



The Bill Shock Index

June 2021



About

The Bill Shock Index

The Bill Shock Index is a quarterly analysis of Australians' relationship with their bills. It's a barometer of how different households are feeling about their finances, the value they get from these services, and provides insights into how and why Australians look to save money on common expenses.

How is the Index calculated?

The Bill Shock Index is measured by asking respondents to rate their attitudes, experiences and expectations about their bills and services on a scale of 1 to 10 across 20 key measures, with one being negative and ten being positive feelings towards bill costs.




Executive Summary

Bills have been more expensive than expected for many households since March, according to the latest Bill Shock Index. While Aussies are happy with the quality of their products and services, there's been a big spike in bill shock that's being felt across the country.

In response, we're seeing people cut back on daily living costs - from entertainment and eating out to new clothes and groceries. First-home buyers are leading the way when it comes to cutting costs and refinancing their home loans, while older generations are lagging behind.

Compare Club's Bill Shock Index for the June quarter shows people are feeling slightly more negative (-0.16 points) about bills than they were at the start of 2021. Sitting at 5.7 out of 10, bill-related stress was felt most strongly among 24-34 year olds (sentiment down 6%) and Queenslanders (down 8%).

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Key Findings

Themes

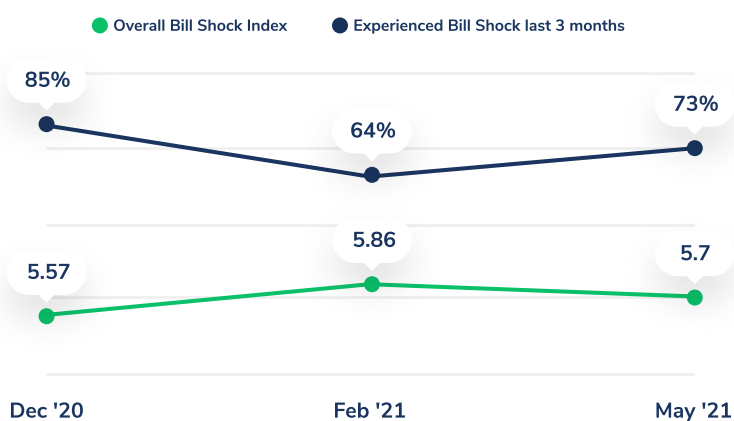
Higher than expected bills are the shocking reality for most Australians

Almost three quarters of Aussies (73%) said they had opened an email or letter in the last three months and been surprised by a much higher than expected bill, up from 64 per cent last quarter.

Bills are also taking their toll on our mental health, with almost half (47%) of Aussies indicating they're increasingly stressed and anxious about the rising cost of bills (up 6%), or anticipating affordability issues (up 4%) in the next three months.

We may be feeling worse about bill costs, but the vast majority of Aussies still think they're getting quality products and services (85%), good value for money (84%) and good customer service (84%).

Bill Shock Index & Rates of Bill Shock over the last three quarters



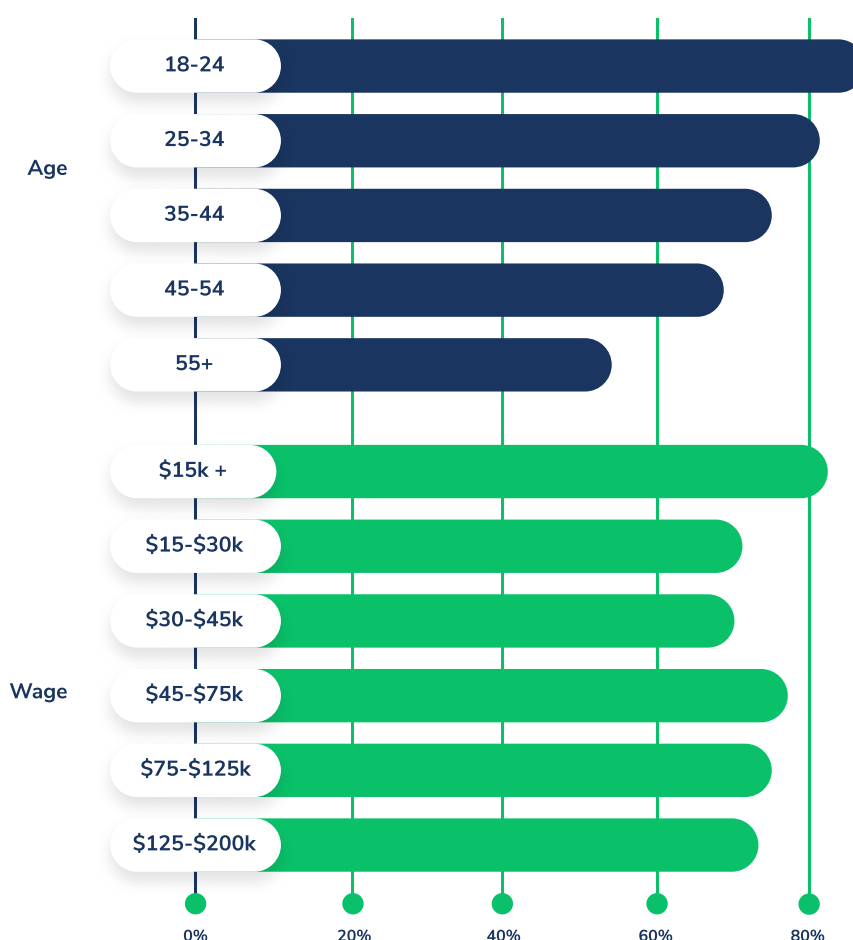
While experience of bill shock went down in the first quarter of 2021, negative feelings from households towards increasingly expensive bills returned between February and May

Gen Z prepared to switch and save

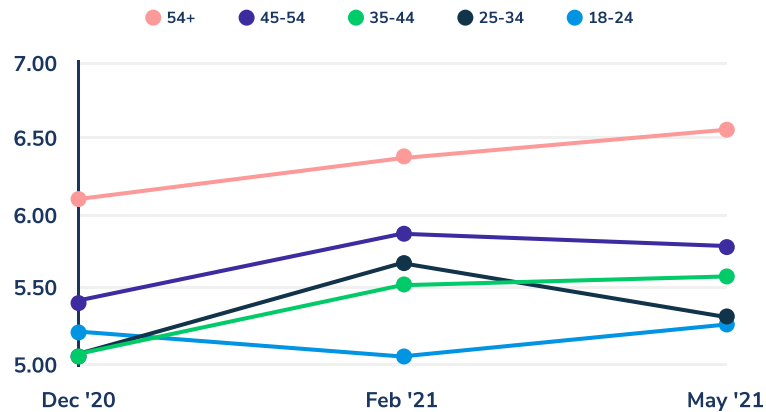
While bill shock is affecting people of all ages, it's younger Aussies leading the way in reassessing and switching to more affordable plans and service providers, in stark contrast to those aged over 55. The highest rates of bill shock came from 18-24 year-olds (87%) and people who earn \$15,000 a year or less.

Interestingly, our research found it isn't just younger and low-income bill payers who get hit with bill shock. Three quarters (75%) of both those earning \$125-\$200k or 35-44 were also surprised by higher-than-expected bills in recent months.

Age vs wage- Experienced bill shock last 3 months

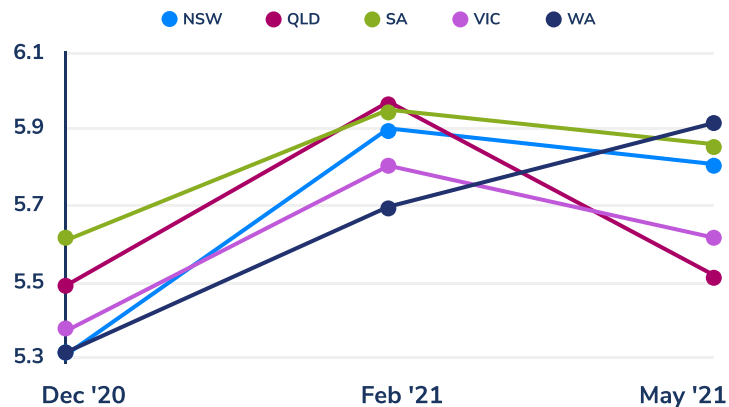


Bill Shock Index changes over last 3 quarters based on respondents' age



Older and younger Australians are feeling more positive about bill costs over the past 3 months, but overall sentiment is dropping for all other age groups since the start of 2021.

Bill Shock Index changes over last 3 quarters based on respondents' state

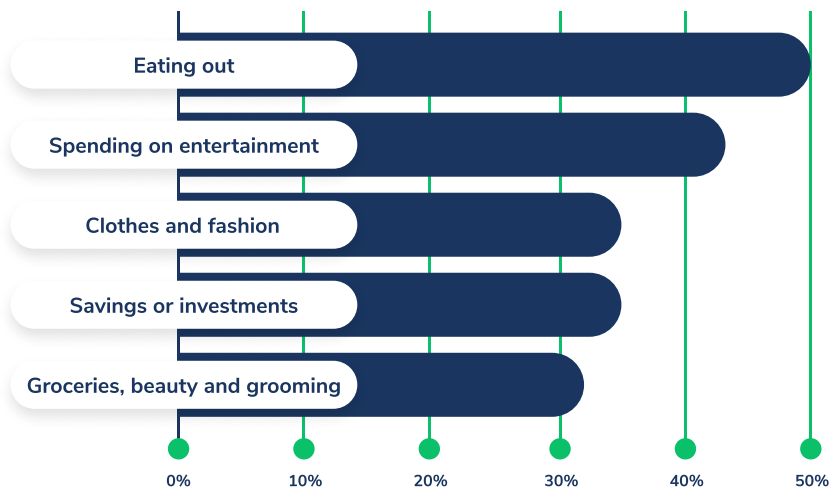


West Australians feel best about their bill costs, while all other states experienced growing negativity in the past quarter, most significantly in Queensland.

While all age groups feel hip-pocket pain from bill shock, the younger generation are most likely to do something about it.

Almost all Gen Zs – a whopping 92 per cent – have searched for ways to cut daily living costs and entertainment expenses so they can pay their bills since March. The top five biggest sacrifices are listed in the table below.

Top 5 sacrifices Aussies make to pay bills:



Around half of Gen Zs have also switched to more affordable service providers by simply jumping online and seeking out better value.

This is a vastly different approach to those over age 54, where more than half (54%) reported experiencing bill shock (up 8% from last quarter), **but only 12 per cent switched service providers in response to higher bills.**

First-home buyers show their property smarts

Compare Club's research found first home buyers who have taken their first step on the property ladder in the past five years are the savviest savers.

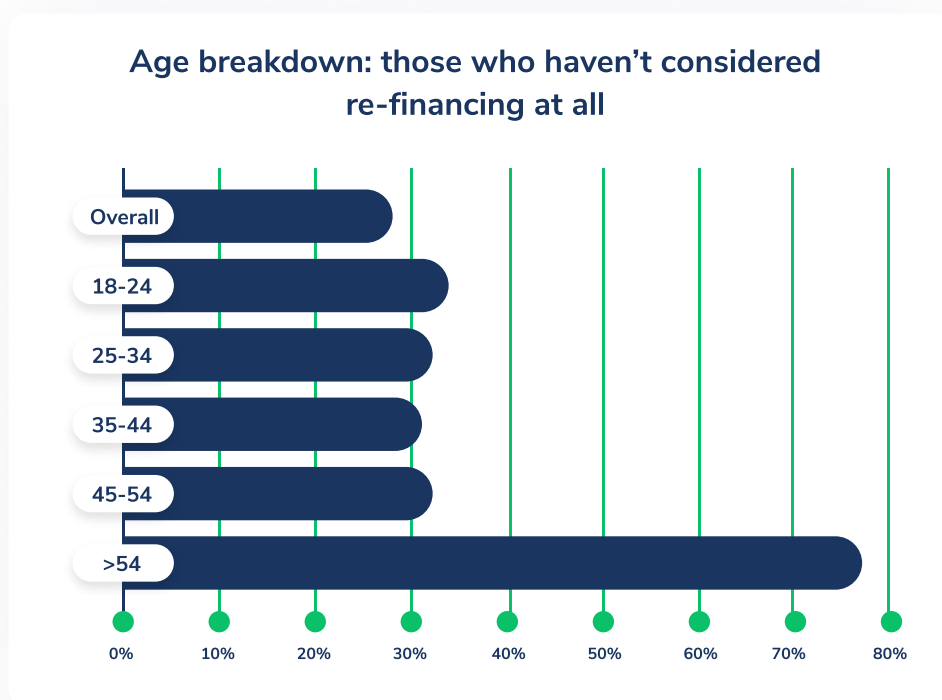
That's because in the past three months, they're far more likely to have experienced bill shock (86%), compared to those who rent (74%), or homeowners who've been on the property ladder for some time (67%).

As a result, nine in 10 first home buyers are actively looking to cut costs, with 79 per cent comparing service providers and 59 per cent making a switch. **That makes them 22 per cent more likely to compare and 27 per cent more likely to switch than renters and established homeowners.**

Younger home buyers aged 25-34 are also twice as likely to compare and switch bill providers next quarter (40%) than over 54-year-olds (15%), as a way to save money, cut spending and

help pay off debts. With these behaviours firmly entrenched, it's no wonder that first-home buyers are almost twice as likely than other property owners to consider refinancing.

It's an activity that, according to Matt Gatt, Compare Club Home Loans' General Manager, could see a homeowner with a \$450k mortgage with 30 years left on the loan, save an average of \$3,600* annually, and more than \$108,000 in a mortgage's lifetime, if they reduced their interest rate by just 0.8% (correct as of May 2021).



Established homeowners missing out on savings

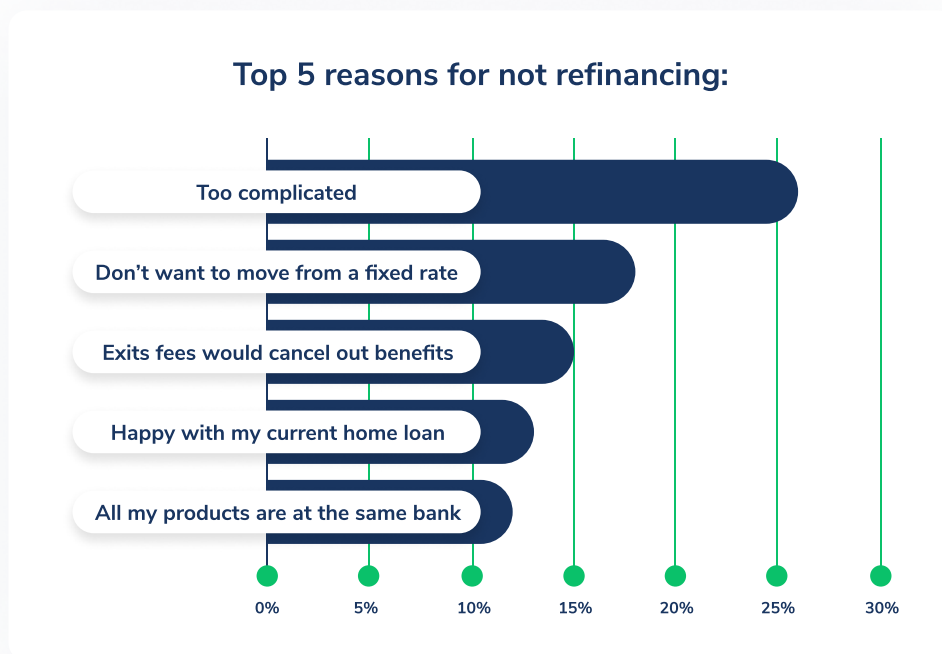
Given that 65 per cent of savvy first-home buyers are either considering or already scoring life-long savings by refinancing their home loans, why aren't more established homeowners doing the same?

Shockingly, nearly two-thirds of Aussies (57%) who have owned a property for more than five years have not yet considered refinancing, despite the RBA cash rate still at a record low of 0.1 per cent.

While 53 per cent of first-home buyers believe they can save thousands of dollars a year by refinancing, **almost the same number of long-term homeowners (54%) believe taking action wouldn't save them a penny.**

Despite the majority of property owners surveyed (68%) spending a third of their income on

home loans, just over a quarter think refinancing is just to switch their home loan rate and provider can reap benefits that go beyond cash savings. Australia's multiple homeowners are testament to this, with half of those with a property portfolio reporting that they have previously refinanced a loan.



More Aussies shivering through winter than switching energy providers

The Bill Shock Index found 48 per cent of Aussies are bracing themselves for a rise in power bills this winter, with half saying they'll be consciously turning off the heater more to save money on bills.

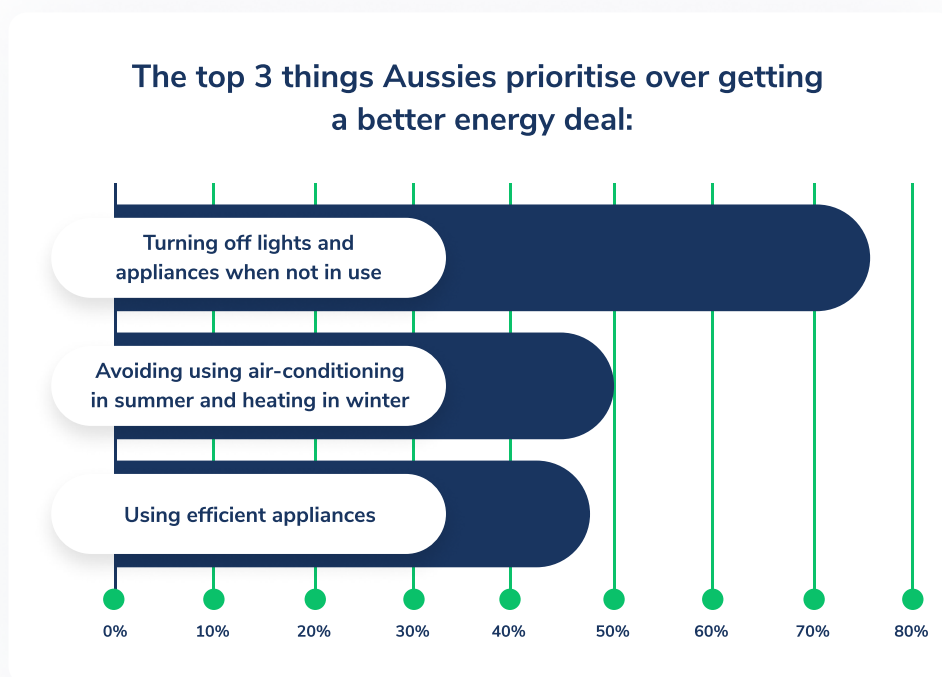
But despite bracing for energy bill shock, **only 14 per cent of bill payers said they would actively look for a better deal or switch provider to reduce their energy costs.**

Given that electricity and gas prices dropped to a five year low in 2020, and that the Australian Energy Market Commission expects energy bills to continue to drop into at least 2023, it doesn't seem like energy providers are passing the savings onto their customers.

Based on Compare Club's panel of energy providers, there can often be a difference of up to \$1,500 annually between the cheapest and most expensive deal (depending on your home type and personal circumstances).

Switching energy plans is often the quickest and simplest way to save money on your household expenses, without the need to put your comfort or health at risk.

The research shows one group of Aussies shiver through a dark winter more than others, with **87 per cent of people aged over 54 turning off lights and half refusing to turn on the heater even on the chilliest days to save money.** Stubbornly rugging up, only eight per cent of these older Aussies said they had considered switching energy providers to reduce their bills. Shockingly, one in four (24%) Aussies said they worry about loved ones going without heating in winter due to energy concerns.



Conclusion

The latest Bill Shock Index suggests that Australia is getting back to normal, and that includes people once again feeling the hit of rising daily living costs and bills.

There's general wariness about increasing healthcare costs, travel expenses, and insurance hikes, while more than half of all Aussies are bracing for rocketing electricity and gas bills as many continue to work from home in 2021.

With more bill shock looming, younger Aussies are bracing themselves best by proactively cutting costs and refinancing home loans.

But our research suggests that it's older Australians who potentially could save the most money - yet their general optimism about the cost of their bills means they're more likely to miss out on potentially thousands of dollars worth of savings

Methodology

The June 2021 Bill Shock Index is based on a survey of 1,500 Australians aged 18-55+ conducted via Pollfish between 7th – 12th May 2021.

About Compare Club

Compare Club is one of Australia's largest and fastest-growing comparison and advice services that helps Australians save money by navigating complicated and important financial decisions, as well as offering brokering and marketing services to a broad range of industries. Compare Club's panel of experts offer help to over 1 million Australians per year on key financial decisions, including health insurance, electricity & gas bills and home loans. Compare Club is locally owned and employs 200 passionate staff across Sydney, Melbourne, Brisbane, and another 50 staff in Indonesia and the Philippines.

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