

UBank Science of Spending & Saving Research: Current landscape of Australia's spending and saving habits

Conducted by Galaxy

UBank conducted this research to obtain a view of the current 'spending' and 'saving' habits in Australia. The nation-wide research was conducted with more than 1,000 Australians and then the data was weighted by age, gender and area to reflect the latest ABS population estimates.

- More than half (61%) don't have a dedicated savings plan which they commit to every time they get paid.
- Not everyone has a savings account (only 65%)
- 46% without a weekly budget.
- One in four (27%) claim to have 'a lot' of debt, including 8% who are not in control of their debt at all, and admit it's now impacting their wellbeing.
- For one in three (35%) Australians all their money is gone by payday.
- 21% have less than \$1,000 in savings
- 8% have more than \$10,000 debt on their credit card
- More than half (57%) dip into their savings at least monthly
- Among the 73% of Australians who dip into their savings, the average amount that they take out of savings per month is \$235. Extrapolating this to the Australian population equates to 11.07 million Australians taking out \$2.6 billion from savings per month with a total of \$31 billion per annum drawn down out of savings
- One in four (27%) of Australians admit that they have a lot of debt including 8% who say that they are not in control of their debt and it is affecting their wellbeing
- 45 % of respondents confirmed that more often than not, their money is being spent on items or experiences that make them happy.
- Almost one quarter (22 %) of Australians are actively trying to save, the pursuit of immediate reward is proving a frequent distraction; creating a habit where, as soon as money comes in, it's already on its way out

UBank Science of Spending and Saving Experiment: an Investigation Using Brain Activity Responses

Conducted by Phil Harris, PhD. Consumer Neuroscience Director, Nuro Pty Ltd; Honorary Fellow, Faculty of Business and Economics, The University of Melbourne

Despite the best of intentions, people don't always make decisions that benefit their futures. Theories suggest this is because people consider their 'Future Self' a different person, so much so that choices made for the future are sometimes treated the same as if making the decision for a complete stranger. However, research also shows that when able to better connect with this Future Self, decisions for the future improve (Hershey, 2011).

To take this a step further, we explored the neuroscience behind these future-focused decisions. The experiment we completed examined whether brain activity responses and associated actions around financial decisions would change for the better if people become more in touch with their Future Self.

- The experiment used electroencephalography (EEG) headsets to capture brain electrical activity responses of 50 participants aged 22-50 (24 female, 26 male; mean age 29) whilst they made a series of choices between cash to spend, or a larger amount of money deposited in their bank account in a year
- Each choice was real. One lucky participant was randomly picked and one of their choices was actually rewarded
- Mid-way through the experiment, participants were shown a digitally aged photo of themselves that they had provided earlier (see FaceApp) and completed a brief exercise that promoted them making a stronger connection with their Future Self
- Participants then completed another round of financial decisions while brain activity responses were again captured

The Future Self interaction had a striking impact on savings decisions.

- Nearly three quarters of participants (72%) shifted their preferences towards saving money, on average making 20% more choices of a 12 month deposit over cash to spend than before the interaction.
- Brain activity responses showed how this happened. Compared to initial decisions, Future Selves participants invested 34% more mental effort in comparing choice options before making a decision, then allocated 150% more attention to the moment of decision itself.
- There was no difference between males' and females' responses, and somewhat surprisingly, the effects of the future self-interaction were not significantly impacted by age



or income. Effects were marginally weaker in older participants, but no less likely to favour savings decisions after the interaction with their future self than younger participants.

Quotes from Dr Phil Harris:

“Research in the neurosciences has previously shown that our neural ‘wiring’ places a higher value on immediate rewards than benefits gained in the future, such as savings. It’s a hangover from the prehistoric environment humans evolved in – focused on surviving day to day - and a key reason people struggle to save money (or choose a salad/exercise/give up smoking for that matter).

Shifting mindset towards future-focused benefits requires additional mental energy, and without strong motivation people simply won’t invest mental effort in a future happening to ‘someone else’.

Our research shows that people will invest mental effort in future-oriented decisions if they can make the mental connection between themselves now and in the future. Additional mental effort is applied to process future benefits, the additional value of these choice options is realised and the likelihood of making such choices increases.

For the first time, our research shows that people can be nudged to increase their savings decisions simply by visualising the connection between themselves now and in the future more clearly. We suggest that this simple but powerful behavioural nudge has potential to impact on a range of other future-focused decisions as well.”

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