What **wealthy** means to Australians in 2023:

An exploration of cultural preferences and change

CONTENTS

1. INTRODUCTION

This report provides a demographic and social assessment of how attitudes towards "being wealthy" have changed over time in Australia.

The focus is the broad base of middle Australia which may be loosely defined as the middle 80 per cent of the Australian population.

The objective is to determine how attitudes towards "feeling wealthy" have changed and if so, what are the criteria that middle Australia is likely to require in order to feel wealthy (and secure) in the 2020s and beyond.

This report acknowledges but is not designed to capture attitudes to wealth by those falling outside the cohort (as defined) of middle Australia. Studies of extreme wealth and poverty in Australia are available elsewhere.

This report draws upon a range of demographic, social and cultural indicators sourced from Australian censuses extending, in some cases, between 1911 and 2021. Other data sourced from the ABS and the IMF is also cited.

For interest, the report includes a timeline of event markers that tracks how middle Australia has changed since federation.

The report also draws upon selected data from the *AMP 2022 Financial Wellness report*.

It also cites quotes and insights from a series of focus group discussions conducted for AMP by Fifth Dimension in Sydney, Melbourne and Brisbane in January 2023.

The focus groups comprised Millennials, Gen-Xers and Baby Boomers; the discussions centred on what it takes for middle Australia to feel wealthy. (Hint: it's not all about money.)

This *What it means to be wealthy* report was commissioned by AMP and was completed by Bernard Salt AM and his team at The Demographics Group.

Data and graphics have been prepared by data scientist Hari Hara Priya Kannan.

ABOUT THE AUTHOR

Bernard Salt AM is executive director of The Demographics Group.

He has authored six books. He writes 2 weekly columns for *The Australian* newspaper. He was a partner with KPMG Australia for 15 years. He is a regular on the corporate speaking circuit. He founded The Demographics Group in 2017.

2. HOW HOME OWNERSHIP DELIVERED SECURITY

The Australian nation has undergone significant demographic and social change over the last 50 years.

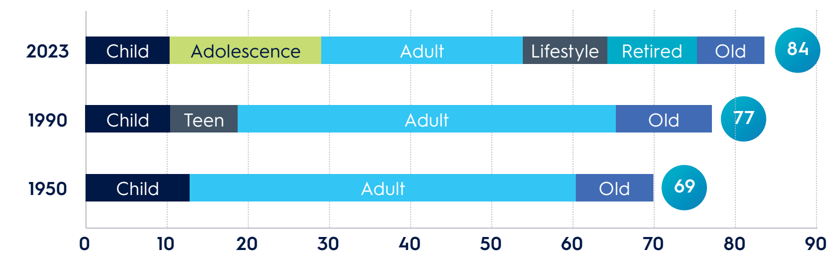
Immigration rates have increased. Workforce participation rates have jumped. Young people have postponed commitment to marriage from early- to late-20s. Life expectancy has increased. Even the nature of work has changed: there's fewer manufacturing jobs, more knowledge worker jobs.

Generally social change takes effect slowly but occasionally there are events that serve as markers of seismic shifts. The introduction of No-Fault divorce in 1975 freed many Australians from the burden of unhappy marriages. The Superannuation Guarantee introduced in 1992 was intended to assure Australians of dignity and of a level of independence in retirement.

One of the most important social shifts has been the rise of the individual. In a direct comparison between the way Australians live in 2023 with the way we lived 60 years ago in 1963 it is evident that that there is now more 'alone time' across the lifecycle.

This is due to changes in thinking about commitment; it is also a dividend of increased life expectancy.

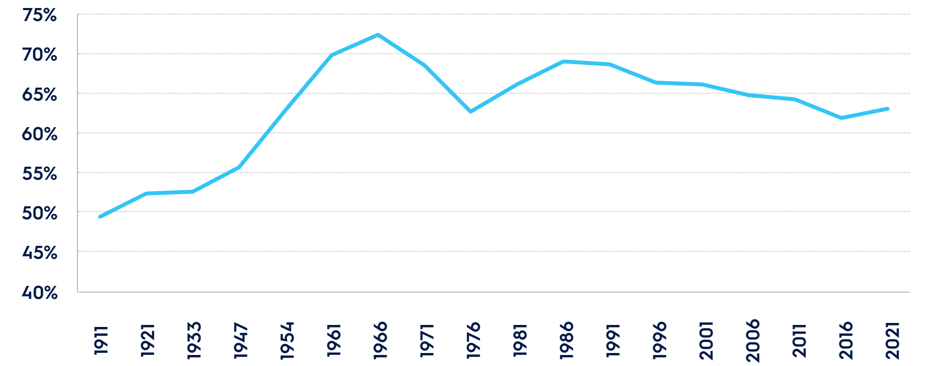
Graphic 1. Lifecycle shift: Change in the Australian life stages, 1950-2023



Source: ABS, The Demographics Group

> "One of the most important social shifts has been the rise of the individual."

Graphic 2. Peak home ownership: Proportion Australian housing stock owned outright or with a mortgage, 1911-2021



Source: ABS Censuses

Many Australians today remain single throughout their 20s (often pursuing further education) whereas back then life commitments (such as marriage and children) were made in the early 20s.

For decades after WWII the traditional nuclear family comprised of mum, dad and the kids was the dominant familial force; singledom reigned supreme for barely 5 years from the age of debutante (age 17) to, say, 22. Indeed the average age at first marriage for women at this time was 21; for men it was 23 (source ABS).

Here was an era when retirement planning was rarely considered. What mattered was the security offered by home ownership.

This much is evident in home ownership rates tracked through the Australian censuses from 1911.

Being 'wealthy' at this time was equated with the ideal of buying a family home (in the suburbs).

Prior to WWI some 49 per cent of the housing stock in Australia was owned outright or with a mortgage (see Graphic 2).

This was a high proportion for a society then lacking a substantial middle class; it probably reflected a generational dividend of the 19th century gold rushes.

Indeed, some scholars place Australia's GDP per capita at this time at (or close to) the highest in the world (source Maddison project).

But even this home ownership rate increased (off a high base) rising further in the 1950s and 1960s to peak at 73 per cent in 1966. The zenith of the Australian home ownership ideal was reached in the mid-1960s.

Our obsession with housing was reflected in popular culture. Australian author John O'Grady published *They're a Weird Mob* (1957) which connected post-war immigration with the opportunity to buy a house in (burgeoning) suburban Sydney.

In Melbourne at this time satirist Barry Humphries created the character of Edna Everage whose comedy focussed on the Australian obsession with nice suburban homes.

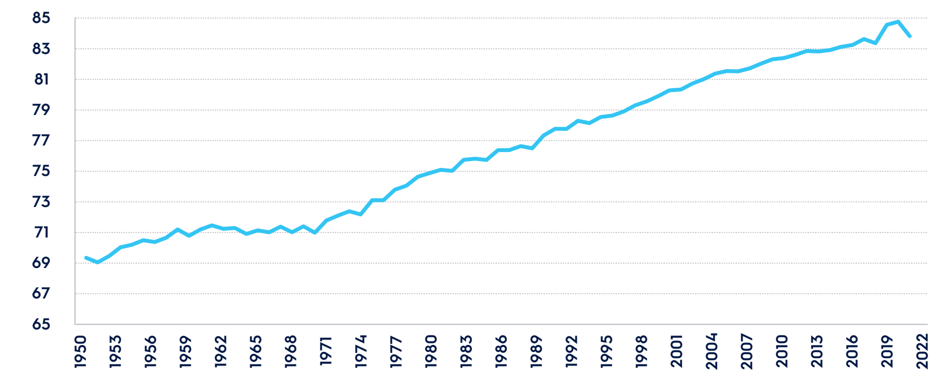
Our focus on home ownership in the middle of the 20th century delivered a sense of security to returning diggers whose childhood was spent navigating the travails of the Great Depression.

Getting married, having kids, buying a house, holding a steady job were values that shaped the times.

Outside the public sector few from what now call middle Australia understood or even engaged with the idea of retirement planning.

And to some extent this was logical behaviour in that life expectancy in the late 1950s hovered around 70; that delivered barely 5 years in retirement for the average Aussie male (see Graphic 3).

Graphic 3. Longer lives: Life expectancy for Australia 1950-2022



Source: ABS

3. HOW GLOBAL FORCES RESHAPED THE CONCEPT OF WEALTHY

By the 1970s let alone by the 1980s global megaforces were reshaping Australia.

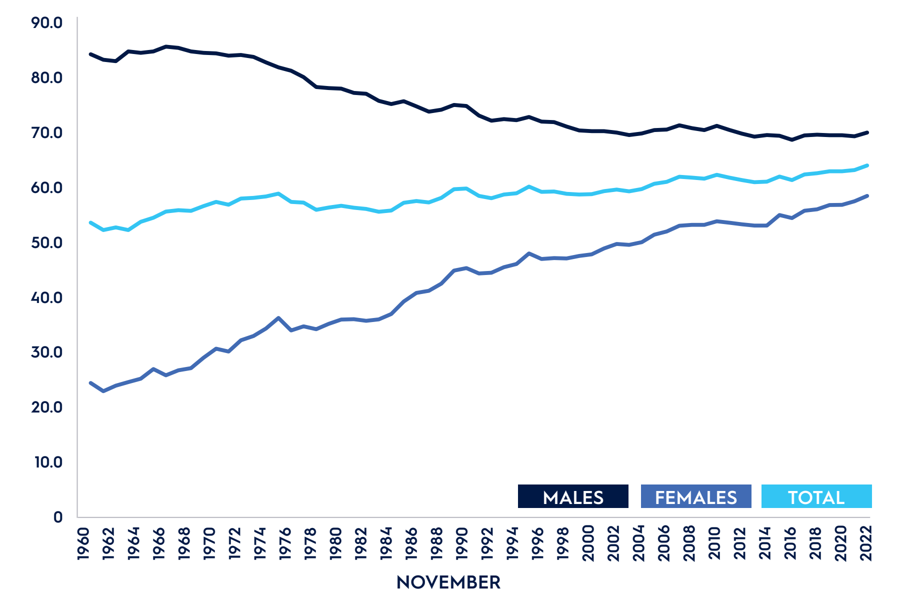
Australian author Germaine Greer published *The Female Eunuch* in 1969. This book and others were part of a broader shift in social behaviour across the Developed World.

Women started to make different choices. Workforce participation jumped (see Graphic 4). The average age at first marriage pushed back. Access to university blossomed after Prime Minister Gough Whitlam abolished tertiary education fees in 1974. [Refer timeline]

Australian singles and couples started to make different choices. The ideal of mum, dad and the kids remained popular, even dominant, but the concept was being challenged if not reimagined.

Thirty-something baby boomers in the 1980s chose to have two kids not four.

Graphic 4. Work shift: Labourforce participation rates by gender, 1960-2022



Source: ABS

Family formation was still popular, it simply started later: after living together as a non-married couple, after travelling, after getting a degree, after finding the right job. The proponents of this new lifestyle were given a new name; they were called dinks (pre kids) then yuppies (post kids).

By the mid-1990s life expectancy in Australia had passed 75 meaning that retirees were more likely to think about life's later years.

The Superannuation Guarantee was introduced at around this time and for many years it may have lulled middle Australia into the view that they didn't have to worry about retirement. They had super; they'd be fine.

The rise of singles and couples opened up new opportunities in the 20-something and 30-something stages in the lifecycle.

Home ownership rates dropped in the early 1970s as young people lived separately or as couples in the city's then burgeoning market for 3-storey walk-up rental flats. In the 1960s single 20-somethings typically boarded with an older childless couple or more likely with a widow.

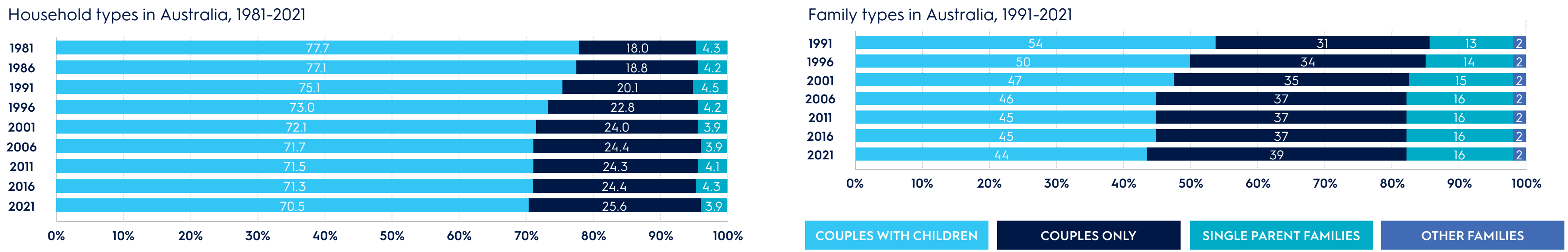
Thirty-something baby boomers fully embraced home ownership in the late 1980s. Cities were changing; they reflected demographic shifts.

Out with the singularity of the traditional nuclear family; in with periods in the lifecycle when Australians lived as singles and couples (see Graphic 5)

The ideal of home ownership was still popular but it was being pushed back to the late 20s.

By the 1986 census 69 per cent of housing stock was either owned outright or with a mortgage, down four percentage points from the 1966 zenith.

Graphic 5. Changing tribes: Household and family change, 1981-2021



Source: ABS Censuses

“ Retirees in the 1980s and 1990s were frugal people with modest lifestyle expectations.

Boomers’ faith in housing was partly shaped by their parent’s childhood stories of the need for security during the Great Depression. To both of these generations—boomers and their parents—home ownership was not just a store of wealth, it offered security.

At this time, some baby boomers reimagined the inner city by renovating terrace houses abandoned in the 1960s. It was a movement that was to gather momentum, morph into different formats and eventually (in the 2000s) create a new lifeform known as the ‘hipster’.

However, it was Generation X who first embraced inner-city living in an apartment format. Apartments clustered near the CBD close to universities and often in large scale redevelopment projects in places like South Sydney, Melbourne’s Southbank and Brisbane’s Fortitude Valley.

By the early 2000s the social structure of middle Australia had shifted. More Australians were working. Singledom dominated the 20s although other outposts surfaced in the 40s, the 50s and the 60s as couples separated and divorced.

The extension of life expectancy—today hovering around the mid-80s—created demand for retirement planning. Accumulating wealth via housing and carrying it into retirement wasn’t an issue in the 1960s when retirement lasted, say, five years. Today retirees can live 25 years beyond official retirement from the workforce.

Plus, the ideal of what retirement might look like has changed. Retirees in the 1980s and 1990s were frugal people with modest lifestyle expectations. Like all Australians retirees today have bigger expectations of how life might be lived.

And there are now far more older singles, often women, who have chosen to remain single (often happily so) whilst others have been thrust into singledom via the loss of a life partner.

With such seismic shifts in the social structure of the Australian community it is unsurprising that the key concept defining ‘wealthy’ for middle Australia—home ownership—should be broadened, transformed and boldly reimagined in the 2020s.

4. AUSTRALIA (AND ITS HOUSEHOLDS) TRANSFORMED BY GLOBALISATION

By the 1970s let alone by the 1980s global megaforces were reshaping Australia.

Australia is a wealthy nation. This much is evident across a number of metrics including gross domestic product (or national income).

The Washington-based International Monetary Fund (IMF) tracks GDP in USD on an annual basis for every country on earth. This data can be converted into GDP per capita to get a sense of the average national income.

In 1980 Australia ranked 20th in the world by GDP-per-capita at USD$11,000 sitting just behind Germany ($11,110) and just above Austria ($10,732) (see Graphic 6).

Just 42 years later Australia's GDP per capita jumped sixfold to rank 9th in the world with USD$66,408 which is just below Iceland ($73,981) and just above Denmark ($65,713).

In fact, the only country ranked above Australia today in GDP per capita, and with an equal or larger population, is the US (7th) with USD$75,180.

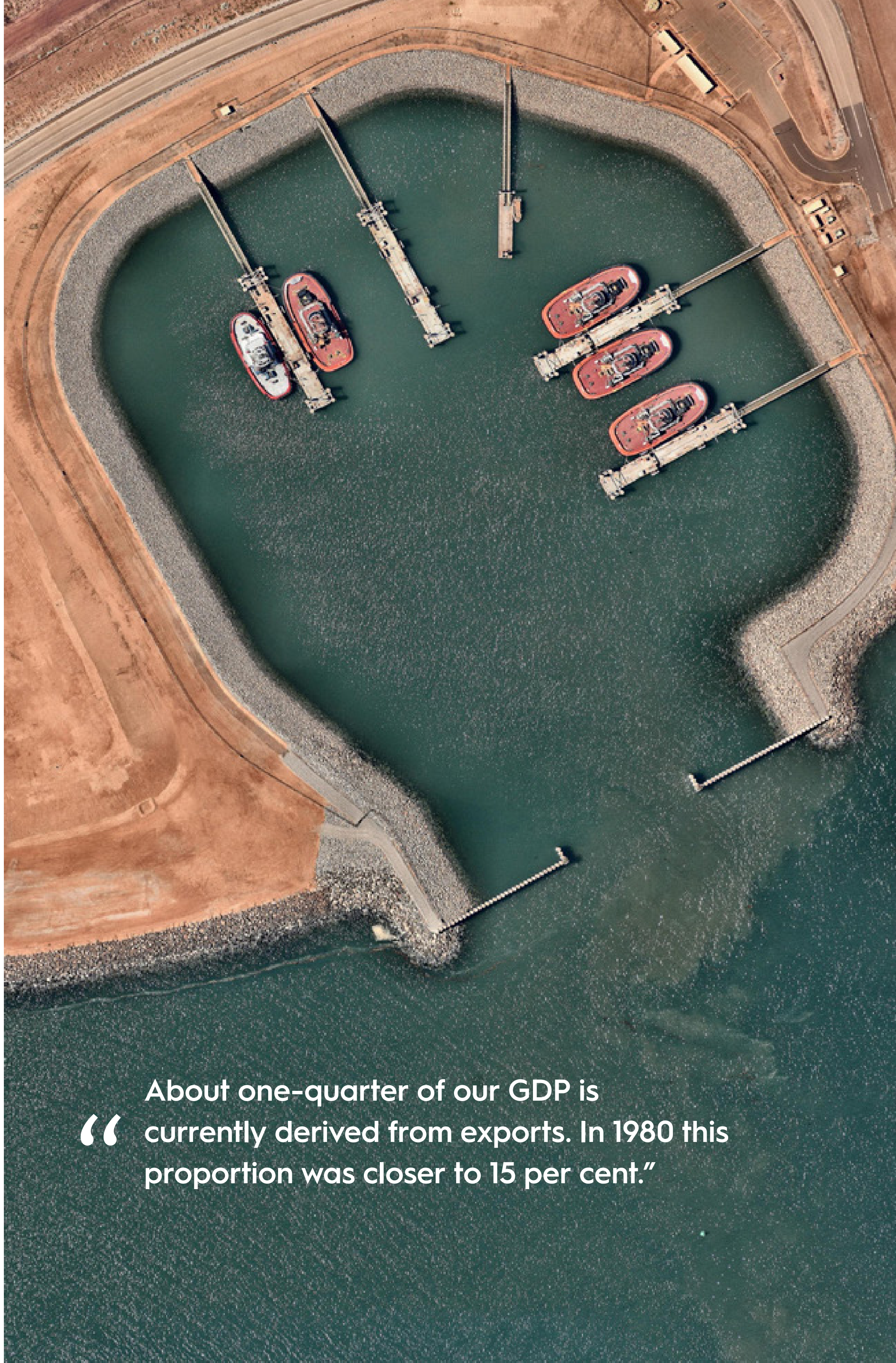
Of course, there are issues in every country as to whether a notional GDP per capita is fairly or even reasonably distributed. But at least it's a starting point.

And on this basis Australia's fortunes have ascended substantially relative to other nations over recent decades.

A large part of Australia's success has been its rise as a trading and export nation. About one-quarter of our GDP is currently derived from exports. In 1980 this proportion was closer to 15 per cent. (Source World Bank.)

Globalisation delivered prosperity to many Australians. This prosperity was transferred into Australian housing. And so too was the financial dividend of greater workforce participation by women.

Australian housing, the great store of wealth for many, morphed as a consequence. Out with the 3-bedroom brick veneer (or weatherboard and iron); in with 4 bedrooms, 2 bathrooms, 2 living rooms and, since the pandemic, a Zoom room capability.



"About one-quarter of our GDP is currently derived from exports. In 1980 this proportion was closer to 15 per cent."

The modern-day house reflects greater household wealth, changed working habits, fewer kids, and I would argue even the changed role of women in the household.

No longer is the kitchen separated from the dining room and the living room (or parlour). Today the kitchen, and its meal preparers are fused with everyday family activities like eating and watching television (see Graphic 7).

If the house and the household change then so too will change middle Australia's attitude to and thinking about wealth.

Graphic 6. Richer Australia: Top 24 countries ranked by GDP per capita, 1980

RANK	COUNTRY	GDP PER CAPITA (USD)
1	United Arab Emirates	$40,015
2	Qatar	$27,242
3	Kuwait	$20,966
4	Switzerland	$19,427
5	Luxembourg	$17,667
6	Saudi Arabia	$17,655
7	Sweden	$16,877
8	Norway	$15,746
9	Iceland	$15,129
10	Denmark	$13,886
11	Netherlands	$13,750
12	Libya	$13,450
13	France	$13,070
14	United States	$12,553
15	Belgium	$12,529
16	Bahamas, The	$12,289
17	Canada	$11,281
18	Finland	$11,258
19	Germany	$11,110
20	**Australia**	**$11,000**
21	Austria	$10,732
22	United Kingdom	$10,715
23	Bahrain	$10,190
24	Japan	$9,659

Top 24 countries ranked by GDP per capita, 1980
Data source: IMF World Economic Outlook, October-2022

Richer Australia: Top 24 countries ranked by GDP per capita, 2022

RANK	COUNTRY	GDP PER CAPITA (USD)
1	Luxembourg	$127,673
2	Ireland	$102,217
3	Norway	$92,646
4	Switzerland	$92,434
5	Qatar	$82,887
6	Singapore	$79,426
7	United States	$75,180
8	Iceland	$73,981
9	**Australia**	**$66,408**
10	Denmark	$65,713
11	Canada	$56,794
12	Sweden	$56,361
13	Netherlands	$56,298
14	Israel	$55,359
15	Austria	$52,062
16	Finland	$50,818
17	Belgium	$50,598
18	Hong Kong SAR	$49,700
19	Germany	$48,398
20	United Arab Emirates	$47,793
21	San Marino	$47,700
22	United Kingdom	$47,318
23	New Zealand	$47,278
24	Brunei Darussalam	$42,939

Top 24 countries ranked by GDP per capita, 2022
Data source: IMF World Economic Outlook, October-2022

Graphic 7. The way we live: Typical middle Australia house, 1960-2023

Source: TDG

5. NEW THINKING ABOUT THE CONCEPT OF 'WEALTHY'

It is not surprising that there should be discussions in Australia in the post-Covid era about what wealthy looks like for different communities.

In the 1960s when home ownership rates peaked, when couples married and had kids early, when life expectancy was shorter, when the population aged 40-plus remembered the Great Depression the idea of 'wealthy' was tied to the concept of home ownership.

And this is why the ideal of 'home ownership' found its way into the core of Australian culture. To the Depression generation, and to their baby boomer children, home ownership was the store of wealth and a cornerstone of household security.

But today the evidence suggests that 'wealthy' is being viewed quite differently. Not only are Australians vastly wealthier, on average, than were our compatriots half a century ago, but what we want out of life, and how we choose to live life, has changed.

At a time when home ownership rates peaked (in 1966) there were many Australians who either didn't share in our national wealth or who were disenfranchised by prevailing values.

Indigenous Australians weren't counted in the census until 1971. Women were yet to break free via their so-called liberation movement. Both tertiary education and defined pension schemes weren't accessible to much of middle Australia. The gay community was still very much underground. (Sydney's first Mardi Gras didn't take place until 1978).

Australian society, along with many nations in the West, prospered and morphed in the late 20th and early 21st centuries. Globalisation (and the rise of China) helped underpin that prosperity.

> **"The gay community was still very much underground. (Sydney's first Mardi Gras didn't take place until 1978)."**

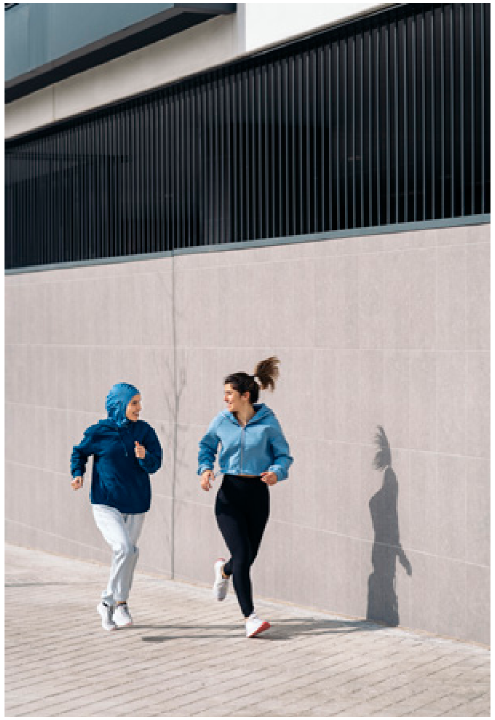
Adoption of enlightened global thinking around personal freedoms, social change and atonement for past transgressions have helped create a modern Australian community that is demographically and behaviourally diverse.

Modern Australia as captured by the 2021 Census is a fusion of cultures, ages, ethnicities, sexual orientations, skills and living arrangements.

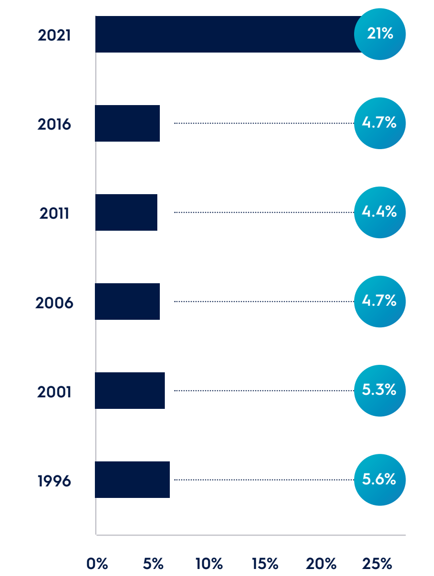
Greater diversity at this scale reflects our individual freedom to choose precisely how we want to live. The pandemic even opened up new ways of working (work from home) that freed us from the drudgery of the daily commute (see Graphic 8).

There is no one-size-fits-all community today as there was in 1966 when those who didn't fit in were excluded.

In this regard the modern concept of wealthy for middle Australia (as well as for others) is more than home ownership. It may include home ownership, but home ownership no longer equates with the concept of wealthy, no matter how flash the house!



Graphic 8. Work shift: Proportion Australian workforce working from home, 1996-2021



Source: ABS Censuses

"The modern concept of wealthy for middle Australia (as well as for others) is more than home ownership."

6. WHAT WEALTHY MEANS TO MODERN AUSTRALIANS

Australians today I think, reading long term trends at a big-picture level, regard 'wealthy' as having the freedom to live the lifestyle that they want. And that includes lifestyles both before and after retirement.

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

Modern day wealthy means having individual freedom. It reflects the broader values and demography of modern Australia. But it does require planning. And especially for contingencies like divorce, job loss, ill health, the loss of a life partner.

Yes, this middle-Australia lifestyle probably includes a house. But it doesn't have to include a house. Modern day wealthy is encapsulated in having the freedom to choose between what is considered to be reasonable and proportionate options.

Wealthy doesn't mean living in Toorak or Point Piper. For some it may mean having the freedom to take a holiday, to visit the kids, to buy groceries, to stream a movie that takes their fancy. I think wealthy equates with freedom.

"AMP, or indeed whoever, help me live the lifestyle that delivers my personal happiness and satisfaction. That may include a home, a house; it may include a Darryl-Kerrigan-styled castle; but it is also just as likely to be a way of life that suits me and my needs now and in the future."

> **"Wealthy doesn't mean living in Toorak or Point Piper. For some it may mean having the freedom to take a holiday..."**

7. AMP 2022 WELLNESS REPORT *EASING THE PRESSURE*

In June 2022 AMP conducted its biennial (every 2 years) online survey of 1,717 working Australians and a further 296 retirees to canvass attitudes towards finances and money.

The previous survey conducted in June 2020 coincided with peak levels of pandemic unemployment.

Issues associated with the skills shortage, supply chain blockages, trade tensions and even rising interest rates surfaced between the 2020 and 2022 surveys.

Perhaps unsurprisingly the proportion of single parent workers aged 30-44 reporting being 'severely or moderately financially stressed' jumped from 13 per cent in 2020 to 25 per cent in 2022.

An interesting cross tabulation of the survey results since 2016 shows the proportion of respondent workers reporting financial stress. Just over one-third of workers (36 per cent) reported financial stress in 2022. This may be caused by supply chain issues.

On the other hand, only 13 per cent of workers in professional services reported financial stress in 2022.

When it comes to retirees the 2022 survey picked up concerns about the rising interest rates eroding the value of retirement savings. This is particularly a concern for women (45 per cent) and for pre-retirees aged 50-59 years (50 per cent).

Early in the pandemic it was possible for workers to draw down on part of their super. And later in the pandemic, and especially across calendar 2022, share markets generally performed poorly.

This has led to the rise of what the 2022 Wellness report term Fear of Running Out which refers to retirement savings. This especially affects women, single parents, the already severely financially distressed and pre-retirees aged 60-plus.

The pandemic has introduced additional factors creating financial stress. Within this context it is likely that across the mid-2020s middle Australia would equate 'wealthy' with financial security which in most cases would include home ownership as well as a critical mass of superannuation savings.

The 2022 Wellness report cites how much respondents expect to retire with ($400k) and what they think they will need ($600k). In other words, many Australians believe they will require a 50 per cent increase in savings/superannuation to live a comfortable retirement.

This realisation would be most stressful to pre-retirees in their 50s and 60s, to those with limited ability to remain in and/or to work-on in the workforce, and to those with limited skills or access to the workforce.

Wealthy to many in the workforce, and in retirement, means having access to sufficient funds to live a lifestyle commensurate with reasonable middle-Australia expectations.

8. FOCUS GROUP FINDINGS

Despite the concerns raised by workers and retirees in mid-2022 via the Wellness survey the consensus of the focus groups (fielded across 3 generations and 3 cities) in early 2023 was perhaps more philosophical than financial.

As one participant stated: "time is more important than money." Another reflected upon the whole experience: "Covid shifted my perspective—I now realise the importance of connecting with people."

Another participant said in response to what is important "Health. If you haven't got your health, you haven't got anything."

There may have been a shift in the national mood between the June 2022 Wellness survey and the January 2023 focus groups, but the latter group's comments seem to be simply that the pandemic was receding.

Perhaps naturally enough the older cohorts the baby boomers (born 1946-1964) and the Generation Xers (1965-1982) had a more traditional view of wealth often based around financial wealth.

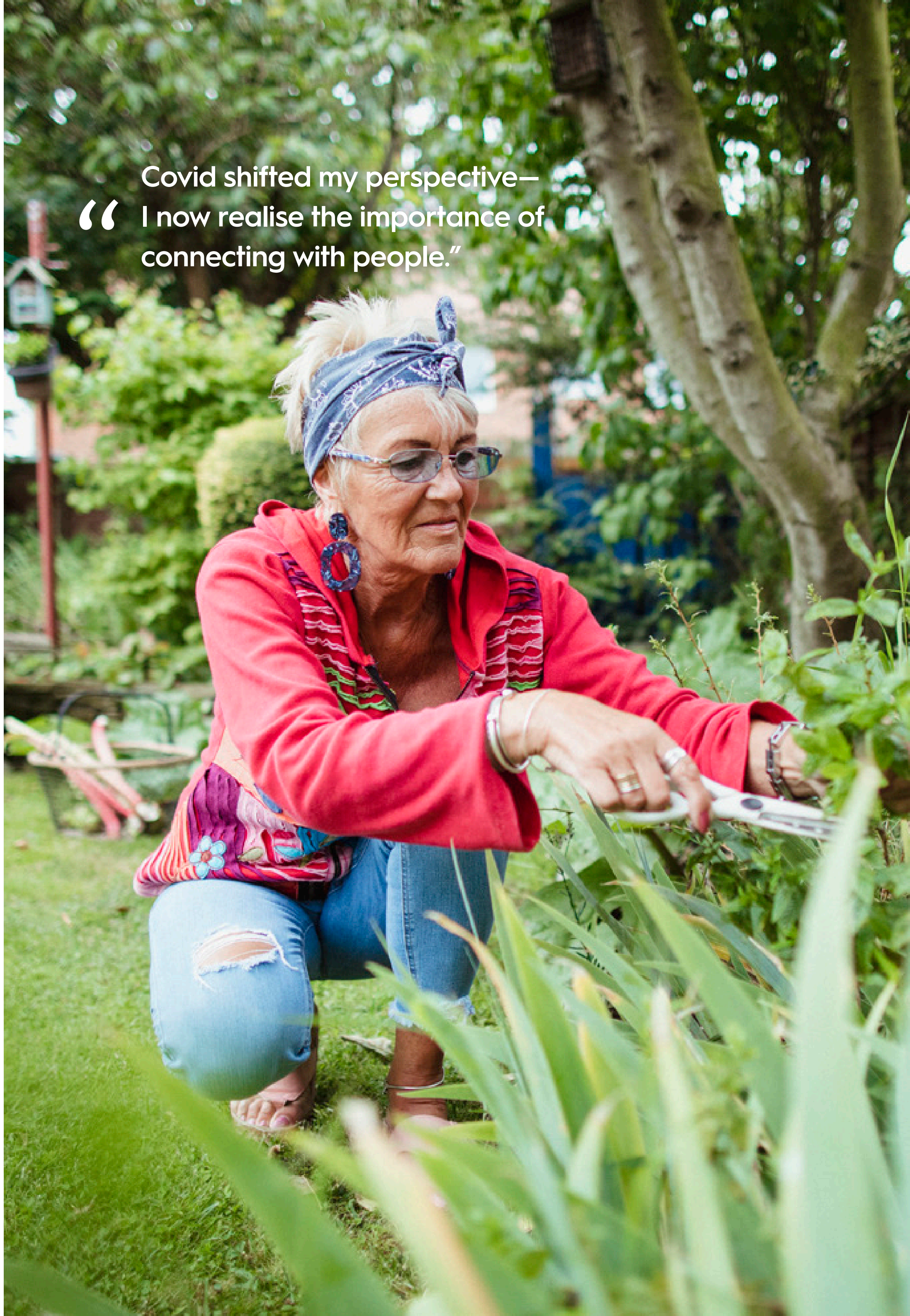
The younger cohort, the Millennials (1983-2000) tended to have a more balanced view of being wealthy which comprised financial wealth plus stability.

Indeed, it was recognised that the aim was to have sufficient finances to deliver freedom of choice in life, in retirement.

When participants were asked what 'wealth' meant they cited:

- Financial independence
- Having contentment
- Being in good health
- Being close to family
- Having the freedom to make choices
- Having time to do things for self and for others
- The absence of stress
- Being educated and being able to provide education for children
- Having the ability to help and care for others
- Having a supportive social circle
- Having a sense of success (in life).

The focus groups tended to argue that while financial capacity was important it wasn't the main game. As one participant put it "being rich doesn't make you happy."



Another reflected how his priorities had been changed by a (non-Covid related) death in the family: “What’s important is being happy and comfortable… Saving for a rainy day is less important to me because life is short.”

There is a sense that older generations are more focussed on financial planning, and are stressed when matters don’t go to plan (such as during a pandemic).

Younger generations on the other hand are perhaps even subliminally aware that there’s more time to recover, to plan and to provision for retirement.

Planning for being wealthy gets distorted along the lifecycle way.

In the 20s and 30s there’s always time to recover. In the 40s there’s other priorities including teenage kids and ailing parents.

In the 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.

It’s almost as if there’s a number of different strands to the way people think about wealth in the 2020s. On the one hand, as one participant put it: “There’s no liquidity in owning a home. I can’t sell half of it. You need to have other investments too.”

But then there’s this from yet another participant: “home ownership makes you feel more financially stable.”

“In the 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.”

9. CONCLUSION: WEALTHY ISN'T ALWAYS ABOUT MONEY

And maybe that's the point. There is no single answer to the question of what wealthy means in modern Australia.

One person will want security. Another person will want freedom, liquidity, the ability to change things about.

The difference between our home ownership obsession of 1966 and the much diminished (but recovering) home ownership rates of today is having other options, other interests, more liquid forms of wealth preservation.

And in many respects that is precisely the advantages, indeed the strengths, of modern Australia. We are a diverse people engaged in the pursuit of freedoms in how and where we work, in how and with whom we form relationships, indeed in how we choose to live our lives. Many of these things have changed dramatically since the 1960s.

What has not changed is the value of health, of personal relationships, of family, of provisioning for children, of helping grandchildren. These things are eternal. They are human. This is the reason why we pursue wealth and why we have pursued wealth in the past.

Wealth however grand or modest enables us or at least many of us, the people of middle Australia, to live the lives we want to live, to benefit those we love, to support those we care about, both now and into the future. That is what it means to be wealthy.

> **"...to live the lives we want to live, to benefit those we love, to support those we care about, both now and into the future. That is what it means to be wealthy."**

TIMELINE

1911
49% home ownership

1913
Australia richest country on earth per capita

1914-1918
WWI

1930-1932
Great Depression

1933
52% home ownership

1939-1945
WWII

1956
Dame Edna parodies Australian housing

1966
73% home ownership

1969
Female Eunuch

1971
Indigenous Australians included in the census

1975
No Fault divorce

1978
Sydney Mardi Gras

1980
Australia 20th richest nation GDP per capita

1982
Terms "dink" and "Yuppie" enter lexicon

1987
Thirty-something popular TV show

1991
South Sydney redevelopment starts

1992
Superannuation Guarantee

1993
Gen X settle inner city

2007
iPhone launched

2009
Term hipster gains currency

2016
62% home ownership

2017
SSM plebiscite

2020
Pandemic arrives

2021
Mid baby boomer hits 65

2022
Australia 9th richest nation GDP per capita

2023
Post pandemic era takes shape

Source: ABS Censuses

AMP

THE DEMOGRAPHICS GROUP

amp.com.au