

State of the Nation Report

OCTOBER 2019



credit simple



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Aussie credit scores

65% of
Australians don't
know **WHAT THEIR
CREDIT SCORE IS**



50% of
Australians don't know
**WHAT IMPACTS
their credit score**

The gender age gap

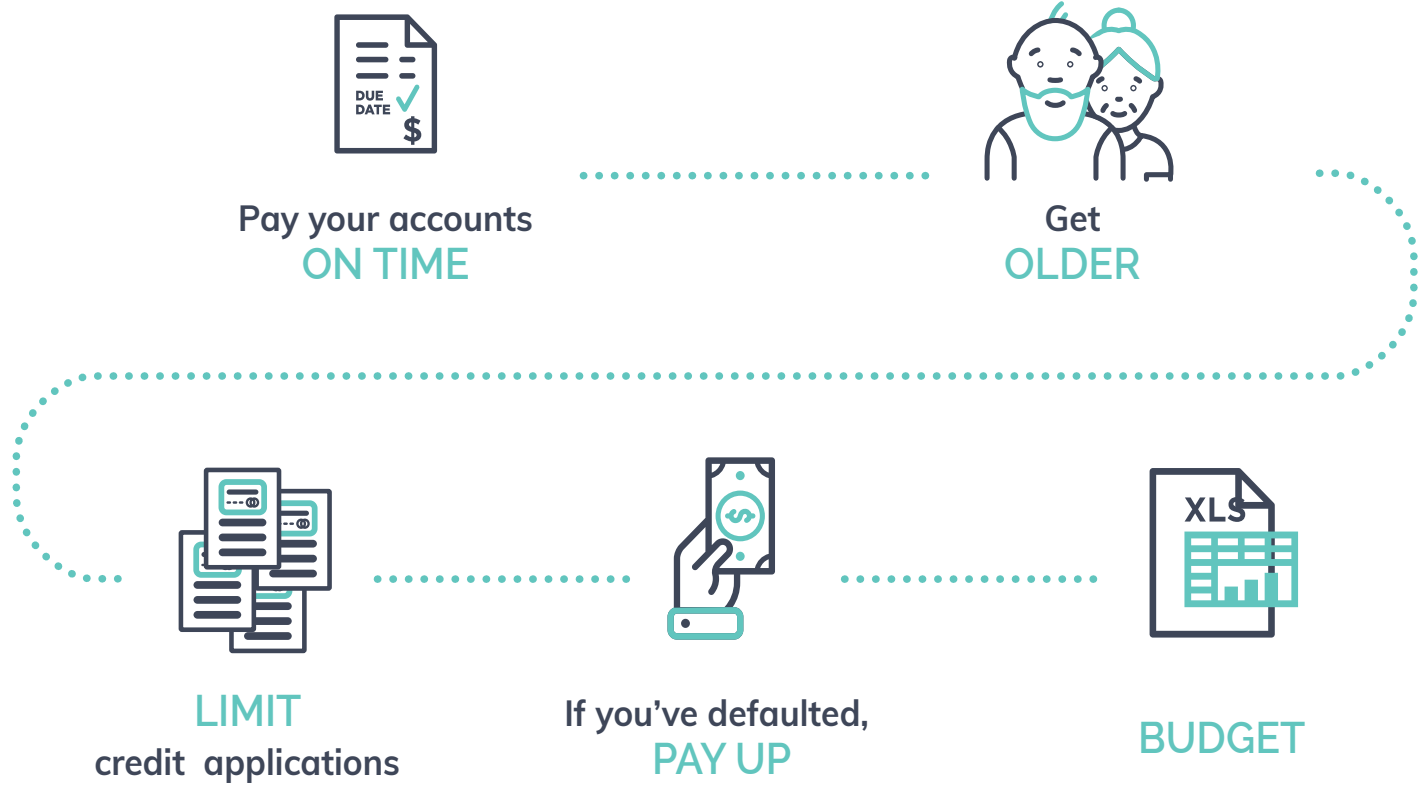
THE DIFFERENCE in credit scores
between **MEN** and **WOMEN**
is **GREATEST** between the
ages of **25** to **44**



What your score means



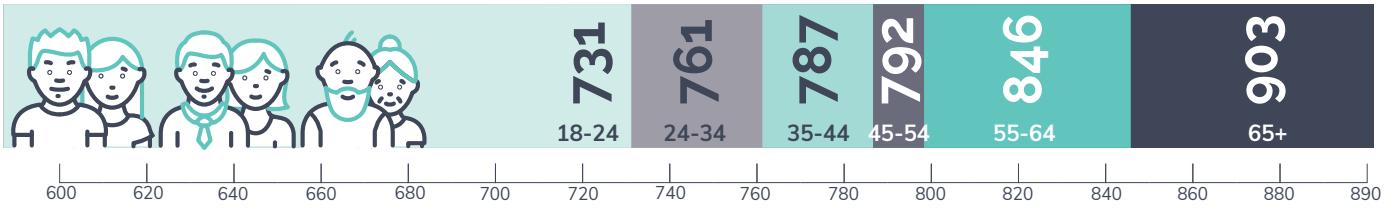
5 Ways to get Financially Fit



Confidence VS Competence



Getting older = Better credit score



Rural vs City

 NT	RURAL 745 749	CITY 760 770	RURAL 764 773	CITY 759 775	 QLD
 WA	RURAL 771 778	CITY 778 802	RURAL 781 786	CITY 782 806	 NSW



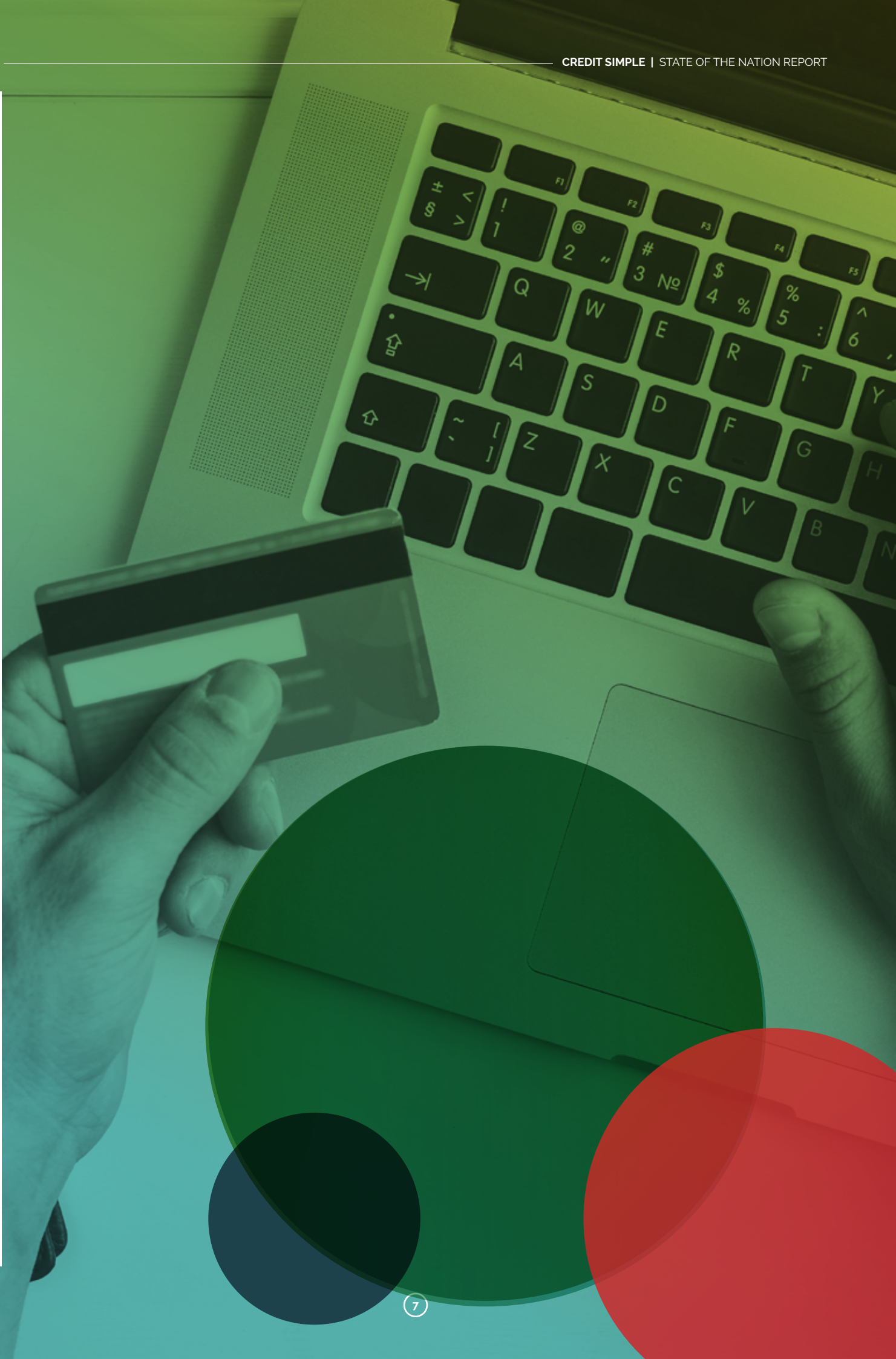
 SA	RURAL 787 789	CITY 789 805	RURAL 815 837	CITY 815 837	 ACT
 TAS	RURAL 812 815	CITY 812 821	RURAL 790 798	CITY 781 808	 VIC

National Winners

FEMALE
Highest Average
Credit Score:
ACT= **837**



MALE Best
performing states
SA= **903**
NT= **887**



Executive Summary

Welcome to the inaugural Credit Simple State of the Nation Report.

This report provides an annual snapshot of Australians' financial attitudes. By analysing credit scores by age, location and gender, plus survey information, we're able to determine how financially fit we are as a country, who is doing well, and which groups can do better.

Our research shows a big gap between where we are financially, and where we think we should be. It reveals that only 27% of Aussies feel completely in control of their finances, with just over half of us saying we feel we've got our money situation 'somewhat under control'. If only 27% feel in control of our money imagine how that affects the rest of our lives.

Credit scores are important because they directly impact whether you'll be successful in applying for a home loan, credit card, mobile phone or energy plan. They can also have an impact on the rates you'll pay.

The report then compares the reality of our credit scores against our perception of them. The findings may be surprising, as they expose a few of the unconscious biases we have in regard to personal finance (well, at least in our office!)

Using this year's report as a starting point, we can then track our progress year-on-year.

Why do credit scores matter?



David Scognamiglio
– CEO, Credit Simple

The State of the Nation Report gives key findings on:

- **Gender.** Women seem to be better financial managers than men, with higher credit scores in almost every city and region in Australia, bar one (stay tuned). This is despite the gender pay gap and despite men being more confident money managers.
- **Age.** If you're a Millennial, you have some way to go before catching the Boomers - Baby Boomers are more financially savvy than other groups. Hey young 'uns, since you told us you want to be better budgeters, let's see this reflected in your credit scores next year!
- **Top scores.** Are public servants the best money managers in the country? They make up 42% of the ACT workforce, and the data seems to suggest it. On average, Canberrans have the highest credit scores in Australia, even though 91% of them say they'd like to be better at it.
- **Top states.** Generally speaking, the further south you go, the higher the credit scores go. The Australian Capital Territory, Tasmania and Victoria are the standout performers, with Queensland, the Northern Territory and Western Australia trailing the national average.
- **Biggest difference.** Of all major cities, the widest gap in credit scores between women and men occurs in Melbourne, where women outperform men by a whopping 27 points.

Overall, we can guarantee that this is not your average report. Brace yourself for some surprising truths illustrated in an unconventional way. Our aim is to teach you something you didn't know in a way that's fun to read and easy to understand, because we want to show you how to make your Credit... Simple.

**How do we
feel about
our money?**

How do we feel about our money?

Our research shows a big gap between where we are financially, and where we think we should be.

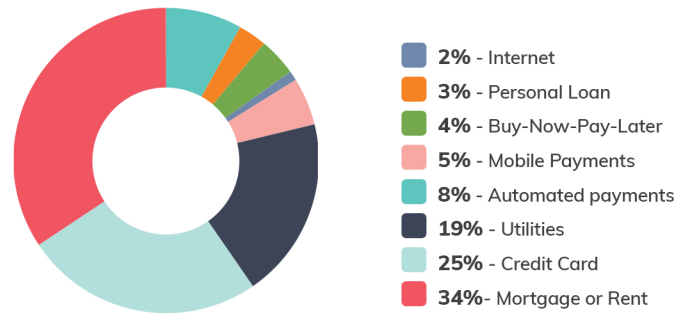
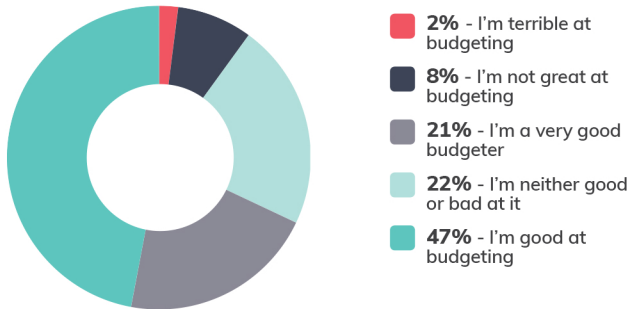
It reveals that only 27% of Aussies feel completely in control of their finances, with just over half of us saying we feel we've got our money situation 'somewhat under control'.

Even though only a third of us say we're not great at budgeting, a massive 79% of us are keen to improve our budgeting skills regardless of where they are right now, showing that making the most of our money is well and truly on our minds, and there's always room for improvement.

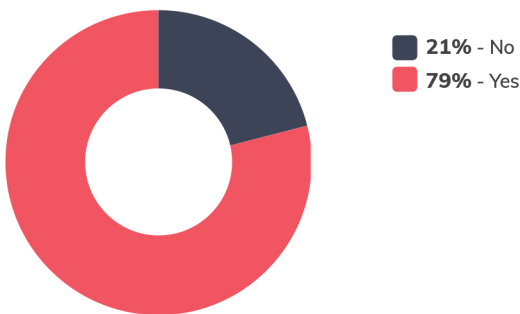
We're managing our banking online more than our money

More than anything, we're worried about making those regular payments on time - our mortgages, rent, credit cards and utilities.

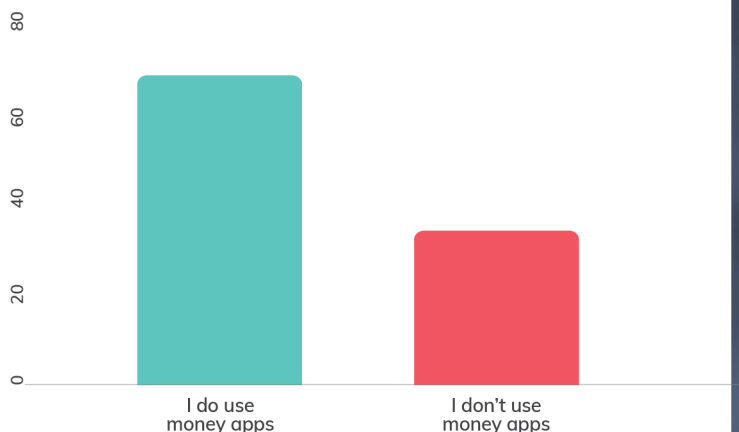
How do we feel about our money?



Would you like to be better at budgeting?



There's no question that most of us manage our money online, with almost 90% of us using a mobile banking app, 9% of us using browser-based online banking, and only 1.8% of us using no online banking at all.



We're worried about paying on time

Paying for things on time is a key area of focus for most Australian households, and it's important to pay things off on time if you can, as this improves your credit scores and can get you a better deal with lenders. Not paying on time has consequences, many late payments are now recorded on credit file under Comprehensive Credit Reporting.

Around a third of us are using a money app to track our spending, stick to a budget, sort out our taxes or pay for things. The main thing we like about money apps and online banking? They're easy to use.

Why credit scores matter

A whopping 65% of Australians don't know their credit scores and, of those who do, only 11% check it weekly.

At Credit Simple, we have one goal: to help Australians live a better financial life. But before we get into the nitty gritty, let's run through some basics about what a credit score actually is and what you can do to raise yours.

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What is a credit score and why does it matter?

In short, your credit score matters because it costs you money.

A credit score is a number between 0 and 1,000 that indicates how credit-worthy you are and how likely you are to pay your bills on time. Most credit scores are between 300 and 850. The higher the score, the more "credit-worthy" lenders consider you to be.

A good score is more than 500, so if your score is high, you should be able to get better offers from banks, telcos, insurance companies and utility companies.

A bad score can make companies reluctant to lend you money or approve you for a contract. Or they may approve you - but charge you higher interest rates for the favour. If your score is low, you should find out what's affecting it - for example, unpaid bills - and work to fix it, pronto.

A credit score is simply a reflection of your credit report, which is your full credit history. This includes the accounts and loans you currently have open, the accounts and loans you've applied for, your bill payment history and anything negative that has happened (late payments, defaults, court judgments, bankruptcies and so on).

Most Aussies have a credit history and a score to go with it, but if you've never applied for credit, chances are you don't have a history or score to your name. This is especially true if you're under 18 and haven't yet had your own credit card, utility account or similar.

What impacts your credit score?

Fifty per cent of Aussies don't know what impacts their credit scores, so we are here to fill everyone in.

You can end up with a bad result for many reasons, for example failing to pay your bills on time or applying for credit too often. You can even get stung if your partner defaults on a debt that's also in your name. This last point is known as Sexually Transmitted Debt (we're here all week).

On the flip side, your score can increase for many of the opposite reasons: you pay your bills on time, you have a healthy amount of debt and you don't apply for loans too often.

What can I do to get my score higher?

This all begs the question: what can the average Aussie do to increase their score? As always, we're here to help.

Here are some simple steps you can take to give your credit score a boost:

1. Sign up for Credit Simple. One of the simplest ways to increase your score is to look at your report and fix anything that looks wrong with it. Credit Simple lets you see your credit score and credit history for free, forever. If you see an unpaid bill you forgot about, pay it off. You can even question any negative marks you disagree with right there in the tool.

2. Pay your bills on time. Until relatively recently, only your 'bad' financial behaviour (like late payments) affected your credit score. But changes to the system now means both your good and bad behaviour is recorded. So make sure your accounts are in good standing and your score will reflect that. Lenders love it if you have a good track record of paying your bills on time.

3. Have birthdays. Evidence shows that with age comes financial responsibility. It's not sexy and there's nothing you can do to speed it up, but your score is likely to increase with each passing year - provided you don't do anything else to screw it up.

4. Don't apply for too many loans. Shopping around for a new credit card or home loan can save you money but applying for too many of them can actually lower your credit score. If you're constantly applying for small loans or have a lot of enquiries on your file within a short time period, then this will negatively impact your score since data indicates this type of behaviour can lead to default.

Remember: there's a difference between a credit enquiry and a credit access. You can access your credit history and credit score as many times as you want (such as with Credit Simple) and it won't affect your score.

5. Pay up if you've defaulted. A default will stay on your file for five years regardless of whether or not you pay it. However, paying it off will reduce the negative impact and make you look more responsible. Over time the negative impact of any defaults will diminish.

6. Start budgeting. Nearly 80% of Aussies would like to be better at budgeting, and that's after 68% think they're already pretty good at it. It's tempting to have champagne taste on a beer budget, but our advice is to try and stick with beer while you work on your credit score.

Visit creditsimple.com.au to see your credit score and credit information for free. You'll also find tools and tips to help you understand your credit score. Plus, you can access red-hot offers tailored just for you, based on your score.

To help understand your credit score – and explain why you got the score you did see [appendix 1](#).

So, now that we've covered the bases on what a credit score actually means and how it can be improved, let's see how Australians shape-up as a whole.

State-by-state comparison

Tassies do it best

We've crunched the numbers nationally and discovered that the further south you go, the better the average credit scores become. Is it a result of tree-changers heading to the slower-paced Apple Isle, perhaps? Nonetheless, Tassies boast an impressive average score of 821.

Now, here's where it gets particularly interesting... according to survey data, Tasmanians consider themselves to be the worst budgeters, with only 13% backing their own budgeting skills. That's despite them having the second-best credit scores of all Aussie states and territories.

A tale of two territories

Australia's two territories bookend the nation's credit scores, with the Australian Capital Territory topping the list as the best performer in Australia and the Northern Territory coming in last, (with average scores of 837 and 748 respectively).

Interestingly, while Canberrans are the best educated about what affects their credit score, an incredible 91% would like to be better at budgeting – reinforcing the notion that our nation's capital is full of frugal public servants eager to spend Australia's cash wisely.

The Victorian gender credit gap

A higher percentage of Victorians feel they are in control of their finances compared to any other state (32%). And it's the women of Victoria who are leading the charge.

The largest gap in credit scores between genders occurs in Victoria, with women outperforming men 808 to 871.

Maybe it's a metro thing

Taking a step back and looking at the country as a whole, women outperform men more in the cities than anywhere else, with a difference of 27 points between the genders in Melbourne and 24 points in Sydney.

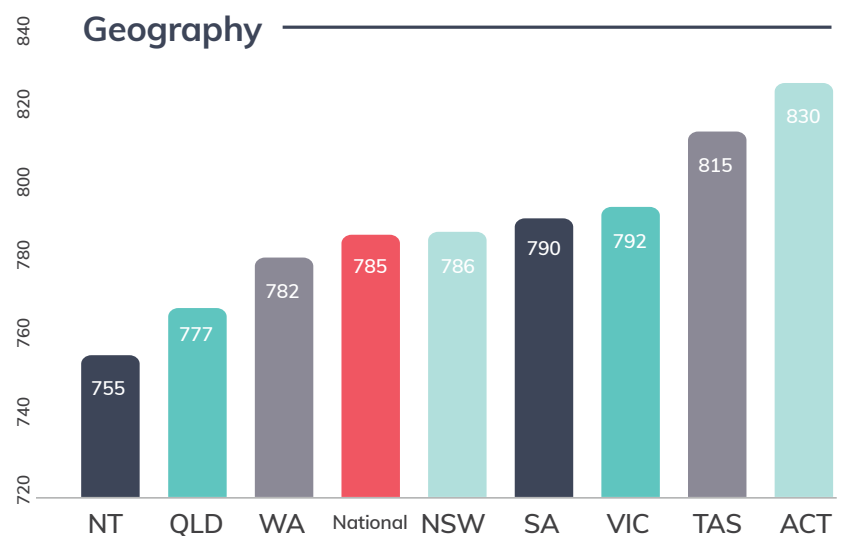
Can men make a comeback?

In fact, things are so skewed toward women nationwide, that the only state in the country where men outperform women is in the Northern Territory (average scores of 749 vs 745 respectively).

That's a close gap, but the award for closest gap in the country goes to South Australia where women outperform men by an average of 2 points.

An exodus of good credit

The difference in credit scores between older generations and younger ones is widest in rural states, suggesting that younger earners initially migrate to our big cities to earn their savings before settling into the quiet life for their golden years.



Age comparison



It pays to age

On average, older people’s credit scores are 205 points better than those of younger people. So if you want your credit score to improve, simply rack up the birthdays, right?

Well, it also pays to learn a thing or two about your finances as you get older. Our research shows that a higher percentage of Baby Boomers are aware of what their credit score is (27%) compared to any other generation.

This intergenerational competition is something we will endeavour to track in our reports in years to come, so start placing your bets now.

Inexperienced yet confident

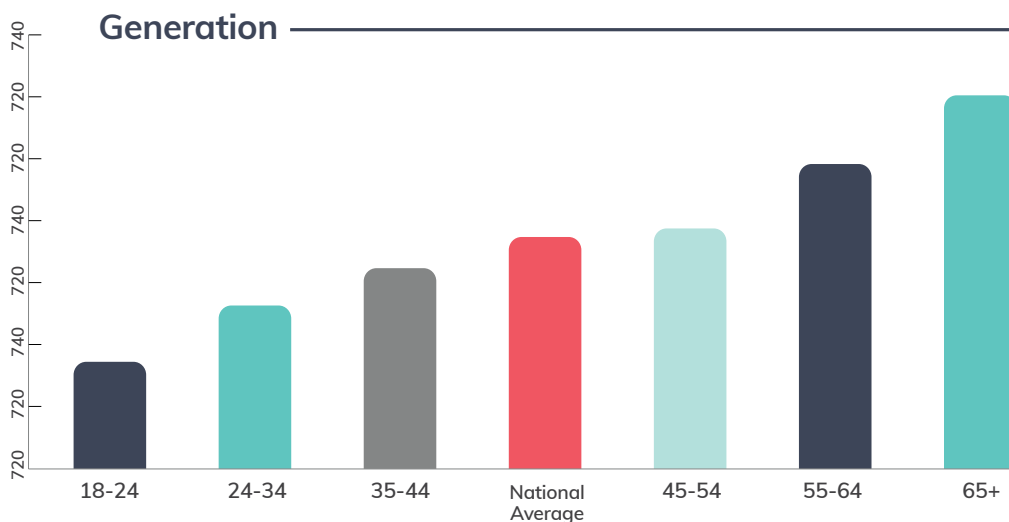
On that note, survey findings show that a lower percentage of 18-24 year-olds say they feel ‘very much in control’ of their finances compared to 25-34 year-olds (20% vs 26%) even though a higher percentage of them know what their credit score is (26.2 vs 25.9%).

This suggests that the younger cohort has a strong desire to improve their credit scores and their financial acumen but lack the know-how. The future seems bright, as 86% of this younger generation say they want to get better at budgeting. We’ll see how this goes in future reports.

Generational gaps

The difference between credit scores across generations is greatest in rural states like the Northern Territory and South Australia (gaps of 262 and 237 in favour of older generations, respectively), and the narrowest in Canberra (gap of 184 in favour of older generations).

Another curious finding shows the greatest gap between women and men occurs in younger Australians aged 25-34 and 35-44 (gaps of 27 and 25 points in favour of women, respectively).



Gender comparison



Females own finances, men think they do

Women have better credit scores than men – you heard it here first!

A much higher percentage of men know their credit scores than women (30% vs 21%), but ironically have worse scores overall (average scores of 778 vs 796).

Men are also more likely than women to check their credit scores on a weekly basis (16% vs 6%), more likely to believe they are better at budgeting (32% vs 23%) and more likely to feel they're in control of their finances (32% vs. 23%).

So, fellas, perhaps a little money modesty is the key. And ladies, you have our permission to financially 'flex' your credit scores a little more.

Melbourne women are the trailblazers of the nation, outranking their male counterparts by 27 points – well above the national average of 18 – representing the largest gender credit gap in the nation.

The only group of men with a better credit score than their women counterparts are in the Northern Territory (749 versus 745).

Misplaced priorities?

Interestingly, 22% of men prioritise electricity as the most important bill to pay vs 21% who prioritise credit card bills. This is the reverse for

women, who are much more likely to see credit card bills as being the most important debt to pay compared to electricity bills (29% vs 15%).

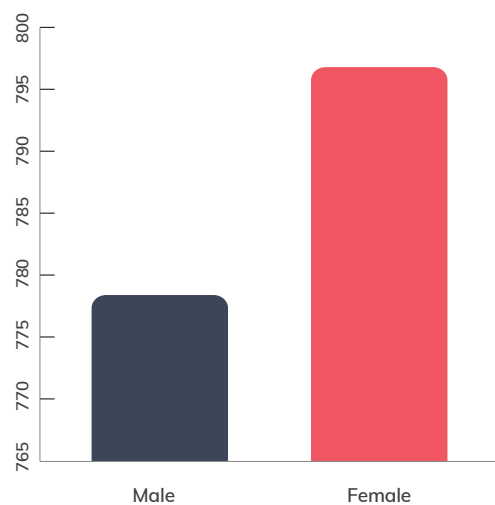
Mind the gap

Gender credit score gap is one thing, but who has the highest average credit score in Australia as a whole?

Take a bow women of the ACT: you've demonstrated yourselves to be our nation's best money managers, with your average credit score of 837.

The highest average score for men occurs in South Australia (average credit score: 903) and Northern Territory (887). Meanwhile younger women fare better in Canberra (827), Sydney (788) and Melbourne (790).

Gender





In Conclusion

Thank you for reading the inaugural Credit Simple State of the Nation Report.

We hope you've learned a thing or two about how your credit score is calculated and how you can set out to improve yours. We also hope you've had a little fun along the way as you learned how your fellow Aussies are faring on their credit journeys.

This credit snapshot sets a baseline for how financially fit we are as a country including how we fare generationally, geographically and gender-wise. From here on out, we can begin to track our progress year-on-year.

In the meantime, you can sign up for your Credit Simple account at creditsimple.com.au and start tracking your personal score.

Who knows where we'll all be in 12 months?

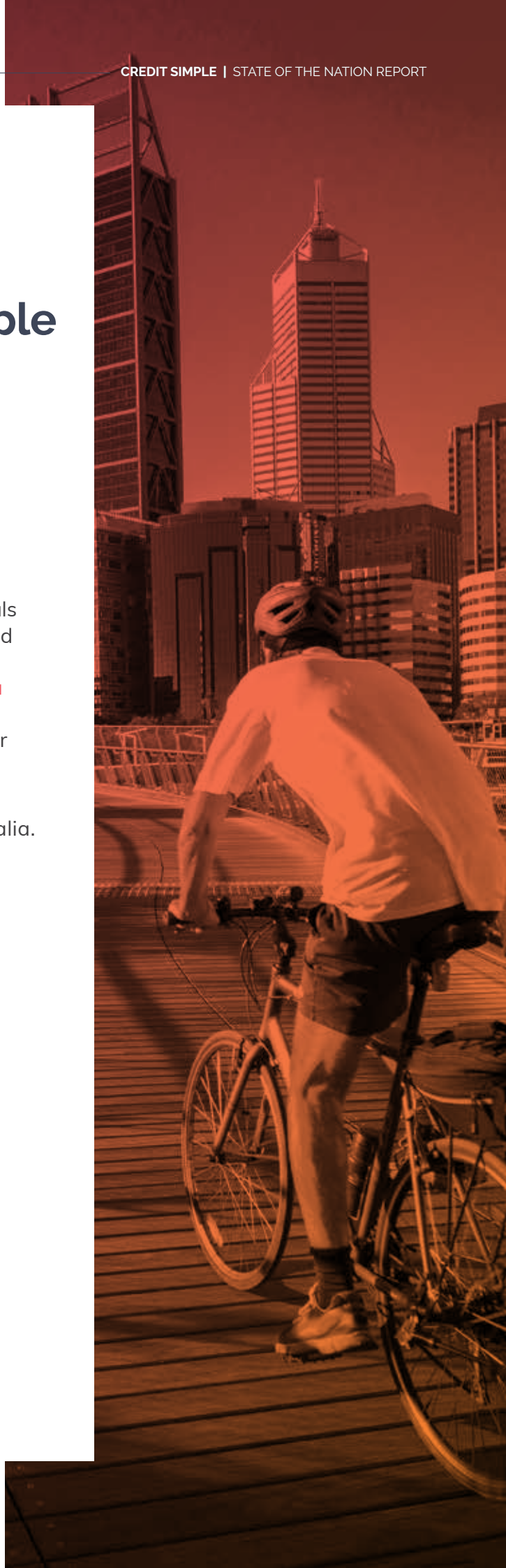
About Credit Simple

creditsimple.com.au is an online tool that gives Australians free and straightforward access to their credit score.

We work with banks, energy and telecommunications providers to allow Australians to get better financial deals and make more informed decisions for themselves, based on their credit scores. In addition to instant access to credit information and better deals, **creditsimple.com.au** offers financial tools to help Australians monitor their credit information, check how they rank amongst their community and improve their scores.

creditsimple.com.au is part of a group of companies which includes illion, a leading credit bureau in Australia.

Visit
creditsimple.com.au
for more information
or to check your
credit score.



Appendices

Appendix 1

How to understand your credit score – and why you got the score you did



Zero score

If you got a score of zero, sad face emoji. Read more about zero scores and what to do here. If you've got a zero, you've got something bad on your file, such as a payment default, and potentially more than one naughty thing. You might have a court judgement, summons or bankruptcy. But you don't need something that drastic to push your score down – even late payments look really bad to companies you want to get credit from. You've probably also got a few credit enquiries on your file; this looks bad to credit providers too. So, make sure you check out your full credit history and ensure what's on there is correct. Pay back your debts, or at least put a plan together with the credit provider or collection agency handling it to pay it back.

You do also need to adjust your need for credit and spend the next few years building up a good history of not requiring credit. Potentially put some time into establishing a budget, use a prepay mobile, and try to save for items rather than using credit. If you do have credit facilities make sure you pay these on

time. As you build up some good credit history your score will change to reflect this. Unfortunately, there's no magic bullet and you will need to work at this over the next two years or more.



So you got a low score: 1 – 299

If you're here you've probably got payment defaults or other bad data on your file, but you're saved from having a zero score by also having some positive account payment information (when you do pay your bills on time). If you don't have defaults or other bad data such as a bankruptcy, then you've probably got poor payment history (such as paying late). You could also have a high number of credit enquiries, especially recent ones and for small amounts.



Room to improve: 300 – 499

If your score is between 300 and 499, you're slightly below average, but you probably won't have anything really negative (defaults, behind in your payments, judgements, summons, court

writes) on your file. It could be that you are in the younger age bracket which is slightly riskier, and you may have recently applied for one or more smaller credit facilities or to credit providers that offer services to higher risk customers. Just 3% of people are in this section.


 **Average:**
500 – 699

A healthy 23% of Aussies are in this band. Smaller things will push the score up, such as your age or having a mortgage. There's probably not much information available about your credit history, which on a positive means there's nothing significantly negative. It could also mean that your good history with your current credit provider is not yet being reported (credit reporting bureaus don't yet have all the information from all of the credit providers).

 **Great:**
700-799

Most people in Australia fall into this category (41% of Aussies). If this is you, you're probably paying your bills on time,

but you might have a number of credit enquiries or applications for loans against your name. And you might also be new to credit.

 **Wohoo!**
More than 800

You're basically magical, and if you scored 1,000, you're seriously a credit unicorn (among just 3.5% of Aussies). Scoring between 800 and 999 puts you into the high end of the score ranges, along with 22% of Aussies. Scoring in this range will often be associated with being in the older age groups, having been fairly disciplined with your applications for credit and not making too many applications, having a mortgage and/or an investment property. And constantly paying your accounts on time.

Data was consolidated for the Infographics on page 4 and 5 of the report from a survey Credit Simple launched on attitudes to spending, as well as savings and credit scores.



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