Compare Club's

Bill Stress Index

May 2024

compareclub

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Introducing the Compare Club Bill Stress Index: May 2024

> "Everything has increased but our wages are still the same. I have adjusted to ensure I am financially OK. However, other families are struggling more, to the point of living in tents down at our local parks."
>
> - Female, 55+, QLD

In November 2023, the Macquarie Dictionary released its word of the year, Cozzie Livs. While it may not be a phrase you have actually used in its dictionary form, I'm confident we've all uttered the phrase "cost of living" many, many times over the past few years.

As we roll into the middle of 2024, our Bill Stress Survey data reflects the continuing struggle so many Australians are living with. Economic pressures have continued to mount in Australian households and show no sign of easing.

While the RBA has frozen interest rates, offering slight relief to those under mortgage stress, the cost-of-living crisis is now being driven by spikes in utility bills, child care, education fees and the increasing cost of insurance.

In our third biannual Bill Stress Index, we can see how the picture has changed over the past 12 months:

- Australians are making more late payments than before.
- Buy now, pay later and personal loans have made a comeback after indications were that households had cut back on these products in November.
- Households are having to make difficult choices on cutting back on essential spending,

Six months ago, stress levels were dropping as it appeared households were getting a grip on bills. But with a prolonged cost-of-living crisis, which shows no sign of going away, stress levels have jumped back to where they were 12 months ago, and in the case of some demographics, such as 18-34-year-olds, exceeded them.

It isn't all bad news though.

In capturing the financial pulse of the nation, we've found that more Australians are talking about finance - whether it be seeking advice from friends and family or turning to TikTok. And this increase in financial literacy is positively impacting their financial outlook for the next quarter.

Kate Browne,
Head of Research, Compare Club

02

Report highlights and headline bills

- **80%** of Australians report **high levels of Bill Stress (level 3+)**
- Biggest causes of **Bill Stress**:

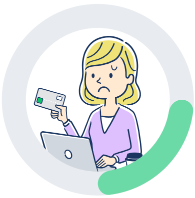
Mortgage | Utilities | Health Insurance

81%

Get anxious about bills at least once a month

21%

Struggling to make ends meet



25%

Have used a credit card to pay a bill

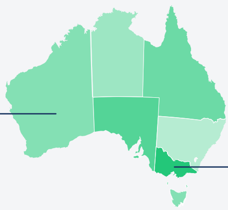
A third spend more than

50%

of their income on bills

Least stressed state

WA



Most stressed state

VIC

23%

have switched their lender, insurer, or utility company

28.51%

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

03

What we’re paying for: **the state of Australia’s bills.**

"I am struggling to make ends meet and constantly stressed about rent increases. My roommate and I wonder how we can afford it and, if we get evicted, there's nowhere else to go."

- Female 25-34, WA

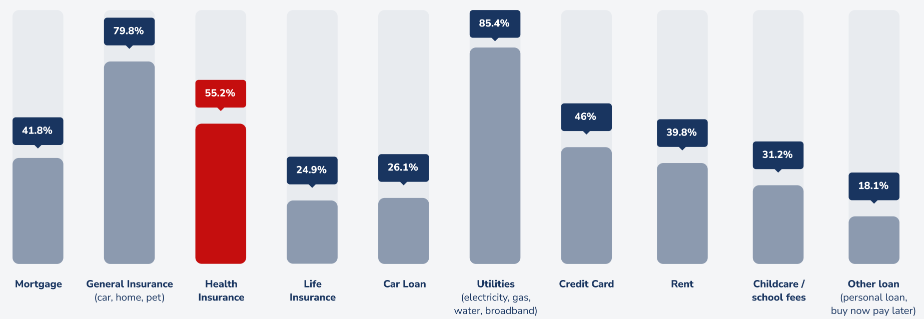
Our nationally representative survey of more than 1,000 Australian households roughly reflects the broad spectrum of bill responsibilities across Australia, overall.

More than 85% say they are are responsible for paying utilities and 4 in 5 respondents pay for general insurance, such as car, home and pet. When it comes to health insurance 55% hold some form of health insurance, 46% say they hold a credit card, 42% are paying off a mortgage and close to 40% are paying rent.

Interestingly, only a quarter of people who responded said they held a life insurance policy. This is down from 36% at the same point in 2023, which suggests that a significant number of people have decided that they can no longer see value in a life policy, and supports APRA’s comments that more people are exiting rather than entering the market.

Finally, more than 18% hold another form of credit such as a personal loan or a buy now, pay later (BNPL) account, which is up 7% from six months ago.

Bill breakdown: what we're paying for



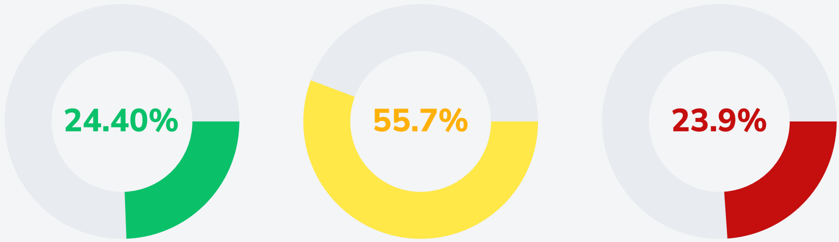
Overall, the research shows that bills are increasingly becoming out of hand and the amount of bills held by households has grown by 3.9% over the past six months.

Average bill stress across all demographics around bills has increased by 16% from November 2023 to May 2024, peaking at 20.55% now - a full 4 percentage points above levels seen this time in 2023.

In even worse news, significant increases in stress for key bills - including general insurance, health insurance, life insurance, child care & school fees, and other loans - indicate that stress is no longer concentrated on any singular bill but is spreading across a range of bills.

As such, millions of households are now less focused on any singular bill but are now juggling multiple payment deadlines simultaneously.

How confident are households that they can pay their bills?

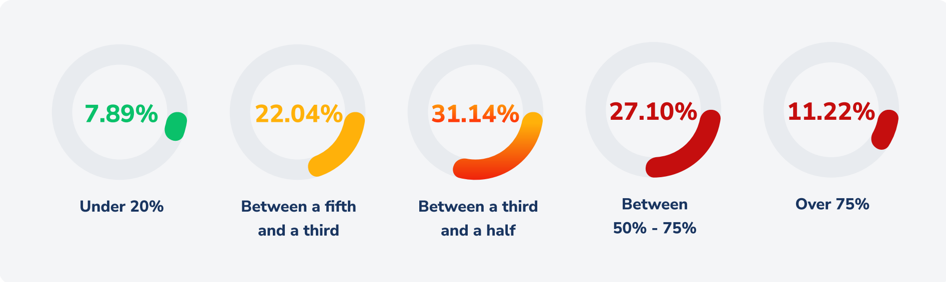


3.1 Bill Stress & Age

Overall, our most stressful bills are utilities and mortgages, but an analysis of different age demographics highlights stresses that are specific to each life stage.

- **55+:** General insurance is the second-biggest concern, with stress levels around this bill spiking 82% from this time last year.
- **45-54:** Stress around car loans and school fees have both increased by at least 30%. Stress levels regarding credit cards have decreased by 35% over the past six months.
- **35-44:** Stress is centred on housing and utilities expenses. However, stress around paying for general insurance has spiked 50% since our last report.
- **25-34:** Stress around rent has increased by 10.5% over the past six months, with 25% of all respondents in this age group now reporting rent to be their most stressful bill. School fees or childcare stress has also spiked by over 100% since our last report.
- **18-24:** Stress is diffused across every bill, with health insurance, BNPL and personal loans the biggest stressors for this age demographic.

How much of monthly household income is spent on bills?



The age group that is facing the biggest challenge in stretching their income is the 18-24 group, with 30% reporting they are struggling to make ends meet. Their stress levels are up 205% over the past six months.

On average, nearly 2 in 5 Australians are seeing more than half of their income go towards bills. This jumps to 46% for those aged 35-44. This high expenditure is concerning, not only for the narrow margins left for emergencies or the ability to save, but particularly around applying for a home loan. Many lenders are less likely to approve loans when more than 30% of the applicants' income goes on bills.

Compared to the average Aussie:

- **18-24-year-olds** hold more of every bill, with the exception of utilities and credit cards.
- **25-34-year-olds** are more likely to be paying rent and car loans.
- The **35-44 and 45-54 age** brackets were more likely to hold health and life insurance, while also paying for child care or school fees, mortgages, and car loans.
- **Under-45s** are more likely to be renters, while car loans are very unlikely to be held by the **over-55s**.
- Australians **above the age of 55** were more likely to hold utilities followed by general insurance and credit cards.
- Those **45+** are more likely to hold credit cards than the average Australian.
- There is an inverse relationship between age and BNPL usage, with younger demographics far more likely to hold some type of personal loan or BNPL account.

3.2 Expert analysis: Why utilities are still in pole position when it comes to stress nationwide.

Just like the cost-of-living crisis, the rising cost of energy is still very much part of the conversation in 2024.

As we roll into the coldest part of the year, many Australians are already stressing about the size of that energy bill when it comes around.

However, there is some good news. The DMO and VDO default prices dropped in many parts of Australia and all Australians will be eligible for a $300 credit on their energy bills for the year after the announcement in the federal budget. Combine this with shopping around for the best deal and many Aussies will be able to shave around $500 off their yearly bill, depending on where they live. As a result, nobody should be overpaying for energy, even though many of us do.

General insurance - primarily car and home cover - is also putting more pressure on household finances. This isn't surprising when you consider conservative estimates put premium increases at 10% over the past 12 months, significantly above inflation. And this is often out of our hands. Significant flooding events across the Eastern Seaboard have resulted in heavy losses for insurers, while supply chain crunches in both construction materials and vehicle replacements have exacerbated the problem.

These are being passed onto consumers in the form of increased premiums or, in some cases, premiums that are so unaffordable they're leading to difficult decisions about whether or not to insure a property. It's no surprise this is reflected in this Bill Stress Index. General insurance has gone from a minor worry 12 months ago to the third-most-stressful bill behind utilities and mortgages.

Despite the cost pressures, our message, more than ever, is to make sure you are on the very best deal available. Be sure you don't pay the 'loyalty tax'. Those who compare and switch regularly will be the ones who get the best value and save the most money.

Paul Coughran,
General Manager Emerging Verticals,
Compare Club

04

Bill Stress:
what bills give us the most anxiety.

"The cost of living is getting ridiculous. I now eat and cook in bulk to reduce the food bill. I have my grandchildren three days per week to help their mother out. It's out of control."

- Female 55+, WA

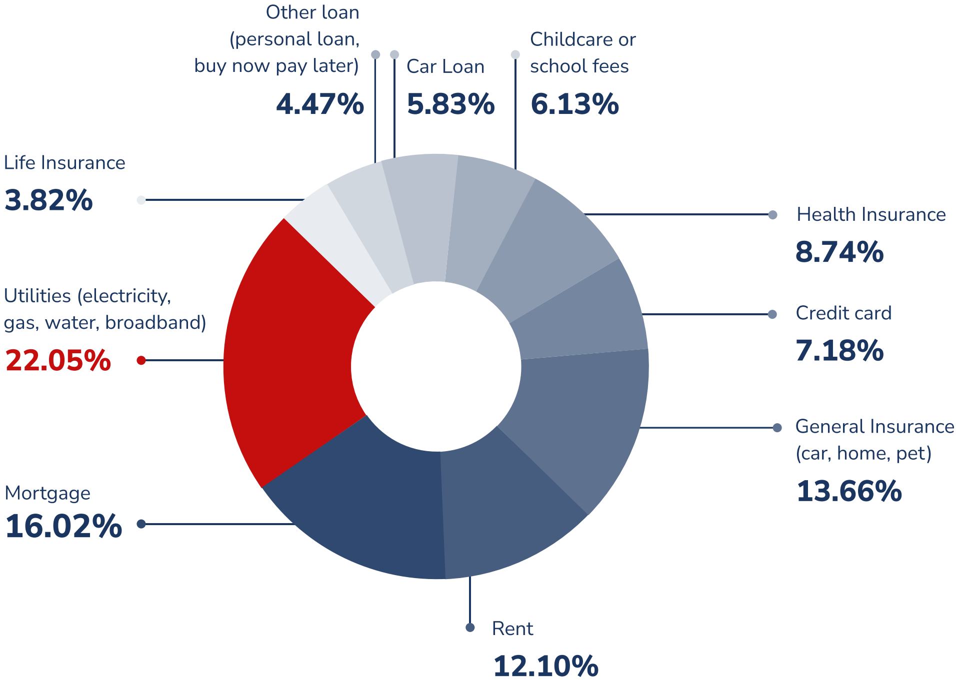
The cost of living remains a critical issue for Australian families. While a series of holds on the cash rate from the RBA has provided some relief to homeowners, this only pauses, rather than reduces, the pressures on household budgets. Aussies around the country are still struggling with the cost of utilities, despite there being some respite in costs and rebates on the way.

Stress around paying utilities surpasses mortgage stress as the most anxiety-inducing bill, with more than 22% of respondents identifying it as their number one source of concern. While mortgage stress has dropped significantly over the past half year, 77% of mortgage holders still cite it as their biggest financial stressor. What's notable is that insurance bills - general, health and life insurance - have all since soared significantly, each rising more than 50% since our last survey.

While the spread of Aussies identifying any particular bill as their worst stressor has evened out in the past half year, bills overall are causing Aussies far more stress. Australians across all demographics are reporting their stress is at higher levels than in early 2023. More than 60% of Australians say that managing their bills can be stressful at times and an additional fifth of Australians overall report they are severely struggling to pay their bills.

Few Australians are exempt from this. Bill stress is most concentrated among younger age groups, however, at least 17% of respondents across all ages and incomes report they're not confident in their ability to make ends meet.

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



4.1 How bill stress affects different demographics.

"At the moment, it's getting almost impossible to live, barely scraping by and having to cut out any form of pleasure activities or even gift giving. There is no way that you can encourage the next generation to become adults and move out when this is the reality."

- Female 18-24, VIC

While bill stress exists across the board, secondary stressors and consumer responses vary significantly across different demographics. Child care and school fees are a growing cause of concern among all demographics - whether it's paying for daycare, school fees, HECS or HELP debts, right through to financially helping grandchildren.

Meanwhile, car loans cause a lot of stress for middle-income and middle-aged households, especially those with children, making it somewhat of a significant cost that rarely gets as much attention as mortgages or energy.

- **High income & lifestyle inflation**

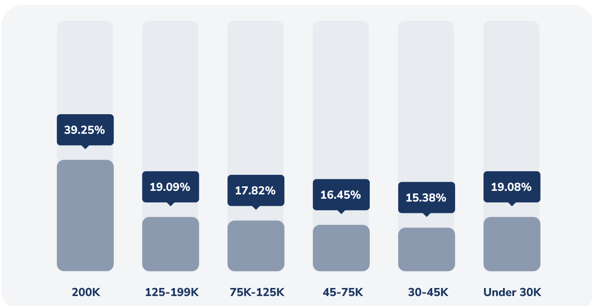
"The rising cost of food and electricity has placed stress on my household and also forced me to reduce spending on holidays and other nice things for the kids. It has made me feel depressed at times and anxiety about having enough money to do the things I love."

- Male 35-44, QLD

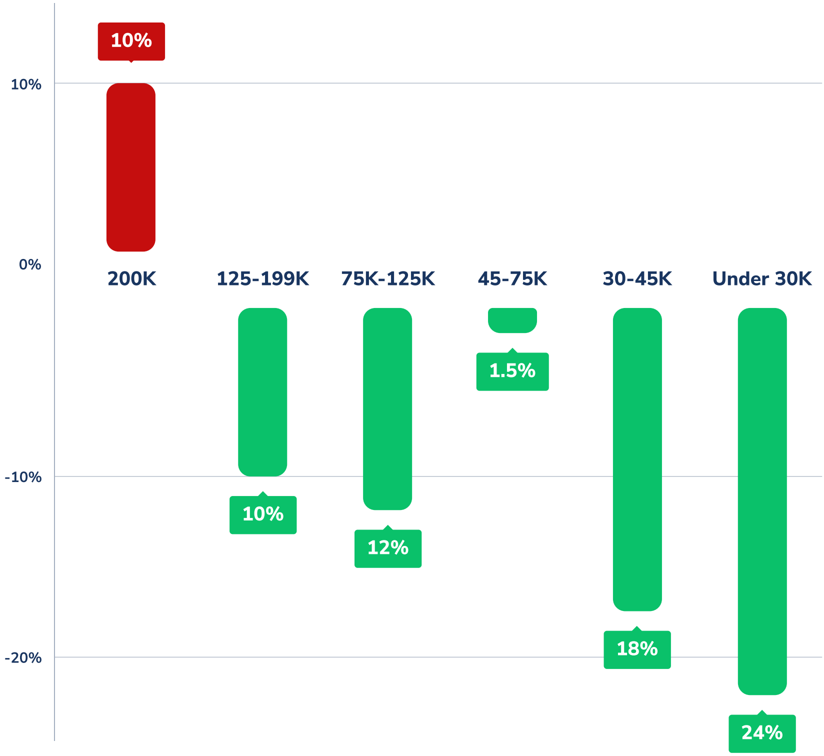
Even the highest-earning Australians are feeling the brunt of the bills. Close to 40% of respondents in this category reported feeling anxiety across all bills, and 28% of this cohort reported not being confident in managing their bills.

One of the most concerning responses is that more than 85% of Australians earning $200k+ have reported cutting back on their non-essential spending, representing a 48% increase since our last survey. This not only reflects that the cost-of-living crisis is now biting even those who are earning the most in the nation, but it may have serious long-term effects on the economy. More than a third of Aussies earning over $200,000 now live beyond their means - making this demographic the only one that experienced an increase in respondents in this category since our last survey.

% of people stressed about every bill by income



Difference in how many people are spending over ½ their income on bills since the last survey:



Those earning more than $200k are having to use more and more alternative credit to cover the rising cost of their bills. More than 60% of those earning $200k+ have used a credit card in the past six months to pay their bills. Meanwhile, 48% of Australia's top earners have said they have borrowed money from their family or friends in order to meet payment obligations, and 33% have used a personal loan to pay their bills. These statistics represent a 30%+ increase in each area over the past six months.

The good news is that this demographic is aware that they need to take steps to manage their money going forward. More than 35% of respondents in this category report that they will be feeling less stressed in the next three months, representing a 134% increase since our last survey as more people step up and take control of their money and their budgets.

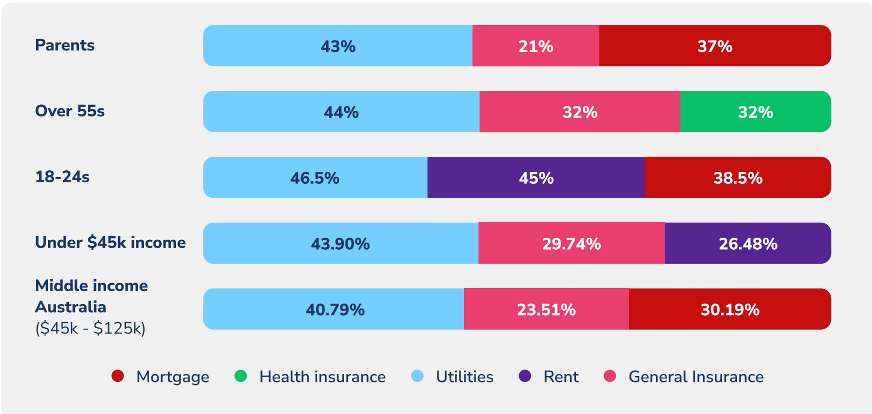
4.2 Bill stress by age

From "cashed-up: Boomers" to "entitled" Millennials, stereotypes may say one thing, but the numbers say another - every age group has had to cut back on non-essential and essential spending.

Compared to the average Australian:

- 18-24-year-olds were much more stressed across every single bill area.
- Car loans and credit cards were a major stressor for those aged 44 and under.
- Health insurance - which can cost upwards of several hundred dollars a month - is far more likely to be a stressor for those aged 35+.
- General insurance was the second-biggest stressor for Australians aged 55+.

Top 3 bills Australians fear the most by **demographic**



Young renters and financial stress

One of the demographics hit hardest by bill stress is young renters. Close to 50% of 18-24-year-olds who rent worry about paying their household bills every day and close to 40% report that they are struggling to make ends meet.

Respondents in this demographic are among the most likely to cut back on essential spending, with 65% of respondents citing cutting back on groceries and petrol, and 85% overall citing cutting back on non-essential spending. These young Australians live on a strict budget (82.93%) and often utilise a payment plan or extension (55%) in order to get by.

Who is most likely to cut back on essential spending:

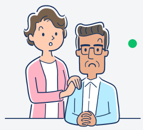
81.33%
Those who **get their financial advice from social media influencers**

72.37%
18-24 yr olds struggling with education costs & childcare

67.4%
Anyone who has **personal loans or BNPL**

65%

18-24 yr old **renters**



61.8%

35-44 year olds struggling with education costs & childcare

4.3 Bill stress by state

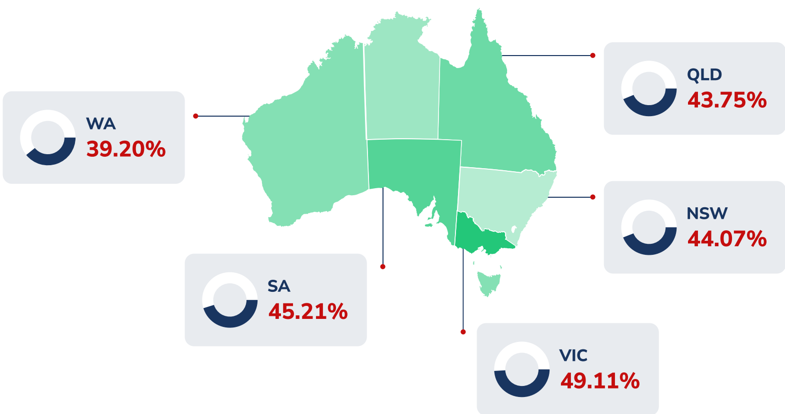
Across Australia, the picture of stress is largely similar, with mortgages and utilities being the most common causes of anxiety.

The country in a snapshot:

- **Victorians self-reported to be under the most stress**: In addition to the above, they are also concerned with general insurance. Additionally, stress around child care and school fees grew too. 67% reported financial situations between “just getting by” and “struggling to make ends meet”.
- **South Australia:** Above-average stress levels, with another primary concern being car loans.
- **New South Wales:** Above-average stress about rent and utilities. Stress around car loans and life insurance have both grown by more than 85% over the past six months.
- **Queensland’s fastest-growing stressors are life insurance and child care & school fees,** which have grown 20% and 200 per cent, respectively, over the past six months. Across the board, Queenslanders hold under-average stress levels for every bill, with the exception of rent. Anxiety around this area has consistently been trending upward over the past year.
- **Western Australians are the only demographic to be spared an increase in child care & school fees stress.** 10% fewer Western Australians are reporting “just getting by” and “struggling to make ends meet” situations as compared to the average across the country. Australia’s least-stressed state is primarily concerned with general insurance, where stress levels have grown more than 65% over the past half year.

Stress levels across the nation

(% of respondents reporting a 4 or 5 in stress level)



4.4 Bill stress & Payments

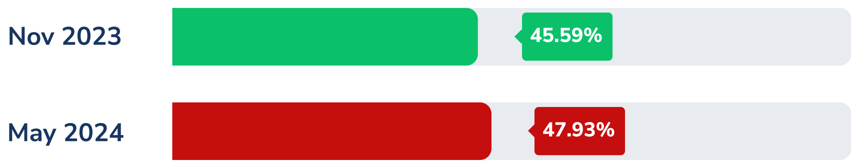
"I had to re-evaluate my savings and investment plans to accommodate the rising cost of living. I started looking for higher-yielding investment options while making sure I had enough emergency reserves to combat any unexpected expenses."

- Female 45-54, WA

Late payments

The percentage of Australian households having to pay a bill late due to a lack of funds is 47.9%, up by 5% over the past six months. Payment delays have spiked among non-parents, 18-24-year-olds, 55+ and those living in NSW and Victoria, with each of these groups experiencing a 10% increase in how many people have paid a bill late in the past half year.

Paid a bill late



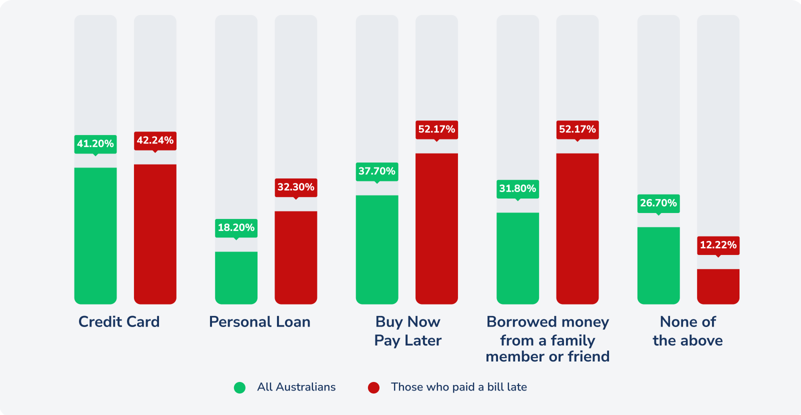
Types of payment

Increasingly, we are seeing more Australian households relying on alternate types of credit - including credit cards and buy now, pay later - as bill lifelines, which had gone down in our last survey in November but have gone up again in the first half of 2024.

Only 27% of the population has not sought a different method of payment - down 18% from the past six months. The use of personal loans is up by 68% and BNPL is up by 28%. Of those who have paid a bill late, more than 50% of them have used BNPL and borrowed money from a family member or friend to pay their bills.

Among 18-24-year-olds, 47.5% of the cohort have used BNPL to pay in the past half year, due to a lack of funds. 78% of this cohort say they seek financial advice from their family members, with close to 60% borrowing money from family members or friends to help pay the bills - up 77% from six months ago.

Percentage of Australians who **use alternative credit to pay bills versus those who have paid a bill late and use alternative credit.**



4.5 Expert analysis: Serviceability issues rise alongside interest rates

It's encouraging to see that mortgage stress is not as high this year as it was in 2023. However, it's also no surprise to find mortgage repayments among the 'big 3' bills stressing out 80% of Australians.

While the RBA has left the cash rate on hold since December 2023, interest rates are still a lot higher than they were when many new homeowners took their first steps into their new homes back in 2019 at ultra-low fixed-interest-rate terms. Those low fixed-rate home loans are still rolling over and plenty of mortgage holders are struggling to manage the new normal: higher interest rates.

I'm not surprised at the low numbers of mortgage holders who have refinanced either, because loan serviceability is still a challenge for mortgage holders right now. Those who can refinance have most likely already done so. Those who can't are firmly locked in their mortgage prison.

These borrowers are facing tightened lending criteria. The increasing number of Australians turning to personal loans and BNPL arrangements is concerning as this type of debt may cause issues in the future when it comes to loan serviceability.

This research shows that mortgage holders are far more likely than the average household to be paying for health insurance, credit cards, child care & school fees, and life insurance, and these living costs have only risen since November. No wonder homeowners are stressed.

Anton Stevenson,
Head of Home Loans, Compare Club

4.6 Bill Stress and the impact on our mental health

Between “Cozzie Lives” on the news every night and the bottom line of your grocery shop receipt soaring to totals never seen before, the strain of bill stress has never been more apparent.

A whopping 45% of all Australians indicated that they experienced daily or weekly anxiety when paying their household bills - a number 26% higher than this time in 2023. Another 35% admitted to similar feelings at least once a month - meaning 80% of respondents were experiencing bill-related stress and anxiety on a regular basis. Of the 18-24-year-old cohort, this number was 90%.

The over-55s reported the lowest levels of bill stress but, despite this, 60% still reported having bill-related anxiety on a monthly basis. This has jumped by 29% since our last survey in November 2023. While the 55 and above demographic reported the lowest levels of stress, 60% of this cohort reported experiencing bill-related anxiety on a monthly basis, demonstrating a percentage difference of 29% from this time last year.

05

Coping mechanisms:

How we’re tackling the cost of living

> "The rising cost of living has also impacted my entertainment spending. I began to choose more free or low-cost entertainment activities, such as outdoor sports or family gatherings, to reduce entertainment expenses."
>
> - Male 35-44, NSW

In order to deal with overwhelming levels of bill stress, Australian households are using a range of strategies to manage their financial stress.

Concerningly, 53% say they are cutting back on essential spending in order to stretch the household budget and more households are relying on alternative forms of credit in order to pay bills. 73% of households report cutting back on non-essential spending and 64% are making a budget. Compared to our last report, 54% more Australians say they are seeking financial advice and are cutting back on non-essential spending, creating budgets, and switching lenders.

Household strategies to tackle Bill Stress

73%
Cutting back on non-essential spending

53%
Cutting back on essential spending

64%
Creating a budget

24%

Seeking financial advice

33%

Using a payment plan or payment extension

29%

Switching lenders, insurers, or utility companies

Despite significant bill stress, More than 70% of Australian households have not attempted to change providers in search of a better deal. Car and home insurance are the areas where switching is most concentrated, with 32% of Aussies having sought better deals in the past year. However, when it comes to utilities, which is the single-biggest stressor for all Australians, only 28% have switched in the past six months.

Additionally, despite stress around car loans and health insurance - only 16% and 20% of Australians have switched, respectively. Interestingly, far more households are cutting back on essential and non-essential spending rather than switching providers.

5.1 The parental paradox: How planning pays off

> "I began to focus more on personal financial education and improving my financial skills to better cope with the rising cost of living. I started reading more financial-related books and articles and taking financial planning training courses."
>
> - Female 55+, QLD

While the stress forecast across the nation has been bleak, there has been a surprising cohort of Australians who have been able to make the best of a tough situation. That is - parents. Parents appear to manage slightly better than non-parents, despite being more likely to have to juggle multiple expenses, including mortgages and health insurance, and have less spare time.

On average, 18.6% of parents are stressed about all bills compared to 22% of non-parents, despite the same percentage of each demographic struggling to make ends meet. These changes in stress levels represent a -1% difference for the former group and a 35% increase in the latter group over the past six months.

For the first time in Compare Club's history of bill stress reporting, we have seen a difference in stress levels favouring parents. This is potentially due to the financial strategies most parents put into effect six months ago. In November of 2023, 74% of parents had reported cutting back on non-essential spending and 23% focused on proactively switching lenders, insurers and utility companies. Less than 6% of parents were not employing any financial strategies - a population that has now decreased to less than 4.5% as of May 2024. Parents (67.7%) are also more likely to seek financial advice as opposed to non-parents (64%).

This rigorous employment of saving strategies, as compared to their non-parental counterparts, was likely what led to lower stress levels in parental responses this time around. It is also what has likely led to a 10% decrease in how many parents have had to cut back on non-essential spending, despite a 12% increase in non-parent spending in the same area.

5.2 The lesson: Taking a page from the parents' book and taking back control

Despite the deep shroud of bill stress, there is a silver lining to this crisis.

Close to 20% of overall respondents believe they will feel less stressed in the next three months, with an additional 54% believing their financial situation will not worsen over the next quarter. This hopeful outlook on future financial situations is likely due to an emerging trend in which demographic groups in financial crisis are more likely to seek out support.

Whether it be advice from friends - or, in the case of the 18-24-year-old cohort, finance influencers on social media - there is an evident correlation between struggling demographic groups seeking more sources of financial advice and having a positive outlook on the next quarter. While the advice younger Australians are relying on may be coming from finance influencers, who are largely unregulated or may be from overseas, it is encouraging that more young Australians are engaging with their finances and budgeting. This trend was first observed in the difference between parent stress levels and predicted stress from November until now - a positive difference lying in their hunkering down on expenses.

Of those aged 18-24, 78% say they are seeking financial advice, with 43% believing they will be less stressed in the next three months. This represents an almost 70% increase from the previous quarter. This is also reflected in high-income earners, 36.67%, and those without kids at 23.39%.

Victorians, who have reduced expenditure in all of their bills in the past six months, also report they expect to be less stressed in the next quarter.

5.3 Expert analysis: Focusing on value is the key to reducing health insurance bill stress

Health insurance is still a prominent feature of many household bills but the good news is that this is one of the bills that causes significantly less stress than many others and more Australians are taking advantage of competition in the market.

The busiest time to review and switch health insurance is in March, when a lot of people look to beat the annual rate rise, and when health cover is top of mind. While the average premium increase was 3% this year, some funds hiked premiums by more than 12%. So, reviewing and switching was more than worth the effort for those who did, especially in a market where there is still competition for customers, with some funds offering a number of months free and other benefits for switchers.

As we roll into tax time, many people will be considering taking out health cover for the first time as they aim to avoid the Medicare Levy Surcharge. For new players in the game, it can be easy to buy a Basic policy off the shelf online without realising that many are essentially junk, providing little benefit beyond avoiding the extra tax. By speaking to an expert, it's possible to get much better cover for a range of procedures for, in some cases, just a few dollars more. Health insurance isn't cheap and it's a complex product. If you are taking it out, speaking to an expert like the ones we work with here at Compare Club can mean you will see the value for your investment.

Chris Stanley,
Sales and Operations Manager (Health),
Compare Club

06

Methodology

The findings in this report are based on a nationally representative survey of 1,000 Australians conducted via Pollfish in April 2024.

Demographic	%	n-value
Gender:		
Male	45.6%	450
Female	55.4%	550
Age:		
18-24	20%	200
25-34	20%	200
35-44	20%	200
45-54	20%	200
55+	20%	200
State:		
NSW	29.5%	295
VIC	27.9%	279
QLD	19.2%	192
WA	12.5%	125
SA	7.3%	73
TAS	1.7%	17
ACT	1.0%	10
NT	0.2%	2

Demographic	%	n-value
Parents:		
No children	44.9%	449
1 child	23.1%	231
2 children	19.7%	197
3 children	7.3%	73
4+ children	4.5%	45
Income:		
$200k+	12%	120
$125-$199k	13.1%	131
$75k-$124k	23.9%	239
$45k-$74k	15.5%	155
$30k-$44k	9.3%	93
$15k-$29k	10.3%	103
Under $15k	12.4%	124

Credits
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