

Research Insights

Not able to save for a rainy day

Are Australians saving for a rainy day? For those not facing challenges covering everyday bills, most would draw from savings or assets if faced with a financial emergency. But for those with current financial challenges, being able to cover an emergency expense is more challenging. Many report they would not be able to use savings or to borrow for this type of expense suggesting financial resiliency is an issue.

Policy implications

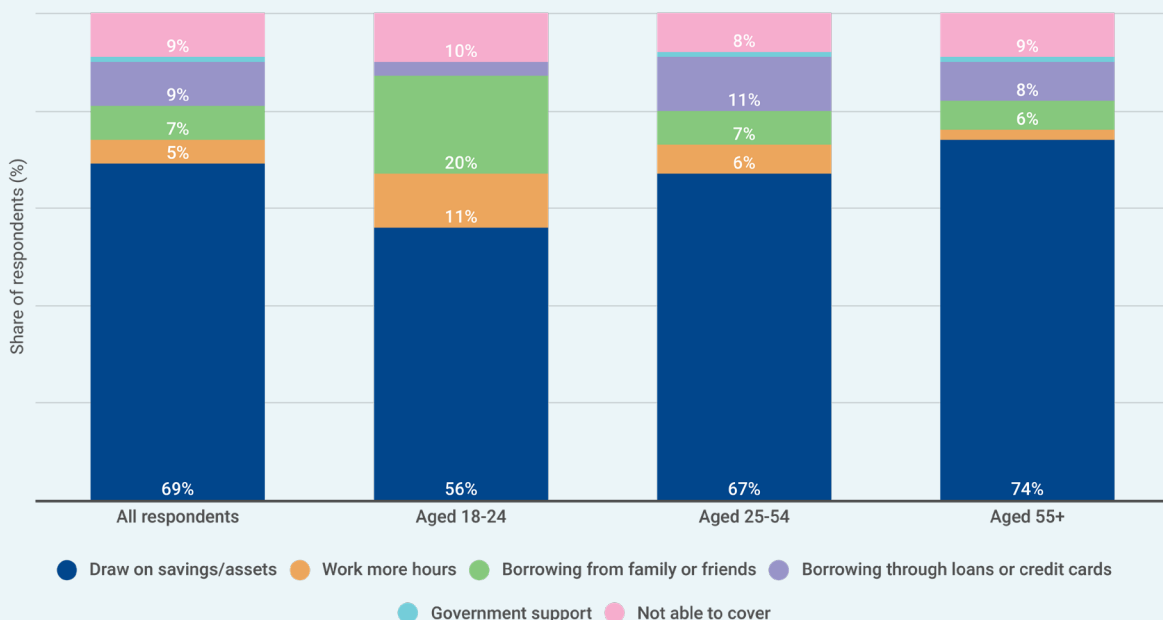
Facing the current challenges (putting food on the table and paying everyday bills) is not just a short-term phenomenon. Of respondents aged 25 to 54, 64 percent have indicated they are currently facing a challenge covering basic expenses. These Australians also report they do not know how they would cover an unexpected (emergency) expense of \$3,000. Those with no reported insecurities would be able to draw on savings or assets. But those with at least one insecurity are half as likely to be able to draw on savings or assets. What is required are policies and services as well as encouraging our own actions to think about not only making ends meet today but also about saving for that rainy day.

Most Australians are struggling financially to cover necessities

In many [reports](#), we have documented the unacceptable rates of just making ends meet or worse. We hoped these rates would fall as the nation started returning to normal economic activity. Not so. Recently, we expanded our questions in the Taking the Pulse of the Nation (TTPN) Survey to ask a question tied to the measurement of financial resilience. We asked respondents how they would cover an unexpected (emergency) expense of \$3,000. We also asked questions in August 2023 about current financial insecurities tied to food, housing, energy bills, and health care. These insecurities reflect skipping meals or eating less, not seeking or deferring health care, falling short on utility bills, and not being able to meet rent or mortgage payments.

We explore the link between financial resilience and current financial insecurities. Focusing on financial resilience (Figure 1), 69 percent of Australians would use their savings or assets to cover an unexpected bill of \$3,000. Those 55 and older are better equipped to handle an emergency expense (74 percent). Of those aged 18 to 24, 10 percent would not be able to cover the expense, 11 percent would work additional hours, and 20 percent would rely on family or friends for help. Given these statistics, the remainder of this Research Insight focuses on the responses of those aged 25 to 54.

Figure 1: Financial resilience (August 2023)
“How would you cover an unexpected expense of \$3,000?”



Glossary of terms:



- **Housing insecurity:** Respondents are currently behind on rent payments (if renting) or mortgage payments (if currently paying off a mortgage). 1%
- **Food insecurity:** During the last 3 months, because of a shortage of money, respondents skipped meals or ate less generally, or less fresh or nutritious food. 1%
- **Energy insecurity:** During the past 6 months, because of a shortage of money, respondents couldn't pay electricity and/or gas bills on time or were unable to heat and/or cool their homes to a comfortable level. 2%
- **Health insecurity:** During the past 6 months, because of a shortage of money, respondents didn't see or delayed seeing a GP or medical specialist, weren't prescribed, or were delayed getting prescription medication.
- **Financial resilience:** The source of money that respondents would use if they faced an emergency and needed to pay an unexpected \$3,000 expense within the next month. Responses are classified into six categories: (i) not able to cover, (ii) government support, (iii) borrowing through loans or credit cards, (iv) borrowing from family or friends, (v) working more hours, (vi) draw on savings/assets.
- **Severity of food insecurity:** Food insecurity is classified into three categories: very severe (if, during the last 3 months, respondents skipped meals or ate less daily or weekly), severe (if, during the last 3 months, respondents skipped meals or ate less fortnightly) and less severe (if, during the last 3 months, respondents skipped meals or ate less monthly or less than once a month).

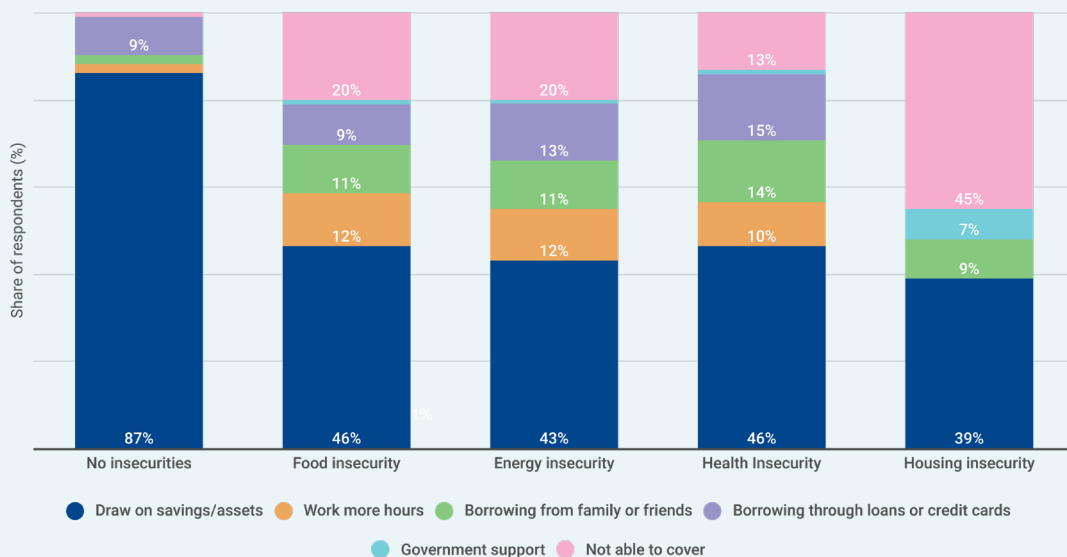
Key Insights

1 Those with current financial insecurities are more likely to find it harder to cover an emergency expense

The respondents who are struggling to cover basic expenses related to food, housing, utilities, and/or health, are the least financially resilient. Twenty percent of those who struggle with food needs (i.e., food insecurity) indicate they do not know how they would be able to cover an unexpected expense. Those who struggle with housing expenses are even worse off. Forty-five percent of these respondents indicate they do not know how they would cover an unexpected expense (Figure 2).

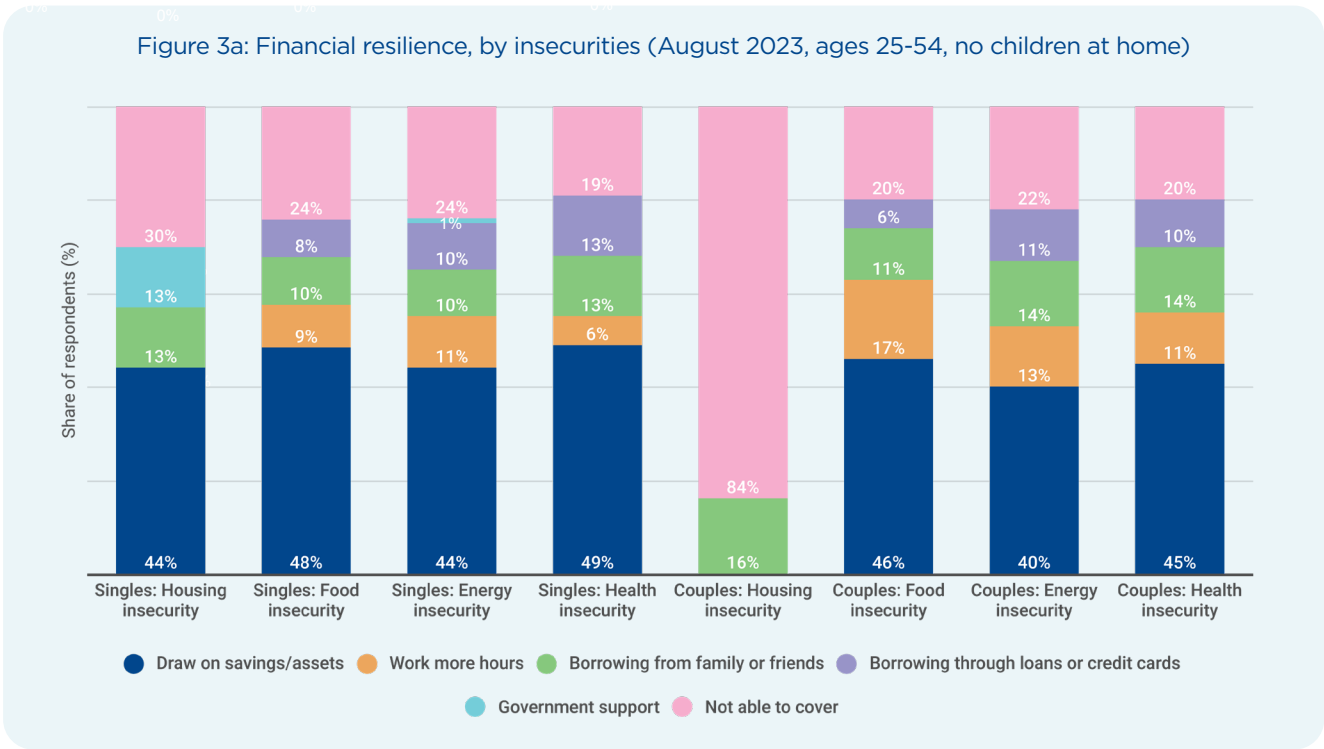
Many Australians are facing more than one insecurity. The reporting of food insecurity since February 2023 has fallen and the reporting of housing insecurity has risen. Figure 2 highlights those facing challenges with basic needs would be in a precarious position if faced with a financial emergency.

Figure 2: Financial resilience, by insecurities (August 2023, ages 25-54)

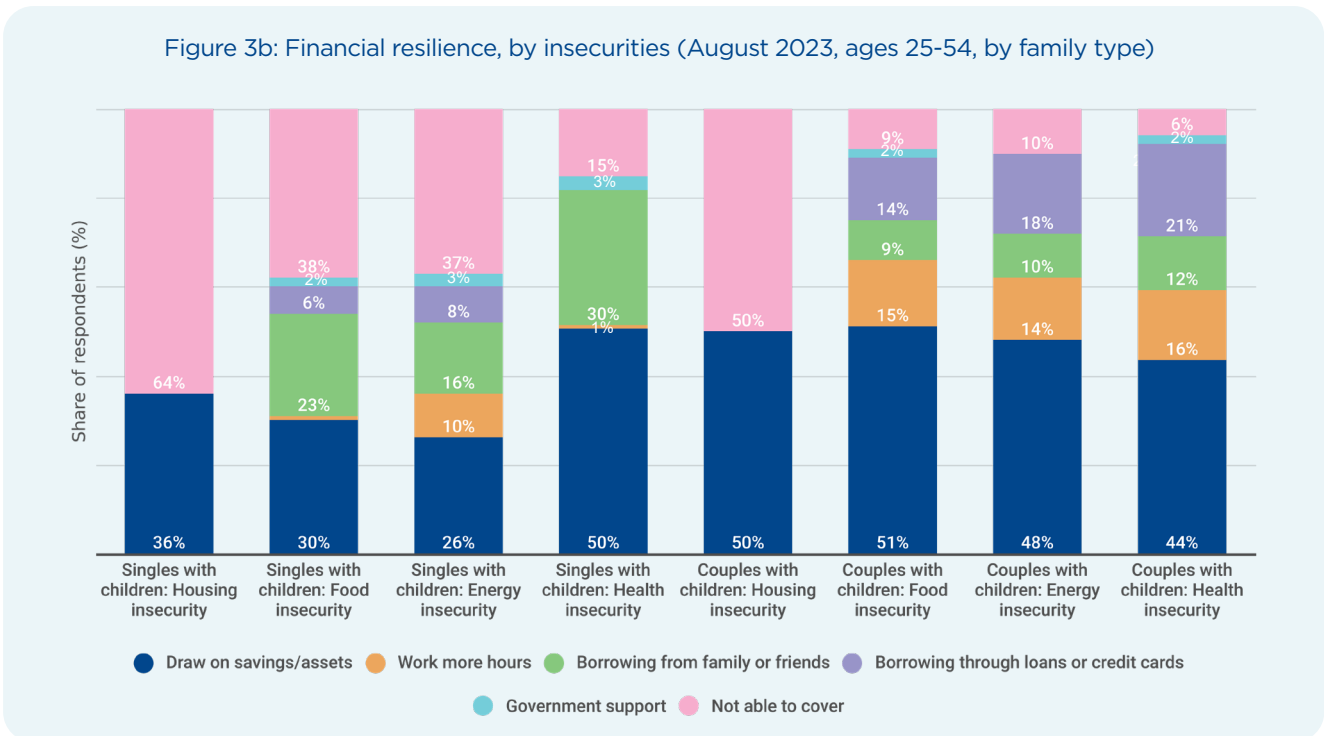


2 Family type matters: Financial resilience is weakest for families with children at home

Regardless of the type of current insecurity, singles and couples with no children at home are reporting similar levels of ability to draw from savings or assets if faced with an emergency expense (Figure 3a).



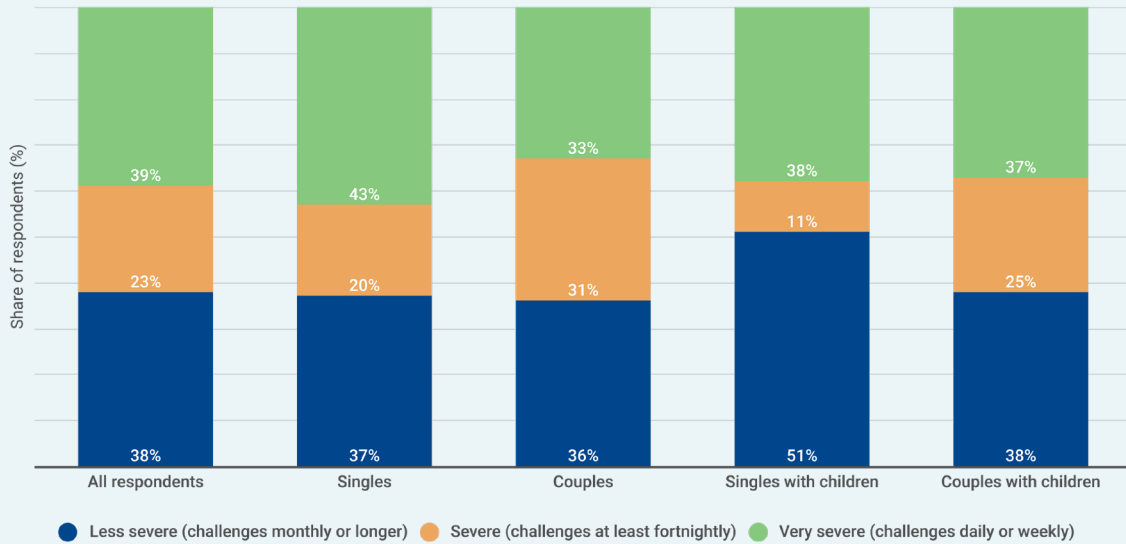
In contrast, there is much higher variability in being able to cover an emergency expense for families with children (Figure 3b). Single parents with children are mostly reporting not knowing how they would cover an expense and/or having to borrow from families or friends. Finding external sources of funding such as taking out a loan may not be an option for many single-parent families. Couples with children at home are more in line with those without children at home with nearly 50 percent reporting an ability of being able to draw on savings or assets.



3 Food insecurity is most severe for single respondents and least severe for couples

When it comes to food insecurity, how often are respondents skipping a meal, eating less, or not eating nutritiously? Across all respondents who report experiencing food insecurity, 39 percent report skipping a meal or eating less daily or at least once a week. Across family types, those reporting the most severe food insecurity are those living alone. Those with the least severe level of food insecurity are single adults with children at home. For this group of respondents, 51 percent report experiencing food insecurity once a month or less frequently (Figure 4).

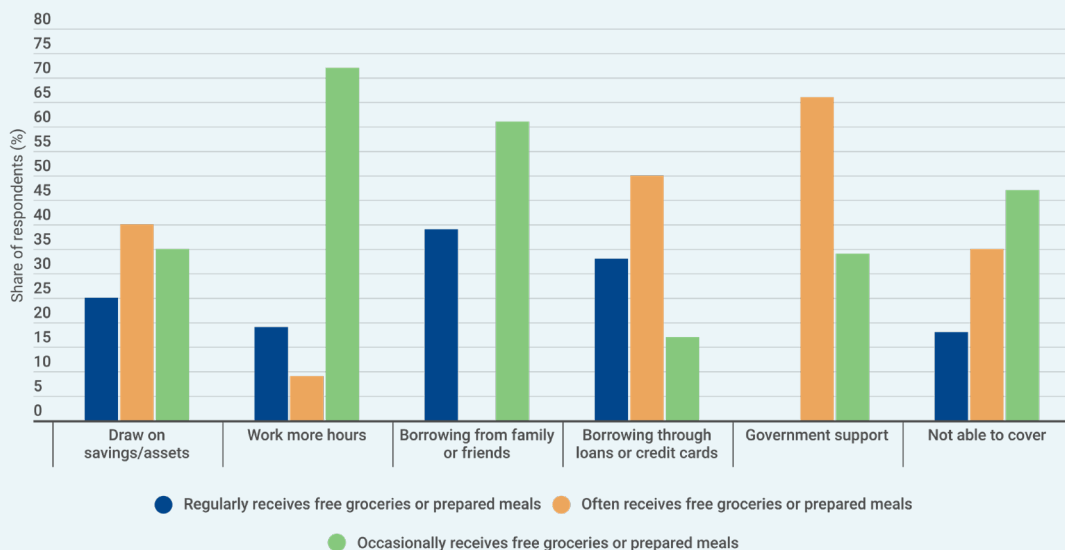
Figure 4: Severity of food insecurity, by family type (August 2023, ages 25-54)



4 Using services such as free groceries or meals differs among those reporting how they would address a financial emergency

Respondents who regularly rely on services that provide free groceries or meals report a higher likelihood of borrowing from family, friends, or through banks (loans/credit cards) if faced with a financial emergency (Figure 5). In contrast, those who only occasionally use services for free groceries or meals indicate they are more likely to work additional hours, draw on savings, or borrow from families or friends. These associations suggest we should explore more the role of service provision and attitudes toward using these services.

Figure 5: Frequency of receiving free food or meals, by type of financial resilience (August 2023, ages 25-54, and reports food insecurity)



Further Information

Datasets:

Beginning in April 2020, the Taking the Pulse of the Nation (TTPN) was implemented by a group of researchers led by the Melbourne Institute Director. In 2022, the Melbourne Institute and Roy Morgan formed a partnership to extend the running of the TTPN. Each wave includes a set of core questions, as well as additional questions that address current and emerging issues facing Australians. The sample is stratified to reflect the Australian adult population in terms of age, gender, and location. The TTPN Survey uses a repeated cross-sectional design.

This report is based on a total of 995 respondents from data collected in August 2023. We thank OzHarvest for financing the inclusion of additional questions in the August 2023 survey.

Authors

Dr Ferdi Botha

Melbourne Institute: Applied Economic & Social Research, University of Melbourne

Dr Ana Gamarra Rondinel

Melbourne Institute: Applied Economic & Social Research, University of Melbourne

Professor A. Abigail Payne

Melbourne Institute: Applied Economic & Social Research, University of Melbourne

This Research Insight represents the opinions of the author(s) and is not intended to represent the views of Melbourne Institute. Whilst reasonable efforts have been made to ensure accuracy, the author is responsible for any remaining errors and omissions.

Research Insights produced by the Melbourne Institute provide a clear and practical understanding of contemporary economic and social issues in Australia.

Supported by high-quality academic analysis, each Research Insight aims to make sense of complex issues to enable evidence-based decision making for policy and practice.

This research was supported (partially or fully) by the Australian Government through the Australian Research Council's Centre of Excellence for Children and Families over the Life Course (Project ID CE200100025).