

The psychological wellbeing and financial decision-making of older Australians in times of uncertainty

The arrival of the COVID-19 pandemic in early 2020 generated fear and uncertainty in the community leading some older Australians to re-evaluate their financial options and to make short-term decisions that may not have been in their long-term interest.

In this project we explored the interplay between protective financial behaviours, psychological wellbeing and financial decision-making in older Australians in a time of crisis, i.e. COVID-19 pandemic. The project was funded by the ECSTRA Foundation. Our research involved interviewing 63 older Australians and surveying 1501 older Australians from the general community aged 55 years and over and in various stages of pre-retirement to full retirement.

This project produced the following outcomes:

1. A deeper understanding of the underpinning psychological factors and their impact on financial decision-making at a time of crisis.
2. The development of a 'Financial knowledge, efficacy, attitudes, and resilience' questionnaire.
3. An open-source database containing survey responses.
4. A co-designed Assurance Information Package using the principles of pause, reflect and connect to inform decision-making at times of financial uncertainty.

Key research findings:

- Most older Australians feel financially secure.
- Pre-retirees, and older Australians with health issues, are particularly worried about their financial future.
- Men are more likely to speculate on the stock market and change their retirement investments to high growth options in times of crisis.
- Women are less confident about their finances and more worried about making mistakes in retirement investment decisions.
- Older Australians' psychological wellbeing is linked with their financial confidence and financial help-seeking.

Triggers for Financial Stress reported by Older Australians

- Retirement Challenges**
 - Delayed retirement or involuntarily retired
 - Change in government legislation has affected your retirement income
- Personal & Health struggles**
 - Ill-health of you or a family member
 - Reduced level of private health insurance
 - Providing ongoing and significant financial assistance to a family member
 - Problem gambling
- Financial Effects of COVID-19**
 - Made an early cash withdrawal from your superannuation leaving you with little reserve
 - Sold the home that you lived in or an investment property
- Financial Pressures**
 - An unexpected expense that you cannot cover
 - Closed a small business that you owned
 - Speculated on the stock market and lost or declared bankruptcy
 - Was made redundant
- Financial Abuse**
 - Experienced financial abuse from a family member or carer
- Financial Scams & Fraud**

Helpful resources

- Struggling with your mental health or need support when making financial decisions? These services can help.
 - Adult Safeguarding Unit (ASU)** 1800 372 310
Safeguarding the rights of adults at risk of abuse.
 - Department of Health Older persons COVID support line** 1800 171 866
Provide information and support to older Australians, including their families and carers.
 - Australian Financial Complaints Authority (AFCA)** 1800 931 678
Free, independent dispute resolutions for financial complaints (including credit, finance and loans, insurance, banking deposits and payments, investments and superannuation).
 - Commonwealth Financial Counselling** 1800 007 007
Free government counselling service for individuals who are on a low income and experiencing financial difficulties.
 - Lifeline** 13 11 14
24 hour crisis support & suicide prevention services.
 - Beyond Blue** 1300 224 636
Provides information and support to achieve mental health.

Most older Australians feel financially secure at present but are worried about retirement income going into the future.

Financial worry can be especially acute at times of crisis such as a serious illness, relationship change, global financial emergencies and following natural disasters.

Making informed financial decisions when stressed can be challenging, and this pamphlet aims to help you make informed decisions at times of crisis.

In this guide you will be introduced to the Pause, Reflect and Connect model for managing financial decisions at times of crisis. As well, you will find a list of resources which can provide support and information.

Managing financial stress in times of crisis

ecstra

Our guide
For managing financial decisions at times of crisis

Worrying about money can cloud judgement and lead to poor financial decisions and is a major source of stress.

If you are feeling overwhelmed in the moment, there is a quick way to feel more relaxed and in control.

Signs of financial stress include relationship problems, anxiety, sleep problems, mood swings, appetite loss, arguing with others (especially about money) and withdrawal.

Step 1. Pause

Adjust your breathing, then exhale and tell yourself to relax.

People breath faster when they are anxious. Slow your breathing down by breathing in slowly through your nose for six seconds, repeating this until you feel calm and relaxed.

Take time out to have a break. Make a cup of tea, talk to family or friends and settle your head.

Step 2. Reflect

Take a moment to reflect on what is worrying you the most about your financial situation.

It may help to write it down or to talk it through with a family member or friends.

We aren't typically conscious of our thoughts as they are often habitual and automatic. You might feel overwhelmed worrying about the consequences, guessing the future, or underestimating your own judgments, but taking the time to reflect and work through these feelings can alleviate stress and work through what steps you should take next.

Step 3. Connect

Don't be afraid to ask for help. Start a money conversation with somebody you can talk to about money worries to help you stay positive.

A recent survey conducted by the Business Unit at UniSA has revealed that many older Australians are reluctant to talk about their finances; they think that money is a private matter not to be discussed. However, most older Australians report that they would happily talk to family and friends who themselves are experiencing financial worries.

If you have questions or need further financial support we have included some helpful services on the back panel.

Research Team

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The Future

- Encourage Australians to adopt healthy financial management behaviours early in life.
- Focus on the financial wellbeing of vulnerable groups such as older women, divorcees, business failures, supporting adult children in the current housing market, etc.
- Inform government superannuation policies and communications to older Australians.
- Generate resources that reduce fear and panic at times of financial uncertainty.
- Inform practices regarding the maintenance of financially related legal documents (wills, etc).
- Identify and address obstacles to obtaining reliable and affordable financial advice.
- Provide information about the implications of providing financial assistance to family members and financial abuse.
- Provide targeted assistance to older Australians with health issues.
- Explore the implications of the ongoing impacts of the COVID-19 pandemic on the financial wellbeing of pre-retirees.

Partners

