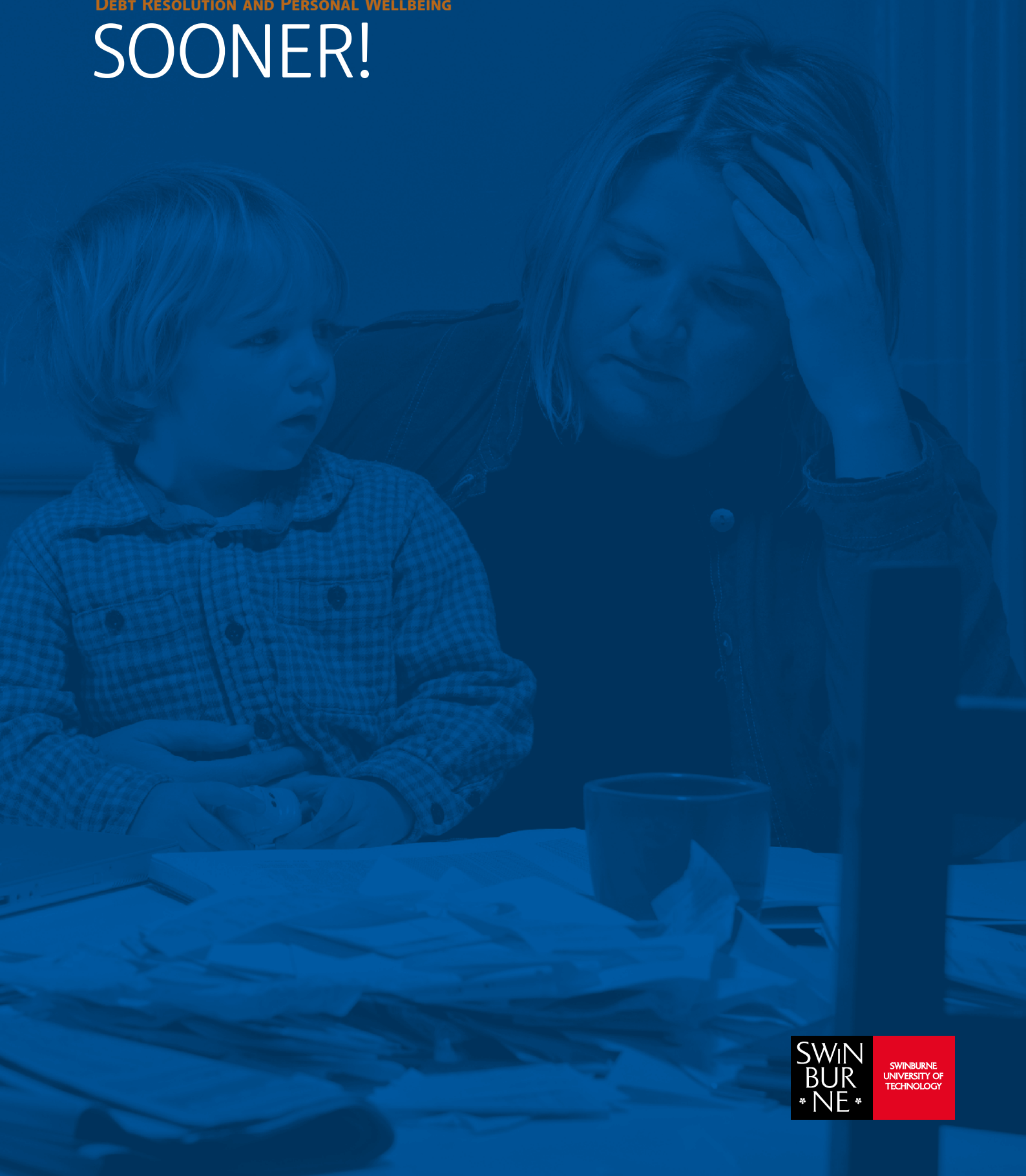


I WISH I'D KNOWN SOONER!

THE IMPACT OF FINANCIAL COUNSELLING ON

DEBT RESOLUTION AND PERSONAL WELLBEING



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SWINBURNE
UNIVERSITY OF
TECHNOLOGY

I WISH
THE IMPACT OF FINANCIAL COUNSELLING ON
I'D KNOWN
DEBT RESOLUTION AND PERSONAL WELLBEING
SOONER!

Dr. Nicola Brackertz

This study was conducted for The Salvation Army by researchers at the Swinburne Institute, Swinburne University of Technology (Melbourne) and has been cleared by the University's Human Research Ethics Committee.



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EXECUTIVE SUMMARY

In 2010, one in five Australian adults experienced financial stress and could not pay their bills, rent or mortgage on time or make minimum repayments on their credit cards, or had to sell or pawn something because they needed cash. Many of these sought assistance from friends, family and welfare and community organisations. Some had to go without meals or were unable to heat their home.

The Salvation Army provides free and confidential financial counselling for individuals and families in financial difficulties. For these individuals, referral to financial counselling is offered as part of the new and innovative approach to emergency relief being provided by The Salvation Army – the Doorways philosophy. The Doorways philosophy expands emergency relief to provide a holistic and integrated case management approach that is guided by core principles of individual rights and dignity, early intervention and capacity building using a strengths-based approach. During 2011-12 financial counselling was provided to over 10,000 people Australia-wide, most of whom were on low incomes or were receiving government pensions or allowance payments.

In mid-2012, The Salvation Army commissioned the Swinburne Institute at Swinburne University to undertake a survey of its financial counselling recipients. The aim of the research was to determine the impact of financial counselling on an individual's ability to resolve or reduce their financial difficulties and increase their financial capability, as well as study the impact of financial counselling on their health and wellbeing.

KEY FINDINGS

A month-long short, anonymous survey was administered to recipients of The Salvation Army financial counselling services Australia-wide. Where clients had trouble completing the survey because of language, literacy or comprehension issues, financial counsellors assisted them. The survey elicited 225 responses. The demographic and socio-economic characteristics of respondents mirrored The Salvation Army's financial counselling clients nationally. Consequently, survey responses can be seen as representative of the experiences of people accessing The Salvation Army financial counselling services.

- 79% of respondents were on an allowance payment or pension.
- 7% of respondents were Aboriginal or Torres Strait Islander, which represents a disproportionately high number from this community.
- 39% were in private rental and 22% were residing in public or community housing.
- 67% were female.
- 55% had been experiencing persistent financial stress for 2 years or more.

A significant finding of the survey was that respondents felt that financial counselling was a positive experience, with 94% indicating that they would be willing to seek help sooner in future.

Five key findings emerged:

1. Financial counselling is effective and provides measurable positive outcomes on a range of measures, including the resolution of debt related problems, advocacy, financial capability and health and wellbeing. The survey results suggest that financial counselling is an important service that demonstrably benefits clients on multiple dimensions of financial stress.

- 68% of respondents felt their financial situation had improved.
- 75% of respondents indicated improved skills in prioritising debt.
- 74% of respondents indicated that they now felt better able to budget.
- 74% of respondents said that the advice provided helped them avoid legal action.
- 73% of respondents were able to access creditors' hardship programs.

While financial counselling is not able to address the structural and underlying causes of financial stress, such as inadequate incomes and the lack of suitable financial products and services, it helps mitigate immediate crisis, providing information and education to assist people to develop longer-term financial management strategies.

2. Many people delay seeking financial counselling for a long time after the onset of financial difficulties.

Other studies have shown that many people with debt problems do not access advice services at all.¹ This study found that many people wait a long time after the onset of financial difficulties before seeking financial counselling.

- 15% of survey respondents had waited for approximately one year.
- 29% of respondents had waited for longer than one year before seeking help.

3. Seeking financial counselling sooner increases the chances that financial difficulties can be resolved.

Survey respondents who had been in financial difficulties for a year or less:

- experienced fewer stressors; and
- were statistically more likely to report that their financial difficulties had been resolved (72%).

Financial stress is a complex problem with interlinked and sometimes mutually reinforcing causes and effects (stressors) that can mount and worsen as time goes on, leading people to become trapped in a cycle of debt. Early intervention is more effective in resolving debt issues and can prevent stressors from accumulating. Conversely, people who had been in financial difficulties for longer tended to experience a higher number of stressors that negatively impacted on their finances and their ability to resolve financial stress.

4. Financial counselling contributes to positive health outcomes, especially in alleviating the stress and anxiety associated with financial difficulties.

- 68% of respondents had felt stressed about the future in the past year.
- 69% now felt more positive about the future following financial counselling.
- 63% felt their mental and emotional wellbeing had improved as a result of financial counselling.
- 52% worried less about money problems.

Financial counselling also helped reduce the negative impact of environmental stressors, such as interpersonal relationships and housing security, which if left unchecked may exacerbate financial stress.

- 51% of respondents indicated that their housing situation was more secure.
- 45% of respondents indicated that their relationships with family and friends, and their children (46%) had improved.

5. Men and women have different debt profiles.

Women are disproportionately represented in financial counselling, making up over two-thirds of respondents, which mirrors the general client base of The Salvation Army financial counselling services.

- 32% of all respondents reported owing debt of \$20,000 or more, whilst the median amount of debt owed was \$5,000 to \$10,000.
- 43% of men reported having significantly higher levels of debt (in excess of \$20,000) compared to women, a statistically significant difference.
- 20% of men reported having experienced persistent financial stress lasting for more than five years compared to 12% of women (12%).

The prevalent sources of debt also differed:

- Women were more likely to owe money for bills associated with running a household (e.g. utilities and ITC).
- Men more often struggled to repay money owing on loans (payday and personal) and mortgages.

This study presents a snapshot in time only, and as such suggests the need to better understand the reasons why people delay accessing these services and the ongoing impacts of financial counselling. The fact that many clients experience long-term financial stress may indicate that not all of the benefits of financial counselling endure or accrue to the same degree for all individuals.

The survey also highlights the reality of debt and financial problems for individuals and families on such constrained incomes. Whilst financial counselling can assist to alleviate acute financial crises, it cannot solve the broader structural issues of social and economic disadvantage that contribute to the exacerbation and impact of financial stress.

RECOMMENDATIONS

1. To maintain and expand current financial counselling services.
2. To advocate for and continue to work towards integrating financial counselling into a holistic approach to meeting the needs of individuals and families as demonstrated by The Salvation Army Doorways philosophy.
3. To support financial counselling as a tool for early intervention and individual capacity building within a holistic case management approach to social and economic disadvantage, as per The Salvation Army Doorways philosophy.
4. Address the barriers that prevent people from accessing financial counselling:
 - a) Develop and facilitate a communication and media strategy that promotes greater awareness of the nature, benefits and accessibility of financial counselling services.
 - b) Undertake research to better understand the barriers that delay and prevent people from accessing financial counselling services and develop strategies to overcome these. This may include different approaches for different cohorts, for example, men and women and people in long- and short-term financial stress.
 - c) Undertake research to better understand the long-term impacts of financial counselling.

INTRODUCTION

Financial stress is a significant problem for one in five Australians, disproportionately affecting those on low incomes, pensions or allowances payments.² It is detrimental not only because it causes individual and family hardship, but also because of the effect on the wider community. Debt is not solely the result of poor financial literacy or inadequate budgeting. Life events such as loss of employment or family break-up, external causes such as increasing costs of living and decreasing housing affordability, structural factors such as lack of appropriate and affordable financial products and services, and other reasons such as 'predatory' credit practices can all trigger a financial crisis.

Financial stress can mean that people are unable to afford essential items such as food and heating or may not be able to pay their bills. It is also a source of stress and anxiety which negatively affects people's health and ability to cope.

The Salvation Army provides free and confidential financial counselling to those in financial difficulties, and in the year 2011-12 provided assistance to more than 10,000 people Australia-wide. The service is delivered either face-to-face or by telephone.

This national survey of 225 financial counselling clients was commissioned by The Salvation Army and conducted by the Swinburne Institute at Swinburne University in Melbourne in July 2012. The study investigated the impact of The Salvation Army's financial counselling service on clients' ability to resolve or reduce their financial difficulties, as well as health and wellbeing and financial capability outcomes. The research connects with broader debates about how financial literacy, financial capability and financial exclusion link with issues of poverty, social inclusion and health and wellbeing.

What is financial counselling?

Financial counsellors provide an important service to people who are experiencing financial stress, many of whom are on low incomes and may be having difficulty coping with their situation. Money management is only one aspect of financial counselling. Financial counsellors also negotiate with creditors on clients' behalf, determine if clients are eligible for government assistance or hardship programs, and assist in accessing these programs. They provide information on the options and consequences of debt recovery procedures, bankruptcy and other alternatives. When necessary and where indicated, financial counsellors may refer clients to services such as community legal aid, personal counselling, gambling help or family support.

The combination of advocacy, empowerment, education and service linkage functions underpin the community development approach and social justice principles of financial counselling. Through this approach, financial counselling aims to provide short-term crisis management as well as longer-term and prevention strategies. Financial counsellors work in community organisations, community legal centres and some government agencies. Their services are free, independent and confidential.

Financial counselling is funded as part of the Commonwealth Financial Counselling (CFC) service strategy under the Australian Government's Financial Management Program (FMP) which is administered by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). FMP 'aims to build financial resilience and wellbeing for vulnerable people and those most at risk of financial and social exclusion and disadvantage'.³ States and Territories also fund financial counselling services.

In 2011-12, nearly 100 community and local government organisations received approximately \$15.3 million of funding to deliver CFC across Australia.⁴ The Salvation Army, a recipient of this funding, supplements these funds with their own resources to enhance service coverage and accessibility. The adequacy and security of funding for financial counselling services is an ongoing problem, as is the number of services available and the waiting times involved in accessing the services.

KEY CONCEPTS

The need for financial counselling cannot be considered solely as a matter of debt. While financial literacy and budgeting ability are factors in financial stress, individual, circumstantial and structural issues frequently conspire to place low income, marginalised or vulnerable individuals, families and groups in precarious financial situations. The ramifications of this are serious for the affected individuals and for society more broadly, and are linked to social and financial exclusion, poverty and deprivation, and diminished health and wellbeing. These issues underpin this study.

FINANCIAL LITERACY AND FINANCIAL CAPABILITY

Financial literacy and financial capability are similar concepts, but they are not the same thing. In 2011 the Australian Government released its *National Financial Literacy Strategy*, acknowledging the importance of individuals' capacity to understand money and finances and make sound financial decisions. The strategy defines financial literacy as the 'ability to make informed judgements and to take effective decisions regarding the use and management of money'.⁵

There have been a number of important Australian studies on financial literacy in the past decade. These include the ANZ Adult Financial Literacy in Australia survey which was conducted four times between 2003 and 2011, and identified that certain groups have lower levels of financial literacy: young people under 25, people with no formal post-secondary education, people with relatively low levels of income and assets, blue collar workers and women.⁶

Financial education is a key theme in financial literacy. However, more knowledge does not necessarily translate into changed behaviours, and financial literacy alone does not guarantee the resolution of financial difficulties. For a financial literacy program to be successful, it must take into account and seek to positively influence people's financial attitudes as well as to increase financial knowledge and literacy and lead to behaviour change.⁷

Furthermore, not all people have the same opportunities to actualise their financial literacy, as income levels, income security and systemic factors may present barriers. Consequently, provision of adequate structural elements such as consumer protection and appropriate and affordable financial products and services are necessary, alongside adequate income support and regulation.

To account for these issues, many writers have advocated that financial literacy should be understood in relation to an individual's behaviour according to context and not solely based on their financial knowledge.⁸ This is embodied in the concept of financial capability which was adopted for this study. The most widely recognised framework for financial capability was developed by Atkinson and her colleagues at the University of Bristol in the UK.⁹ They see financial capability as encompassing how financial literacy translates into changed behaviour and accounts for circumstantial and structural factors. Its four key aspects are:

- managing money, including making ends meet and keeping track of expenses
- planning ahead, being prepared for unexpected events and planning for the future
- choosing products, knowing about financial products, being aware of risk
- staying informed, keeping up to date with new financial products or changes to existing ones, knowing where to access relevant information.

While financial capability is a more inclusive way of thinking about the skills and behaviours required of individuals in relation to their management of finances, it does not address factors such as the availability and accessibility of suitable financial products and services for all demographics. Full participation in economic life also requires, in addition to financial capability, the opportunity to act on these capabilities. This points to the key role institutions and policies have in creating a fair and equitable structural environment.

FINANCIAL EXCLUSION

Financial exclusion is one way of looking at the structural factors that may prevent individuals, groups and communities from fully participating in economic life. In essence, financial exclusion looks at the availability of appropriate and affordable financial products and services. In Australia, the Centre for Social Impact, together with the National Australia Bank (NAB), has conducted a large-scale survey of financial exclusion and developed a set of financial exclusion indicators. They concluded that around 15.6% of the population (2,650,000 individuals) were either fully or partially financially excluded from financial services in 2010, rising to 17.2% in 2011.¹⁰

Simply having a particular financial product (i.e. savings account, loans, and insurances) may be a misleading indicator of financial inclusion, primarily because government pensions and allowances can only be paid through bank accounts. People may be excluded from some financial products and services but may be over-represented in the use of others (e.g. credit cards, payday loans) which do not suit their needs but exploit their vulnerabilities.

The cost of certain financial services and products may be prohibitive for persons on low incomes. The Centre for Social Impact calculated that, based on the average cost of the top 10 bank accounts and top 10 credit cards that are designed for low income consumers, the annual cost of a basic bank account is \$88 and a low cost credit card \$808. If one adds to this the cost of basic motor vehicle and basic home and contents insurance which was calculated at \$898, then the average annual cost for basic financial services is \$1,794, presenting a considerable barrier to financial inclusion for persons on a low annual income.¹¹

This study adopted a simple measure of financial exclusion that is aligned with the indicators used by the Centre for Social Impact. A person was considered to be (partially) financially excluded if they could not afford one or more of the following: a basic savings or transaction account, a small loan from a bank or similar financial institution (not a payday loan), comprehensive motor vehicle insurance and home contents insurance.

The impact of financial exclusion on individuals is significant; they face difficulties accessing funds in an emergency, are more likely to struggle meeting major repayments, are significantly less likely to have insurance to cover their key assets (e.g. car) and are more likely to use fringe credit providers (e.g. payday loans or Cash Converters), thereby incurring a high cost of credit.¹² They are also more likely to access government emergency payments and community loan schemes.

It is important to recognise that financial exclusion impacts not only on individuals, but also carries a societal cost at community and economic levels.¹³ It is intertwined with issues of financial capability, poverty, debt and social exclusion, and is part of a series of interconnected processes that have numerous interrelated causes. A clear directionality of cause and effect is difficult to disentangle, and financial exclusion may be either a cause or a consequence of social exclusion and poverty.¹⁴

CAUSES AND SYMPTOMS OF DEBT AND DEPRIVATION

Disadvantage is both a contributor to and a symptom of debt problems.¹⁵ Debt is a serious ongoing social and economic problem for the whole community but one that affects the disadvantaged most severely.¹⁶

A study by the Legal Services Research Centre in the UK identified three types of causes of debt: changing circumstances, poor money management and creditor behaviour. It confirmed what is captured in the wider literature, namely, that debt problems stem from a variety of causes, such as changing circumstances, ill health, relationship breakdown, loss of employment, parenthood, credit over-commitment and poor money management.¹⁷ Many people with debt problems lead unstable lives and move house frequently and it is often a combination of events that provides the trigger for a debt crisis.¹⁸

Debt negatively impacts on peoples' lives in a number of areas, including health (physical and mental), relationships with family and friends,¹⁹ work, social networks, housing status, employment, education and plans for their future, making it hard to carry on living normally.²⁰ When debt problems are considered in the context of the multiple contributing stressors (e.g. loss of employment, illness, family break-up) and in relation to social exclusion and disadvantage, it is not surprising that many people may not make debt their priority consideration until it reaches crisis point. Consequently, assistance to resolve debt issues often involves resolving other difficulties. It is not unusual for people to experience a cycle of debt during which causes mount and increase.

HEALTH AND WELLBEING

Debt problems are a significant cause of emotional stress, and the literature consistently identifies the link between physical and mental illness and debt problems.²¹

The link between debt, stress and anxiety is particularly strong.²² A UK study found that 89% of clients reported worrying about money problems 'most of the time' and 48% believed that debt problems had a 'great' impact on their health, with another 43% indicating that debt had 'somewhat' negatively affected their health; around three in five had sought treatment, medication or counselling as a result.²³ These findings are mirrored in the Australian Bulk Debt Negotiation Project²⁴ where 47% of clients represented experienced some form of ill health, including mental illness, and in research by Wesley Mission which confirms the significant impact of debt and financial stress on health and wellbeing.²⁵

Debt and deprivation limit access to medical care, sometimes with serious consequences. Research from the USA shows that households with high debt levels are less likely to seek healthcare.²⁶ Australia has a system of universal health care, meaning that people are generally able to access required medical treatments, regardless of their ability to pay. However, there are a small percentage of Australians who struggle to access bulk-billing doctors, may be on long waiting lists for treatments, and some are not able to afford the medicines prescribed.²⁷ Dental care is not part of the universal health system, and the expense is prohibitive for many people on low incomes or who are experiencing financial stress, with Saunders and Wong indicating that in 2008 only 45% of their sample were able to access dental treatment when needed,²⁸ and The Salvation Army reporting that 57% of their Emergency Relief clients were not able to access needed dental treatment in 2012.²⁹

In recognition of the fact that health and wellbeing are important causes and symptoms of financial stress, this study included a number of questions that aimed to ascertain respondents' ability to afford healthcare and their mental and physical wellbeing.

MEASURING THE OUTCOMES OF FINANCIAL COUNSELLING

In the same way that financial stress can negatively affect many areas of peoples' lives, so too debt advice can have a variety of impacts, not all of which are directly related to financial issues. In order to capture a broad range of financial counselling outcomes, this study utilised a range of measures targeted at identifying the issues outlined above.

A framework of financial capability was adopted to develop reference points for desirable outcomes. The survey sought to determine:

- sources and levels of debt
- degree of financial exclusion
- presence and number of circumstantial factors (stressors)
- duration of financial stress, and client perception of whether this would be an ongoing problem
- time elapsed between onset of debt problems and financial counselling sought
- effect of financial stress on personal wellbeing and client ability to access medical and dental care
- client perception of the degree to which financial counselling contributed to debt resolution, provided positive advocacy outcomes, affected health and wellbeing and contributed to developing financial capability.

This framework allowed key themes to be analysed in relation to each other and to be correlated with socio-economic data. The demographic characteristics of survey respondents mirror, in terms of age, gender, proportion of non-English speakers and proportion identifying as Aboriginal or Torres Strait Islander (ATSI), The Salvation Army's financial counselling clients nationally. Consequently, survey responses can be seen as representative of the experiences of Salvation Army financial counselling clients nationally.

METHODOLOGY

A short paper-based survey was administered to individuals accessing The Salvation Army's financial counselling services nationwide between 1 July and 3 August 2012. The survey was voluntary, anonymous and confidential. Ethics clearance for the research was sought and granted by Swinburne University's Human Research Ethics Committee.

The survey aimed to establish an individual's evaluation of the impact of financial counselling, as well as their circumstances, influential structural factors, behaviours and wellbeing (psychological and physical). Due to the sensitive nature of the issues and because many potential respondents are hard to reach for research purposes (low income, marginalised and vulnerable persons), a number of practical and methodological challenges had to be overcome. The success of the strategies outlined below resulted in 225 completed surveys being returned.

It was anticipated that many clients would be able to complete the survey on their own, but it was also known that some had low literacy, insufficient English language skills, or led fractured, chaotic lives, making them unlikely to complete and return the questionnaire (estimated at about 40% of clients). But it is just these groups who may benefit most from financial counselling, and researchers felt that it was important to capture their responses. Consequently, financial counsellors were asked to assist with the implementation of the survey.

Survey packs containing an information statement for financial counsellors and 20 participant bundles that included the survey, a plain language statement and reply paid envelope were sent out to 60 financial counsellors (or financial counsellor managers). A total of 1,200 surveys were delivered across 48 sites within each State and Territory. These packs were sent to financial counsellors following an introductory email. The initial mail-out was followed with a telephone call to each site by the research assistant over the next two weeks (18 June to 6 July). The purpose of the follow-up call was to ascertain that all survey packs had reached their destination and to provide further clarification. The call also established a direct point of contact for support and feedback for those administering the survey.

This initial contact process highlighted that a small number of financial counselling sites would not be operating for different lengths of time during the survey period (approximately 10 sites in total – two not at all and eight for differing periods). This was primarily due to financial counsellors taking leave, but was also due to staffing issues in at least two sites.

Financial counsellors were directed to ask all individuals over the age of 18 (except first time users of the service and persons who may experience emotional or psychological trauma as a result of answering the questions) using the service during the survey period whether they would like to participate in the survey. People were given the option to (attempt to) complete the survey while they were waiting for their scheduled appointment and could then consult with the counsellor if there were questions they did not understand or if they had literacy or language issues.

Individuals were given the option of sealing the completed survey in the provided prepaid and addressed envelope and giving it to their financial counsellor (who then forwarded it to the researchers) or they could post their response themselves.

In the second and third weeks of the survey period (9 to 20 July), telephone calls were made to sites where initial contact had yet to be made and to reiterate key details with specific sites. For example, a number of returned surveys had been completed by first time recipients of financial counselling, who were not the target group for the survey. In the final week of data collection, every site was contacted to confirm that while this was officially the final week, all surveys posted no later than 3 August would be accepted. The timeframe was extended in order to maximise the number of responses. Financial counsellors were asked to return unused surveys.

Throughout the survey period, the process of contacting sites allowed the research assistant to troubleshoot with those financial counsellors who were unable, for a variety of reasons, to administer the survey face-to-face. One of the primary reasons was that they simply did not have time to do so, with many noting that they were working part-time, and that individuals who fit the survey respondent profile were not scheduled to visit the service during this period. Consequently, the option of sending out surveys to those who fit the required profile was introduced.

Prior to the start of the survey period it had been determined that as one of the sites was a telephone counselling service, those clients identified as fitting the respondent profile would be mailed out the survey for completion. Based on this precedent, when advised of issues administering surveys face-to-face, it was decided that the option of mailing out the surveys should be made available to all sites. On 10 July an email was sent advising all financial counsellors that they could employ this approach, should they have regular clients who would not be attending an appointment during the survey period. They were advised to use their judgement to determine who should be sent the survey and to follow up with these clients. The total number who received the survey by mail is unknown, but approximately seven sites advised that they had sent out the survey advising clients to return (via reply paid envelope) of their own volition.

Data from completed surveys was entered into an Excel spread sheet and analysed using SPSS. The survey was structured to allow for analysis of key factors which included financial capability, health and wellbeing, financial exclusion, and client perceptions of financial counselling outcomes.

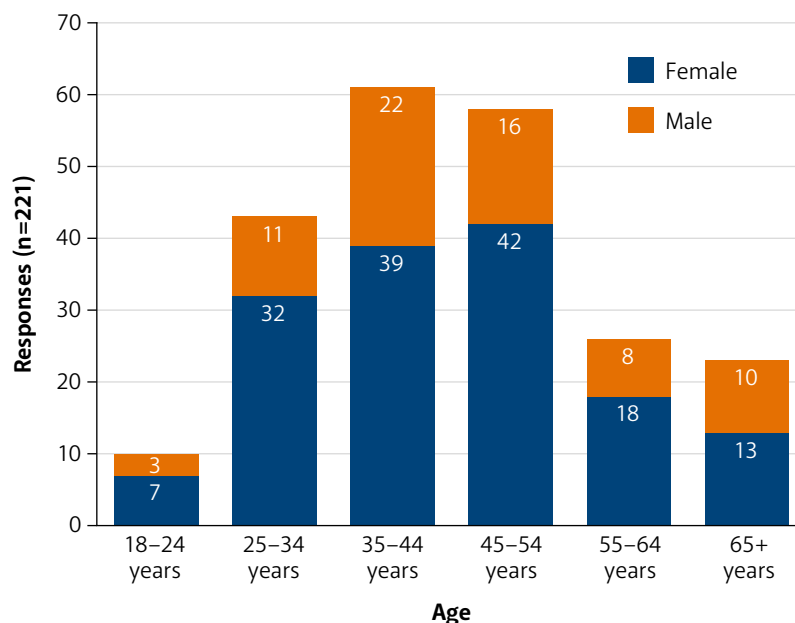
RESPONDENT PROFILES: WHO IS SEEKING FINANCIAL COUNSELLING?

AGE AND GENDER OF RESPONDENTS

The survey elicited 225 responses, of which 67% were by women (n=151), 31% by men (n=70) and 2% of respondents did not state their gender (n=4). Most respondents (52.9%) were 34-54 years of age. Persons aged 25-34 constituted another large group (19.1%).

This suggests two important things. First, women are more likely to seek assistance in alleviating debt on behalf of themselves and their households. Second, the middle years of adulthood (34-54) where people have to juggle the responsibilities of parenting, caring for others and work are the time when they are most vulnerable to financial stress. This is in line with findings from research on who seeks emergency relief because they are finding it hard to make ends meet.³¹

Figure 1 Number of respondents by age and gender (n=221)



LANGUAGE AND ATSI

The survey asked whether respondents spoke a language other than English at home and whether they identified as Aboriginal or Torres Strait Islander (ATSI). Most were native English speakers (84%), which is a slightly higher proportion than for the overall population where 80% of people speak only English at home.³² That is, persons seeking financial counselling from the Salvation Army are slightly less likely to be from a non-English-speaking background, though this difference is not statistically significant.

The high number of respondents identifying as ATSI stands out. Respondents were almost three times more likely to identify as ATSI (7%) than the Australian average (2.5%).³³ The high proportion of ATSI clients points to high levels of financial stress within that community.

Figure 2 Do you speak a language other than English at home? (n=225)

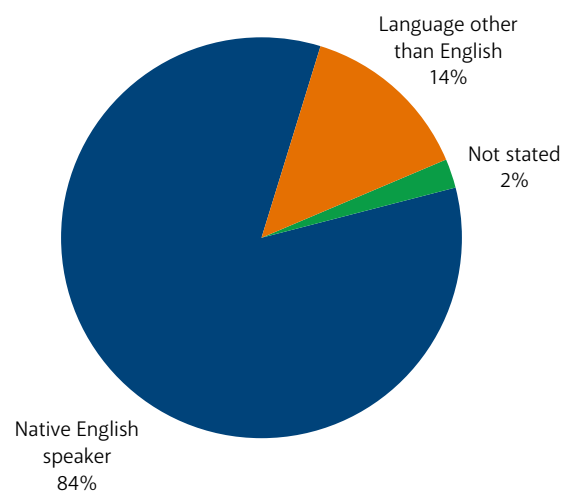
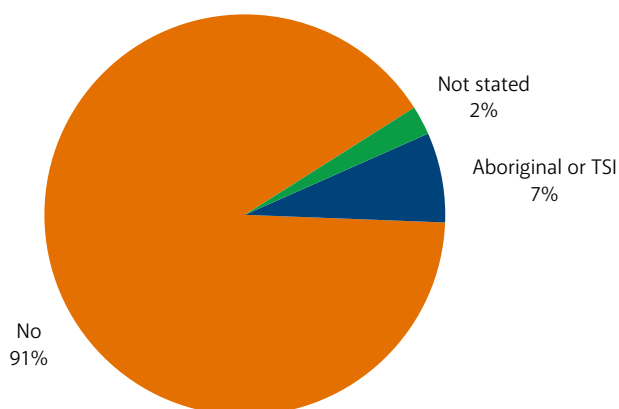


Figure 3 Are you Aboriginal or Torres Strait Islander? (n=225)



INCOME

The survey asked respondents for their main source of income. The overwhelming majority stated that this was a government pension or allowance (79.1%). A smaller proportion (14.7%) received wages or salary (including from their own business), with only a few respondents indicating workers or transport compensation (1.8%) and self-employment (1.3%) as the main source. This points to the difficulty of making ends meet on a pension or allowance payment, which is corroborated by other recent research such as the ACOSS reports *Who is missing out? Material deprivation and income support payments*³⁴ and *Surviving not living*³⁵ and *Under pressure: Costs of living, financial hardship and emergency relief in Victoria*.³⁶

Table 1 Main source of income (n=225)

	NUMBER	PERCENT
ANY GOVERNMENT PENSION OR ALLOWANCE	178	79.1
WAGES OR SALARY (INCLUDING FROM OWN BUSINESS)	33	14.7
WORKERS OR TRANSPORT COMPENSATION	4	1.8
SELF-EMPLOYED	3	1.3
NOT STATED	3	1.3
NO INCOME	2	0.9
CHILD SUPPORT OR MAINTENANCE	1	0.4
DIVIDENDS OR INTEREST	1	0.4

HOUSING

The cost of housing in Australia is high, with Melbourne and Sydney being among the 15 most expensive cities in the world.³⁷ For low income earners, the cost of housing is a key contributor to financial stress. The survey asked respondents in which type of housing they lived.

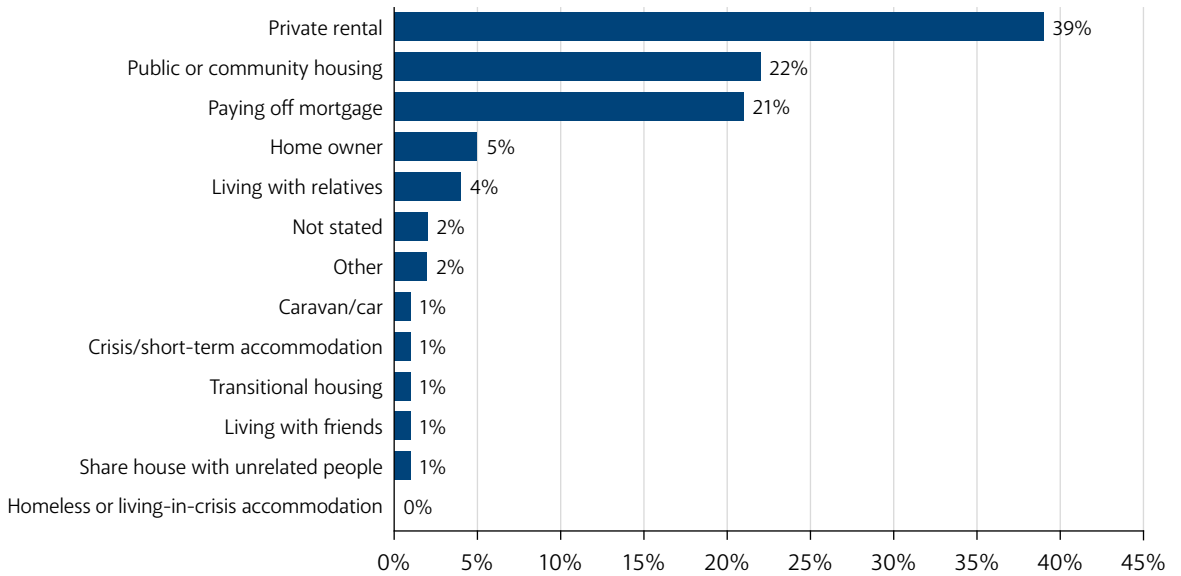
Most respondents were private renters (39.1%) or were paying off their mortgage (20.9%). Public or community housing renters constituted 21.8% of respondents. Few owned their home outright (4.9%) or lived with relatives (3.6%) or friends (1.3%). Only a small proportion were living in transitional housing, crisis/short-term accommodation or a caravan/car (1.3% each).

In the current tight rental market that has a significant shortage of low cost rental properties, the high proportion of private renters in this survey cohort suggests that for many who are also in receipt of pensions and allowance payments, the costs associated with housing are an evident pressure.

Survey data also clearly shows that public housing, where the rent is capped at 25% of income, is no guarantee of protection from financial stress. Recent research on housing affordability found that 'low income public renters ...

have the most severe affordability problem ..., which contradicts the false assumption that the 25% household rent formula shelters such tenants from an affordability problem'.³⁸ Rather than the commonly used measure where 30% of income is set as the benchmark for housing affordability, regardless of the person's income, this study used a more nuanced residual model of housing affordability. It applied a budget standard model to determine how much money is left over for rent after the essential items of living are paid for, which provides a good indicator of housing and financial stress.³⁹ If a low cost budget standard is applied, the residual model showed that 69.1% of public renters and 47.7% of private renters experience housing affordability problems.⁴⁰

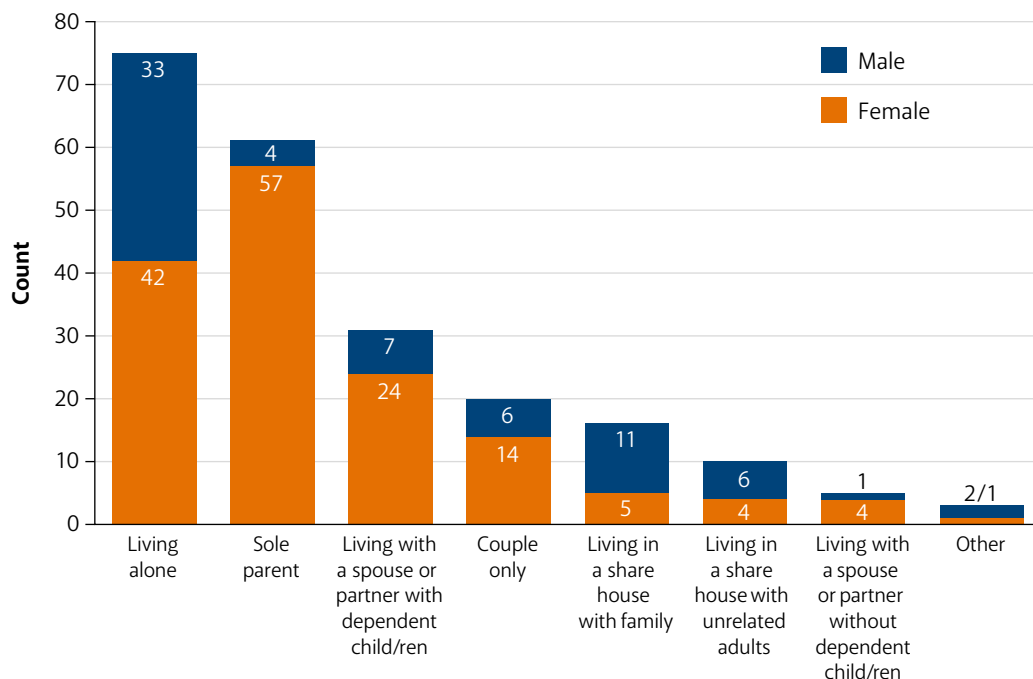
Figure 4 Housing (n=225)



Household type

Most respondents lived alone (34%), with sole parents the second most numerous group (28%). Taken together, the data showed that 62% of respondents lived in single income households. This suggests how sensitive single income families are to cost of living pressures, with costs for rent and utilities being almost as high for a sole person as they are for a couple, but without the extra income to offset this. It also indicates that government payments to this group are insufficient, as has been highlighted in the ACOSS *Who is missing out?* report.⁴¹

Figure 5 Household type by gender (n=221)



A number of statistically significant differences in the way men and women live became apparent when the data was analysed by gender. Men were most likely to be living alone (47%), while most female respondents were sole parents (38%). Among sole parents the gender divide was most pronounced, with only four of 61 being male. This may reflect two sides of the same coin, as women are more likely to have custody of the children after family break-up, as well as the caring and financial responsibilities that come with this. This leaves men to either live on their own or share a house with family (16%) or unrelated adults (9%) (men are more prevalent in each of these categories to a statistically significant degree).

It is interesting that women are more likely to be the person seeking financial counselling in households where they live with a partner or spouse and dependent children (15.9%), and it is suggested that this may reflect the gender divisions of household labour.

Table 2 Household type by gender (n=221)

	WOMEN%	MEN%	TOTAL%
LIVING ALONE	27.8	47.1	33.9
SOLE PARENT	37.7	5.7	27.6
LIVING WITH A SPOUSE OR PARTNER WITH DEPENDENT CHILD/REN	15.9	10.0	14.0
COUPLE ONLY	9.3	8.6	9.0
LIVING IN A SHARE HOUSE WITH FAMILY	3.3	15.7	7.2
LIVING IN A SHARE HOUSE WITH UNRELATED ADULTS	2.6	8.6	4.5
LIVING WITH A SPOUSE OR PARTNER WITHOUT DEPENDENT CHILD/REN	2.6	1.4	2.3
OTHER	0.7	2.9	1.4
TOTAL	100.0	100.0	100.0

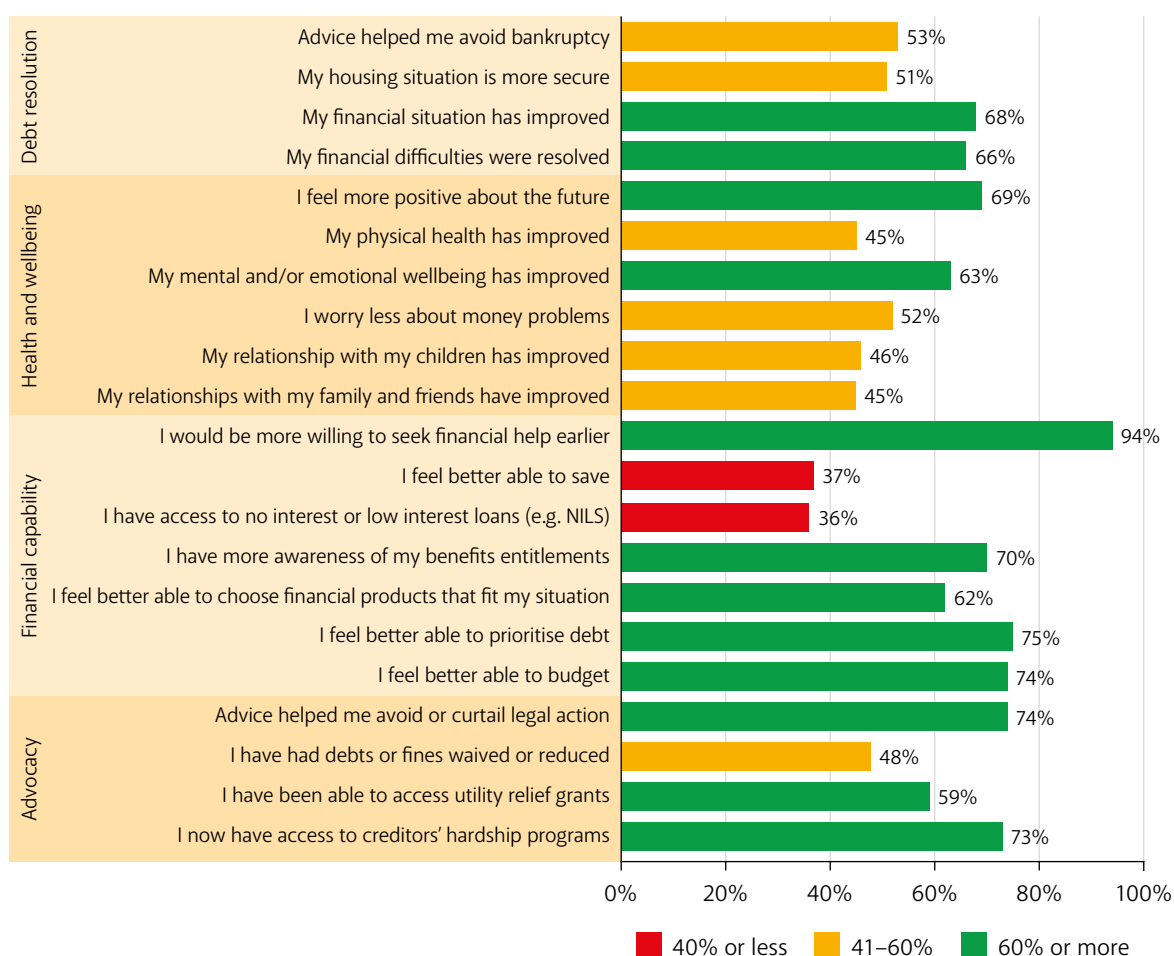
RESEARCH RESULTS

I never thought that I would need help or that there was someone there to help me. I will need more time but it will get better.

THE IMPACT OF FINANCIAL COUNSELLING – CLIENT PERCEPTIONS

In order to determine the impact of financial counselling, respondents were asked to indicate their agreement on a five point scale (strongly agree to strongly disagree) with a series of statements. The benefits identified were many and varied, and overwhelmingly positive. Self-reported outcomes in the areas of debt resolution, advocacy, health and wellbeing and financial capability all showed high levels of agreement that the service had helped them. The fact that 94% of respondents agreed or strongly agreed that they would be willing to seek help sooner as a result of attending the financial counselling service attests to its efficacy.

Figure 6 Financial counselling outcomes (n=225)



Debt resolution

*I am happy and appreciative about this financial counselling...
I feel I can handle my finances better and I have a more positive outlook in relation to my future financial life.*

A positive picture emerges of the financial counselling service's contribution to resolving clients' financial difficulties. More than two-thirds agreed or strongly agreed that 'My financial situation has improved' (68%) and 'My financial difficulties were resolved' (66%). Over half thought that 'Advice helped me avoid bankruptcy' (53%) and 'My housing situation is more secure' (51%).

Advocacy

*It's amazing, [financial counselling] made such a difference in my life.
[It is] such a relief having someone there to be able to talk on your behalf.*

A similarly positive response was evident in client perceptions of the financial counselling service's advocacy. Almost three-quarters agreed or strongly agreed that 'Advice helped me avoid or curtail legal action' and 'I now have access to creditors' hardship programs'. The service's advocacy aided 59% of clients in accessing utility relief grants, and nearly half of all clients had debts or fines waived or reduced. This attests to the efficacy of the financial counselling service in alleviating acute financial stress by advocating on behalf of clients.

Financial capability

[Financial counselling] provided information that I never knew, that has helped me understand how I got into the current situation and how to change it.

A mixed response was evident in relation to financial capability. On the positive side, almost all respondents (94%) indicated that they would be willing to seek help sooner, which shows that their experience with the service made a positive difference and that they now knew where to seek help and information in a financial crisis.

Nearly two-thirds were better able to prioritise debt (75%) and budget (74%) as a result of attending the service. A large proportion also felt that they now had more awareness of their benefits and entitlements (70%) and were better able to choose appropriate financial products (62%). This represents a very pleasing outcome that shows the educational benefits of financial counselling in terms of helping people to manage their money, choose products and stay informed.

*Financial counselling has assisted in meeting the immediate and short-term needs.
Long-term [I will have to] get the business/work running to maintain a steady income.*

Over a third of clients (37%) felt that they were now better able to save. Given the limited financial resources of the majority of the survey cohort (i.e. in receipt of a pension or allowance payment) this represents a significant achievement for individuals and families. However, it also suggests that as a means of planning ahead for unforeseen circumstances, saving on a limited income is not only a function of financial capability, but also of available resources. Saving may not be a realistic option given the limited financial resources of many.

Just over a third (36%) of respondents indicated that they had access to low interest or no interest loans (NILS) as a result of using the financial counselling service. This is a positive outcome for people whose acute financial stress may be due to, or exacerbated by, the need for an essential household item. There are a number of possible reasons this number is not higher. NILS may not be appropriate for a number of clients, NILS may not meet the credit needs of certain types of clients, and very limited incomes and poor credit history may prevent some clients from accessing NILS.

These results show that while individuals can make great strides in improving their financial capability, there are underlying structural factors, such as the adequacy of allowance payments income and the availability of suitable credit, that pose barriers to people on low incomes.

Health and wellbeing

Advice, encouragement and understanding helped me feel better in myself [and] about my situation.

Respondents agreed that financial counselling had positive flow-on effects for their health, especially where mental health and wellbeing were concerned. Over two-thirds (69%) felt more positive about the future, 63% agreed that their mental and/or emotional wellbeing had improved and just over half (52%) now worried less about money problems. These wellbeing effects also extended to relationships with their friends and family, which 45% of respondents felt had improved, and their children, where 46% agreed or strongly agreed. Positive effects on physical health were also recorded, with 45% indicating an improvement.

IN THEIR OWN WORDS

Respondents were asked whether they had any comments on the financial counselling service. Their remarks are insightful and complement the quantitative findings from the survey.

One theme that came through very strongly and that was commented on often was:

I only wish that I had come here sooner.

Two reasons emerged why people did not seek help sooner. Some did not know about the service. This was expressed in comments like:

I am very grateful to be receiving help from a financial counsellor and only wish that other people could seek help also before they get into more strife and despair. I didn't realise that there was a service that we would not have to pay for so that is the relieving thought to start with.

and

I feel [financial counselling] needs to be advertised more because not enough people know about this service.

The other reason was embarrassment:

[The service is] very friendly and warm, which makes me feel less embarrassed about having to ask for help.

One way that counsellors helped clients to overcome embarrassment was by listening. Clients felt counsellors cared and were non-judgemental and sensitive to their issues. This was commented on often and was singled out as an important and positive feature of the service.

My financial counsellor [has been] very helpful, approachable, most importantly understanding and non-judgemental. She [has] eased my burden a lot.

The beneficial effect of financial counselling on people's emotional wellbeing came through very strongly and was in part founded in a trust which clients felt in their counsellor and their abilities.

[Financial counselling] not only helps with financial stress, but emotional and mental wellbeing. This is a trustworthy service. It is very important that people can access a service such as this.

and

I have been really down for a long time and I have got myself into an impossible position where I feel trapped. The counsellor is positive and caring and I now feel I have a ray of hope for the future. I don't know what I would have done if left to my own devices. I no longer feel alone.

Financial counselling gave clients a sense of empowerment and made them feel able to cope with their problems.

Should have gone much earlier. I feel supported, less chaotic and more in control and empowered in my abilities. It is helping me change lifelong habits from a lack of mentality to a more positive outlook and self-responsibility.

These comments suggests that financial stress is a sensitive issue and that many people delay seeking help because of embarrassment, because they don't know that help is available, or because they think it's too hard to deal with their situation and nothing can be done. Once people use the service, they begin to feel more positive about their situation when they are shown that there are strategies and actions they can take to alleviate their current crisis.

LEVEL AND DURATION OF DEBT

Respondents were asked to estimate their level of debt from all sources, excluding their mortgage, but including credit cards, store cards, car loans, rental arrears, gas or electricity arrears, and loans from banks and friends. The median amount of debt owed was \$5,000 to \$10,000, but almost a third had debts in excess of \$20,000. Men (42.9%) were more likely to a statistically significant degree to owe a large sum of money (more than \$20,000) than women (26.5%). Women were more likely to owe sums ranging from \$3,001 to \$20,000.

Table 3 Amount of debt owed

	PERCENT
NONE	2.7
\$500 OR LESS	3.6
\$501 – \$2,000	13.3
\$2,001 – \$3,000	5.8
\$3,001 – \$5,000	10.7
\$5,001 – \$10,000	16.4
\$10,001 – \$20,000	14.7
MORE THAN \$20,000	32.9
TOTAL	100.0

Figure 7 Amount of debt owed (n=221)

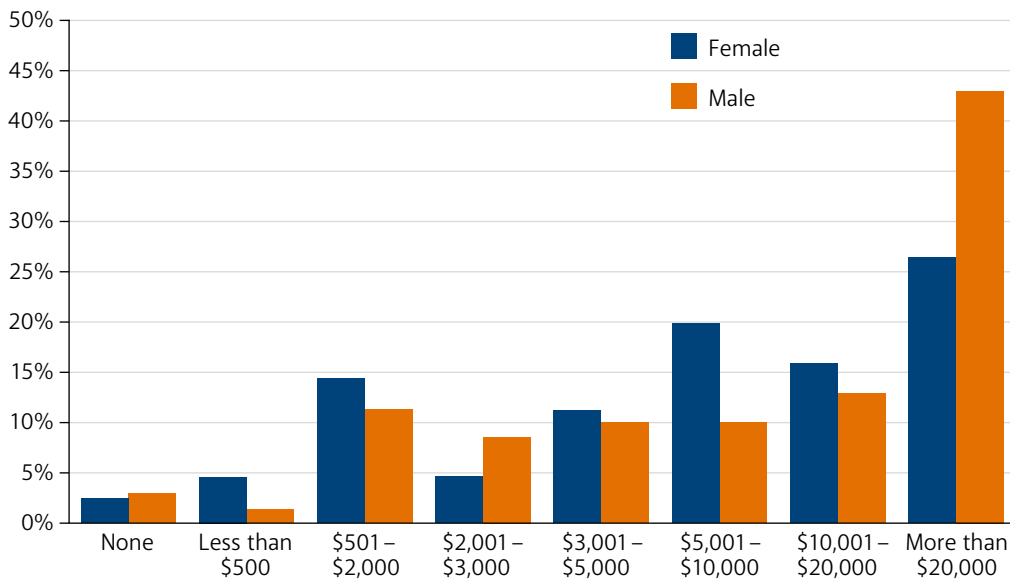


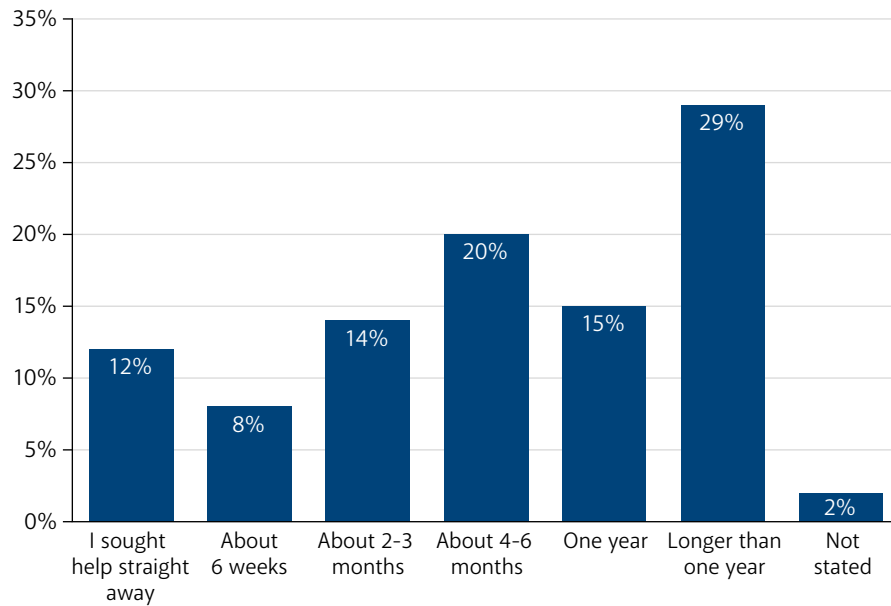
Table 4 How long have you been experiencing financial difficulties? (n=225)

	PERCENT
LESS THAN 1 YEAR	18.0
ABOUT 1 YEAR	26.0
2–3 YEARS	28.0
3–5 YEARS	12.0
MORE THAN 5 YEARS	15.0
NOT STATED	1.0
TOTAL	100.0

More than half of respondents (56%) were experiencing long-term financial stress, lasting two years or more. Men were more likely to have been in debt for a long time, with 20% answering that they had experienced financial stress for more than five years, compared to women (11.9%).

The survey asked respondents how long after the onset of financial difficulties they had waited before seeking financial counselling. Data showed that 44% had delayed a year or longer before seeking assistance from a financial counsellor. This is important, as there is a statistically significant correlation between the duration of financial difficulty experienced and the likelihood that financial difficulties were able to be resolved.⁴² While almost two-thirds of respondents agreed or strongly agreed that financial counselling had helped to resolve their financial difficulties (fig. 6), only 60.3% of those who had experienced long-term financial stress answered favourably, compared to 72% of those who had experienced financial difficulties for a year or less. This demonstrates that seeking financial counselling early on in a financial crisis increases the likelihood of resolving the debt problem. It also demonstrates the persistent nature of debt problems for people on low incomes.

Figure 8 Time elapsed before help sought (n=225)

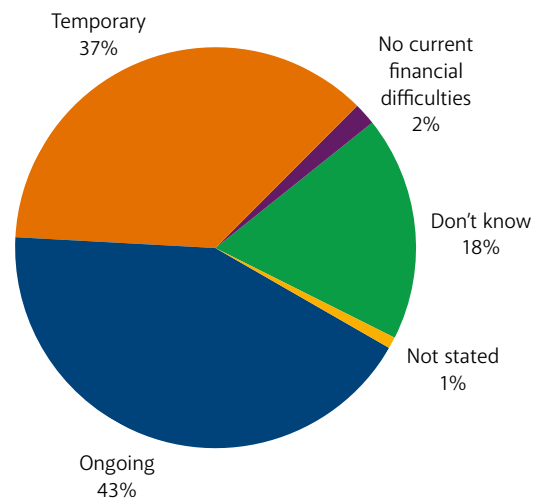


Respondent perceptions of debt problems

Respondents were asked whether they thought their financial difficulties were likely to be temporary or ongoing; 37% thought the problem was temporary and 43% thought the problem was an ongoing one.

There was a statistically significant correlation between the amount of debt owed and feeling that debts were likely to be ongoing.⁴³ Men (48.6%) were more likely to think that their financial difficulties would be ongoing than were women (39.7%), possibly because they have higher levels of debt and tended to have been in financial stress for longer. This suggests that respondents had fairly accurate perceptions of their financial situation.

Figure 9 Do you think your financial difficulties are likely to be temporary or ongoing? (n=225)



SOURCES OF DEBT

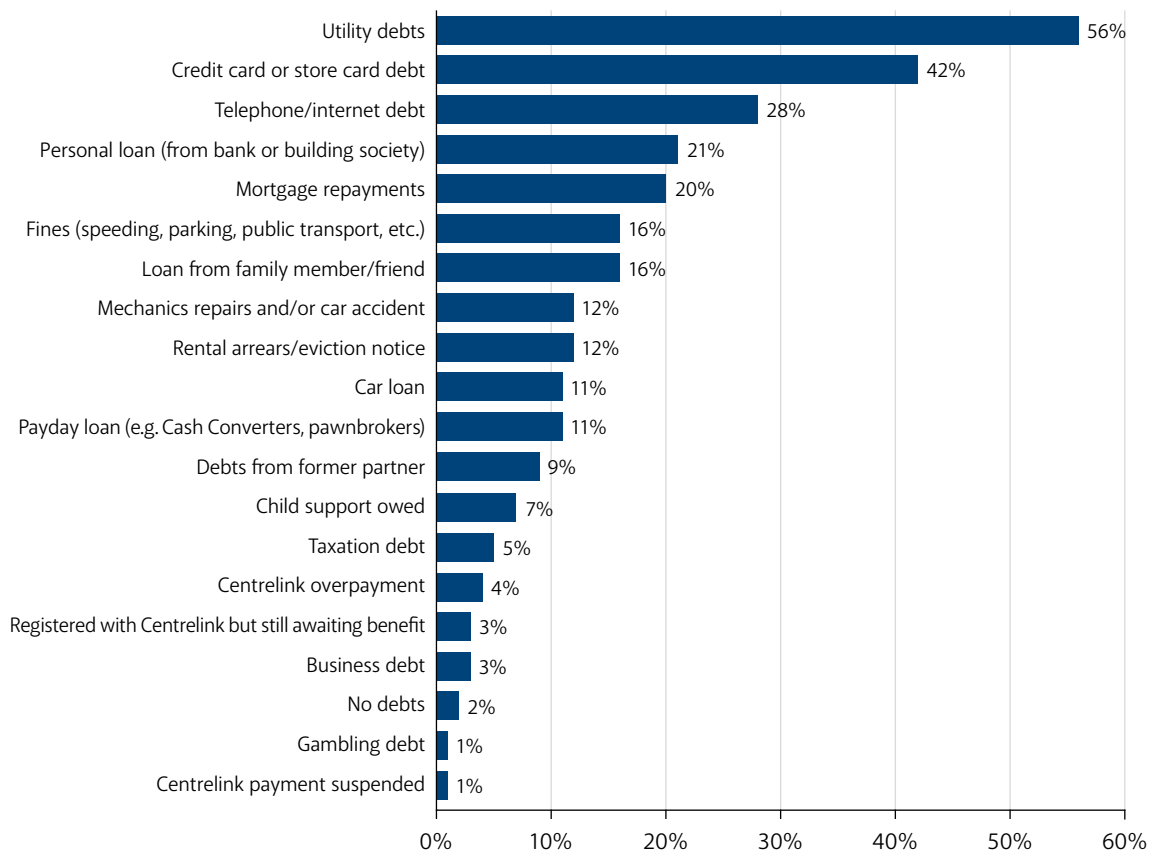
The survey asked respondents to indicate the reasons for their financial difficulties, allowing for multiple responses from a predefined list. Most respondents had multiple sources of debt, with between two and four sources being the most common. However, 14.7% had five or more sources, with one facing 10 sources.

Utilities (56%) were the most common reason, followed by credit or store cards (42%), telephone and ITC debts (28%), personal loans (21%) and mortgages (20%). Fines (16%), loans from family members (16%), car repairs (12%), rental arrears (12%), payday loans (11%) and car loans (11%) were less frequent.

Table 5 Number of debt sources (n=225)

NUMBER OF DEBT SOURCES	PERCENTAGE OF RESPONDENTS
0	1.8
1	25.3
2	24.4
3	21.3
4	12.4
5+	14.7

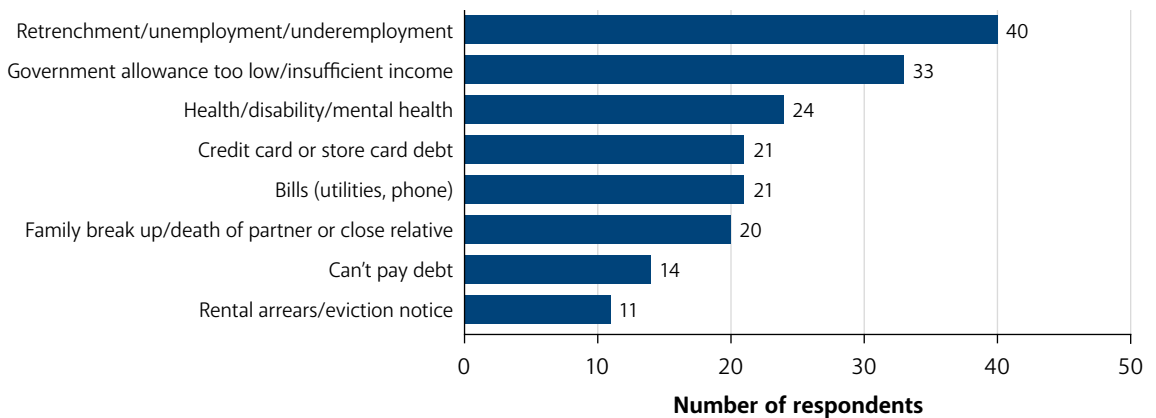
Figure 10 Sources of debt (n=225)



Statistically significant differences were observed between men and women on some key items.⁴⁴ Women were more likely to nominate costs associated with running a household, such as utilities (60%) and telephone/ITC debts (32%) (compared to 47% and 21% of men respectively). Men more frequently nominated debts to lending agencies, such as personal loans (25%), mortgage repayments (29%) and payday loans (16%) as sources of debt, than did women (20%, 16% and 9% respectively). It is difficult to speculate on the reasons for this difference. It may be that women are more likely to seek financial counselling for outstanding bills, rather than seeking further credit to cover the cost. With a significant proportion of the female respondents being represented as sole parents or living alone, it is suggested that many will be in receipt on allowance payments which may present as a major barrier to accessing loans.

When asked to indicate in their own words the main reasons for their current financial stress, respondents' answers showed that the leading causes were insufficient income caused by retrenchment, unemployment, underemployment and an insufficient level of government allowances and pensions. Health reasons, including disability and mental illness, often prevented respondents from earning sufficient income. Financial pressure was felt strongly through an inability to pay bills (utilities and phone), and as a consequence many respondents used credit and store cards to cover expenses. An inability to repay credit or store card debt was the next most frequently cited contributor to financial stress. Family break-up or the death of a partner or close relative also strongly contributed.

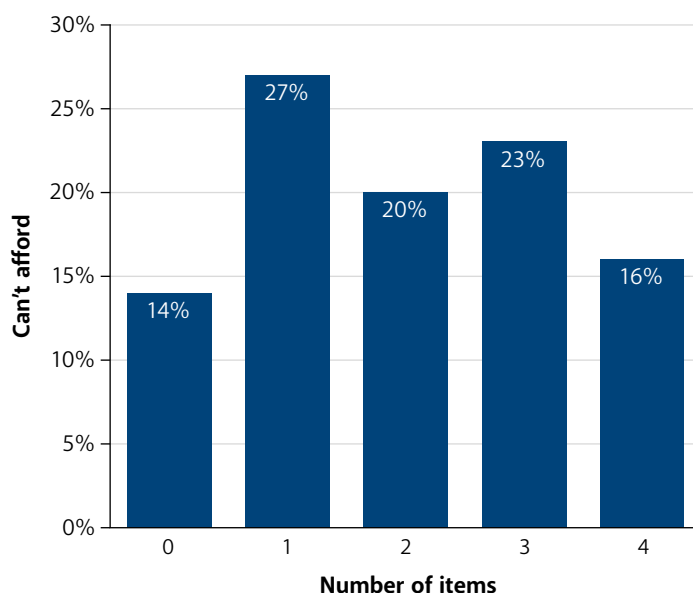
Figure 11 Main reasons for financial difficulty (top eight)



FINANCIAL EXCLUSION

In order to determine the degree to which respondents experienced financial exclusion, the survey asked them to indicate how many, if any, of four basic financial products and services they could afford: a basic savings or transaction account, a small loan from a bank or similar financial institution (not a payday loan), comprehensive motor vehicle insurance and home contents insurance.

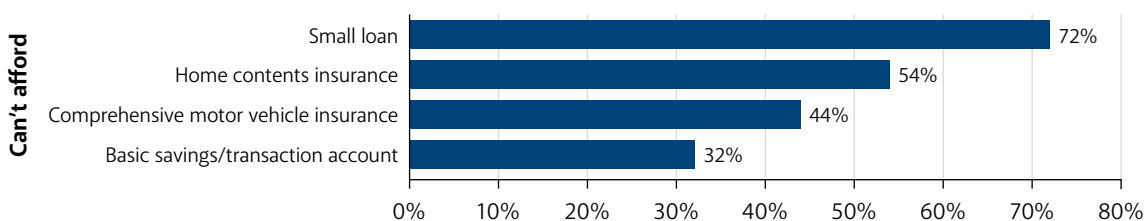
Figure 12 Proportion of respondents who are fully or partly financially excluded (n=225)



Only 14% of respondents indicated that they were fully financially included in the sense that they could afford all four of these essential financial items. On the opposite end of the spectrum, 16% were fully financially excluded, meaning that they could afford none of the items. A further 23% did not have three of the items and 20% had only two.

A very high proportion of respondents (72%) were unable to get a small loan from a bank, building society or other financial institution, which is not surprising, given their debt problems or precarious or low incomes. It also highlights that in order to access funds to cover small emergencies or unexpected expenses, the great majority of respondents may need to turn to more expensive sources of credit (such as credit cards, store cards, payday loans) whose cost will further exacerbate their debt crisis. The other avenue is to access money through the informal economy, such as borrowing from family and friends.

Figure 13 Proportion of respondents who cannot afford essential financial products or services (n=225)



This is corroborated by survey data which shows that 41.9% of respondents had credit card or store card debt, 15.7% had borrowed money from family or friends, and 11.1% had taken out payday loans, one of the most expensive forms of credit (fig. 10).

A high proportion also indicated they could not afford home contents insurance (54%) or comprehensive motor vehicle insurance (44%), making them vulnerable in the case of accidents or unforeseen events, which can then further exacerbate their financial stress.

About a third (32%) of respondents indicated that they did not have a basic savings or transaction account. This figure is high compared to the general population, for example the *Measuring Financial Exclusion in Australia* report put the figure of people who do not have a basic bank account at 14.8%.⁴⁵ It is possible that a number of respondents misunderstood the question as asking whether they had a savings account, rather than a transaction account, as it is unlikely that such a high proportion of respondents did not have a basic bank account. The accuracy of the figure is questionable, as a large proportion (79.1%) of respondents received government pensions or allowances which can only be paid into a bank account.

Taken together, the data demonstrates that most respondents were unable to afford basic financial products and services, which prevented them from fully participating in economic life and made them vulnerable to unforeseen adverse events, which may exacerbate their financial stress.

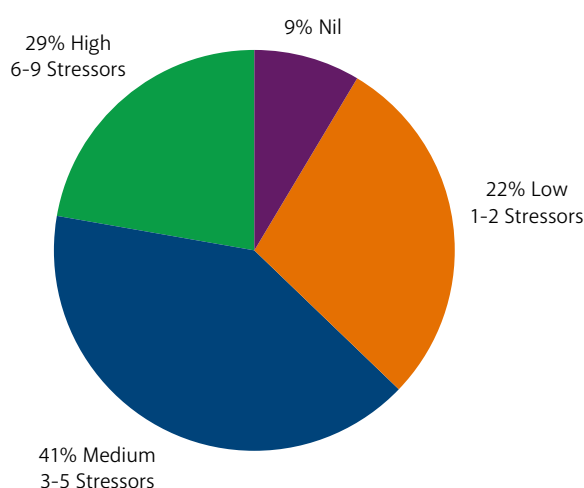
CAUSES AND SYMPTOMS OF FINANCIAL STRESS

Financial stress rarely stems from one isolated reason and its effects are interconnected and complex. A clear chain of cause and effect cannot usually be identified, and any number of stressful life events can either cause or result from financial difficulties.

Respondents were asked to indicate from a list, allowing multiple responses, whether in the past year they had experienced any of a set of events (stressors) that can contribute to or result from financial stress. These stressors are cumulative, and the more stressors a person experiences in a given period of time, the more likely they are to experience financial stress.

Results show that 41% of respondents experienced three to five stressors in the past year, with 29% experiencing a high number (six to nine).

Figure 14 Number of stressors experienced in the past year (n=225)



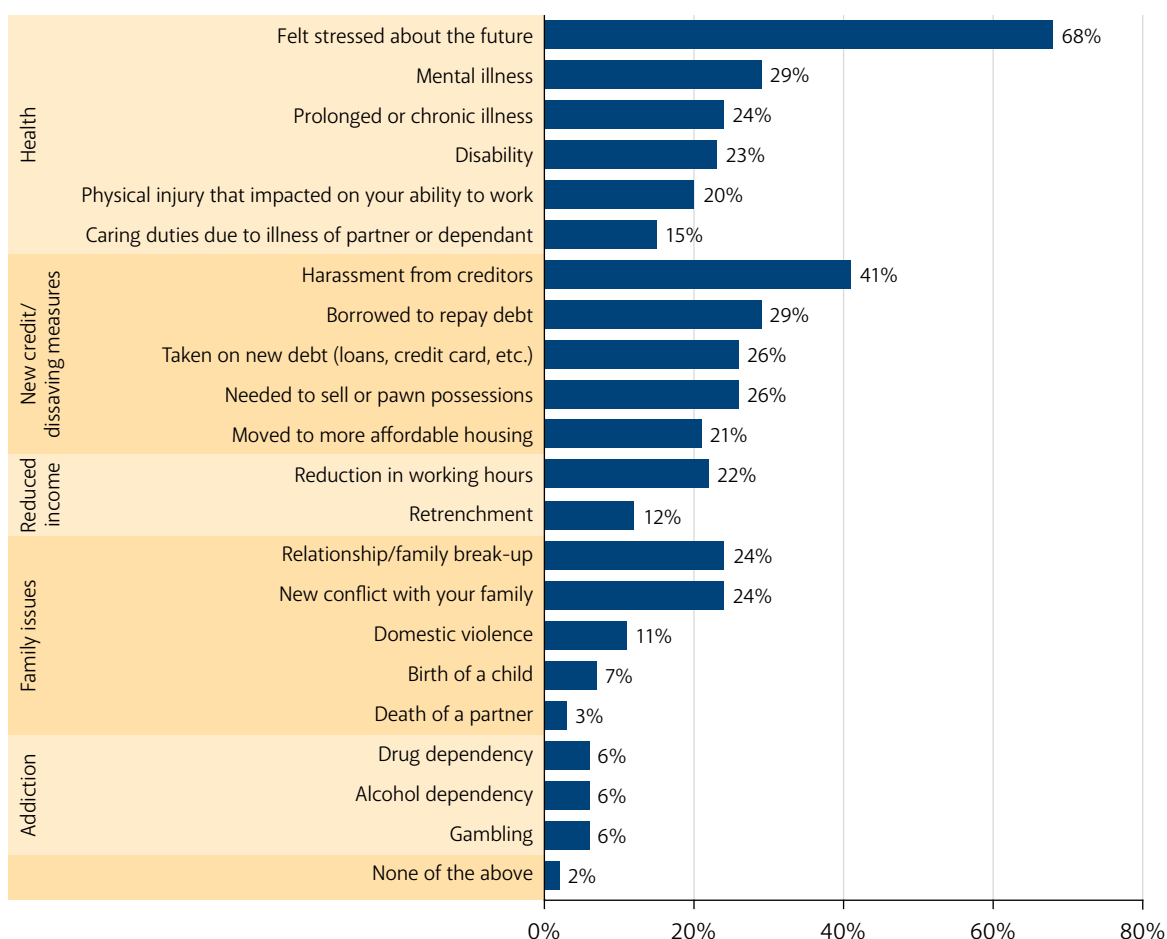
Perhaps not surprisingly, 68% of financial counselling clients had felt stressed about the future, and 41% had experienced harassment from creditors.

For purposes of analysis, stressors were grouped thematically in categories of health, new credit/dissaving measures (e.g. selling or pawning items), reduced income, family issues and addiction. Issues related to health were most prevalent, followed closely by events related to credit/dissaving measures. Stressors related to substance abuse and gambling constituted only 6% of responses. This may be due in part because there are specialist gambling counselling services, which were not included in the sample, in a number of states.

Table 6 Indicator of stressors by type

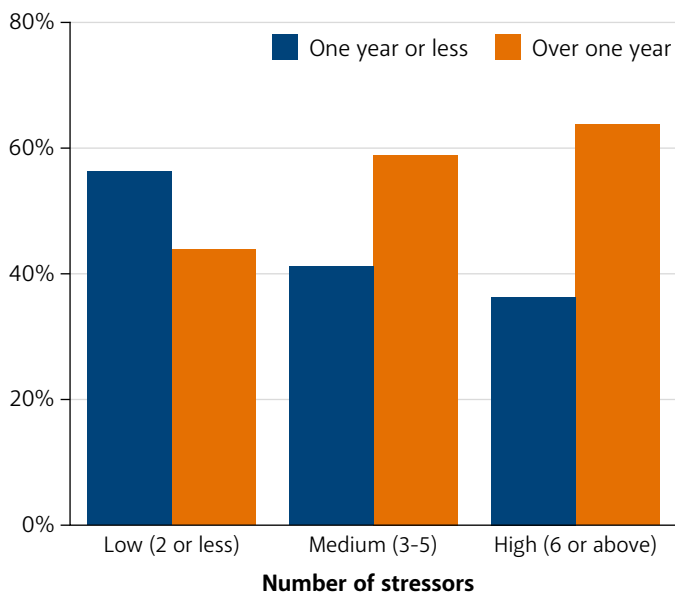
CATEGORY	COUNT AVERAGE PER CATEGORY	PERCENTAGE OF RESPONSES
HEALTH	66	31
NEW CREDIT/ DISSAVING MEASURES	63	29
REDUCED INCOME	38	18
FAMILY ISSUES	30	14
ADDICTION	13	6
NONE OF THE ABOVE	4	2

Figure 15 Stressors by type (n=225)



Overall the data showed a link between the number of stressors indicated and the duration of debt. When the number of stressors a person was experiencing was correlated with the amount of time they had been in financial stress, a clear correlation became evident. The longer a person had been in financial difficulties, the more stressors they were likely to experience. This confirms that stressors are cumulative and means that the longer a person remains in debt, the harder it becomes to break out of the debt cycle.

Figure 16 Number of stressors by duration of financial difficulty (n=225)

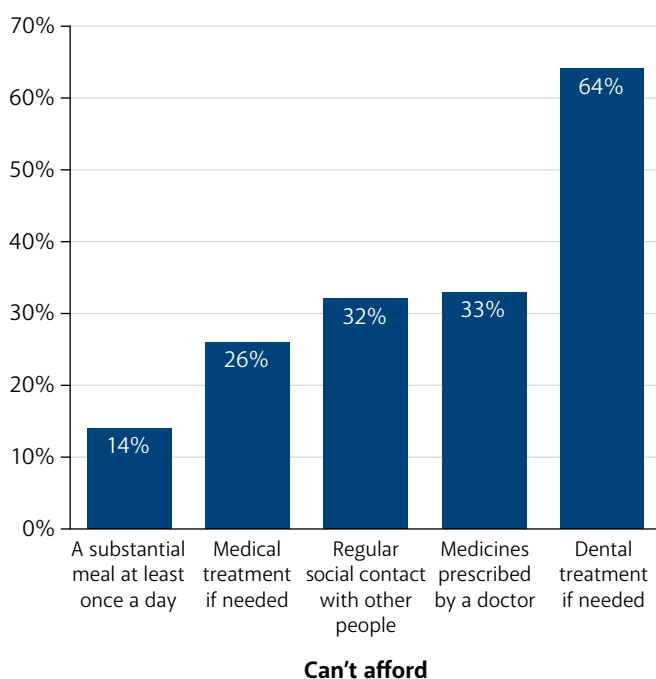


HEALTH AND WELLBEING

Financial hardship has very real consequences for peoples’ physical health and their ability to afford medical care and medicines.

A high proportion of respondents (64%) indicated they could not afford dental treatment if needed. While fewer were unable to afford needed medical treatment (26%), it is significant that a third of respondents (33%) were unable to afford medicines prescribed by a doctor. Fourteen per cent of respondents did not have a substantial meal at least once a day, indicating that they were experiencing severe financial stress. All of these factors negatively impact on physical health.

Figure 17 Percentage of respondents who could not afford essentials of health and wellbeing (n=225)



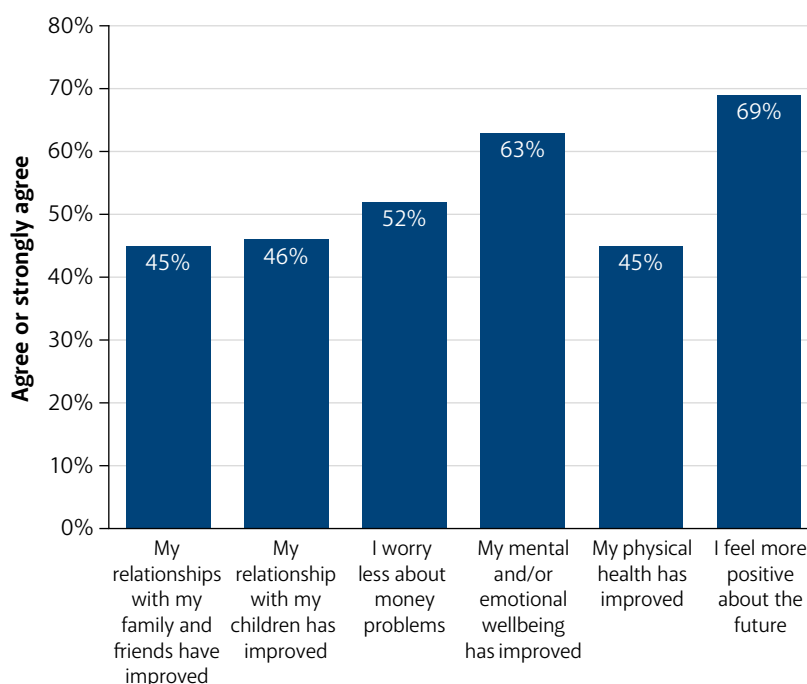
Financial stress also impacts on emotional and mental health. Not having enough money can be a very isolating experience, causing people to curtail their social activities and lose friends as they cannot afford to go out; about a third of our sample indicated that they could not afford regular contact with other people. The

consequence of this for wellbeing is that it can exacerbate feelings of stress and anxiety, which were already very pronounced in two-thirds of our sample (fig. 15). Mental illness is exacerbated by social isolation, and 29% of respondents indicated that they had experienced mental illness in the past year (fig. 15). Taken together, the data confirms that financial stress has a significant and direct impact on personal health and wellbeing and social connectedness.

Data from the outcomes section of the survey illuminates the mitigating impact which financial counselling has on client health and wellbeing (fig. 6). Clients were asked to indicate their level of agreement (strongly agree to strongly disagree) with a number of statements relating to financial counselling outcomes. A positive effect on physical health was noted by 45% of respondents. Mental health and wellbeing related outcomes recorded even higher levels of agreement: 'I feel more positive about the future' (69%), 'My mental and/or emotional wellbeing has improved' (63%) and 'I worry less about money problems' (52%). This shows that financial counselling provides measurable beneficial outcomes for client wellbeing. This was borne out in the comments section of the questionnaire where a large number of respondents noted how much improved they felt as a result of financial counselling and how much better they felt able to cope.

Financial counselling also impacted positively on social relationships, with 56% indicating that it had a beneficial effect on their relationships with their children (46%) and their friends and family (45%).

Figure 18 Self-reported health outcomes from financial counselling



When the number of stressors a person experienced (table 6) was correlated with the health outcomes of financial counselling, data showed that people who had a higher number of stressors were less likely to record positive health outcomes as a result of financial counselling.⁴⁶ This is not surprising as people with more stressors tend to have been in debt for a longer time, which makes it more difficult to resolve their difficulties. It also shows that the knock-on effect of financial stress is more difficult to shift as difficult life events accrue. This underpins the importance of understanding that seeking assistance during the early stages of financial crisis is likely to have a greater beneficial effect.

FINDINGS

Five key findings emerged:

1. Financial counselling is effective and provides measurable positive outcomes on a range of measures, including the resolution of debt related problems, advocacy, financial capability and health and wellbeing. The survey results suggest that financial counselling is an important service that demonstrably benefits clients on multiple dimensions of financial stress.

- 68% of respondents felt their financial situation had improved.
- 75% of respondents indicated improved skills in prioritising debt.
- 74% of respondents indicated that they now felt better able to budget.
- 74% of respondents said that the advice provided helped them avoid legal action.
- 73% of respondents were able to access creditors' hardship programs.

While financial counselling is not able to address the structural and underlying causes of financial stress, such as inadequate incomes and the lack of suitable financial products and services, it helps mitigate immediate crisis, providing information and education to assist people to develop longer-term financial management strategies.

2. Many people delay seeking financial counselling for a long time after the onset of financial difficulties.

Other studies have shown that many people with debt problems do not access advice services at all.⁴⁷ This study found that many people wait a long time after the onset of financial difficulties before seeking financial counselling.

- 15% of survey respondents had waited for approximately one year.
- 29% of respondents had waited for longer than one year before seeking help.

3. Seeking financial counselling sooner increases the chances that financial difficulties can be resolved.

Survey respondents who had been in financial difficulties for a year or less:

- experienced fewer stressors; and
- were statistically more likely to report that their financial difficulties had been resolved (72%).

Financial stress is a complex problem with interlinked and sometimes mutually reinforcing causes and effects (stressors) that can mount and worsen as time goes on, leading people to become trapped in a cycle of debt. Early intervention is more effective in resolving debt issues and can prevent stressors from accumulating. Conversely, people who had been in financial difficulties for longer tended to experience a higher number of stressors that negatively impacted on their finances and their ability to resolve financial stress.

4. Financial counselling contributes to positive health outcomes, especially in alleviating the stress and anxiety associated with financial difficulties.

- 68% of respondents had felt stressed about the future in the past year.
- 69% now felt more positive about the future following financial counselling.
- 63% felt their mental and emotional wellbeing had improved as a result of financial counselling.
- 52% worried less about money problems.

Financial counselling also helped reduce the negative impact of environmental stressors, such as interpersonal relationships and housing security, which if left unchecked may exacerbate financial stress.

- 51% of respondents indicated that their housing situation was more secure.
- 45% of respondents indicated that their relationships with family and friends and their children (46%) had improved.

5. Men and women have different debt profiles.

Women are disproportionately represented in financial counselling, making up over two-thirds of respondents, which mirrors the general client base of The Salvation Army financial counselling.

- 32% of all respondents reported owing debt of \$20,000 or more, whilst the median amount of debt owed was \$5,000 to \$10,000.
- 43% of men reported having significantly higher levels of debt (in excess of \$20,000) compared to women, a statistically significant difference.
- 20% of men reported having experienced persistent financial stress lasting for more than five years compared to 12% of women (12%).

The prevalent sources of debt also differed.

- Women were more likely to owe money for bills associated with running a household (e.g. utilities and ITC).
- Men more often struggled to repay money owing on loans (payday and personal) and mortgages.

There could be various explanations for this. The higher number of women clients and differing debt profiles could indicate that women are more vulnerable to debt. This study also suggests gender differences to financial stressors, where women are likely to seek help, while men are more likely to take on more debt to pay for existing debt. It is also possible that women are less able or willing to access further loans.

CONCLUSION AND RECOMMENDATIONS

The research findings highlight the beneficial impact of financial counselling for individuals particularly in terms of their financial capability, their health and wellbeing and in resolving or alleviating debt problems. A significant finding is that these effects are more pronounced when help is sought sooner, rather than later.

Respondents' comments show that attending financial counselling was a positive experience that made a difference to their situation. Many were pleasantly surprised that they were received in a non-judgemental and understanding way. Nearly all respondents (94%) indicated they would be more willing to seek financial help earlier in the future.

In light of these findings, it is important to consider what it is that prevents people from accessing financial counselling. The study found that many people delay seeking financial counselling for a long time after the onset of financial difficulties, while other studies have shown that many people with debt problems do not access advice services at all.⁴⁸ Forty-four per cent of survey respondents waited for a year or longer before accessing assistance, a trend that was even more pronounced in those experiencing long-term financial stress, a group which represented 55% of the survey sample.

This study presents a snapshot in time only, and as such suggests the need to better understand the reasons why people delay accessing these services and the ongoing impacts of financial counselling. The fact that many clients experience long-term financial stress may indicate that not all of the benefits of financial counselling endure or accrue to the same degree for all individuals.

The survey also highlights the reality of debt and financial problems for individuals and families on such constrained incomes. Whilst financial counselling can assist to alleviate acute financial crises, it cannot solve the broader structural issues of social and economic disadvantage that contribute to the exacerbation and impact of financial stress.

RECOMMENDATIONS

1. To maintain and expand current financial counselling services.
2. To advocate for and continue to work towards integrating financial counselling into a holistic approach to meeting the needs of individuals and families as demonstrated by The Salvation Army Doorways philosophy.
3. To support financial counselling as a tool for early intervention and individual capacity building within a holistic case management approach to social and economic disadvantage, as per The Salvation Army Doorways philosophy.
4. Address the barriers that prevent people from accessing financial counselling:
 - a) Develop and facilitate a communication and media strategy that promotes greater awareness of the nature, benefits and accessibility of financial counselling services.
 - b) Undertake research to better understand the barriers that delay and prevent people from accessing financial counselling services and develop strategies to overcome these. This may include different approaches for different cohorts, for example, men and women and people in long- and short-term financial stress.
 - c) Undertake research to better understand the long-term impacts of financial counselling.

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Financial Capability and Wellbeing Survey

We would like to ask you some questions about your financial difficulties. This will help us to provide a better service to you in the future.

Q1. Please indicate the reasons for your financial difficulties. (Select as many as apply)

- | | |
|--|--|
| <input type="checkbox"/> Utility debts | <input type="checkbox"/> Payday loan (e.g. Cash Converters, pawn shop, high street lender) |
| <input type="checkbox"/> Centrelink payment suspended | <input type="checkbox"/> Personal loan (from bank or building society) |
| <input type="checkbox"/> Centrelink overpayment | <input type="checkbox"/> Registered with Centrelink but still awaiting benefit |
| <input type="checkbox"/> Child support owed | <input type="checkbox"/> Mechanics repairs and/or car accident |
| <input type="checkbox"/> Credit card or store card debt | <input type="checkbox"/> Car loan |
| <input type="checkbox"/> Fines (speeding, parking, public transport, etc.) | <input type="checkbox"/> Telephone/internet debt |
| <input type="checkbox"/> Gambling debt | <input type="checkbox"/> Debts from former partner |
| <input type="checkbox"/> Business debt | <input type="checkbox"/> No debts |
| <input type="checkbox"/> Taxation debt | <input type="checkbox"/> Other, please specify_____ |
| <input type="checkbox"/> Loan from family member / friend | |
| <input type="checkbox"/> Rental arrears / eviction notice | |
| <input type="checkbox"/> Mortgage repayments | |

Q2. What is the main reason for your financial difficulties?

Q3. What is your average fortnightly income from all sources (including pensions, allowances, child maintenance, etc.)?

Q4. Roughly, how much debt from all sources do you have in total (excluding mortgage, but including credit cards, store cards, car loan, rental arrears, gas or electricity arrears, loans from banks and friends, etc.)?

- | | |
|--|--|
| <input type="checkbox"/> None | <input type="checkbox"/> \$3,001 – \$5,000 |
| <input type="checkbox"/> Less than \$500 | <input type="checkbox"/> \$5,001 – \$10,000 |
| <input type="checkbox"/> \$501 – \$1,000 | <input type="checkbox"/> \$10,001 – \$20,000 |
| <input type="checkbox"/> \$1,500 – \$2,000 | <input type="checkbox"/> More than \$20,000 |
| <input type="checkbox"/> \$2001 – \$3,000 | |

Q5. About how long have you been experiencing financial difficulties?

- Less than 1 year
- About 1 year
- 2-3 years
- 3-5 years
- More than 5 years

Q6. Do you think your current financial difficulties are likely to be temporary or ongoing?

- Ongoing
- Temporary
- No current financial difficulties
- Don't know

Q7. Why do you think your financial difficulties will be ongoing or temporary?

Q8. When you started having financial difficulties, how long did you wait before seeking financial counselling?

- | | |
|--|---|
| <input type="checkbox"/> I sought help straight away | <input type="checkbox"/> About 4-6 months |
| <input type="checkbox"/> About 6 weeks | <input type="checkbox"/> One year |
| <input type="checkbox"/> About 2-3 months | <input type="checkbox"/> Longer than one year |

Q9. Sometimes things happen to people that impact on their lives. Here is a list of things that may have happened to you. In the past year, have you experienced one or more of the following? (Check as many as apply)

- | | |
|---|---|
| <input type="checkbox"/> Moved to more affordable housing | <input type="checkbox"/> Death of partner |
| <input type="checkbox"/> Felt stressed about the future | <input type="checkbox"/> Disability |
| <input type="checkbox"/> Taken on new debt (loans, credit card, etc) | <input type="checkbox"/> Mental illness |
| <input type="checkbox"/> Domestic violence | <input type="checkbox"/> Birth of a child |
| <input type="checkbox"/> New conflict with your family | <input type="checkbox"/> Borrowed to repay debt |
| <input type="checkbox"/> Attempted to supplement income by gambling (e.g. pokies) | <input type="checkbox"/> Physical injury that impacted on you ability to work |
| <input type="checkbox"/> Needed to sell or pawn possessions | <input type="checkbox"/> Prolonged or chronic illness |
| <input type="checkbox"/> Alcohol dependency | <input type="checkbox"/> Reduction in working hours |
| <input type="checkbox"/> Drug dependency | <input type="checkbox"/> Relationship/family break up |
| <input type="checkbox"/> Caring duties due to illness of partner or dependant | <input type="checkbox"/> Retrenchment |
| | <input type="checkbox"/> Harassment from creditors |
| | <input type="checkbox"/> None of the above |

Q10. Please indicate whether you have the following items.

Essential Item	Do you have this item?		
	Yes	No, can't afford it	No, don't want/need it
A substantial (good) meal at least once a day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Medical treatment, if needed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Able to buy medicines prescribed by a doctor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dental treatment if needed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regular social contact with other people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comprehensive Motor Vehicle Insurance (leave blank if you do not have a car)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home contents insurance (insurance for your belongings in you home)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A basic savings or transaction account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to get a small loan from a bank, building society or other financial institution (not a payday loan).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please tell us about your experience with the financial counselling service.

Q11. How many sessions have you had this period of counselling, including today?

Q12. Please indicate your agreement with the following statements. As a result of attending the financial counselling service

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
My financial difficulties were resolved	1	2	3	4	5
My financial situation has improved	1	2	3	4	5
I feel better able to budget	1	2	3	4	5
I feel better able to prioritise debt	1	2	3	4	5
I feel better able to choose financial products that fit my situation	1	2	3	4	5
I have more awareness of my benefits entitlements	1	2	3	4	5
I now have access to creditors' hardship programs	1	2	3	4	5
I been able to access utility relief grants	1	2	3	4	5
I have had debts or fines waived or reduced	1	2	3	4	5
Advice helped me avoid or curtail legal action	1	2	3	4	5
I have access to no interest or low interest loans (e.g. NILS)	1	2	3	4	5
I feel better able to save	1	2	3	4	5
My relationships with my family and friends have improved	1	2	3	4	5
My relationship with my children has improved	1	2	3	4	5
I worry less about money problems	1	2	3	4	5
My mental and/or emotional wellbeing has improved	1	2	3	4	5
My physical health has improved	1	2	3	4	5
My housing situation is more secure	1	2	3	4	5
I feel more positive about the future	1	2	3	4	5
I would be more willing to seek financial help earlier	1	2	3	4	5
Advice helped me avoid bankruptcy	1	2	3	4	5
Advice prevented me from dropping out of higher education or training	1	2	3	4	5

Q13. Do you have any other comments about the financial counselling service?

About you - It would help us greatly if you could answer a few basic questions about yourself

Q14. Are you Female Male

Q15. What is your suburb? _____

Q16. Do you speak a language other than English at home? If yes, which one?

No Yes, at home I speak _____

Q17. Are you Aboriginal and/or Torres Strait Islander?

Yes No

Q18. How old are you?

- | | |
|-----------------------------------|--|
| <input type="checkbox"/> Under 18 | <input type="checkbox"/> 45 to 54 |
| <input type="checkbox"/> 18 to 24 | <input type="checkbox"/> 55 to 64 |
| <input type="checkbox"/> 25 to 34 | <input type="checkbox"/> 65 years and over |
| <input type="checkbox"/> 35 to 44 | |

Q19. What is your main source of income? Select only one

- | | |
|--|--|
| <input type="checkbox"/> Any government pension or allowance | <input type="checkbox"/> Workers or transport compensation |
| <input type="checkbox"/> Wages or salary (including from own business) | <input type="checkbox"/> Spouse/partner's income |
| <input type="checkbox"/> Self employed | <input type="checkbox"/> Dividends or interest |
| <input type="checkbox"/> Rental income | <input type="checkbox"/> No income |
| <input type="checkbox"/> Child support or maintenance | <input type="checkbox"/> Other, please specify _____ |
| <input type="checkbox"/> Superannuation or annuity | |

Q20. How would you best describe your household? Are you

- Living alone
- Couple only
- Sole parent
- Living in a share house with family
- Living with a spouse or partner **without** dependent child/ren
- Living with a spouse or partner **with** dependent child/ren
- Living in a share house with unrelated adults
- Other (please specify) _____

Q21. How would you best describe your housing arrangements?

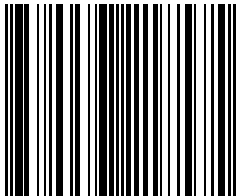
- | | |
|--|---|
| <input type="checkbox"/> Private rental | <input type="checkbox"/> Transitional housing |
| <input type="checkbox"/> Public or community housing | <input type="checkbox"/> Crisis/short term accommodation |
| <input type="checkbox"/> Paying off mortgage | <input type="checkbox"/> Caravan/car |
| <input type="checkbox"/> Home owner | <input type="checkbox"/> Homeless or living in crisis accommodation |
| <input type="checkbox"/> Living with friends | <input type="checkbox"/> Other, please specify _____ |
| <input type="checkbox"/> Living with relatives | |
| <input type="checkbox"/> Share house with unrelated people | |

ENDNOTES

- ¹ A telephone survey of 450 Magistrates Court consumer default judgement debtors found that 67% did not seek assistance with their debt problems (Schetzer 2008). A report by Wesley Mission (2009) found that only 26% of respondents sought help after experiencing financial difficulties and that 47% sought no help at all.
- ² Australian Bureau of Statistics (ABS) data from the General social survey 2010 shows that 19% of adults experienced one or more cash flow problems in 2009-10 and that sole parent households with dependent children scored much higher than the general population on certain indicators of financial stress (ABS 2010).
- ³ FaHCSIA (2012).
- ⁴ FaHCSIA (2012).
- ⁵ ASIC (2011).
- ⁶ ANZ & Social Research Centre (2011).
- ⁷ Russell, R, Bailey, D & Wall, L (2011); Russell, R, Wall, L & Doan, MP (2011).
- ⁸ Green, BL, McAllister, CL & Tarte, JM (2004); Kempson, E, Collard, S & Moore, N (2005); Russell, R, Bailey, D & Wall, L (2011); Turnell, A (2012).
- ⁹ Atkinson, A, McKay, S, Kempson, E & Collard, S (2006).
- ¹⁰ Connolly, C, Georgouras, M, Hems, L & Wolfson, L (2011); Hems, L, Connolly, C & Georgouras, M (2012).
- ¹¹ Hems, L, Connolly, C & Georgouras, M (2012).
- ¹² Connolly, C, Georgouras, M, Hems, L & Wolfson, L (2011).
- ¹³ ASIC (2011); Connolly, C & Hajaj, K (2001); Corrie, T (2011); Russell, R, Bailey, D & Wall, L (2011).
- ¹⁴ Chant Link and Associates (2004); Pleasence, P, Buck, A, Balmer, NJ & Williams, K (2007).
- ¹⁵ Schetzer, L (2007).
- ¹⁶ Nelthorpe, D & Digney, K (2011).
- ¹⁷ Pleasence, P, Buck, A, Balmer, NJ & Williams, K (2007).
- ¹⁸ Pleasence, P, Buck, A, Balmer, NJ & Williams, K (2007).
- ¹⁹ Kempson, E (2002); Nettleton, Burrows, England & Seavers (1999).
- ²⁰ Pleasence, P, Buck, A, Balmer, NJ & Williams, K (2007).
- ²¹ Fitch, C, Hamilton, S, Bassett, P & Davey, R (2011); Nelthorpe, D & Digney, K (2011); Pleasence, P, Buck, A, Balmer, NJ & Williams, K (2007); Stansfeld, Fuhrer, Shipley & Marmot (2002); Wesley Mission (2010); Kempson, E (2002).
- ²² Drenteau, P (2000); Jacoby, M (2002); Reading, R & Reynolds, S (2001).
- ²³ Pleasence, P, Buck, A, Balmer, NJ & Williams, K (2007).
- ²⁴ Nelthorpe, D & Digney, K (2011).
- ²⁵ Wesley Mission (2009); Wesley Mission (2010).
- ²⁶ Kalousova, L & Burgard, SA (2012).
- ²⁷ Saunders, P & Wong, M (2009); Salvation Army (2012).
- ²⁸ Saunders, P & Wong, M (2009).
- ²⁹ The Salvation Army (2012).
- ³⁰ It is difficult to accurately calculate a response rate; 1,200 surveys were sent out to financial counsellors, nominally giving a response rate of 19%. However, it is not clear how many were not used because counsellors were too busy or because not enough clients fitting the respondent profile visited the service during the survey period.
- ³¹ Engels, B, Nissim, R & Landvogt, K (2009).
- ³² ABS (2011).
- ³³ ABS (2011).
- ³⁴ ACOSS (2012b).
- ³⁵ ACOSS (2012a).
- ³⁶ Engels, B, Nissim, R & Landvogt, K (2009).
- ³⁷ Mercer Worldwide Cost of Living Survey 2012 – city ranking <http://www.mercer.com/press-releases/cost-of-living-rankings>, viewed 31 August 2012.
- ³⁸ Burke, T, Stone, M & Ralston, L (2011).
- ³⁹ The budget standard model is based on the work of Saunders (1998) where a 'low cost budget standard represents a standard of living which may require frugal and careful management of resources but would still allow social and economic participation consistent with community standards and enable the individual to fulfil community expectations in the workplace, at home and in the community'.
- ⁴⁰ Burke, T, Stone, M & Ralston, L (2011).
- ⁴¹ ACOSS (2012b).
- ⁴² Chi-square at the 0.5.
- ⁴³ Chi-square at the 0.5.
- ⁴⁴ Chi-square at the 0.5.
- ⁴⁵ Hems, L, Connolly, C & Georgouras, M (2012).
- ⁴⁶ Pearson's correlation at the 0.5.
- ⁴⁷ A telephone survey of 450 Magistrates Court consumer default judgement debtors found that 67% did not seek assistance with their debt problems (Schetzer 2008). A report by Wesley Mission (2009) found that only 26% of respondents sought help after experiencing financial difficulties and that 47% sought no help at all.
- ⁴⁸ See endnote 1



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