Wealth Building

Report 2024

Contents

Key statistics

$1.58 million

is the net wealth of the average Aussie household

74%

of household net wealth is held in super and property

13%

of the population are millionaires

2.8 million

Australian millionaires in total

$1.1 million

is the median net wealth of investors who have had an investment loss

$930,000

is the median net wealth of individual investors

97%

of investors have a financial goal

76%

of non-invested Australians have a financial goal

Introduction: *Australia's wealth story*

Australia is a wealthy country when compared to the rest of the world. The average household has a net wealth of $1.58 million according to the national accounts released by the Australian Bureau of Statistics (ABS)[1]. Australia is ranked fifth in the world for average wealth per adult and second for median wealth per adult, behind Luxembourg[2].

This wealth is overwhelmingly held in two Australian staples: property and superannuation. Households have $3.9 trillion in superannuation assets and just shy of $10.5 trillion in residential land and dwelling value. When residential property is excluded, average household net wealth drops to $573,252 and when superannuation is removed, it falls further to $196,778 – almost one-tenth of the original figure.

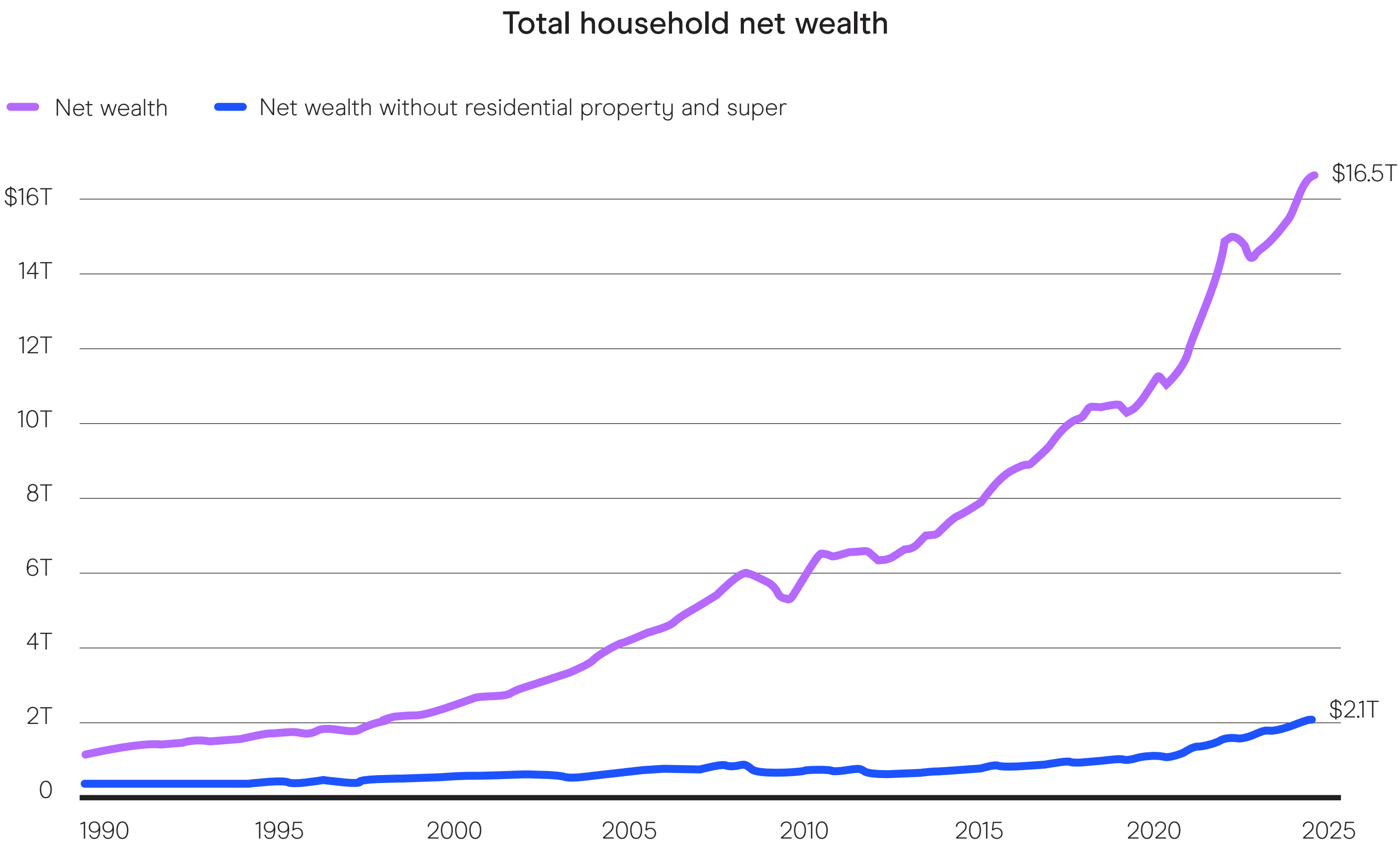


Chart: Finder • Source: Australian Bureau of Statistics | Australian National Accounts: Finance and Wealth

This stunning surge in household wealth has minted roughly 2.8 million Australian millionaires as of October 2024. This is 13% of the adult population and one of the highest proportions globally. Many of these millionaires have landed in this once-elusive club simply because the value of their homes has grown. The number of millionaires drops to 1.1 million (5% of Australian adults) when we remove the value of the principal place of residence in net wealth calculations.

The raw amount of wealth in a country is only one factor when considering the prosperity of its citizens. It is also important to understand how evenly that wealth is distributed. Impressively, Australia also ranks among the top countries in the world for wealth equality. According to the UBS Global Wealth Report, our riches are more evenly distributed than the US and the UK[2]. Of these three countries, wealth inequality is most pronounced in the United States, where the wealthiest 10% of people own 67% of the country's wealth[3]. Australia has a more balanced distribution, with the top 10% holding 44% of our nation's wealth[4].

The percentage of total wealth held by the top 10% of wealthy people in each country

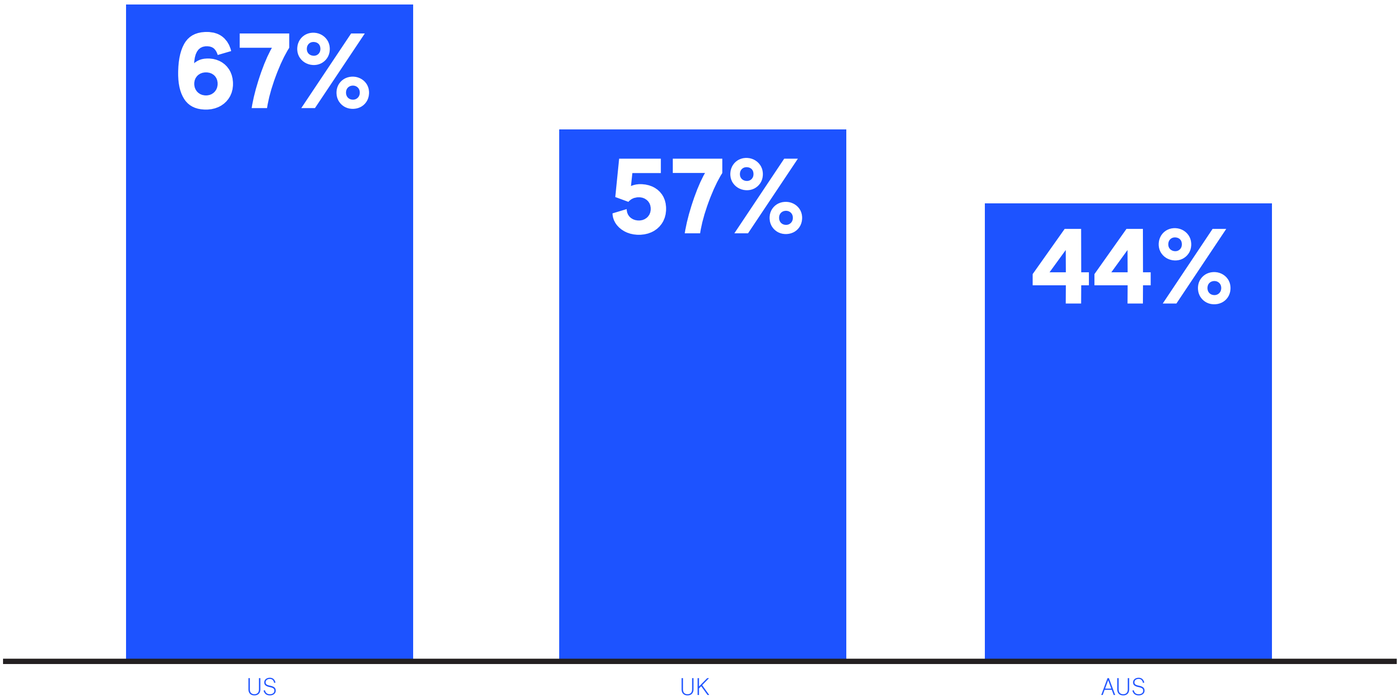


Chart: Finder • Source: Federal Reserve Bank of St. Louis, Australian Council of Social Service, UNSW Sydney, Joseph Rowntree Foundation

Although Australia has one of the best wealth equality ratings, that doesn't mean our wealth is perfectly distributed. Some sections of society are missing out on wealth while others have been amassing even more. Our reliance on property has been one of the largest contributors to wealth inequality.

Almost 1 in 6 (16%) households with more than $100,000 in combined income own 2 or more properties. In contrast, just 6% of households with between $50,000-$100,000 in combined income own 2 or more properties. Similarly, 10% of Baby Boomers and 13% of Gen X own 2 or more properties, compared to only 5% of Gen Z.

It is this stark difference in property ownership between these two demographics that explains why 22% of the increase in wealth in the past 20 years went to wealthy older households* which comprise just 4-5% of total households.[4]

The wealth held by older Australians can significantly affect the distribution of equity among younger generations as they inherit their parents' estates. The impact of intergenerational wealth is already evident – 44% of Australians with investments received financial assistance from their parents, compared to just 29% of those without investments.

Australian investors are also twice as likely (16% to 8%) to have received parental support for a house deposit.

*Wealthy older households are defined by two key criteria: the reference individual within the household must be aged 65 years or older, and the household must fall within the top 10% of all households in terms of wealth.

The percentage of investors and ordinary Australians who received help from their parents

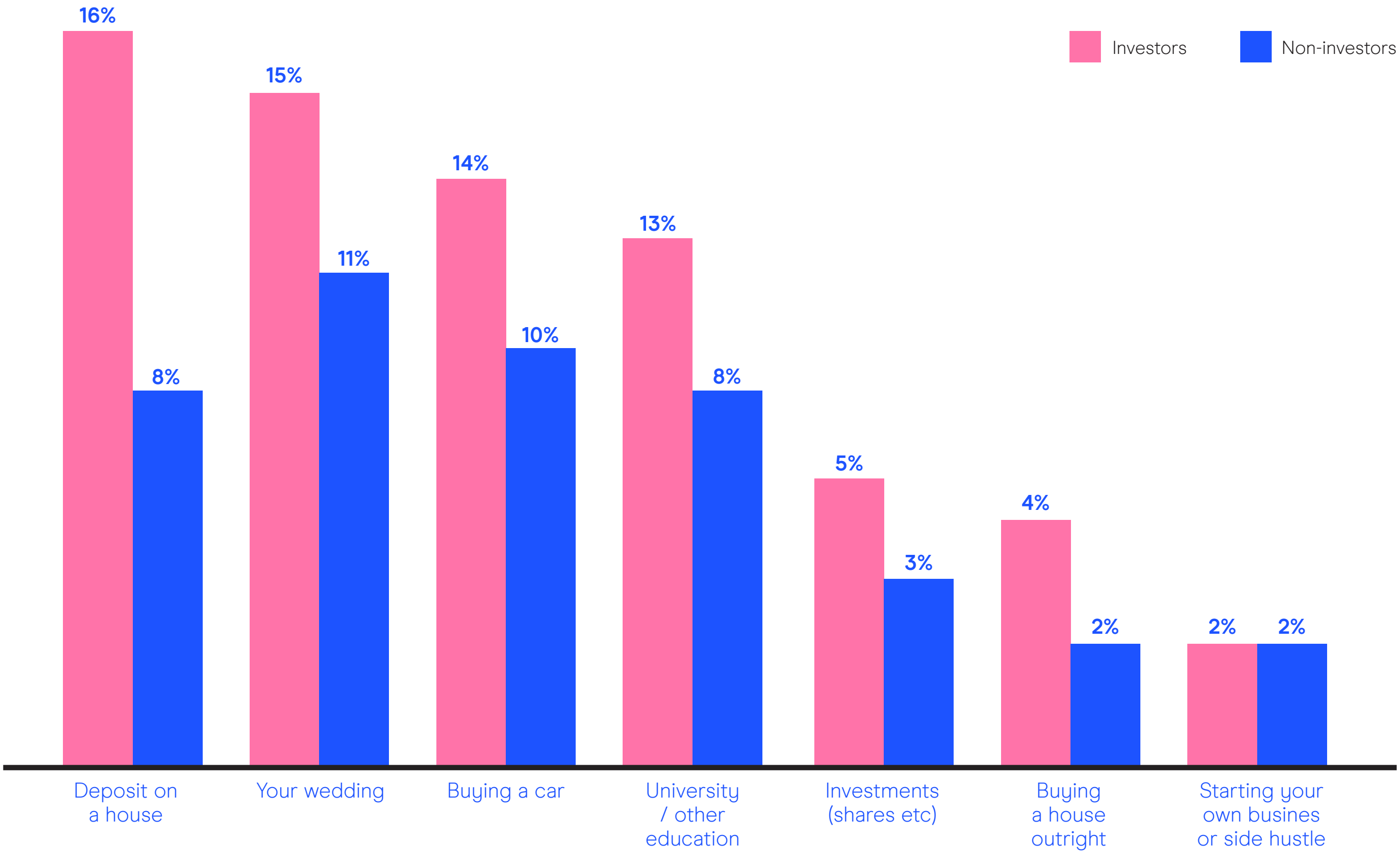


Chart: Finder • Source: Finder Consumer Sentiment Tracker

As the wealth landscape shifts, we will examine what average Australians and active investors are doing to improve their financial futures.

This report will uncover the various wealth behaviours, values, and challenges Australians face, track how different consumers have built their wealth, and provide insights for those looking to improve their finances.

What next?

Looking into the future, Australian properties may not provide the mammoth boost to wealth that has been enjoyed over the past 40 years.

This prompts the question: what – if anything – will replace property as the next great wealth booster?

> *Studying the growth of specific household assets over the last decade provides us with a potential answer:* ***investing.***

Change in total value of common assets held by households over the past decade

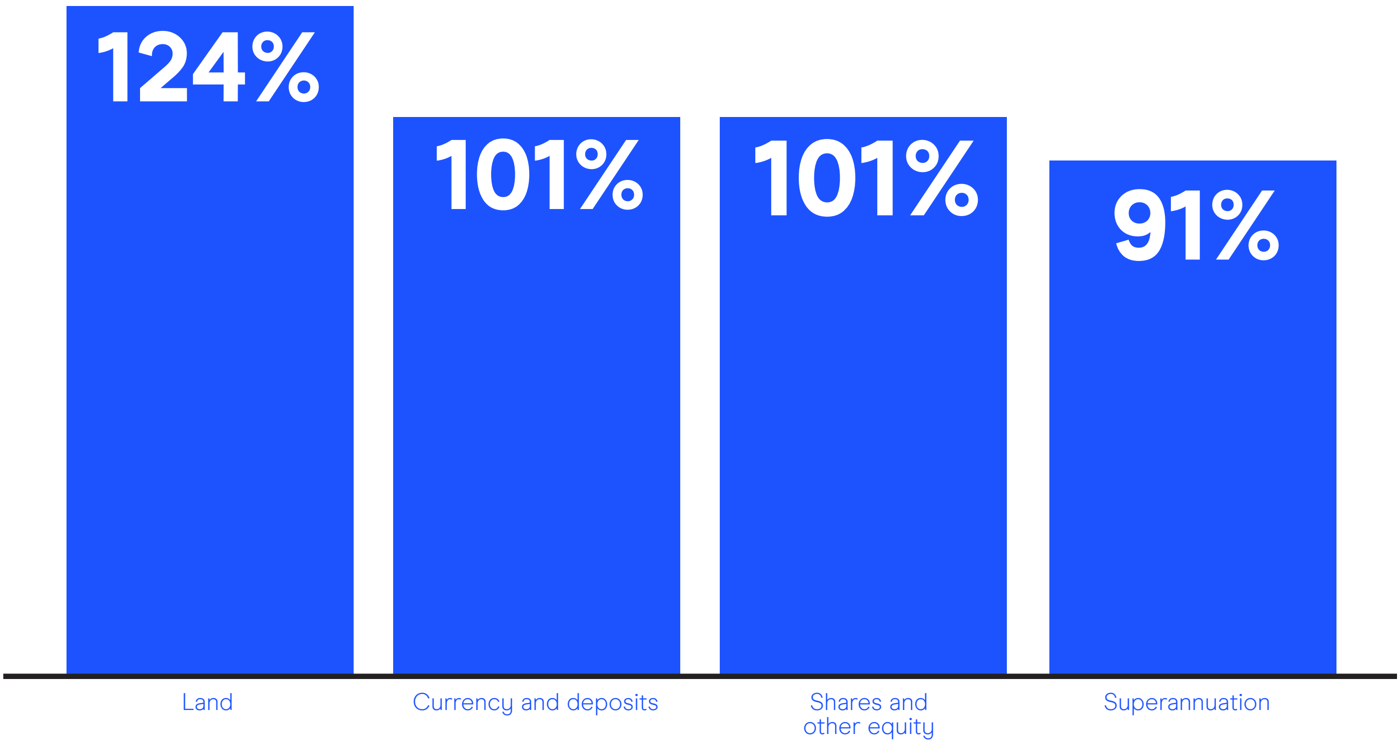


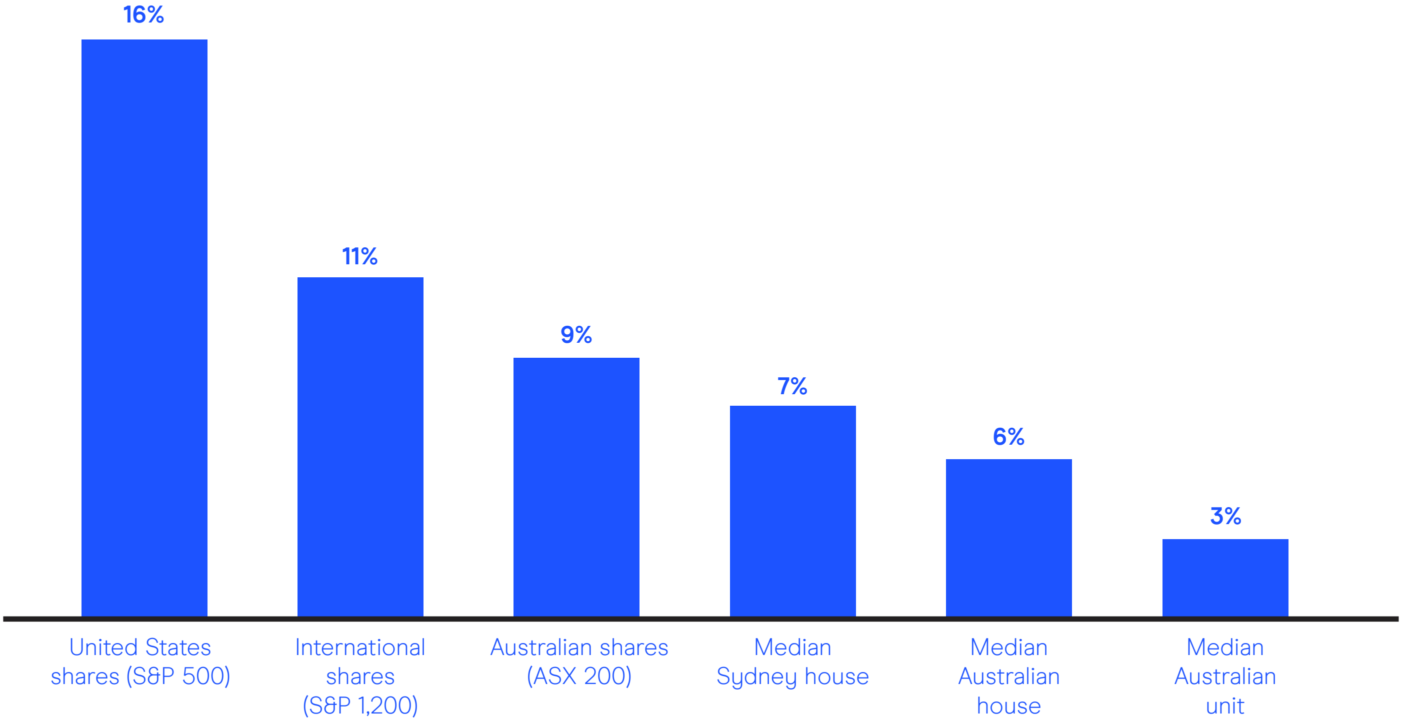
Chart: Finder • Source: Australian Bureau of Statistics | Australian National Accounts: Finance and Wealth

The three largest increases in asset value on household balance sheets have been in land (as expected), currency and deposits (savings), and investments in shares and other equity.

The growth in shares and other equity owned by households is no coincidence. According to the ASX, the number of Australians who own shares on the stock market has grown from 36% of the population in 2014 to 38% in 2023. This marks an increase from 6.5 million to 7.7 million investors in listed equities. However, the main catalyst behind the large increase in households' share assets is the strong returns generated by investing in shares over the past decade.

> *The growth of the largest 200 companies in Australia, the 500 largest companies in America and the largest 1,200 companies globally have outpaced the growth in Australian house prices over the last 10 years*[5] [6]*.*

10-Year average equities return vs house price growth



All returns were taken as of October 2024. Returns in AUD (which factors in currency movements) were taken where available, otherwise returns in USD were used.

Chart: Finder • Source: Corelogic, S&P Global

Further evidence of the role that investing has played in wealth creation is clear when studying the contributors to wealth inequality.

The largest contributor after the unequal distribution of owner-occupied housing was financial assets such as shares and savings.[4]

Contributors to wealth inequality

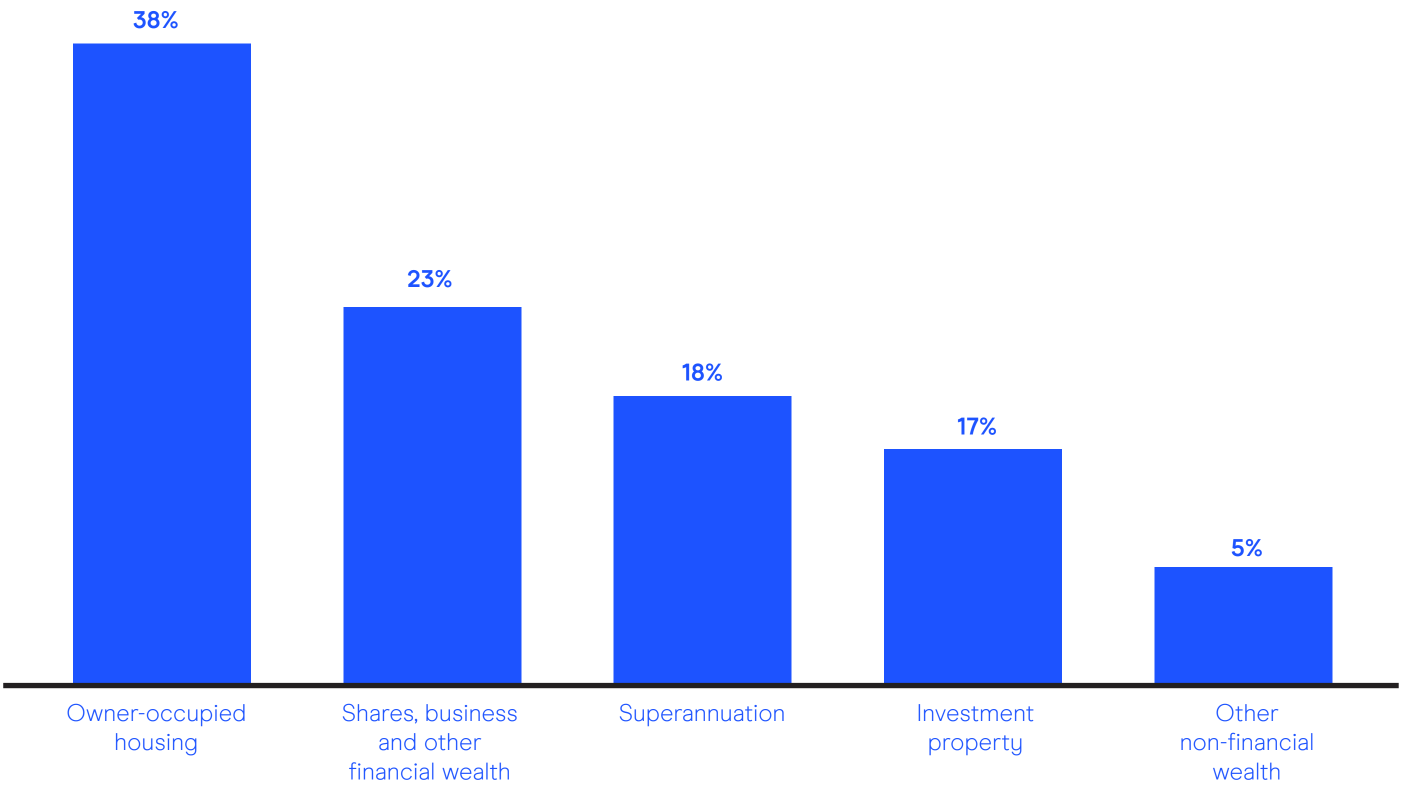


Chart: Finder • Source: Inequality in Australia 2024: Who is affected and how | Australian Council of OD Finder Social Service and UNSW Sydney

Building wealth: *Abstainers and engagers*

As we saw above, consumers hold much of their wealth in their superannuation and the value of their family home. As a result, some Australians who have not actively tried to increase their wealth would be considered wealthy compared to the rest of the nation and definitely more so than the rest of the world.

To better capture the goals and strategies of active wealth builders, Finder commissioned a survey of 1,000 Australians who are actively increasing their wealth through investments in various assets. To qualify for the survey, respondents had to have owned at least one of the following:

- Shares in listed companies
- Investment property
- Other investments (e.g. bonds, cryptocurrency, shares in private companies)
- Other assets

We will refer to this cohort in the report as investors or our investing cohort.

To understand what sets our investing cohort apart from Australians without investments, we must understand what behaviours separate them and how much of an impact these behaviours have had on their wealth.

When investors were asked what has contributed the most to their net wealth, two overwhelming factors emerged:

- Budgeting carefully and reducing expenses
- Investing frequently and/or increasing investments

The factor that has contributed the most to investors' net wealth

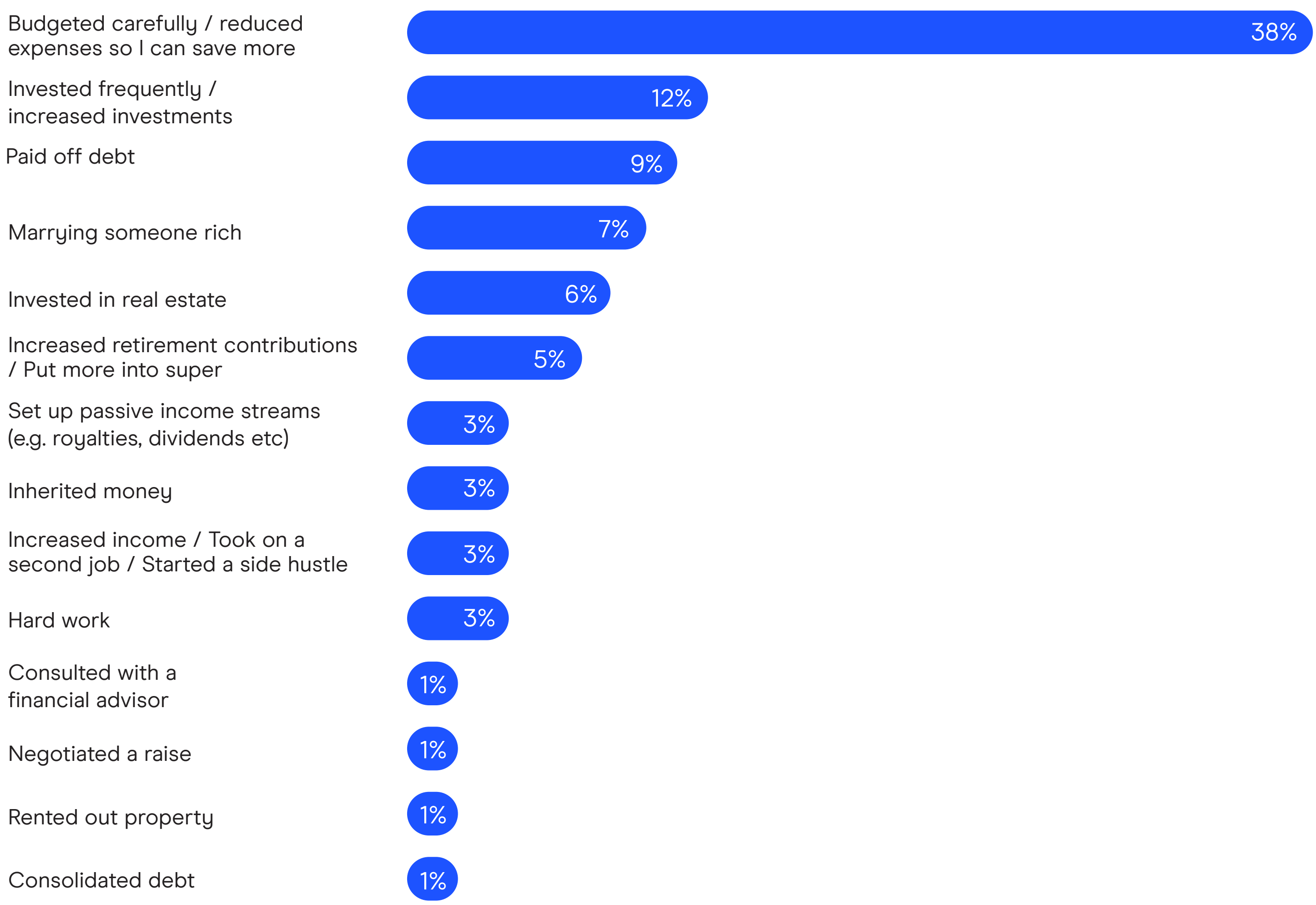


Chart: Finder • Source: Finder Wealth Survey 2024

While 10% of investors credited marrying well or receiving an inheritance as the factor that contributed most to their net wealth, budgeting carefully and reducing expenses was far and away the key factor of wealth creation.

Managing money responsibly means that investors can maximise the cash used to build their wealth. For non-investors, establishing responsible money habits like saving more, spending less and paying off bad debt can unlock funds to start creating wealth.

Managing money effectively

The majority of Australia's investors have a frugal habit that supports their investing behaviours. An impressive 84% of investors have at least one frugal habit, compared to just 75% of non-investors.

The most popular frugal habits among investors are:

- *Buying discounted groceries (59%)*
- *Eating home-cooked meals and rarely eating out (44%)*
- *Comparing and switching household bills regularly (34%)*

Frugal habits of investors and non-investors

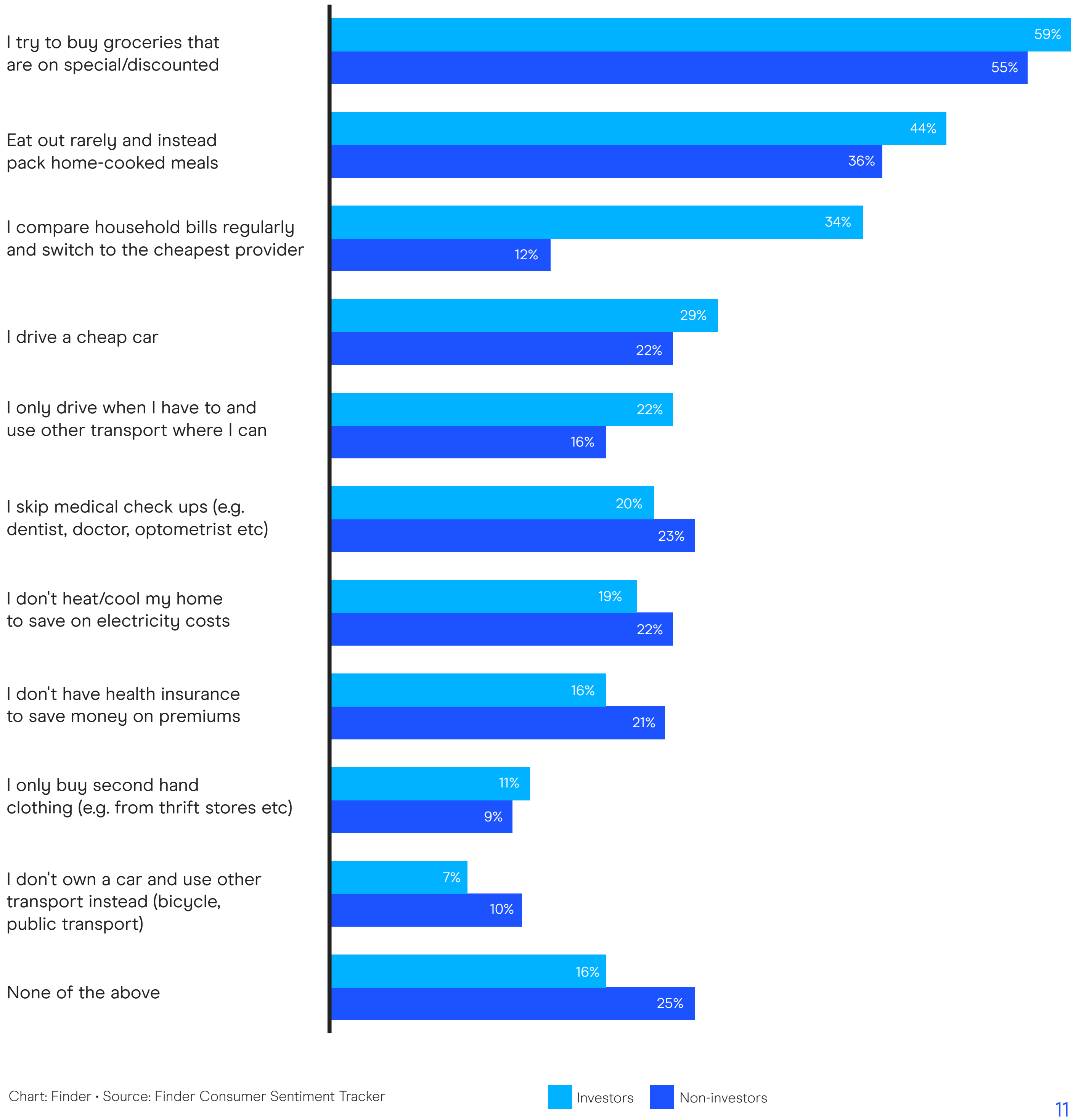


Chart: Finder • Source: Finder Consumer Sentiment Tracker

Knowing that investors are more likely to have a frugal habit partly explains why they can allocate 23% of their income towards investments and savings on average compared to 14% for Aussies who don't invest. It must be noted that in some, but not all cases, investors can save more due to having more money to begin with than non-investors.

The savings from a few frugal habits can compound into much larger returns.

The average full-time employee earns $6,455 per month after-tax according to the ABS. Increasing the portion of income going to savings and investing from 14% to 23% would mean an extra $581 to invest or save each month. Over 10 years this small change can compound into much more wealth.

Total interest earnt across different investments

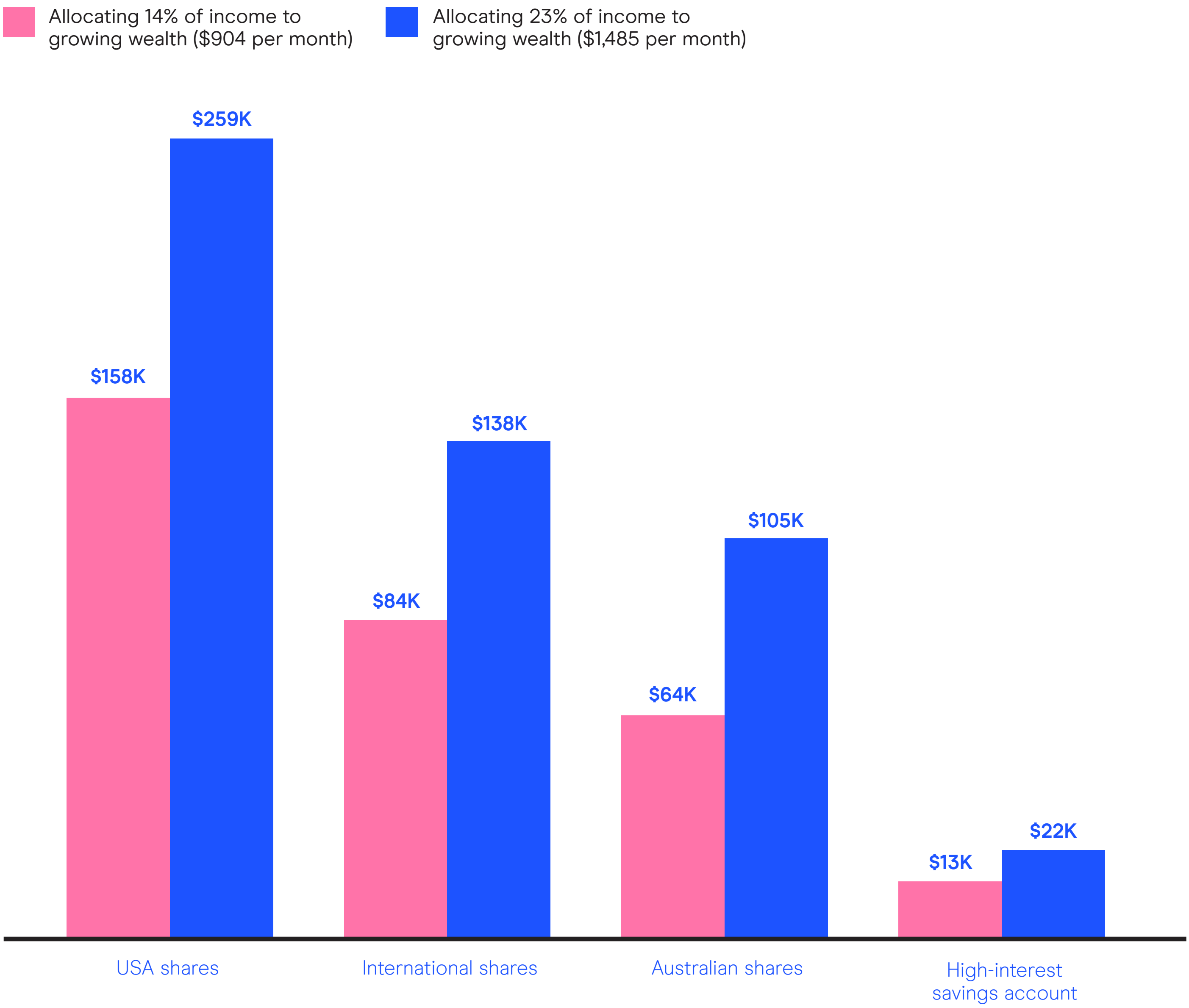


Chart: Finder • Source: Reserve Bank of Australia (RBA), Finder Consumer Sentiment Tracker, S&P Global

Even if the extra allocation was put into a high-interest savings account each month, it would still earn an extra $8,585 over 10 years based on the average high-interest savings account rate over the last 10 years of 2.3%[7].

Actively building wealth

Living a frugal life is just one of the many actions one can take to increase net worth. Investors are also taking actions towards actively building their portfolio. Almost all (93%) investors have taken at least some action towards building their wealth compared to 60% of non-investors.

The difference between wealth engagers and wealth abstainers is most apparent when studying their active wealth-building habits. People who own investments are almost 5 times as likely to have increased their contributions into super and are 9 times more likely to have established passive income streams.

The percentage of investors and non-investors who have taken actions to improve or grow their wealth

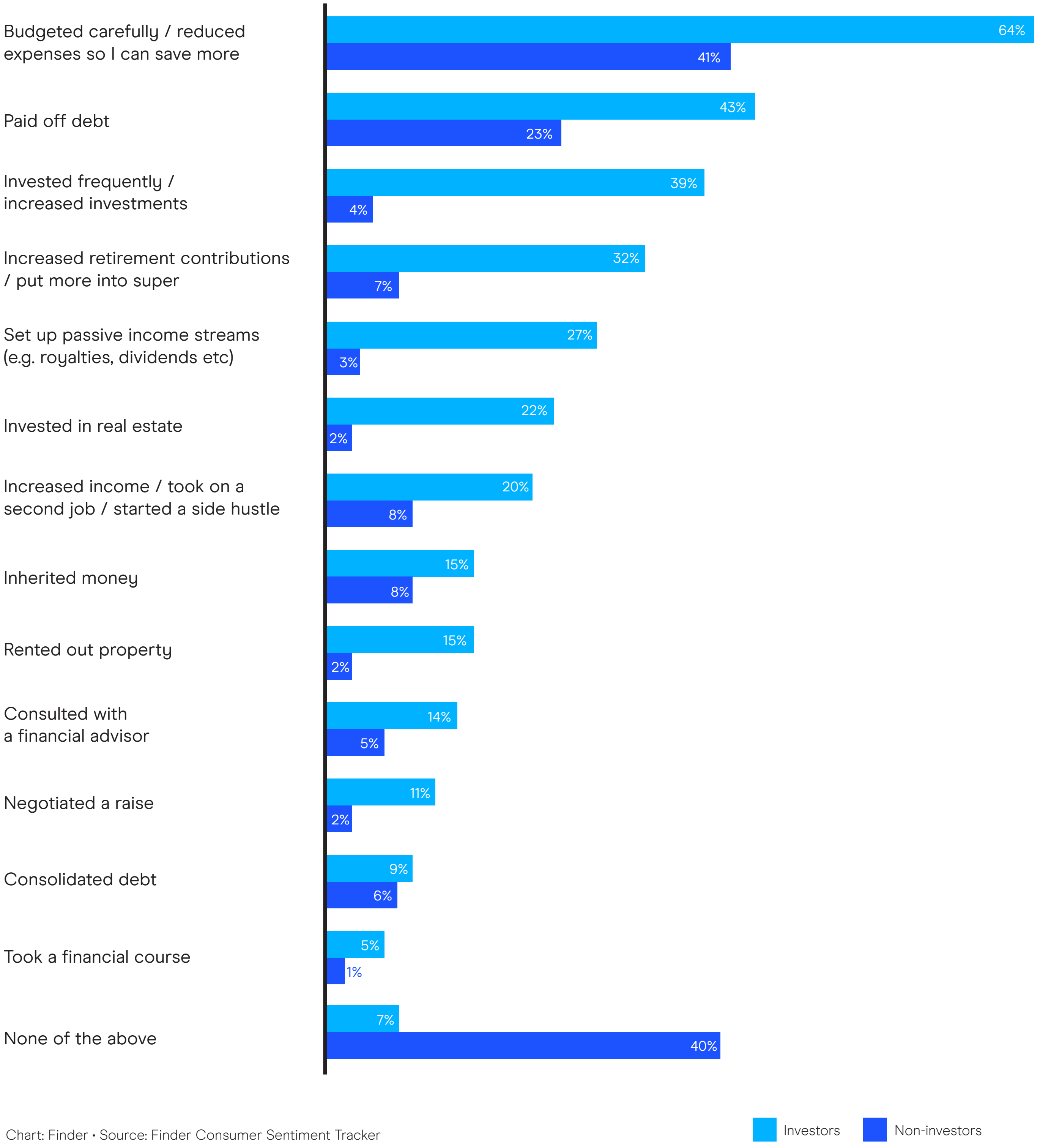


Chart: Finder • Source: Finder Consumer Sentiment Tracker

Passive income streams are defined as earnings that are acquired with little to no labour (e.g. dividends, interest or rental income) and are the opposite of active income, which tends to come from wages.

Investors with more than $1 million in net wealth (referred to in this report as wealthy Australians) are much more likely to have at least one passive income source.

Percentage of investors who report having the following income sources by net wealth

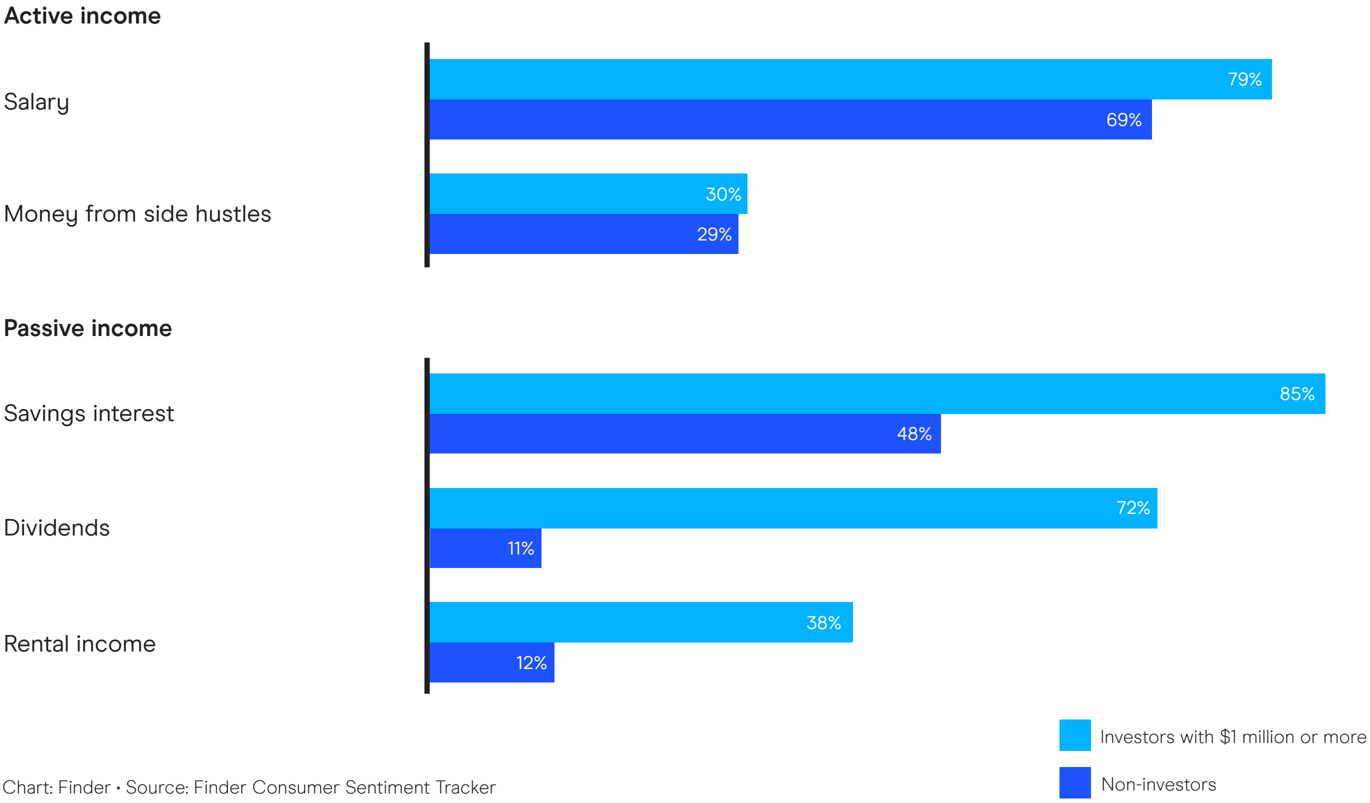


Chart: Finder • Source: Finder Consumer Sentiment Tracker

Risks and financial setbacks

Investing does carry risk. Investment loss was the most common financial setback among investors with 21% experiencing it.

Non-investors were less likely to report experiencing a financial setback than investors in general (52% to 42%), however, both groups tended to report a roughly equal percentage of most setbacks not related to investing.

Both groups reported losing a job, large medical expenses, emergency costs, and being scammed within a few percentage points of one another.

The percentage of investors and non-investors who have experienced a significant financial setback

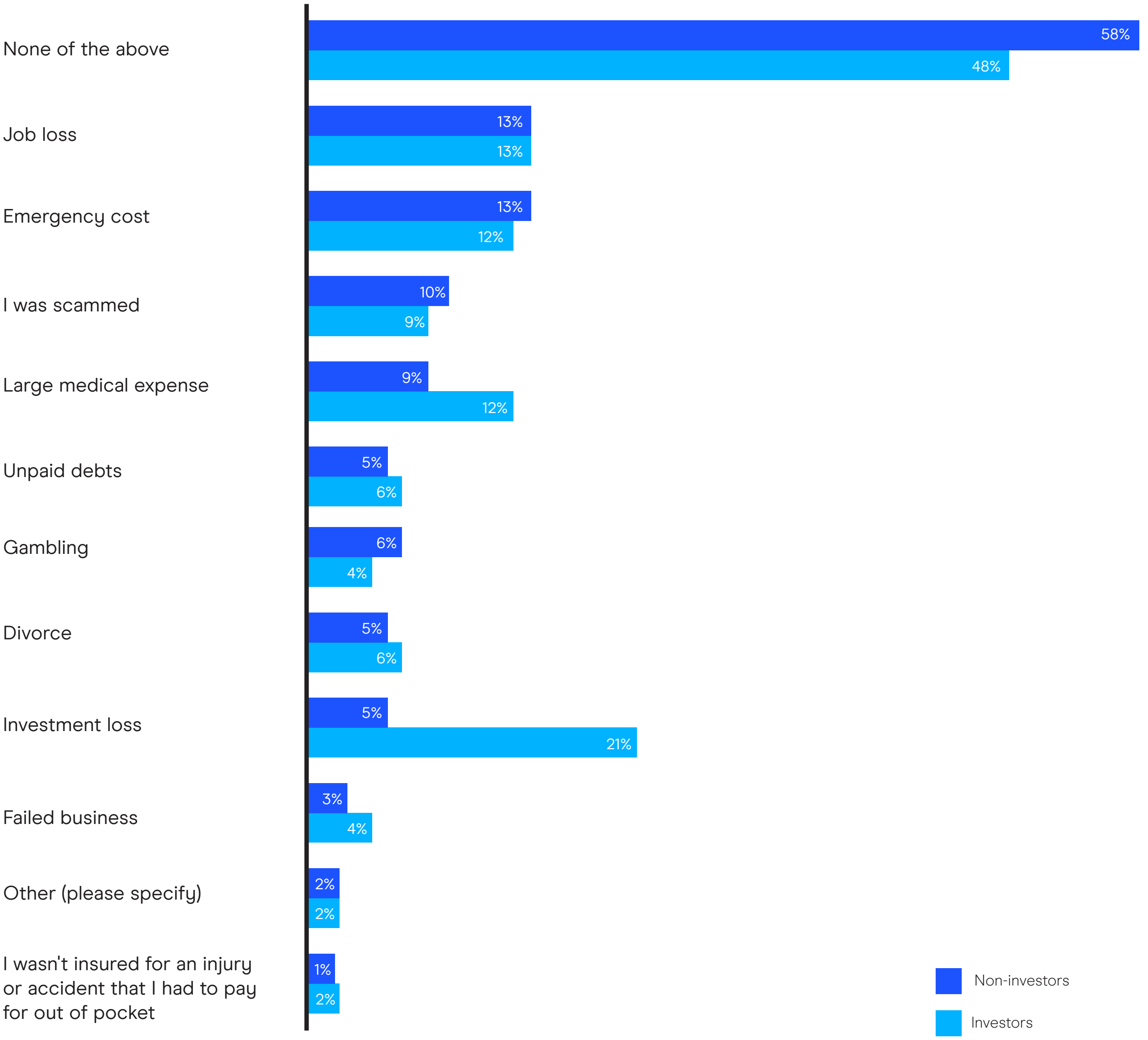


Chart: Finder • Source: Finder Consumer Sentiment Tracker

Interestingly, those investors who experienced an investment loss had a higher median net wealth ($1.1 million) compared to the overall median of all investors ($913,000).

The same outcomes are not observed with other financial setbacks. Those who lost a job or incurred a large medical or emergency cost all had a net wealth below the overall median.

A new age: *The wealth outlook*

More than half (58%) of investors expect their net wealth to improve over the next 12 months. Of these optimists, 65% think an appreciation in the value of their investments or assets will be the main contributor to their improving wealth. Meanwhile, 29% of investors think their net wealth will remain the same – leaving only 13% of investors who expect their net wealth to decline in the next year.

Similarly, 84% of investors are at least somewhat confident that they will be able to achieve their long-term goals through investing.

Goal setting is an important part of investing and was ranked as the fourth most important habit of a good investor. It is no surprise then that almost all investors (97%) have a financial goal.

> ***Goal setting is another habit that sets our investing cohort apart. Only 76% of non-investors have a financial goal.***

The financial goals of investors and non-investors

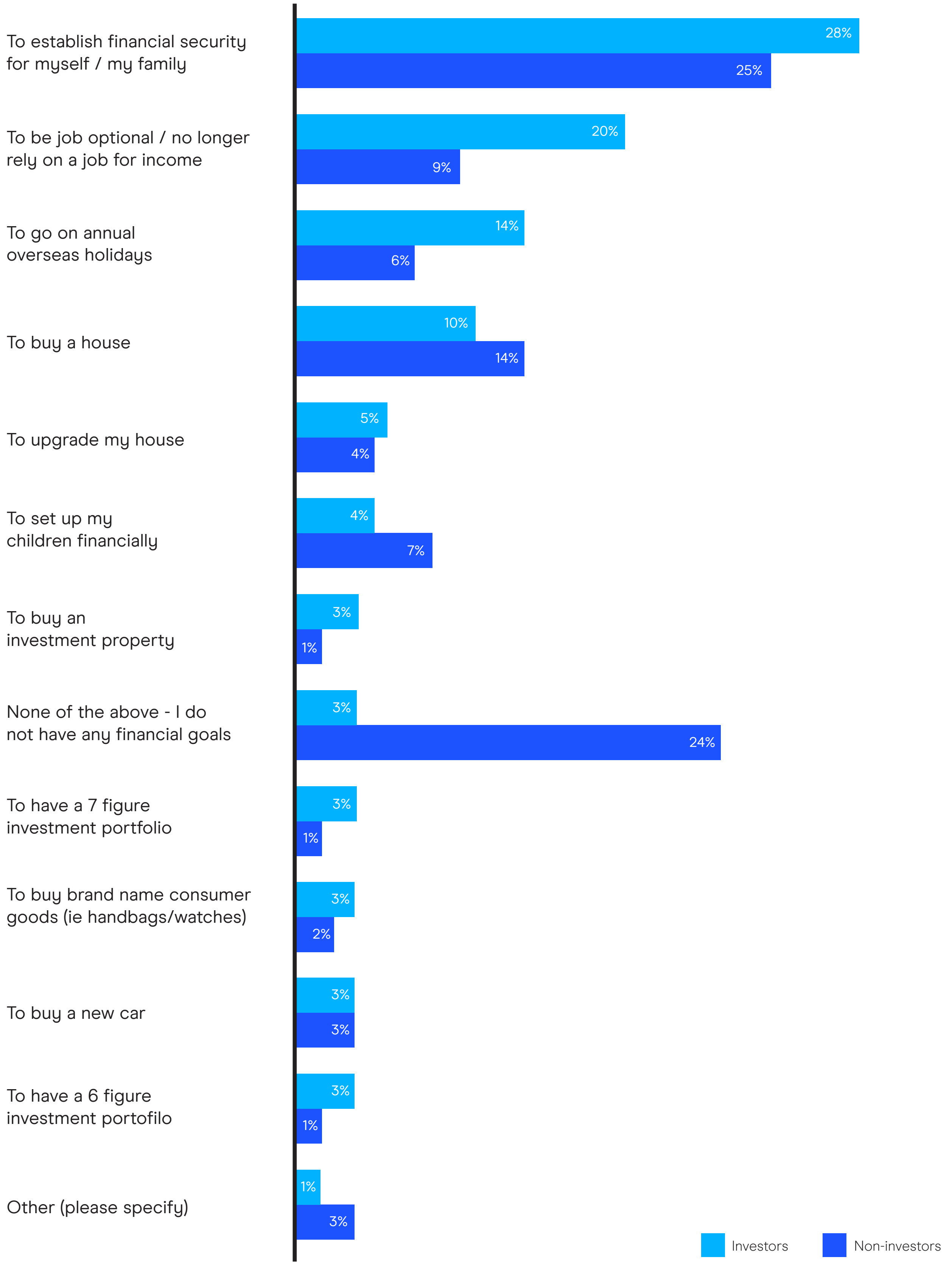


Chart: Finder • Source: Finder Consumer Sentiment Tracker

When we zoom in further and look at financial goals by age, some interesting trends emerge. Being able to buy a house is the most popular goal among younger Australians. Almost a quarter (24%) of Gen Z selected this as their main financial goal compared to 15% of Millennials and 8% of Gen X.

Conclusion

The lucky country, the land of the 'fair go' and the land of opportunity have all been used to describe Australia at different points in history. Property has been one of the largest opportunities for Australians to build wealth over the past 40 years. However, as a 'fair go' in the property market becomes harder for young Australians, we are witnessing property transform from a *means* of wealth creation to the *end* goal of wealth creation. In its place, Australians are investing in other assets to build wealth.

While Australia's obsession with property will probably remain, its role will likely transform from a pathway to wealth to the prize of wealth creation.

Examples and tips: *The power of starting now*

Due to the compounding nature of investing and building wealth, the sooner you start the better your outcomes are likely to be.

A common excuse or belief is that people need to save up enough money to start investing and build an investment portfolio. That may have been true in the past, but over the last 10 to 15 years, the advent of fractional investing and other tech innovations have made it much easier to get started investing and building wealth with small amounts. In fact, you can now get started with as little as $1.

This means investing is more accessible than ever. It also means you have the potential to earn a better return if you start investing sooner, because any amount invested – no matter how small – compounds over time. It's better to invest $5 a week now rather than saving up $250 and starting "when you have enough", as your return on investment (ROI) will be stronger.

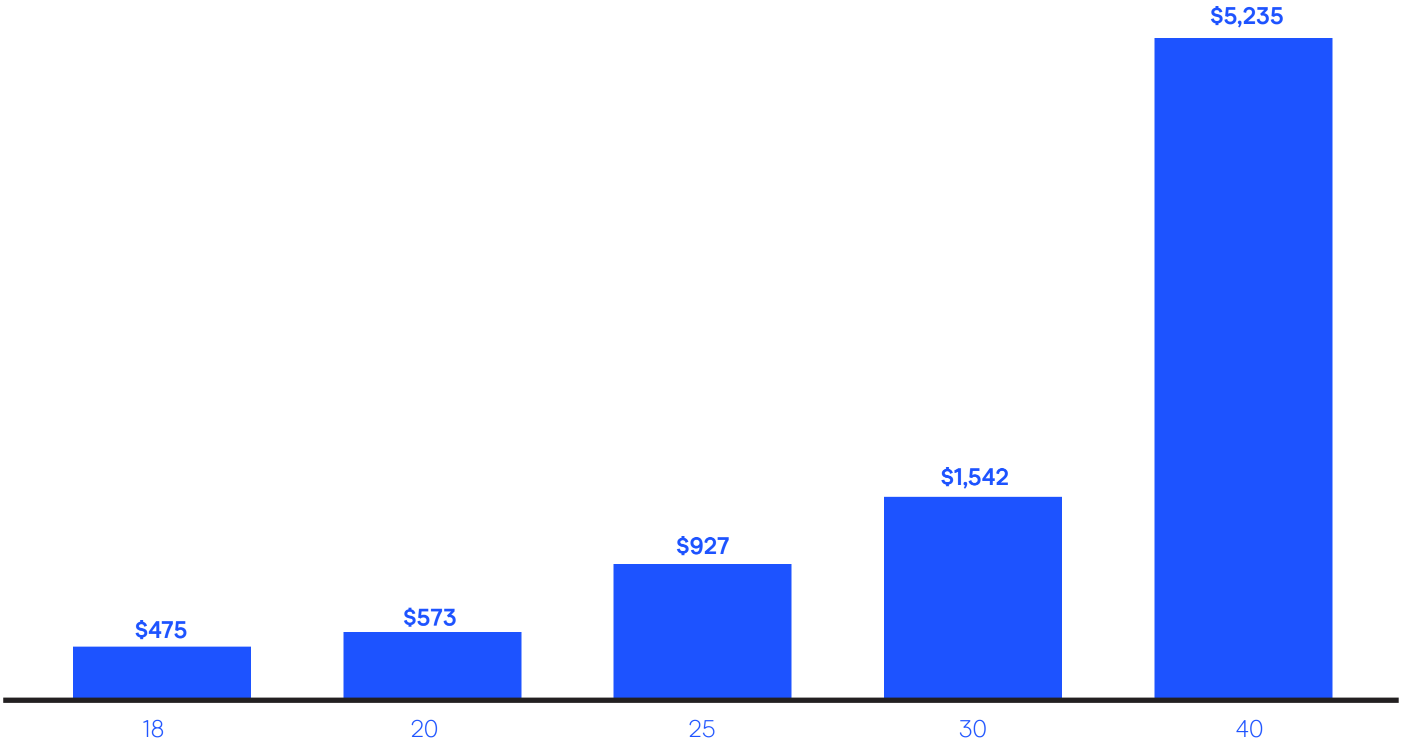
Here's an example of what I mean, to demonstrate the time value of money:

If your goal is to reach an investment balance of $1 million when you turn 50, you will need to invest $470 each month if you start investing at 18 years old. If you start investing at 30 years old you would need to invest almost twice as much every month ($919).

If you waited to start investing until you were 40, you would need to invest a whopping $5,207 each month to reach a balance of $1 million by 50 years old.

Sarah Megginson
Head of Editorial

Monthly investment needed to reach $1 million by age 50



Assumes an annual return of 8.77% based on the ASX 200 average 10-year annual return (incl dividends) at the time of writing. Source: S&P Global.
Calculations do not include brokerage tees
Chart: Finder • Source: S&P Global, Finder

Examples and tips: *Investing for yourself*

Building wealth in the sharemarket often hinges on "time in the market" rather than "timing the market." This long-term investment approach helps returns grow stronger and more reliable over time. Many Australian investors agree: frequent investing and consistent contributions have significantly boosted their wealth. In fact, 12% of investors say regular investing has been their biggest wealth contributor, second only to careful budgeting and expense reduction, which 38% identify as their main strategy.

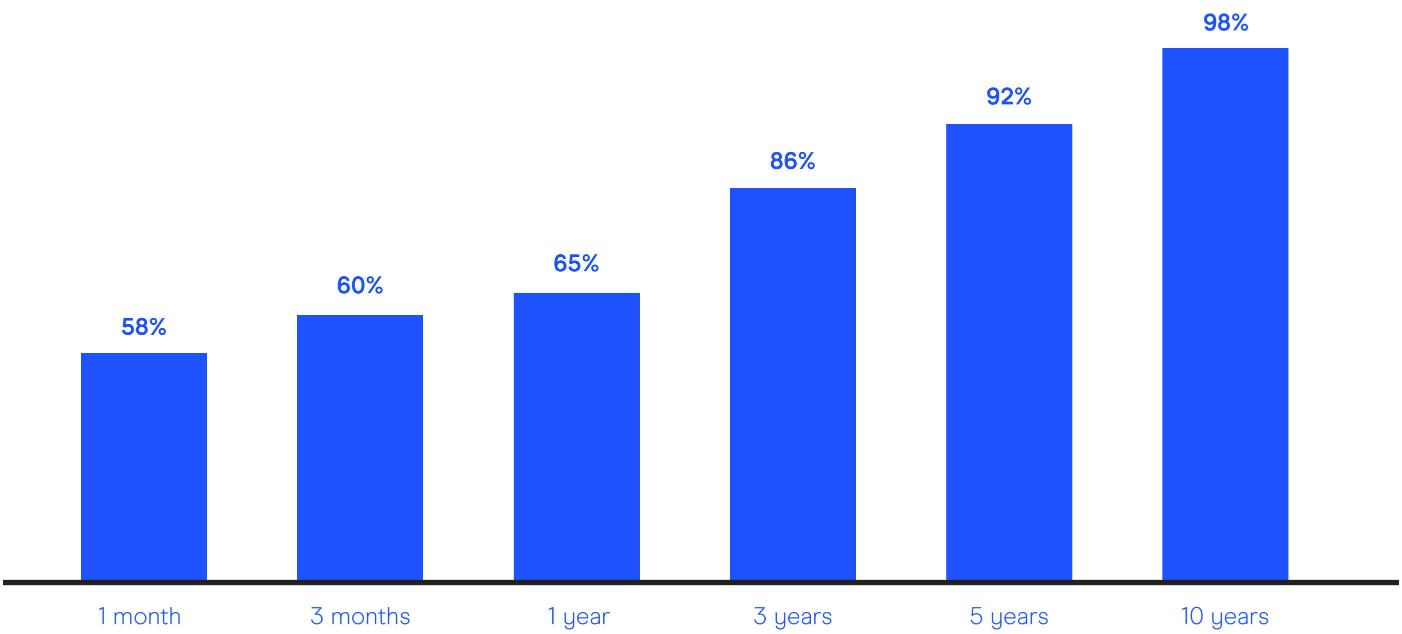
The Australian Securities Exchange (ASX) offers potential for substantial gains, though these can be offset by losses, particularly short-term. Some investors fall into the cycle of buying and selling based on market swings, often leading to more losses. Over time, however, it's evident that a long-term approach can improve the likelihood of positive returns.

The ASX 200 index, tracking the 200 largest ASX companies, illustrates the value of patience. Finder's data on positive returns by investment period shows how returns become more consistent over time. For example, a one-month holding period yields positive returns 58% of the time, while a three-month period has a 60% success rate. Over a year, the chance rises to 65%, and keep rising as the investment period extends, up to 98% of investments providing a profit over 10 years

This data clearly supports the case for patience and longevity in the sharemarket. Instead of frequently trading in and out of stocks in an attempt to catch the "right" moment, investors can benefit more from allowing their investments to grow over time, riding out the natural market fluctuations.

Graham Cooke
Head of Consumer Research

The percentage of positive returns by investment period



Investment returns on the ASX 200 index since December 2007. The median price of the ASX 200 index in each month is used in calculations.
Chart: Finder • Source: Google Finance, Finder

Examples and tips:
Investing for your dependants

A growing number of Australian parents are securing a financial head start for their kids by investing on their behalf. According to Finder's 2024 Wealth Building Report, 34% of Australian parents—representing about two million children—have bought shares or other investments for their offspring.

While 7% of parents made a one-off investment when their child was born, 12% added to these investments on special occasions, such as birthdays or Christmas, in lieu of traditional gifts. Even more dedicated, 14% of parents make regular contributions, with some investing monthly to give their children an early advantage.

Interestingly, this trend isn't limited to high-income earners. In fact, 38% of households earning between $50,000 and $99,000 report putting money aside for their kids' investments, slightly surpassing the 34% of households in the $100,000 to $250,000 income range.

As discussed in the preceding segment, even modest investments for a child can grow substantially. For instance, Finder analysis shows that a $15,000 invested over 15 years at an average return of 8% could turn into over $49,000 by their 18th birthday—a powerful gift that could help with university fees, a home deposit, or even serve as a future income stream. Regular contributions invested over the long term often outperform savings in a high-interest account, thanks to compounding returns.

Beyond investments, parents play a vital role in teaching financial literacy. Discussing pocket money, managing impulse spending, and looking for small savings can all help lay the groundwork for their kids' financial futures. Keeping an eye on fees can also protect these investments, helping to maximise returns when children come of age.

Do you invest on behalf of your children?	Percentage
Yes, once off when they were born	**7%**
Yes, on special occasions	**12%**
Yes, regularly	**14%**
No, I have never invested on behalf of my children	**66%**

Chart: Finder • Source: Finder Consumer Sentiment Tracker

Examples and tips:
How risk really impacts our wealth

Tom Stelzer
Investment Editor

Australians are right to be worried about the risk of their investments losing value. As we covered earlier, 21% of investors experienced a significant investment loss. However, those investors who experienced an investment loss had a higher median net wealth ($1.1 million) compared to the overall median of all investors ($913,000).

This exemplifies the important relationship between risk and returns when investing. Risk in itself can be positive as it allows us to access higher returns. The real challenge is getting the balance right, and moving away from the mindset that not investing comes without any risk.

Understanding risk

Conventional wisdom suggests that the higher the potential return return on your investment, the higher the risk you'll need to take. And this broadly holds true across most mainstream investments.

Leaving your money in a savings account earning 4% p.a. interest comes with effectively no risk, but you know that your returns will not be higher than 4%. By comparison, investing your money in an index fund like the S&P 500 or ASX 200 opens the door to higher potential returns, but also potential losses as well.

In 2023 for example, the S&P 500 index returned an impressive 24.23%. Just a year earlier, it returned a worrying -19.44%. So if the risk of losing is seemingly that high, why bother investing at all?

The two sides to risk

The word risk understandably has a certain negative connotation, but when it comes to investing, a lot of us are thinking about risk the wrong way around. No one wants to feel like they're putting their hard-earned money in a position where it could potentially be lost, and this breeds a type of inertia in how we manage our money.

But the fact of the matter is that doing nothing with your money carries its own risk. It's actually more than a risk. It's simple maths. If your money is returning less than inflation each year you are losing wealth. Average inflation over the last 40 years has been around 3.4% p.a., according to the RBA[9]. If you left $10,000 under the proverbial mattress 40 years ago, today it would be worth $2,600 (relative to 1984 prices). That's a return of -74%.

That same $10,000 invested in the S&P 500 index would today be worth around $29,179 (relative to 1984 prices, ignoring fees and dividends)[10]. That's despite events like the dot-com bubble, global financial crisis, Covid, and more.

While interest rates are relatively high right now in Australia, and it's possible to earn 5% p.a. on your money, this isn't always the case. And even 5% hasn't been enough to outstrip inflation over the last few years.

Again according to the RBA, inflation has averaged 5.6% p.a. over the last 2 financial years[9]. That means you've actually lost wealth if you've simply left your money in a high interest savings account over that period, despite the fact it might seem like you're getting a decent return.

So how do you know how much risk to take with your investments?

Ultimately, it comes down to your personal situation and risk appetite, but beating inflation over the long term should be your absolute minimum goal. If you're struggling for inspiration, you could listen to arguably the world's greatest ever investor, Warren Buffett.

"The best thing [for the average person] to do is to own the S&P 500 index fund."

Methodology

Australians are right to be worried about the risk of their investments losing value. As we covered earlier, 21% of investors experienced a significant investment loss. However, those investors who experienced an investment loss had a higher median net wealth ($1.1 million) compared to the overall median of all
investors ($913,000).

Investment	Savings 10-year average	ASX 200 10-year total return (incl dividends) $AUD	S&P Global 1200 10-year total return (incl dividends) $USD	S&P 500 10-year total return (incl dividends) $AUD
Rate	2.30%	8.77%	10.65%	16.11%

All returns were taken as of the 2nd of October 2024. Returns in AUD (which factors in currency movements) were taken where available, otherwise returns in USD were used.

This exemplifies the important relationship between risk and returns when investing.
Risk in itself can be positive as it allows us to
access higher returns. The real challenge is getting the balance right, and moving away from the mindset that not investing comes without any risk.

Understanding risk

Conventional wisdom suggests that the higher the potential return return on your investment, the higher the risk you'll need to take. And this broadly holds true across most mainstream investments.

Leaving your money in a savings account earning 4% p.a. interest comes with effectively no risk, but you know that your returns will not be higher than 4%. By comparison, investing your money in an index fund like the S&P 500 or ASX 200 opens the door to higher potential returns, but also potential losses as well.

In 2023 for example, the S&P 500 index returned an impressive 24.23%. Just a year earlier, it returned a worrying -19.44%. So if
the risk of losing is seemingly that high, why bother investing at all?

The two sides to risk

The word risk understandably has a certain negative connotation, but when it comes to investing, a lot of us are thinking about risk
the wrong way around. No one wants to feel like they're putting their hard-earned money in a position where it could potentially be lost, and this breeds a type of inertia in how we manage our money.

But the fact of the matter is that doing nothing with your money carries its own risk. It's actually more than a risk. It's simple maths. If your money is returning less than inflation each year you

References

In-text

1 Australian Bureau of Statistics (ABS). Australian National Accounts: Finance and Wealth, June 2024.

2 UBS. Global Wealth Report 2024 – Crafted wealth intelligence, July 2024.

3 Federal Reserve Bank of St. Louis. The State of U.S. Wealth Inequality, 2 August 2024.

4 Davidson P, Bradbury B, Wong M (2024), Inequality in Australia 2024: Who is affected and how Australian Council of Social Service and UNSW Sydney.

5 CoreLogic, October 2024.

6 S&P Global, October 2024.

7 Reserve Bank of Australia (RBA). Statistical Tables, Advertised Deposit Rates, October 2024.

8 Finder RBA Cash Rate Survey, October 2024.

9 Reserve Bank of Australia (RBA). Inflation Calculator, October 2024

10 Macrotrends. S&P 500 Index - 90 Year Historical Chart, October 2024

Supplementary

9. Australian Bureau of Statistics (ABS). Earnings and Working Conditions - Average Weekly Earnings Australia, May 2024.

10 Australian Bureau of Statistics (ABS). Income and Wealth Inequality – Gini coefficient for wealth, 2020.

11 Finder Consumer Sentiment Tracker, October 2024.

12 Finder Wealth Survey, October 2024.

13 Katic, P. and Leigh, A. (2015) 'Top wealth shares in australia 1915–2012', Review of Income and Wealth, 62(2), pp. 209–222. doi:10.1111/roiw.12177.

14 Kerr, S. and Vaughan, M. (2024) Changing the narrative on wealth inequality. York: Joseph Rowntree Foundation.

15 McCrindle. Australia's household income and wealth distribution (2023).

16 Organisation for Economic Co-operation and Development (OECD). Data Explorer – Wealth distribution database, September 2024.

17 Scott, E. SBS News. 'Australia's wealth 'tsunami': Who are the 400,000 people set to become millionaires?'. 13 July 2024.

Author:

Joshua Godfrey

Insights Analyst at Finder

aupr@finder.com

Finder