anxiety scores were significantly higher for those who:

- Were less highly educated
- Had limited financial knowledge
- Were in the younger age groups of the sample
- Had lower incomes
- Had limited knowledge of retirement issues.

Experiencing financial difficulties in the previous 12 months was also associated with higher levels of adviser anxiety.

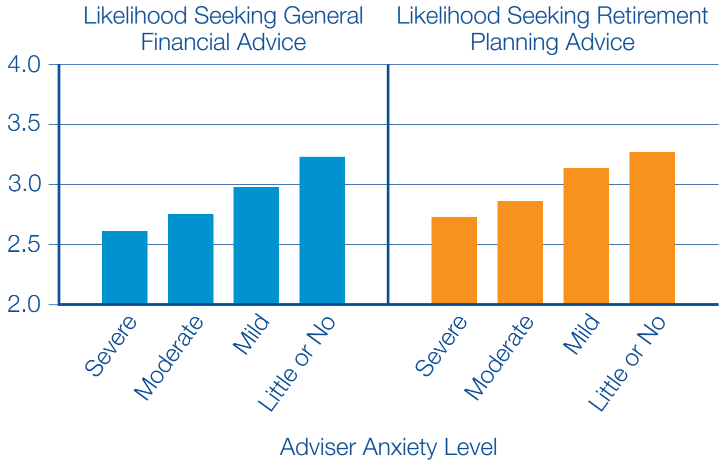
Conversely, those who were older, had higher incomes and more assets, better money management skills and felt they had enough saved for retirement were less anxious about seeing a financial adviser.

Interestingly, one's gender was found to be unrelated to anxiety levels (men and women scored equally on the test), and anxiety levels were shown to be roughly equivalent across individuals living in different Australian states.

What are the implications of having financial adviser anxiety?

Adviser anxiety is a worry in itself, but also has an impact on the likelihood of seeking financial and retirement advice. The study results suggested that those with higher levels of anxiety were less likely to seek general finance advice or advice on retirement planning, as shown in figure 2 below.

Figure 2: *Help Seeking Behaviour*



The extent to which individuals reported the prospect of seeking help from financial professionals in the future - which could range from a minimum value of 1 (not at all likely to seek professional assistance) to a maximum value of 5 (likely will seek out professional assistance) - were clearly shown to be related to anxiety levels.

Other sources of advice?

The study also looked at whether respondents were likely to consult with (i) family members, and (ii) friends or co-workers for superannuation and retirement saving advice. The results revealed that respondents would be more likely to consult family members for retirement advice as opposed to friends or co-workers.

A key question in this context was: if one is unwilling to meet with a financial professional, does that increase or decrease that person's willingness to seek advice from friends and family members? Similarly, if one reports a clear willingness to meet with a professional, then does that increase or decrease his or her likelihood of consulting members of the two non-professional groups?

The data in this regard were unequivocal. Those who reported that they would 'certainly not' or 'probably not' consult with a financial professional were less likely to consult with family members, or friends and co-workers.

Conversely, those who indicated they were either 'probably' or 'certainly' likely to consult a financial professional indicated being more willing to consult family members and friends and co-workers.

So the results paint a picture not of compensatory retirement-information-gathering processes, but rather, a more general and consistent approach toward advice-seeking. Specifically, those who were hesitant to seek advice from a professional were hesitant to seek advice from friends and family members. In contrast, those who were willing to seek advice from a professional were increasingly likely to seek advice from friends and family.

Summary of Findings

Australians are facing increased responsibility for the financial decisions that they make. At the same time, the range and sophistication of financial products involved in these decisions is increasing. For older Australians, particularly those who have left the workforce, the consequences of poor financial decisions are magnified given the reduced options to recover. Improved financial literacy is expected to improve financial decision-making. In this study, financial literacy was measured using a recently developed OECD measure (OECD-INFE, 2011) which incorporates financial knowledge, financial behaviour and financial attitudes.

A range of interesting age and gender differences were evident in financial literacy. Older men performed better on financial knowledge questions than their younger counterparts. No age difference was evident for women. Men also reported higher self-assessed knowledge than women. Women aged 69 and over had lower self-assessed knowledge than those age 50-69 years, but no such difference existed for males, who sustained their confidence in knowledge. The lower score for older women may be due to the increased range of products that have become available over recent years, as women aged 69 and older had lower product awareness scores. Money management attitudes also improved with age for both men and women.

Seeking professional financial advice to help financial decision-making could assist where individuals feel they are not equipped to make the decision. In terms of reported prior or current use of a financial professional, 18% currently consulted and 41% had previously consulted.

Barriers exist that may prevent individuals from seeking financial advice. Evidence from health services suggests that people may fail to seek professional advice in situations where it can reasonably be expected to help them. One reason is anxiety about the medical consultation process itself and the disclosure and evaluation process it involves. This project has developed a new measure—financial adviser anxiety - to assess whether such anxiety exists within the financial advice process.

The study showed that financial adviser anxiety may prevent an individual from seeking advice. Improving financial literacy may help to reduce financial adviser anxiety.

Financial adviser anxiety clearly declines with age. However, age is not associated with a reduction in financial adviser anxiety for those who have not consulted a financial adviser previously. Experience provides comfort with the advice relationship.

The prospective role of financial adviser anxiety in the decision to seek professional financial advice in the future was examined. A clear negative relationship was evident. Those classified as having a moderate or severe level of financial adviser anxiety, 25% of the sample, had a lower likelihood of consulting a financial professional in the future.

Those who are financially literate are more likely to seek financial advice in the future, for both general financial planning advice and retirement savings advice specifically. This suggests that an associated benefit of improved financial literacy is an awareness of the need for specialised advice. The flipside of this is that those with lower financial literacy remain less likely to seek professional financial advice. This suggests that there are benefits in both highlighting what the financial advice process involves as well as overall attempts to improve financial literacy.

The jargon of the financial market is off-putting to many. The language of the prospective financial advice consultation is the area which produced the highest mean score within the financial adviser anxiety scale, which was significantly higher for women and not different by age. The focus of financial adviser anxiety has some subtle differences by gender, with men more concerned over the quality of records maintained and on letting their situation deteriorate.

Next Steps

The findings from this study establish a solid foundation for developing public policy. Australia has a strong vested interest in ensuring its people are not only financially well-informed, but also that they possess sound saving and investment strategies. Results from the study indicate that when it comes to personal money management, knowledge is indeed power and a strong understanding of investing and superannuation will help motivate Australians to plan effectively for the future. Toward that end, public information campaigns sponsored by governmental and private sector sources (e.g. employers, superannuation funds) could go a long way toward cultivating an enduring positive attitude toward personal financial responsibility.

Results of this study also have implications for finance professionals who seek to implement best practice when working with their clients. Specifically, the data indicate that advisers should be aware that a substantial proportion of clients (and potential clients) experience negative emotions at the prospect of a consultation. Accordingly, steps should be taken during the course of first meetings to address sources of client concerns, while building relationships based on trust.

Further research will examine these differences in financial adviser anxiety more closely as well as those suggested by ethnicity. The language of money is universal but some groups appear more fluent than others and more anxious about discussing it with a financial professional.

Further information

For more information on the services offered by different types of financial professionals and how to choose the one that best fits your needs, consider browsing the MoneySmart resources at https://www.moneysmart.gov.au/investing/financial-advice

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ABOUT THE NATIONAL SENIORS PRODUCTIVE AGEING CENTRE

The National Seniors Productive Ageing Centre is an initiative of National Seniors Australia and the Department of Health and Ageing to advance research into issues of productive ageing. The Centre's aim is to advance knowledge and understanding of all aspects of productive ageing to improve the quality of life of people aged 50 and over.

The Centre's key objectives are to:

- Support quality consumer oriented research informed by the experience of people aged 50 and over;
- Inform Government, business and the community on productive ageing across the life course;
- Raise awareness of research findings which are useful for older people; and
- Be a leading centre for research, education and information on productive ageing in Australia.

For more information about the Productive Ageing Centre visit www.productiveageing.com.au or call 03 9650 6144.

GPO Box 461, Melbourne VIC 3001 P: 03 9650 6144 F: 03 9650 9344
E: info@productiveageing.com.au W: www.productiveageing.com.au