

Financial Planning Weekly

What Wealthy means to Australians in 2023

Many Australians used to associate wealth with home ownership. As our country becomes more diverse and inclusive, with individuals having greater freedoms, this association is changing. The Demographics Group and AMP released a report exploring Australian attitudes towards what ‘feeling wealthy’ now means to individuals. We’ve summarised some interesting observations below.

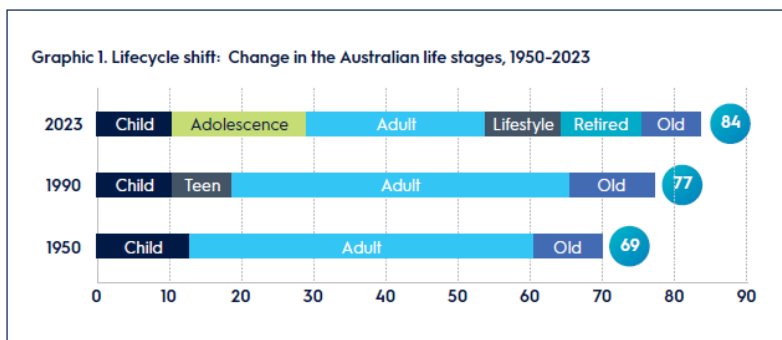
Planning for being ‘wealthy’ gets distorted through our life. In our 20s and 30s, there’s always time to recover. In our 40s there’s other priorities, from kids to ailing parents. From our 50s and 60s there’s a mad scramble to catch up, to meet a retirement goal, to provision sufficiently and to protect against Fear of Running Out.

In the next few weeklies, we will share some practical financial planning strategies that can be adopted centred around the specific stages in life.

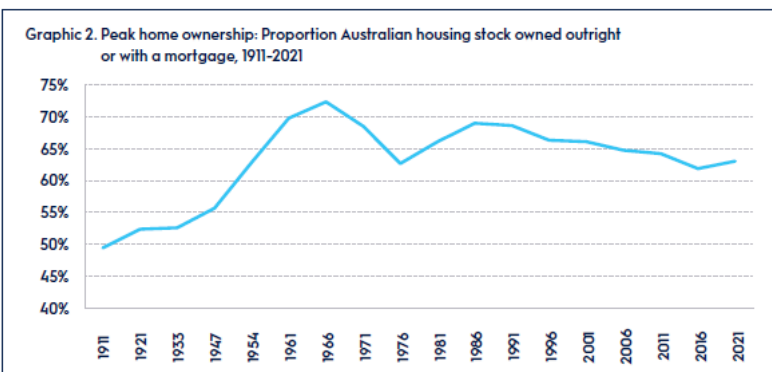
The Shift in Home Ownership

Plenty of social changes have taken place in Australia over the past few decades, from increased immigration, higher workforce participation rates, delayed marriage, longer life expectancy, and shifts towards knowledge-based jobs.

Home ownership was once a significant symbol of wealth and security, with retirement planning rarely even considered, however, there has been a shift in social values and expectations. The focus has now moved from traditional values such as marriage and home ownership to individualism and self-fulfilment.



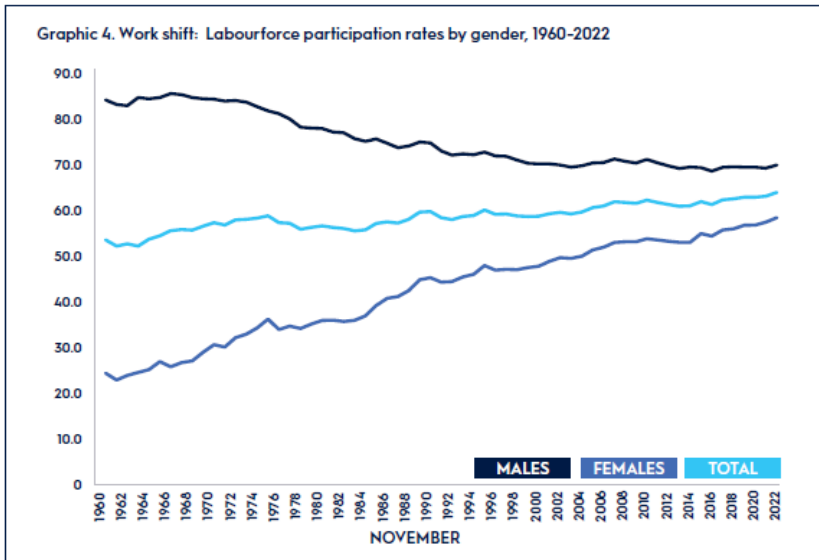
Source: ABS, The Demographics Group



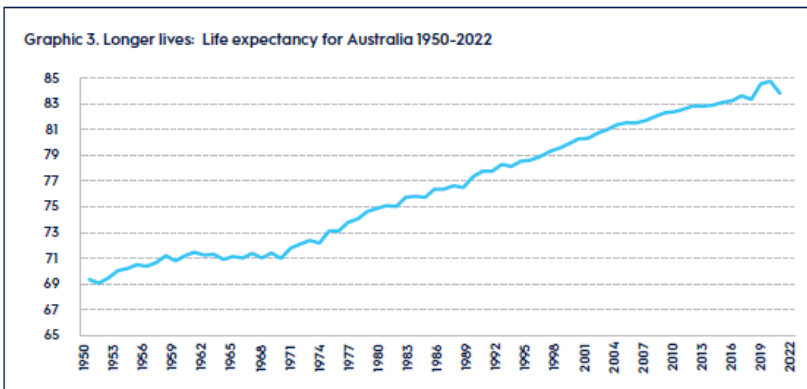
Source: ABS Censuses

Global Forces reshaping the concept of Wealth

The social structure of Australia has undergone significant shifts with women making different choices, leading to increased workforce participation, delayed marriage, and greater access to education. This has fuelled the emergence of new lifestyles, as well as a greater emphasis on retirement planning. Home ownership remains popular, but the age at which this is could be achieved has now been delayed pushed back.



Source- ABS



Source- ABS

Australian households transformed by Globalisation

Australia has experienced a significant increase in its Gross Domestic Profit per capita over the past 42 years, ranking 9th in the world. The main factor contributing to Australia's success has been its rise as a trading and export nation. About one-quarter of Australia's GDP comes from exports. This prosperity has flowed into Australian housing, with modern-day houses reflecting greater household wealth, changed working habits, and fewer children. No longer is the kitchen separate from the dining room and the living rooms.



Source: TDG

Concept of 'Wealthy'

In the 1960's home ownership rates peaked, as couples married, had kids early and the majority of household wealth was tied up in that home. This was influenced by shorter life expectancies and the legacy of the Great Depression acting as an invisible hand over people's spending habits.

Fast forward to modern day Australia, and a lot has changed. Wealth has now evolved from more than just home ownership. Australians are now vastly wealthier on average and our views on what we want out of life, and how we choose to live, have changed significantly.

Modern Australia and being 'Wealthy'

'Wealthy' today, means having the freedom to (within reason) live wherever we like, travel as required, not be burdened by the costs of everyday life, have the option of helping children (and grandchildren) as much as is reasonable, keep fit and healthy, look our best, follow our interests and to pursue our heart's desire.

So what does 'Wealthy' really mean to you?

Read the full report below:

<https://www.amp.com.au/content/dam/amp-au/documents/financial-hub/bernard-salt-report-what-wealthy-means-to-australians-in-2023.pdf>

Alex, Anu and the team.

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