



Media Release

**EMBARGOED AND NOT FOR USE PRIOR TO
TUESDAY, 17th OCTOBER 2017**

New data reveals vulnerable Australians are drowning in debt

The Salvation Army has revealed that people seeking financial assistance through its Moneycare financial counselling service are in extreme debt, with no way out but to seek help.

New data shows that those on the brink of financial crisis have accrued \$2.55 of debt for every dollar earned. That's a debt-to-income ratio of 255%. Comparatively, the average Australian household has a debt-to-income ratio of 190%.

"More and more Australians are falling into the vicious cycle of debt, feeling forced to max out credit cards, take out very expensive loans or take on consumer leases when they are in financially desperate situations. However, these band-aid solutions typically only exasperate the problem," says Tony Devlin, head of The Salvation Army's Moneycare service.

As part of Anti-Poverty Week, The Salvation Army data also found casual and part-time workers, carers and pensioners are more likely to seek out services now than 12 years ago. The percentage of casual and part-time clients has increased by 140%. Carers as clients have increased by 93.3% and pensioners as clients have increased by 71.8%. This suggests underemployment and the casualisation of the Australian workforce is significantly affecting the way people are able to manage their finances.

Housing affordability and cost of living pressures are also having an adverse effect on our clients. Typically, clients spend 37% of their income on rent, which is a 7% increase over the last 10 years. Additionally, the percentage of income people spend on electricity has increased by 24.9% in the same period.

"Now, more than ever, we are seeing people from all walks of life seeking our help. The cross section of clients is growing, and the amount of debt people are finding themselves in is very high," Mr Devlin says.

"Over the last 10 years, we have seen major changes to the employment landscape in conjunction with increases to the cost of living. This makes it harder for people to keep their head above water."

Mr Devlin encourages anyone who is under financial pressure to seek the help of a free and confidential community financial counsellor. He emphasises this is a safer alternative to risky borrowing or seeking help from a commercial provider.

"Financial counsellors can advocate on your behalf and, where appropriate, negotiate a payment plan with the people you owe money to. Additionally, No Interest Loans Schemes (NILS) provide safe and affordable credit to people for essential items. There are always people who are willing to help," Mr Devlin says.

The Salvation Army welcomes anyone having trouble with their finances to contact its free and confidential Moneycare service. Moneycare is one of the largest providers of financial counselling and related services in Australia. Staff can help with a range of issues including budgeting, credit, debt and repossession.

The Salvation Army is also encouraging the public to connect with its unique financial literacy

education app, *You're the Boss*. The app is free and provides financial tips, information and other resources to help you stay on top of your finances. To contact your nearest Moneycare service please visit <https://salvos.org.au/moneycare> or call 1800 007 007.

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For more information or for media comment, please contact:

The Salvation Army Media Department – (02) 9466 3143

KEY STATISTICS AT A GLANCE

- Credit card debt is the most common form of debt our clients have (this has been the case over the last 10 years).
- In 2006/7, the most common types of debt were (in order); credit cards, phones, car loans, personal loans, electricity, Centrelink, mortgages and fines.
- In 2016/17, the most common types of debt were (in order); credit cards, personal loans, electricity, car loans, Centrelink, mortgages, phones and fines.
- Pay-day loan debt is increasing.
- For clients who pay rent, the average budgeted expenditure as a percentage of average income for rent in 2016/17 was 37.2%, an increase of 7.2% on average income over the last 10 years.
- For clients who pay electricity, the average budgeted expenditure as a percentage of average income for electricity in 2016/17 was 4.75%, an increase of 26.3% on average income over the last 10 years.
- For clients with a pay-day loan, the average budgeted expenditure as a percentage of average income for pay-day loans in 2016/17 was 10.3%, an increase of 24.9% on average income over the last 10 years.
- For clients who disclose gambling, the average budgeted expenditure as a percentage of average income for gambling in 2016/17 was 8.38%, an increase of 363.4% on average income over the last 10 years.
- For clients with medical/doctors expenditure, the average budgeted expenditure as a percentage of average income for doctors' costs in 2016/17 was 3.07%, an increase of 46.56% on average income over the last 10 years.
- The average percentage total debt to average annual income is 255% for 2016/17.
- Average total debt per client in 2016/17 was \$91,018.
- Average total income per client in 2016/17 was \$35,672.

Client profile:

- Casual and part-time employed clients have increased by 140% over the last 12 years to 2016/17, to now being 6.77% of clients.
- Carers as clients have increased by 93.3% over the last 12 years to 2016/17, to now being 2.9% of clients.
- Aged pensioners as clients have increased by 71.8% over the last 12 years to 2016/17, to now being 5.4% of clients.