



PFM CUSTOMER RESEARCH REPORT

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PROJECT BACKGROUND

Why did we conduct this study?

We want to understand our Westpac customers personal finance management behaviours, deeper motivations and needs for PFM tools.

We have a baseline understanding of what our customers Money Management behaviour is via Secondary and desktop research.

The following knowledge gaps identified:

- We don't know why our customers use certain tools
- We don't know how our customers expect and want PFM tools to connect and work together
- All current research was conducted pre-covid (MB 8+ years ago)
- We don't have any evidence or customer research on how Money Brilliant tools will translate to the Westpac consumer base (who aren't seeking PFM tools).

WHAT DID WE WANT TO LEARN?

Key areas to be explored

- Behaviour / attitudes and process in PFM today
- Expectations of their banks (Westpac's) role in supporting their PFM
- Motivations / goals - what is the most important thing when managing finances or thinking about finance
- Post Covid attitudes to money, budgeting and
- What are our customers trying to accomplish in relation to their finances?
- Money mindset / core beliefs about money (how does it make them feel, are they optimistic, or negative in their view of accumulating and using money).

WHO DID WE SPEAK TO?

Demographics

Age ranges: 18 - 55 year old's

1/2 of all participants were millennials

The people we spoke to lived in various states of Australia including a mix of: NSW, VIC, QLD, SA

Salary ranges

Even split of income from under \$20k, to over \$150k.

Characteristics

Life Stages

The people we spoke to were purposely broken into 4 life stages:

1. people w/ young families (or planning)
2. people planning to buy a home
3. Tertiary students (uni etc studying)
4. people who have migrated to Aus.

METHOD....

Face to face qualitative customer interviews

20 x one hour 1 on 1 face to face interviews

Facilitated and recorded virtually via Teams.

INSIGHT STATEMENTS

"How I like to manage my money"

"What motivates me to act"

"My money priorities and what impacts me"

INSIGHTS

“HOW I LIKE TO MANAGE MY MONEY”

INSIGHT 1

“ I manage spending based on my goals, it’s not a lifestyle”

People who have created budgets create a budget in order to achieve a specific goal, object or outcome. This behaviour almost always comes first, **after** people have achieved the initial money goal **then** the behaviour sometimes continues into a lifestyle habit where it becomes a way of managing money and integrated into their life for some participants.

“ Been managing money like this since getting a house” p10

INSIGHT 2

“ Budgeting and money planning apps just dont get me”

“I used to use a money planning app, I tried but I couldn't customise it to my situation” Is the sentiment almost all participants shared.

Budgeting apps are never a real reflection of what was happening I spent twice as long comparing that to my actual accounts and using a spreadsheet to really understand so I just stick to my spreadsheet...
70-80% of all participants currently use a spreadsheet.

“I Stopped using CBA budget feature because it was stressful.” p20

“I have to do a lot of work it out in my head and calculate it. I do predictions based on savings rates for this account vs that account.” p19

INSIGHT 3

“ Help me feel secure in my PFM based on my personal needs”

40% of people had low confidence in how they were managing their PF - with scores of 3 and under out of 5

These people are meeting basic financial obligations. Living necessities are the concern and reason they don't feel 100% secure in their PFM .

60% of people felt pretty confident with scores 4 and over out of 5

Things like future financial planning and increasing leisure spending are priorities for ppl who have a higher confidence rating

Meaning 100% of participants do not feel 100% confident in how they manage their PF currently - it is only their priorities that are different.

**Feeling secure in their finances
is not a goal not being met by either group.**

**“ I don't go out any more because I can't afford it,
thanks to the Reserve Bank of Australia. p10**

INSIGHTS

“WHAT MOTIVATES ME TO TAKE ACTION”

INSIGHT 5

“ I have to suffer to reach my goals”

Unsurprisingly most primary long term goals for people fell into these categories:

Buying property / Weddings & family planning / Travel. Their time frames ranged from 1-3 years.

It is ultimately these goals that trigger the behaviour of money management in terms of budgeting. The concept of budgeting in this case is seen as a sacrifice - creating negative connotations attached to their goal:

*These goal based budgets seem to continue as a 'lifestyle change' for people with mortgages or dissipate until a new goal is formed for people with less commitments.

“ “If I spent less on fun, entertainment or splurging I could save more” p2

INSIGHT 6

“ I can control my money, I want your support with things outside of my control

The biggest threat for people achieving their 12 month+ money goals (life stage and persona agnostic) is everything that happens externally. Regardless of life stage or income status our customers biggest concerns are:

the economy / interest rate rises / job loss / unexpected bills - things they don't know how to predict and plan for.

They see these as their biggest threats and **nobody** is helping them to plan for this - this is their biggest support lack and sense of vulnerability.

“ Inflation .. the increase in home loan once my fixed interest rate expires is the biggest worry... We will need to cut down more on eating out and leisure activities” p11

INSIGHTS

**“MY MONEY PRIORITIES AND WHAT
IMPACTS ME”**

INSIGHT 8

“ I want complete transparency of my money, so I can feel at ease”

14 out of 18 people rated this as their number one priority

“ I want to know how much I can spend safely and still meet my commitments and make progress on my goals”

This spanned across all levels of income and life stages, it was important for people with good capacity to meet their obligations and goals as well as people with less savvy PFM.

It speaks to the level of transparency that people feel they don't currently have and would be a requirement to meet their goals.

“ My spreadsheet has columns for status and projections for next 10years. It tracks how long it will take to pay off my mortgage”.

p16

“I created spreadsheet during maternity leave to have a better understanding and capture how much longer I could have off work. p15

INSIGHT 9

"After effects of Covid - Long Covid"

Covid has had a positive impact on 100% of participants life and finances.

people who couldn't work - service industries were paid more

people who were "essential" kept working

people who had to WFH ultimately saved more from less entertainment expenses it

provided a new perspective on money and gave them more opportunity to save for

bigger goals/expenses.

"My financial habits are the same now as before 2020." p12

" When govt doubled all Centrelink payments - it was a big impact, it made me realise what it was like to be able to afford to survive". p20

INSIGHT 10

“ I will do everything I can to join the home owner club”

- **100% of people** who are home owners in Sydney pay minimum 50% of their income to their mortgage
- **Over 30% Sydney home owners** interviewed are renting out a room in their house in order to pay their mortgage
- Compared to home-owners interstate who are paying around 30% of their income towards their mortgage
- **100% of Sydney renters** are planning to buy property outside of Sydney or interstate and continue to rent in Sydney as the idea of property purchase is too unattainable and unrealistic.

“it's really tense because each month you're on cusp of breaking even.” p4

“I'm never going to be able to afford in Sydney... I need to start buying properties 1 hour out ... and rent it out, and the rent will pay for itself. Need to just enter the property market.” p7

OUTPUTS & NEXT STEPS

- **CONCEPT CREATION / ALIGNMENT PFM WITH TEAM**
- **CONCEPT VALIDATION & TESTING**

Home owners



HOME OWNERS

MONEY PRIORITY

Utilizing most of their income to minimise h/ loan while not having to sacrifice lifestyle for savings goals.

LIFE STAGE

- Generally older millennials 35yr+
- More common in home owners with families



NEEDS

- Transparency with joint account holders for both parties to see the full financial picture
- Clear view of property value and equity vs loan term to make informed decisions re: redraws
- Maintaining family expenses and goals while reducing the impact of interest rates

BEHAVIOURS

- Paying a mortgage
- Uses HOUSE as a savings plan
- Property Equity acts as both emergency fund and savings fund
- Additional savings accounts aren't used

PAIN POINTS

- Overallocation of assets into real estate and home loan
- Unclear on value of property and term loan to make informed decisions
- Economic landscape

"...If something changes that would make it difficult... Redraw also acts like an emergency fund."

p5

USER NEEDS STATEMENT

Home owners who deposit the majority of their income into their home loan and use their mortgages as their 'savings' plan.

need to feel a sense of security within economic uncertainty as well as understand the impact this has on their overall loan term, while achieving transparency of their equity, redraw availability and impact on loan.

in order to accurately prepare for their future and protect their assets while also achieving their life and money goals like travel, renovations and education.

Opportunity

How might we
"help home owners access their redraw with full transparency on how this impacts their long term financial position"

Rent vestors



RENT VESTERS

MONEY PRIORITY

Feeling a sense that their money is working 'for them'. Making investments in their future while not having an impact on their environment.

LIFE STAGE

- Travel focused
- Slightly younger demographic
- Family plans for the future



NEEDS

- Clarity on any tax complications that arise with investment properties
- Clarity with savings goals and clear view of all accounts
- Help managing multiple streams of incoming and outgoing expenses isn't easy

BEHAVIOURS

- Pays off mortgage via rental income
- Has a traditional savings account for future money goals
- Plan to travel often

PAIN POINTS

- Rising interest rates - economic landscape
- Difficulty allocating and managing expenses and income for both short term and long term goals
- Management of multiple streams of income and outgoing expenses

"I will just live wherever I want, but I will pay my income from the property I have. I don't want to be 'rich' but 'poor' and in financial stress.

p17

USER NEEDS STATEMENT

Rent Vestors who prioritise their lifestyle and environment while investing in the property market as a longer term plan, are primarily located in Sydney and have other financial goals and priorities that they are working towards like travel.

need to have a clearer vision of their multiple income streams and expenses, as well as the tax and accounting implications while also being empowered to continue to build on their current savings goals.

in order to continue to build wealth and effectively understand their financial position seamlessly without multiple tools to save time and stay motivated.

Opportunity

How might we
"give rent vestors the tools to build on their current savings goals and provide transparency on their financial position"

Cash investors



LIFE STAGE

- Travel focused
- Slightly younger demographic
- Family plans for the future

CASH INVESTORS

MONEY PRIORITY

Building wealth having control of their funds unattached to the home owner status more focused on investing in cash while the economic climate feels unstable. Enjoy the more consistent dividends that a cash investment provides over something longer term such as property.



NEEDS

- recommendations on highest interest per term
- reminders for minimum deposits needed
- competitive interest rates for savings accounts
- rewards / interest money based for having consistent growing high interest accounts with us - or they will jump to the next best offers

BEHAVIOURS

- Trusts that only cash is the safest investment
- Interest rate chasers
- Opens multiple savings accounts high interest and term deposit accounts for best rate
- Spends a lot of time chasing rates, opening new accounts, setting reminders for depositing \$\$ and closing accounts etc

PAIN POINTS

- Too much time spent keeping track of existing accounts whilst simultaneously opening and closing new ones
- Rigid goal setting and savings planners
- Difficulty getting an overall view of all their financial institution accounts

"I have been doing this for a long time so I am used to it, I'm not obsessed with the home owner status"

p6

USER NEEDS STATEMENT

Cash Investors, who feel confident in their expertise in managing their money prioritise depositing bigger percentages of their income into high interest savings accounts, they are self confessed rate chasers who are unattached to the 'home owner status'

needs to have an easy way of comparing interest offers with a full view of their net worth and full financial picture, plus bonus offers and rewards for term spent with bank

in order to minimise time spent in doing research on other financial institutions and give them the best chance of achieving their money goals within the one place WBC.

Opportunity

How might we
"enable cash investors to view their true net worth and encourage them to achieve their goals within Westpac"

Life investors



LIFE INVESTORS MONEY PRIORITY Fun / social / leisure

Entertainment can be higher priority than basic living needs.



LIFE STAGE

- All ages
- No kids or families
- 100% of students fit into here

NEEDS

- Education and advice on PFM
- True transparency on transactions and spending and habits
- 'Expert advice' feeling like they have someone with the expertise to advise them on how to set up their accounts.
- Visual cues or motivational prompts and encouragements while working within advised structure / hitting goals etc

BEHAVIOURS

- No accumulation of savings for either wealth or money / life goals
- No property no assets
- Investing in fun
- Priority for their money is living their lives, essentials and socialising / entertainment

PAIN POINTS

- Lacks the financial literacy and know hows of setting up longer terms financial goals
- Difficulty making budgeting choices due to financial constraints
- Difficulty viewing their overall financial picture
- Unmotivated to stick to their financial goals

"because I am struggling - I don't want to have to choose between them (future & present) ... or make my meals & eat tuna cans to budget"
p7

USER NEEDS STATEMENT

Life investors who spend the largest portion of their income on socialising, entertainment and 'living life' also simultaneously have very little education and ability to create and manage bigger financial goals.

need to feel less overwhelmed by their finances with simpler and clear structures and guidance on how to manage money effectively for their current state and future plans without being demotivated by slow progress and conflicting advice.

in order to meet financial commitments, feel at ease and start managing their personal finances in an effective way, that will enable future security as well as present moment goals.

Opportunity