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Speak Simply Survey Reveals Financial Illiteracy Still a Concern in Queensland

Thousands of Queenslanders are still confused about the meaning of some of the most fundamental financial terms, a Suncorp survey has found.

Despite the survey respondents aged 50 to 65 having decades of experience dealing with banks and making super contributions, the majority admitted defeat when it came to knowing what particular terms meant.

In addition, some who claimed to know the meaning of a term were completely incorrect in their descriptions.

Suncorp Bank Executive General Manager David Marshall said results of the Suncorp Speak Simply Survey were a red-flag for the financial services industry.

“As a result of recent market volatility, many Queenslanders are more eager than ever to ensure they’re in control of their financial futures and it’s the responsibility of the superannuation and banking industry to help them by discarding jargon and using plain English,” Mr Marshall said.

Key findings of the Suncorp Speak Simply Survey for Queensland baby boomers were:

- 68% had either never heard or didn’t understand the meaning of the term **concessional contributions** – a super contribution that attracts special tax treatment. Some thought it meant ‘when everything was safe in your bank account’ or ‘when your income didn’t match your super’.
- 82% had either never heard or didn’t know the meaning of the popular banking phrase **loan to value ratio** (LVR) – put simply it is the loan amount divided by the value of the property or asset, expressed as a percentage. For example, a loan of \$400,000 to buy a property worth \$500,000 results in an LVR of 80%. Some thought it was ‘a little like shares’ or something that happened ‘when interest rates were too high’.
- 58% had either never heard or didn’t know the meaning of the term **annuity** – a retirement insurance policy that provides a regular income in exchange for a lump sum. Some thought it was ‘something you get when someone dies’ or ‘some sort of annual payment’.
- Just 55% had heard of the term **offset account** and had an idea what it meant. An offset account is a savings account linked to a loan that can help to reduce your interest repayments. Some thought it was a ‘scheme to lower or dodge tax’ or something ‘a bit like an offshore account’.

Mr Marshall said while great strides had been made in recent years towards simplifying financial speak, it was clear the industry still had some work to do.

“We’re on a mission to put customers back in the driver’s seat and it’s vital we’re able to clearly explain the options available to them,” he said.

“Interestingly, the results indicated that the understanding of financial terms increased as incomes rose.

“However, if the majority of Queensland baby boomers are overwhelmed by financial ‘gobble-de-gook’ they risk missing out on opportunities to build wealth or save money.”

Mr Marshall said that when it came to seeking advice there was a popular misconception that financial advisors were only for the wealthy.

“The reality is that anyone with money can benefit from the pearls of wisdom an expert has to share. Their advice can prove invaluable however much you earn,” he said.

For simple, easy to understand information or to contact an expert visit www.suncorpbank.com.au/personal/.

For more information contact Melissa Nelson on 07 3251 8139 or 0434 313 064.

* The survey was conducted in August 2011 on behalf of Suncorp Life by TNS. It captured the views of 1240 Queenslanders aged 50 to 65.



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