Compare Club's

Bill Stress Index

November 2023

compareclub

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Compare Club's November 2023 Bill Stress Index

"The current cost of living in Australia is high and it gives me stress because we are a family of 4 so we have to cut down expenses such as eating out just to make ends meet to pay bills on time and have our grocery budget every week."

- Female, 35-44, QLD

The cost of living crisis in Australia continues to dominate the news, whether it's rise after rise in each fresh energy bill or the spectre of a housing market that's increasingly hard to get into and, for many families, increasingly hard to remain in as interest rates and property prices continue to climb.

That makes for some challenging conversations, even when we're talking about saving money. Midway through the year, Compare Club's health insurance experts were having as many conversations about home loans as our brokers, as people rushed to cut costs elsewhere while mortgage repayments shot up.

But equally, we've found people are open to talking about value for money rather than straight savings as the year has worn on. That ties in with our mission to help Australian households make better purchasing decisions, especially when time is a commodity for the severely stretched 30 and 40 somethings with busy jobs and big expenses.

Despite the incredible pressure household budgets are under, it's surprising that the number of Aussies comparing and switching services like health and life insurance, energy and utilities, home loans and more has gone down, even though it only involves a few phone calls. On the other hand, the data from this Index suggests that many Aussies took action at the start of the year.

It's one of the many insights that have come out of November's Bill Stress Index, where Compare Club takes the financial pulse of the nation twice a year in a nationally representative piece of research to ask people how they are feeling about their finances and what's causing them the most concern. This work not only allows us an insight into what people are thinking about, but helps inform how we work to help people make better financial decisions.

This year the difference between our two surveys is stark. Unsurprisingly there isn't a lot of good news. It won't shock you to learn that we're more stressed about our bills than six months ago. But there are some causes for optimism due to the number of Australians who are really taking control of their money like never before.

I hope you find this insight into the minds of everyday Australian households helpful and that it gives you some inspiration for how we can tackle this cost of living crisis together.

Kate Browne,
Head of Research and Insights, Compare Club

02

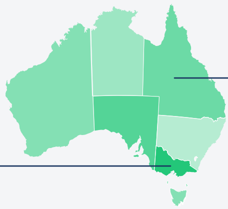
Report highlights & headline findings

- **Most stressful bill:**

47% **Energy** get anxiety over it

19% increase in anxiety over bills since May

40% increase in people spending over half their income on bills.



Most stressed state **QLD**

Least stressed state **VIC**

More confident

10% drop in households finding **managing bills a struggle**.

Less debt

32% drop in **using credit** to pay bills

More proactive

71% have cut back on **non-essential spending**

Right product mix

69% in reduction of policy, energy plans and credit card cancellations since May '23

03

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

"Every time I get a bill in the post, I panic, because I'm not sure how much it's going to be, especially energy."

- Female 45-54, NSW

It's no question Australians are living through an increasingly challenging cost of living landscape. Coming off the back of the pandemic, the current cost of living crisis feels like another blow Australian households are struggling to weather. The relentless surge in prices, from groceries, to fuel, energy and interest rates affects homeowners and renters alike.

The despair of seeing home ownership slip further away for many younger Australians, added to the fear of unaffordable rents, exacerbates the strain on families, seniors, and single person households.

According the Australian Bureau of Statistics (ABS),* Australians are living through the highest costs of living in three decades - since 1987 in fact, which was the last time inflation peaked at 9.3%.

The last Bill Stress Index looked at specific cost pressures on households in May 2023. The six month variation paints an interesting - and concerning - picture. The stress is getting worse even if we're in a slightly better place financially than six months ago.

Bill Stress November 2023 vs May 2023

3.1 Who's paying for what?

Outside of the expected - the majority of us paying for utilities and general insurance, and a little over half the population holding health insurance - one major trend is a sharp increase of over 30% in the number of new credit cards taken out, especially among the over 45s. While there's been a drop in the number of people using credit cards to pay bills, it still suggests that we're heavily using plastic to manage our household expenses.

Related to this, is the flatness of the percent of households paying for 'other loans' (including BNPL) and while 18-24 year olds have decreased their use of these facilities, there's been a sharp rise in use of payment laybys among 35-44 year olds. This demographic tends towards young or growing families, a group that's finding living costs particularly challenging at the moment.

It's worth noting the 15% drop in respondents paying for life cover - indicating this is a cost many have had to give up in the past six months. Likewise, the drop in 18-24 year olds taking out their own health cover.

There's been a sharp drop in households with car loans, particularly among women and Australians over 55 years old, indicating a move towards debt consolidation, or simply households downsizing from being a two car family, to making do with one.

Signs that households across the country are cutting down, and cutting back include a 10% increase in the number of renters under 45 years. The largest increase is in the 25-34 year age group. Finally, this Index marked the first time we've asked about childcare or school fees as an expense, with 23% of those surveyed paying for this expense.

3.2 What we're spending on bills

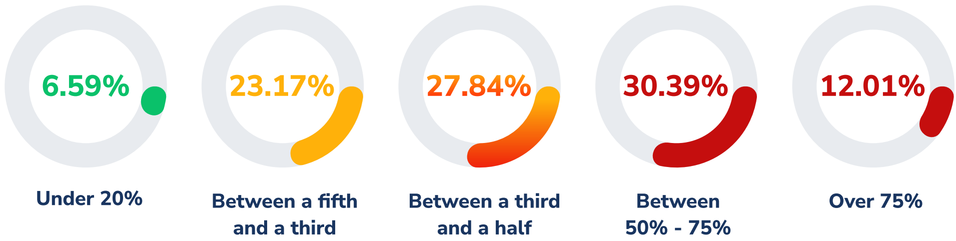
Broadly speaking, anxiety around housing has skyrocketed among both homeowners and renters over the past six months, even as other answers indicate greater resilience financially, with plenty of manoeuvres to get on top of bills since May.

It's no surprise to see stress over mortgages and utilities increase, which we'll touch on in more detail in the next section. Interest rate rises, along with increases in general insurance premiums and energy bills, are eating up more of the household budget than ever before.

Since May, there's been a 35% increase in the percent of households spending above 50% of their income on bills. Every age demographic saw an increase in the percent of households paying over 50% of their income towards bills - with the biggest jump (47%) among 25-34 year olds.

There's also been a worrying increase in the percent of households paying over 75% of their income towards their bills. The levels of financial stress are rising quickly, especially among parents. Households with children are using 75% or more of their income to keep their bills in check.

How much of our wages are going on household bills?

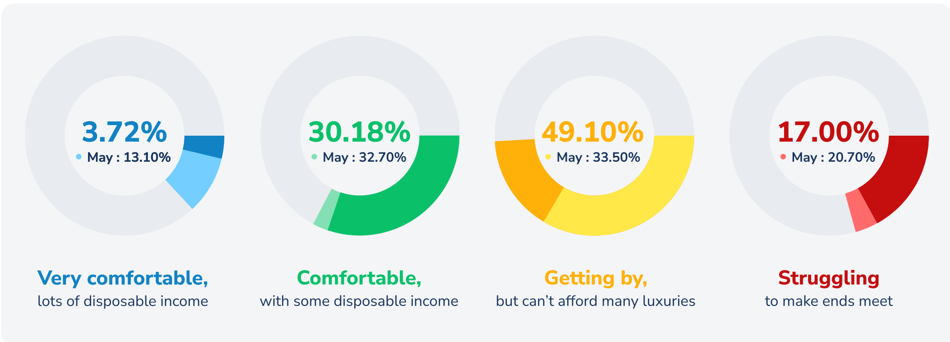


Just over 2 in 5 respondents indicated that bills swallow upwards of 50% of their income, while there's been a sharp decline (around 40%) in households spending less than 35% on living costs. That doesn't leave a lot to spare for emergencies - this is brone out by a recent report from NAB that suggests people get into financial difficulties largely due to a lack of emergency funds.

In the $75-$124K income bracket, the percent of households spending over half their income towards household bills has shot up a whopping 125% since May. In terms of shocks to the household budget, SA is the state showing the biggest rise (nearly 53%) in the percent of households using 50-75% of their income on bills alone.

Some positive news among the 18-24 year olds: There's been a decrease in the number of young respondents spending more than 75% of their income on basics - indicating they're getting on top of their finances. This seems to be supported by the over 60% of young people who've opted to cut back on discretionary spending, and create a budget.

How much disposable income do households have?



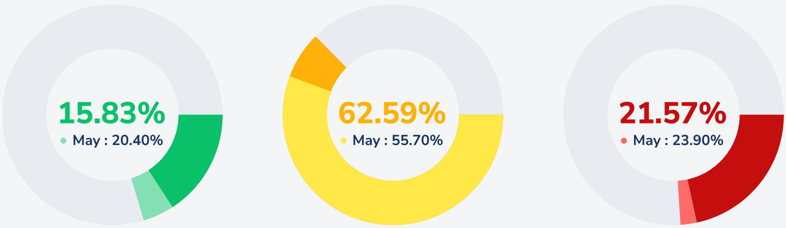
3.3 How we feel about our finances right now

Almost 50% respondents indicate they're 'getting by' at the moment, which is an increase of over 45% over the last six months. Not surprisingly, there's been a decline of over 70% in households that consider themselves 'very comfortable' with plenty of disposable income to spare - even among those in the over 55 year old demographic.

For households earning over $200K, a 50% decline in respondents feeling secure in their income level over the past six months, is also telling. At the other end of the spectrum, households earning $30-$44K indicate an 81% decline in feeling 'very comfortable, with lots of disposable income', and a corresponding 65% rise in 'getting by' without affording many luxuries.

One of the most concerning trends occurs in Queensland, with a 10% rise in the number of households struggling to make ends meet. Victoria had the largest six month increase (58%) in households just getting by, but there's no doubt this has increased across the nation. Overall, households are hurting, with too little wiggle room in the budget.

How confident are people in their ability to pay household bills



Confident, I can manage my bills without stress

Somewhat confident, I can manage my bills, but it's stressful at times

Not confident, I struggle to manage my bills and it's causing me stress

3.4 Are we coping with bill stress?

Over 50% of respondents aged 18-54 years have paid a bill late in the past six months, though more people overall are paying bills on time, apart from younger households (i.e. 25-34 years), where there's been a 9.5% uptick in late payments. While this demographic may have greater flexibility in their household budgets, they also tend to have less income with which to budget.

Unsurprisingly, there's been a rise of over 12% in stress around paying bills, but an overall decline in 'struggling to manage my bills'. This ties into the RBA's narrative that Australians are 'coping' - but fear of late fees and interest charges is a far cry from paying bills in a low-stress environment.

This change stands out starkly for parents, who report a 28% decrease in their confidence to pay their bills. Even the confidence of households without children is down 11% since six months ago. Middle income earners ($75-$124K) are feeling the most bill stress, with almost 17% not feeling confident in their ability to pay their bills at all.

The more you earn though, the more you spend as well which shows up in a 10% decrease in bill paying confidence among households earning over $200K. Confidence around paying bills seems to have worsened in WA specifically, where they've seen some of the most volatile property fluctuations, and growing job insecurity over the past six months. There's been an 11% increase in people struggling to pay bills on the west coast.

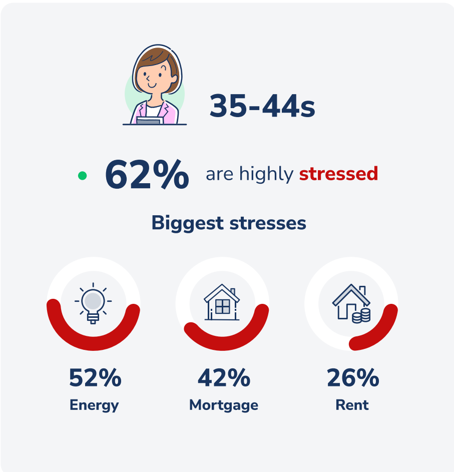
The biggest drop in confidence across the states however, comes from Queensland, where there's been a fall of over 37% in those feeling very confident in paying their household bills easily, without stress. This is echoed in Victoria, with their confidence in paying up falling by over 30% across the past six months.

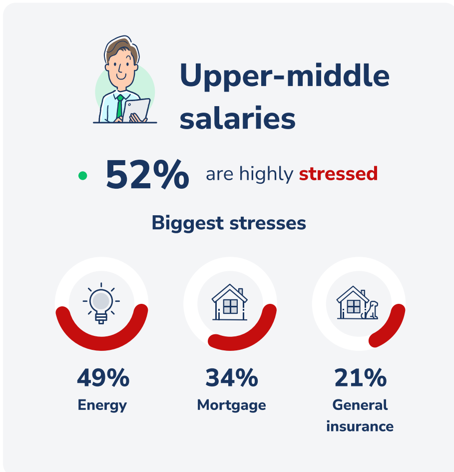
Generally speaking, there's been a decrease of over 20% in our confidence to pay bills, with a corresponding 12% rise in bill stress overall. The key takeout: Essential living costs are stressing barely-coping Australian households to breaking point.

3.5 The squeezed middle: those who are really struggling

While there's obviously an overall rise in bill stress, albeit with coping strategies in place, two demographics stand out as doing it particularly tough - and it's not necessarily the ones you'd expect.

Just under 20% of middle income earners ($75-$124K) reported feeling daily stress around bills and their ability to manage their household expenses. This is a 58% increase in the past six months, among the group most likely to include growing families as well.





Anxiety around housing has shot up for this demographic, with 42% concerned about meeting mortgage repayments (up 15% from six months ago) - and a whopping 116% rise in stress about paying the rent. Again, it's families worrying the most about keeping a roof over their - and presumably their kids' - heads.

While many households stressing over accommodation costs earn in the middle income bracket, it's clear this may no longer be enough, with the rise in general insurance costs and energy bills as well. Let's not forget that broadband bills are now considered an 'essential expense' - especially by the school system. It's telling that 52% of 35-44 year olds report utility bills as a point of concern. Again, this statistic has risen in the past six months - by 166%.

Around a quarter of these respondents reported experiencing 'daily anxiety' over bills - a rise of nearly 60% in the past six months. The percentage of middle income earners 'struggling to make ends meet' is also up from six months ago.

Around 75% of middle Australia is cutting back on non-essential spending, which is a rise of 16%, but they've not managed to take a closer look at some of their bigger bills and ways to save there. This demographic tends to be the most time-poor, especially if they have kids, which may account for the dire need to address better value utilities, insurances and loan products - but the increase of 26% in respondents who have not tackled these household budget items yet.

The RBA Governor's blithe statement that a "Those who are coming off very low fixed-rate mortgages are managing quite well. All the indications from the banks and all we hear from the banks is these households are doing fine" seems - at the very least - out-dated.

The financial buffers middle income households managed to corral during the pandemic appear to be thinning rapidly. In addition, this research indicates that the resilience of middle Australian mortgage holders isn't 'success' so much as 'grin and bear it' sheer Aussie determination. Most households have stretched as far as they can.

3.3 Expert Analysis: Serviceability issues rise alongside interest rates

Anxiety around home loans has gone up. That's not a surprise, as the effect of consecutive RBA cash rate rises in 2023 really kicks in hard. Yet, the number of mortgage holders who have refinanced in the past year has decreased. This isn't as counter-intuitive as it seems.

With interest rates at a decade-long high, loan serviceability is a challenge for mortgage holders right now. So those who can refinance, have done so. And those who can't, are firmly locked in their mortgage prison.

Mortgage holders locked into a high interest rate, who aren't able to refinance with another lender due to tighter lending criteria, are in a difficult financial space at the moment. Refinancing a home loan isn't just about the ability to repay the loan. The bank also looks at the property value, and the Loan to Value Ratio (LVR). A change in property valuations affects how much banks will lend - which, in turn, affects house prices.

While property prices have made a comeback in the past six months, they're still not at the levels reached during the buying frenzy of 2019/2020. The historically low interest rates experienced during the pandemic encouraged larger mortgages than usual, pushing house prices to record levels.

Higher house prices mean higher mortgages for those who bought new homes during the period of low interest rates. These borrowers now face tightened lending criteria when they try to refinance. Unless their property is worth a great deal more than their mortgage (unlikely only 2-3 years into a home loan), their options are few.

The sudden, shocking jolt to higher repayments once their low rates expire places these households (many of them growing families) under immense strain. Unlike most other demographics, there's less flex in household budgets when you've got kids growing out of clothes, needing braces, and school supplies such as expensive laptops.

November's research shows that mortgage holders are far more likely than the average household to be paying for health insurance, credit cards, childcare or school fees, and life insurance. No wonder homeowners are stressed.

These increased living costs would be less of an issue for middle income earners if they weren't putting 50-75% of their income towards their mortgage and utility bills out of necessity. These are some of the biggest factors creating a challenging environment for Australian mortgage holders, and especially families, right now.

Anton Stevenson
Head of Home Loans, Compare Club

04

Bill Stress:

What gives us the most anxiety?

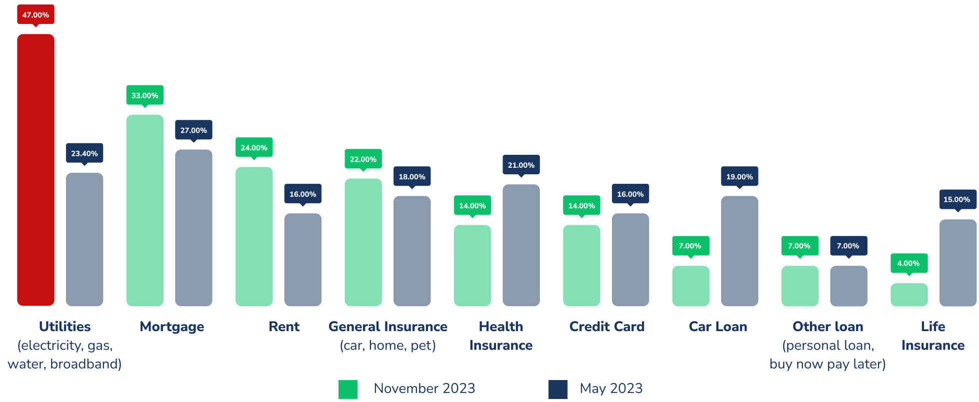
"I have not been able to save any money, it all goes to food, bills and petrol. I have cut back on so much like heating and gas but the bills are still so high."

- Female, 35-44, VIC

Two trends jump out when we look at Bill Stress over the past six months, and they're all linked to essential bills around housing and utilities.

It's no surprise to see the rising anxiety around meeting mortgages and paying rent. One in 3 Australians now feels anxious about their mortgage; up from just over 1 in 4 in May. But that doesn't tell the whole story, as not everybody has a mortgage. Once we look at the stressors for mortgages only, over 4 in 5 mortgage payers say this is a stressful expense and over 70% name their home loan as their most stressful bill. This is spread across all demographics.

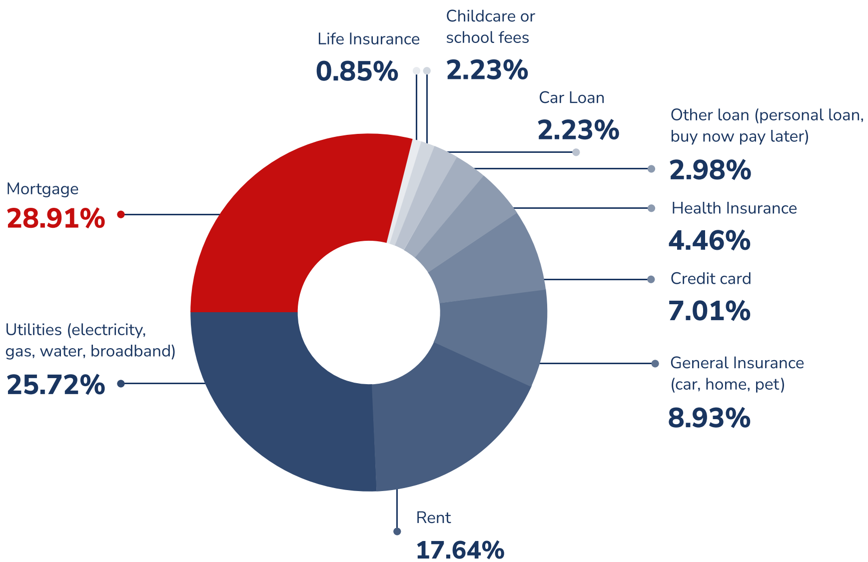
Which bills causes anxiety



The knock-on effect on rent rises, due to supply and demand issues and some buy-to-let landlords who overstretched themselves during the period of cheap credit, is similar; 63% of renters say this is a stress and 46% name it as their most stressful bill. Again, this is unsurprising.

As Anton Stevenson has already noted, there's a lot of serviceability issues for mortgage holders, while moving house to find cheaper rent is a challenge for lease holders. It's no surprise that nearly half of renters are seeing over 50% of their income go into bills, which is 17% higher than the national average.

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



4.1 The rise of energy stress

In May 2023's Bill Stress research, energy bills were high but price increases hadn't yet hit. We've since seen prices rise significantly since July, when the new reference prices kicked in. This has seen energy stress across Australia double from 23% naming it as a stressful bill in May, to 47% in November. When asked to pick the most stressful bill, mortgages still come out on top, with 29% of those surveyed naming it as the number one stress, but at 26%, utilities are not far behind.

What's more, all demographics - bar those earning over $200K, who are more stressed overall about mortgages - have high stress levels about their energy bills. Interestingly, the highest rise in stress around energy and other utility bills, comes from those groups who were relatively untroubled by these bills six months ago. Victorians have seen a 162% increase in people naming energy bills as a stressor, those with incomes between $75K to $124K and $125K to $200K have seen stress levels around energy bills rise by 183% and 266% respectively, while parents have seen a 169% increase. Combined with other stressors, this shows the high squeeze that energy has put on middle Australia's household budgets.

Finally, it's also worth noting that increases in general insurance premiums are also having an effect on stress levels. Car, home & pet insurance premiums are overtaking health cover and car loans as a major cause of bill stress for households.

4.2 Expert analysis: why we're all feeling negative about energy

Utilities, and especially energy, are one of those bills that people don't tend to notice until they arrive. That's when the stress really kicks in, especially after the summer and winter months when the heating or AC is being used more.

This time last year, the federal government was about to introduce their energy price cap, which had the effect of delaying bill stress until the end of the financial year. In July, for example, energy prices in NSW went up by around 29%, with some jumping even higher. You have to be seriously wealthy not to notice that impact.

But there is some good news, as households can make big savings right now. A higher reference price means that energy retailers have some flexibility with pricing - and with more flexibility comes more discounts. In Victoria, there have been offers that are $500 under the reference price, and regional NSW also has some strong offers. Wholesale spot prices are also currently very low, due to good weather conditions, which means that those retailers who lock in low wholesale prices today should have even more scope next year to offer new customer discounts.

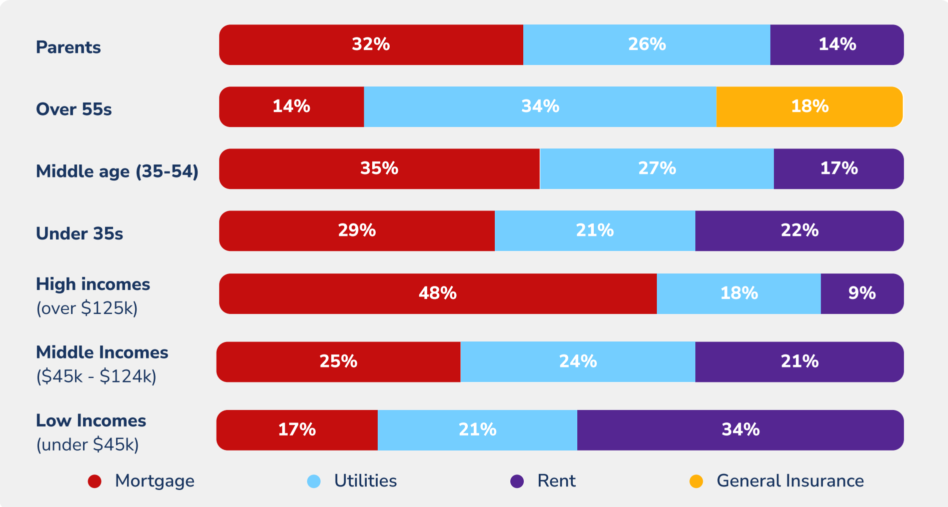
And while we're on the subject of the weather, this is why we're also seeing general insurance prices go up. Insurers have been hit with heavy losses over recent years due to more extreme weather. The cost of recovery from floods and fires has seen insurers get more cautious in their pricing, while trying to minimise their losses elsewhere. With extreme weather set to cause further strain on the grid and insurance premiums in future, Australia's transition to renewable energy can't come fast enough.

Paul Coughran,
GM Utilities & General Insurance, Compare Club

4.3 Demographic differences around Bill Stress

"With a good super, pension and no mortgage life is good." - Male, 55+, WA

Top three bills Australians fear the most by demographic



A deeper dive into the bill stress demographics reveals some telling differences. Over 55s are the least stressed and one of the very few demographics to have seen a rise in the number of respondents who say they rarely or never get stressed about bills, along with those earning over $200K and, strangely, Queenslanders. Given just 4.2% of over 55s surveyed hold a mortgage, this is unsurprising. But this older cohort are the only demographic who have recorded an increase in stress over health insurance.

At the other end of the stress scale, there's been a sharp rise in all age groups (between 25 up to 54 years) who say they stress about bills every day or every week. In contrast, under 25 year olds show similar levels of stress to six months ago and are slightly more optimistic that their financial stresses will get better over the next three months.

One big standout number, though, is the difference between what stressed us out six months ago compared to now. In May, all expenses that we asked about had stress levels of between 15% to 20%, with the exception of mortgages. In November, the gap between stressful and less stressful bills has widened. Just 4% of people name life insurance as a stress, down from 15% in May, while car loans have dropped in stress levels from 19% to 7%.

In contrast, mortgages, rent, utilities and general insurance premiums now all stand at over 20% for those surveyed, with over half of over 55s, 35-44s, low income households, and Victorians naming utilities as their major source of stress.

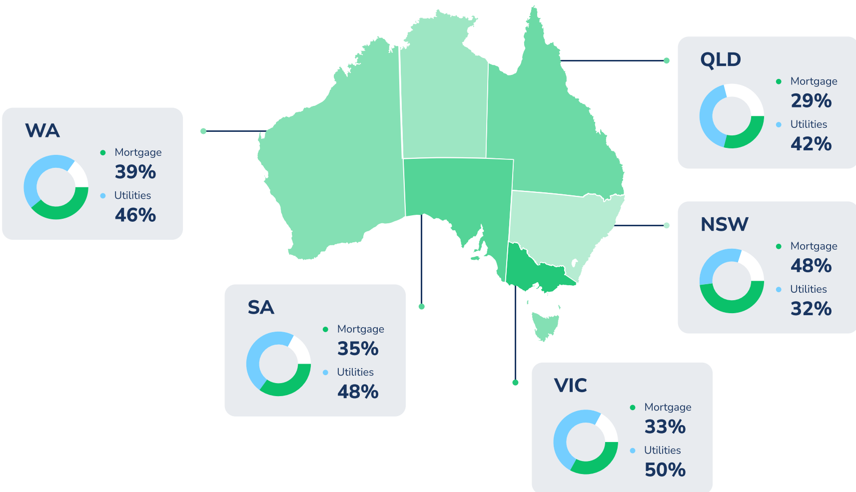
4.4 State by state stressors

In May, Victoria's main stress was mortgages; nothing else came close. In contrast, NSW was stressed about just about everything: Over 1 in 5 NSW residents named mortgages, utilities, car loans, health insurance, and car insurance as major stressors.

Today, Australia's two most populated states look quite similar: 1 in 3 residents of both states are stressed about their mortgage, both states have close to 50% of residents worried about utility bills, with Victoria a touch over and NSW a touch under. The cost of rent is stressful for 25% of both states. Both are less stressed about health insurance, although NSW's stress levels have fallen by 45% for this bill as opposed to a drop of 21% in Victoria, while NSW hasn't seen any significant decline in credit card stress.

Which bills cause stress across Australia

Respondents asked to tick all bills that gave them anxiety



Other notable findings:

- Queensland is a big outlier, with the highest number of any state saying they're struggling to make ends meet (20%) or worrying about a bill at least every week (46%); 17% of Queenslanders have over 75% of their income going towards bills.
- Queensland has the highest level of stress over personal loans and BNPL (12%), but the lowest amount of stress over utilities (41%).
- Western Australia and South Australia have higher than average levels of stress over their home loans. At 39%, WA has the highest number of anxious mortgage holders.
- SA has the lowest worries about credit. Only 8% of people in the state stress about credit cards and they're the least likely state to use credit to pay bills (37%).
- Victoria is, relatively speaking, the least stressed state about bills, although they still are slightly more likely to switch, cancel or reduce a service than NSW residents.

4.5 Bill Stress by Income

Differences between high and low earners across Australia paints some of the clearest pictures of where we're being squeezed financially, although caution should be taken when analysing those earning under $45K as there is a high degree of crossover with the 55+ demographic. As noted earlier, the $75-$124K income range is one of the most stressed in all of Australia.

Notable findings include:

- Mortgages are the number one stress for high earners; 45% of people earning over $125K named their home loan as the most stressful financial product they hold.
- This high earning group has also seen a significant decline in the number of people who paid a bill late - down to 31% from 55% in May.
- Just 33% of people earning over $200K named utilities as a stress, the lowest of any demographic.
- Those earning $75K are more stressed about all bills, bar health and life insurance, and car loans, since May, with credit cards and other loans both jumping significantly as a cause of stress.
- 52% of those earning $75-$124K are very or extremely stressed about bills, with a 58% increase in those who 'worry about bills every' day, since May. Only 35-44 year olds score higher. They're also one of the most pessimistic groups about their financial situation improving.
- Utilities and rent top the stress charts for all groups earning under $75K, with general insurance the second highest anxiety inducer for people earning $30K to $45K.

4.6 Expert Analysis: proactive health switching pays off

Health insurance is one of the easiest expenses to save money on and it looks like that message has been heard loud and clear this year, with health cover becoming less of an overall stress, with the exception of the over 55s, whose premiums remain high.

It's also understandable that fewer Australians have switched health cover in the past six months. Peak switching season runs between March, when a lot of people look to beat the annual rate rise, and the end of financial year, when health cover is on a lot of people's minds.

However, we shouldn't be lulled into a false sense of security here. Yes, the 2.9% average premium increase this year looks positively reasonable compared to price hikes in energy and general insurance, but we still saw some people whose premiums had gone up by over 10% - and the industry is already making noises that we'll have to see a bigger premium increase in 2024 to keep up with inflation in medical costs.

We can also see that fewer people are cancelling their health insurance in this Bill Stress period, but there's still a large amount of people reducing their level of cover. In some cases, they'll have switched from expensive Gold cover to a more suitable lower tier, but we can also see from industry data that there's a trend towards dropping down to a Basic level of hospital cover.

Yes, that'll save you money and help you avoid the Medicare Levy Surcharge, but these policies are largely junk. It's worth consumers shopping around, as there are some great value Bronze covers that cost only a few dollars more per month, and include a lot of common procedures like gynaecology, dental surgery, and even chemotherapy. Value rather than savings should be the watchword in 2024.

Andrew Davis
Co-CEOs, Compare Club

4.7 Financial stressors for parents

Six months ago, parents and non-parents alike were reporting similar levels of stress over the finances. Today, the majority of non-parents score a 3 out of 5 on the Bill Stress scale, with a sharp decline in those describing themselves as extremely stressed, one of the few demographics to record this. In contrast, 49% of parents sit at the higher end of the stress scale, with 22% rating themselves as extremely stressed about their finances.

Interestingly, the type of bills both cohorts are stressed about don't differ wildly, with the exception of the 9.4% of parents who stress about childcare or school fees. Parents are more stressed about their mortgage than non-parents, but have also seen car loans become a lot less stressful, with a drop in stress levels from 24% to 7% in six months (in contrast, non-parents are flat at 8% across both surveys).

Back in May, 14% of parents said they were very comfortable with lots of disposable income. That's now dropped to just 3% of respondents. Both cohorts now say they don't have much in the way of disposable income but more parents (20%) are struggling to make ends meet than non-parents (13%). And looking ahead, 36% of parents say they expect to be more stressed about their bills in the future, compared to 29% of non-parents.

05

Switching and coping:

Households tactics to tackle the cost of living

"The living cost crisis is mainly caused by increasing mortgage or rent payments. Since the salary of most people does not increase, you have to pay more for the mortgage or rent and there is less money that can be used to buy food, pay utilities, healthcare, school fees."

- Male, 35-44, NSW

In May, the overall trend that came through from our Bill Stress report on actions taken by households was a little chaotic. People were stressed, they weren't sure what pressures were coming later in 2023 and there was a lot of difference in how various demographics were tackling their bills.

Fast forward six months and there's a consistent story of action being taken on bills coming from all parts of Australia.

Perhaps the biggest indicator is that fewer people have paid a bill late due to lack of finances compared to six months ago. It's now 46% who have paid late versus 54% who've paid on time: a symmetrical reversal from May's results.

There are outliers - 58% of the 25-34 age bracket are late payers, up by 10% from May. But the picture that largely emerges is of households taking action and grimly battening down the hatches for whatever 2024 has in store.

How we're using credit solutions to pay bills

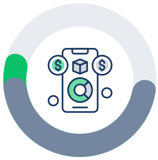
71.63%

• **May : 59.30%**

Cutting back on non-essential spending

★ **82%** Most likely: Earning $75k - $124k

☆ **57%** Least likely: Earning over $200k



56.32%

• **May : 50.60%**

Creating a budget

★ **69%** Most likely: 25-34 year olds

☆ **44%** Least likely: Over 55s

12.33%

• **May : 31.80%**

Seeking financial advice

★ **25%** Most likely: 18-24 year-olds

☆ **5%** Least likely: Over 55s

31.35%

• **May : 59.30%**

Using a payment plan or payment extension

★ **40%** Most likely: Earning $75k - $124k

☆ **19%** Least likely: Over 55s

21.47%

• **May : 59.30%**

Switching lenders, insurers, or utility companies

★ **30%** Most likely: Earning over $200k

☆ **14%** Least likely: Earning under $30k

6.80%

• **May : 5.70%**

None of the above

★ **15%** Most likely: Over 55s

☆ **3%** Least likely: 18-24s

5.1 Tactics employed to save money

Households were already cutting back on non-essential spending in May (59%) but that tactic has accelerated over the past six months with 71% of people surveyed now saying they'd pulled back their spending habits in order to afford bills. This rises as high as 4 in 5 people earning between $75K and $124K.

Budgeting has grown in popularity, especially amongst under 35s and those without children, suggesting that their older counterparts and parents were hit with financial pressures earlier, while payment plans have declined as a solution, except for middle earners ($45K-$125K) and Queensland residents, perhaps reflecting the particular challenges this state is reporting.

Interestingly, we're all much less inclined to seek out financial advice than six months ago or switch insurers or other providers. There is one major exception here: ultra high earners have bucked the trend and become more inclined to switch in the past six months (up by 21%). Given they were one of the least likely demographics to shop around six months ago, this suggests that the cost of living challenges have also made their way higher up the chain.

Overall, there's been a substantial drop in people using credit solutions to pay bills, with the use of personal loans substantially declining. This is a rare piece of good news and supports the overall theme of this report: we've spent the past year getting our finances into a state where we can cope.

That's also borne out by a 68% reduction in the number of people cancelling their insurance or forced to sell their property or vehicle since May, indicating that those who needed to take major financial decisions have already done so.

5.2 Expert Analysis: We've all become financial planners

Back in May, you could see the stress jump out from the research. Everybody was stressed about everything, especially parents and mortgage holders, who were paying for almost every bill imaginable. And while the mix of products hasn't changed, the approach to them has. Take life insurance, for example. Premiums aren't cheap, and yet it's now an expense that is far less stressful than six months ago.

I suspect this is due to value. Back in May, 13% of respondents said they'd cancelled their life cover and a quarter of those surveyed had reduced their premiums. Today, that's dropped into single digits for both cancellations and reductions, while stress is also down. That backs up what I've heard from my clients. Those who hold life insurance see it offering real value and it's more a case of applying the same rigour to reviewing their life cover same way they'd approach the annual car insurance renewal.

That rigour is also applied to debts. It's very encouraging to see a reduction in the number of people using loans, BNPL and other borrowed money to pay for essential services. Even so, there's been a reduction in Australians seeking out financial advice. Again, I suspect this is due to cost, but there are alternatives (I'd be remiss to point out Compare Club is one such free model). It's somewhat of an irony that at a time where good financial advice is needed more than ever, people are having to make decisions on their own.

Lisa Varker
Financial Advisor, Compare Club

5.3 What we've switched, cancelled or reduced

There are still around half a million low rate mortgages to roll on to the higher variable rates, but refinancing in a tightened credit climate is no longer as simple as it sounded back when the former RBA Governor assured these mortgage holders that rates wouldn't get to - well, where they are (i.e. high), when they are (i.e. before 2024).

The fact that there's been a 13% rise in mortgage holders who have made no changes to their home loan in the past six months - at a time when borrowers were slugged with thirteen interest rate increases across eighteen months - suggests that those who could refinance did so over six months ago, and those who haven't refinanced simply can't.

There's also been a rather obvious shift away from general insurances, with over 13% of households either reducing or cancelling their health cover. Worryingly, 8% of parenting households opted to cancel, which is an upward trend.

Other areas of cost cutting include broadband and credit cards, particularly among the 35-44 year olds, where 27.5% indicated they'd reduced general insurance coverage as well. Of the 18-24 year olds, 24% cut back their use of credit cards.

State-wise, WA respondents showed the largest drop (over 31%) in spending on general insurances, while 22% of Queensland respondents indicated they were cutting back on broadband costs. They also had the highest percentage of credit card cancellations, at over 5%.

5.4 Proactive people: why we've already been taking steps to manage

Switching providers is one of the fastest ways to save on insurances and home loans, and it's great to see some Australian households are grabbing these savings with both hands. There's been a broad uptick (over 10%) in switching general insurance providers for a range of products, indicating respondents are actively seeking better value from their car, home and pet cover. The oldest (55+ years) and the youngest (18-24 years) demographics both showed they were 55% more likely to seek out better value now than they were six months ago.

Queensland remains the only state with a higher number of mortgage switchers now, than six months ago, which may be related to their recent rise in property values, making refinancing easier for sunshine state-dwellers than it was six months ago.

A whopping 41% of respondents indicated they'd switched utilities providers in the past six months, representing a 108% increase since May. The largest increase in switchers (171%) hail from Victoria and WA (151%), where some of the biggest energy and broadband price hikes have stretched household budgets extremely tight.

As Anton Stevenson already noted above, there's been an overall decrease in home loan switchers across the past six months - and this may well be due to an inability for mortgage holders to refinance existing loans, especially with so little flex remaining in the budgets of Australian households.

That said, it's encouraging to see Australians are improving their finances where they can, and that switching seems to be making a difference. The more proactively Australians tackle these record-high living costs, the better they can weather the circumstances.

5.5 Expert Analysis: Coping strategies ahead of a tough 2024

Sometimes good research tells us what's obvious. Sometimes it makes us reassess the bigger picture in a different light. To me, this Bill Stress Index does both, especially when you pull together the strands. To me, the overall narrative is that we've spent the last six months getting ready. In May, the number of people using credit cards, BNPL, or even borrowing money from friends or family was worryingly high, so seeing double the amount of respondents saying they've not used credit for bills is a welcome piece of data.

Overall, the Aussie spirit of resilience is very much alive and well when it comes to our finances. In May, we were reeling, but by November, many households have proactively tackled the big expenses and have taken steps to cut back anything and everything. While nobody expects 2024 to be easy financially, the current Bill Stress Index suggests that when a bill becomes a problem, people take action, hence energy and general insurance still seeing strong levels of switching.

It's no surprise to see a lot more people reviewed their expenses in March (prior to the annual health insurance increase), end of financial year (i.e., in July), and if the Reserve Bank moves again on interest rates, this December. We've seen a lot more activity than normal in November, and it's no coincidence, given that the cash rate went up again after a few months on hold.

I'll finish with two big questions that don't have easy answers. What happens when the seriously squeezed segments can't take any more financially? And for those who can cope, what will this do to their mental health if we see the same results in November's 2024 Bill Stress Index?

Lance Goodman,
co-CEO Compare Club

06

Methodology

Nationally representative sample of Australians, Pollfish, November 2023

Demographic	%	n-value
Gender:		
Male	45%	450
Female	55%	550
Age:		
18-24	20%	200
25-34	20%	200
35-44	20%	200
45-54	20%	200
55+	20%	200
State / Territory:		
ACT	2%	19
NSW	29%	287
Northern Territory	0.5%	5
Queensland	24%	224
South Australia	8.5%	85
Victoria	26.5%	265
Western Australia	9%	91
Unknown State	0.4%	4

Demographic	%	n-value
Income Levels		
Under $15k	8.3%	83
Between $15k - $29k	10%	99
Between $30k - $44k	12%	122
Between $45k - $74k	19%	191
Between $75k - $124k	21%	208
Between $125k - $199k	15%	153
Over $200k	11%	113
Not disclosed	3%	31
Parents:		
No children	47%	474
1 child	19%	187
2 children	19%	194
3 children	8.5%	85
4 children	3.5%	35
5 children	1.4%	14
6 children	0.6%	6
Not disclosed	0.5%	5

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