Antipodean Advisory

Antipodean Private Pty Ltd
133 Alexander Street
Crows Nest NSW 2065
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com
Web: www.antipodeanadvisory.com

How important is money to your wellbeing?

Having more money should make us happier right? According to a number of different research reports, feeling good about life comes from a feeling of control over your finances, rather than how much money you have.

The wellbeing formula for Australians
After spending 15 years exploring what contributes most to the happiness of our population, Australian Unity published their *What Makes Us Happy? report* in 2015. Data from their annual surveys about different factors and lifestyle choices that can influence wellbeing have explored everything from how much sleep we get to where we live. The report compiles all these findings to arrive at a general formula for positive wellbeing outcomes.

The 'Golden triangle of happiness' is supported by three essential pillars for life satisfaction and wellbeing: Relationships, Financial Control and A Sense of Purpose. According to the report, if we have these things, happiness is the natural result, regardless of other circumstantial factors such as age, income and health status.

How much is enough?
Looking more closely at what the report has to say about the financial control part of the formula, it seems that having more can lead to greater happiness. The rise in happiness from even a modest rise in income is certainly significant for people with less to start with. When your annual household income is between $15 – $30,000, an extra $18,750 in your budget can be expected to bump you up one point on the wellbeing index. But what price is an extra point if you're already enjoying a household income of $150 – $200,000? If you're in this bracket, your income will need to rise $147,000 to take you just one step up on the wellbeing index. That's an increase of close to 100% in your household budget.

So being a whole lot better off financially, doesn't always bring an equivalent boost to wellbeing. As the report suggests "*the power of money to affect wellbeing lies in its capacity to alleviate stress and create an environment for happiness. Accordingly, people can achieve normal levels of wellbeing even with low income, so long as they feel in control of how they spend it.*"

What makes us feel well financially?
In their 2018 survey of Financial Wellbeing in Australian adults, ANZ and their research partners at RMIT University and University of Bristol, have placed their focus firmly on this concept of how being in control of our finances can bring benefits. The team set out to come up with a financial wellbeing score for survey respondents, based on three aspects of personal money management:

Ability to meet financial commitments such as bills and loan payments. Feeling comfortable with the current and future financial situation and whether they have the money necessary to enjoy life. Resilience for the future and ability to cope with a significant unexpected expense or fall in income. Taking into account indicators for all these components, the average wellbeing score for all Australians in the survey was 59 out of a possible 100. For men and women, scores are slightly different, with an

Antipodean Private Pty Ltd
133 Alexander Street
Crows Nest NSW 2065
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com
Web: www.antipodeanadvisory.com

average of 61 for men and 57 for women. Scores were higher for those living in their own home mortgage-free (74) and for people whose parents had advised them on money matters when they were growing up (67). On the other hand, scores plummet for survey respondents with less than $1,000 in savings (34).

While socioeconomic factors probably have the biggest impact on changes in each person's score – up to a 30% difference according to findings – conclusions about income and financial wellbeing from the report are in line with those from the Australian Unity Wellbeing Index. *"While income was found to be an important influence, the survey showed that people could have relatively high levels of financial wellbeing without necessarily having particularly high incomes."*

Budgeting behaviours can boost financial wellbeing
It's not just your circumstances that influence financial wellbeing. There are two significant money behaviours identified by the ANZ report as being key to better financial wellbeing and it's all about sticking to a budget:

1. Active saving
People in the habit of saving can expect to have financial wellbeing scores 32 to 34 points above those who don't actively save, depending on their income level.

2. Not borrowing for everyday expenses
When it takes personal borrowing to make ends meet, financial wellbeing takes a nosedive. Scores can be between 25 and 33 points lower for those getting into debt to fund day-to-day expenses.

Built-in protection for the future
A surprising omission from the ANZ survey findings is whether having personal insurance can boost financial wellbeing scores. Given that one of the three areas of financial wellbeing in the report relates to being prepared for an unforeseen loss of income or a large one-off expense, you might expect that having life, TPD or income protection insurance arrangements would lift financial wellbeing scores.
If you're feeling out of control with your finances, it's worth taking a deep breath and some simple steps towards taking charge of your money, no matter how busy life seems. Acknowledging that you could be doing better with your finances is the very first step towards peace of mind about money and your future financial wellbeing.

Source: Money & Life 2018