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# Risky Nation

A research report

October 2014

# Introduction

Aussies will happily wager an average \$29 each on this year's Melbourne Cup, but stunning new research reveals many of us are prepared to risk losing our house, income and livelihoods without realising it.

Odds show there's a 1 in 60 chance of needing income insurance if we get sick and 1 in 400 chance of suffering a heart attack<sup>1</sup>, compared to a massive 1 in 12,000 chance of winning the Melbourne Cup trifecta.

While Australians' are now the richest people in the world, Asteron Life's Risky Nation report highlights our ignorance of danger, with 12.4 million Australians willing to risk an average full-time salary of \$75,000<sup>2</sup>, and their median wealth of \$258,000, by failing to take out adequate insurance.

While 13.8 million Australians will spend \$400 million on the Melbourne Cup next Tuesday, or an average \$29 each in the name of fun, we won't spend \$35 a month on protecting our most precious and valuable assets – our incomes or homes<sup>3</sup>.

There is a greater chance of suffering a heart attack than winning the Melbourne Cup trifecta. The challenge is to make sure we take the 'gamble' out of the things that really matter, like protecting our family in the event we become sick or injured and are unable to work, or pay the mortgage or rent.

What are the odds?	
<b>1 in 2</b>	Odds of winning in a game of two-up (one spin)
<b>1 in 24</b>	Odds of backing the winner of the Melbourne Cup
<b>1 in 67</b>	Odds of needing income protection
<b>1 in 200<sup>4</sup></b>	Odds of being diagnosed with cancer (per annum)
<b>1 in 333</b>	Odds of needing trauma insurance
<b>1 in 427</b>	Odds of suffering a heart attack (per annum)
<b>1 in 588<sup>5</sup></b>	Odds of having a stroke (per annum)
<b>1 in 6,250<sup>6</sup></b>	Odds of being struck by lightning
<b>1 in 12,144</b>	Odds of picking the Melbourne Cup trifecta
<b>1 in 9.7 million</b> (to win on average \$5,000) <sup>7</sup>	Odds of getting the jackpot on a poker machine
<b>1 in 14 million<sup>8</sup></b>	Odds of winning the lotto

The Risky Nation report findings reflect the optimism of Australians who reported an alarming lack of planning in their financial affairs. When asked what they would do if they were injured or sick and couldn't work, 1 in 5 said that they would rely on the government to help them while 1 in 4 Australians said they don't have a plan.

On the eve of the race that stops the nation, the Risky Nation report uncovers the true cost of our risk taking.

Australians' general apathy to risk and lack of financial preparedness can have significant impacts down the track. No one wants to find themselves in a situation where they can no longer support themselves, it is about making your own luck rather than simply hoping for the best.

<sup>1</sup> <http://www.heartattackfacts.org.au/heart-attack-facts/>

<sup>2</sup> Credit Swiss Global Wealth Report 2014: Recent international research shows that Australians are officially the richest people in the world, thanks to their assets, with a median wealth of \$258,000, while the average full-time wage is \$74,724.

<sup>3</sup> [www.lifewise.org.au](http://www.lifewise.org.au) 69% of Australians have income protection.

<sup>4</sup> Australian Institute of Health and Welfare 2014. ACIM (Australian Cancer Incidence and Mortality) Books. Canberra: AIHW.

<sup>5</sup> <http://brainfoundation.org.au/medical-info/107-stroke>

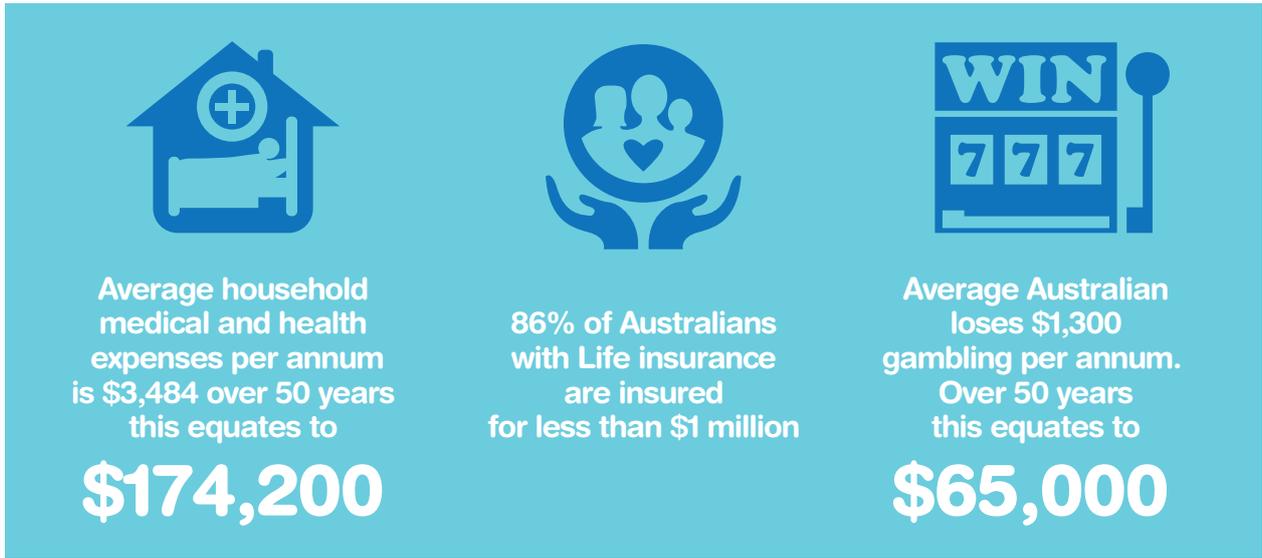
<sup>6</sup> [http://www.en.wikipedia.org/wiki/Lightening\\_strike](http://www.en.wikipedia.org/wiki/Lightening_strike)

<sup>7</sup> <http://www.gamblinghelponline.org.au/regaining-control/thinking-straight/what-are-the-odds/>

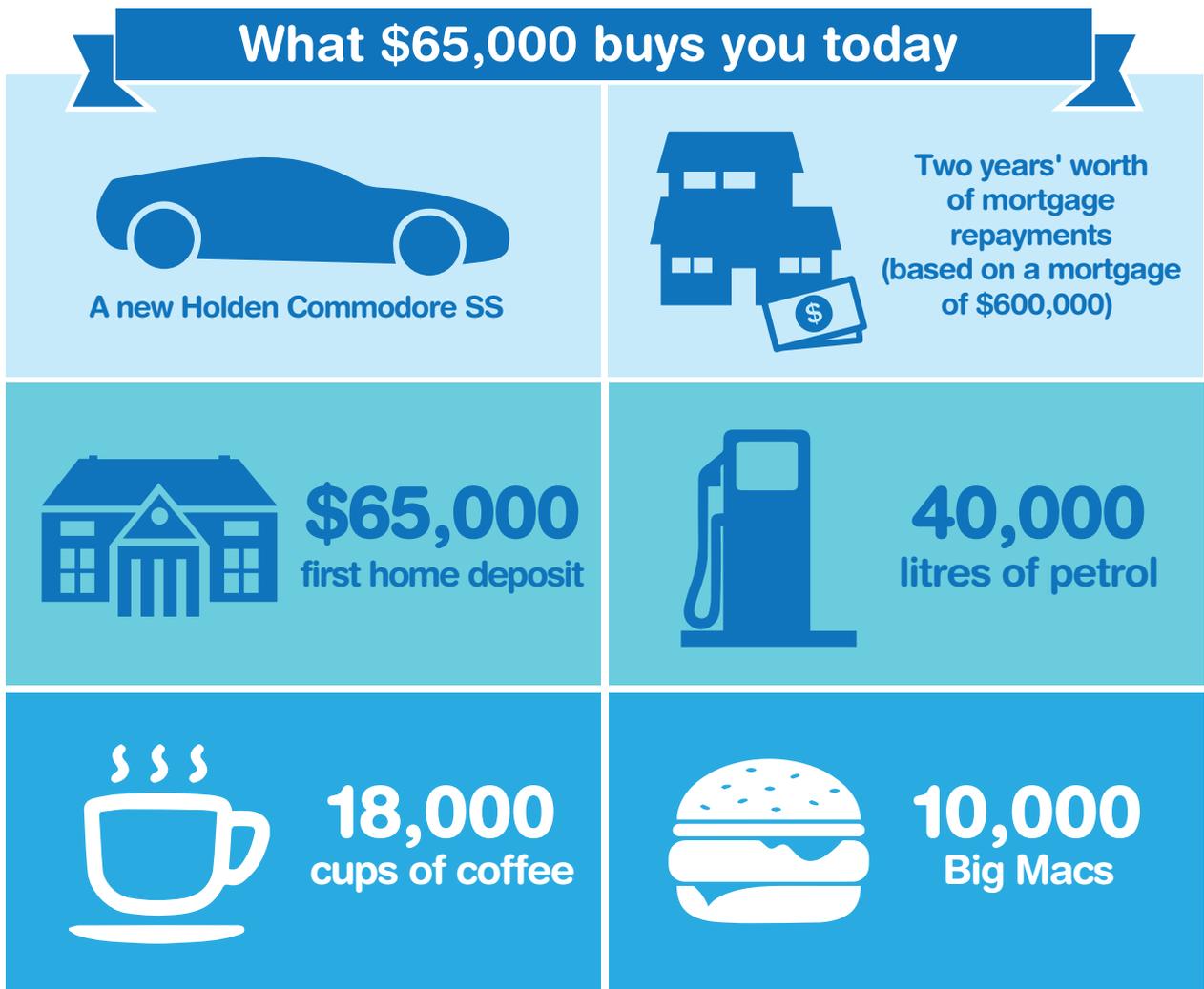
<sup>8</sup> <https://tatts.com/tattersalls/about/odds-of-winning>

# Our risk appetite

Asteron Life's Risky Nation report revealed that Australians are completely comfortable and not worried about being underinsured, despite the majority having less than the recommended protection.



There could be better ways to spend \$65,000



# Return on investment

The Risky nation report reveals that Australians lose more money on gambling than any other nation. We wager \$1,641 and lose \$1,300 – which is a terrible return by anyone's measure.

It appears that our optimistic threshold is significant with many of us preferring 'long shots' over 'odds on favorites', meaning we lose much more than we win.

Below is a breakdown of how our gambling habits are compared to other returns of investment.

## Return on investment

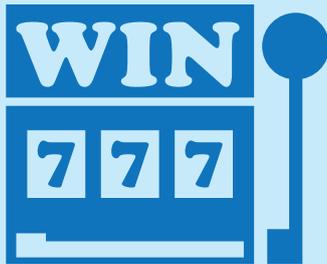


Is income protection at \$35 a month worth it? <sup>9</sup>

- Not worth it = 38%
- Don't know = 31%
- Worth it = 30%



Average life insurance payout  
**\$200,000**



Average payout of a poker machine jackpot

**\$5,000**



Average trifecta payout

**\$1,200**

<sup>9</sup> Suncorp Australian Attitudes Towards Insurance 2014

# Conclusion

The findings of the Risky Nation report uncover Australians' general apathy and lack of financial preparedness that can have significant impacts on their future.

Melbourne Cup and ANZAC Day are part of our DNA and typify our optimistic nature. The challenge is to not take things that really matter, like protecting yourself or your family in the event that you become sick or injured and are unable to work and pay the mortgage or rent.

Our celebration of this same risky approach to the Melbourne Cup and ANZAC Day is intrinsically linked to our history and it is important these Aussie traditions are treasured, but we also need to use them to reflect on the things that matter most.

The findings question whether Australians have become too 'blinkered' to adequately deal with the challenge of financial hardship due to sickness or injury.

There are examples of this in a whole range of activities in our society – from the amount we spend on gambling compared to other miscellaneous expenses as well as essential items, to the increase in problem gambling in Australia, to the probabilities of actually winning compared to the probabilities of insurable events.

In each of these areas, we are prepared to spend more of our hard earned money to increase the small probability of a significant win.

## Five tips to reduce your risky behavior

1. If every Australian halved the amount they spent on gambling each year they would still be able to chase the elusive winner but also be protected from life's more unfortunate events
2. Don't become risk adverse but rather risk diverse. Like investment it is important to diversify your risk. There is no point putting all your eggs in one basket and it is important that you are covered for all different kinds of scenarios.
3. The Melbourne Cup and ANZAC Day are great days to take stock and look at your gambling habits. Likewise, milestones such as the birth of a child, purchase of a home, a marriage, death or a career change are the perfect times to take stock of your protection requirements
4. Excessive risk taking isn't just confined to gambling. Learn to identify and recognise whether you are more adverse to taking risk and address this as part of your financial plan. Learn to address the big picture rather than deal with events and situations in isolation.
5. Talk, talk, talk! Get advice from those around you, throw in some expert advice from financial professionals who will be able to develop a plan with you to ensure you are only risking those things that you can afford to lose.