

Discover your *edge*

Monday, 12 December 2016

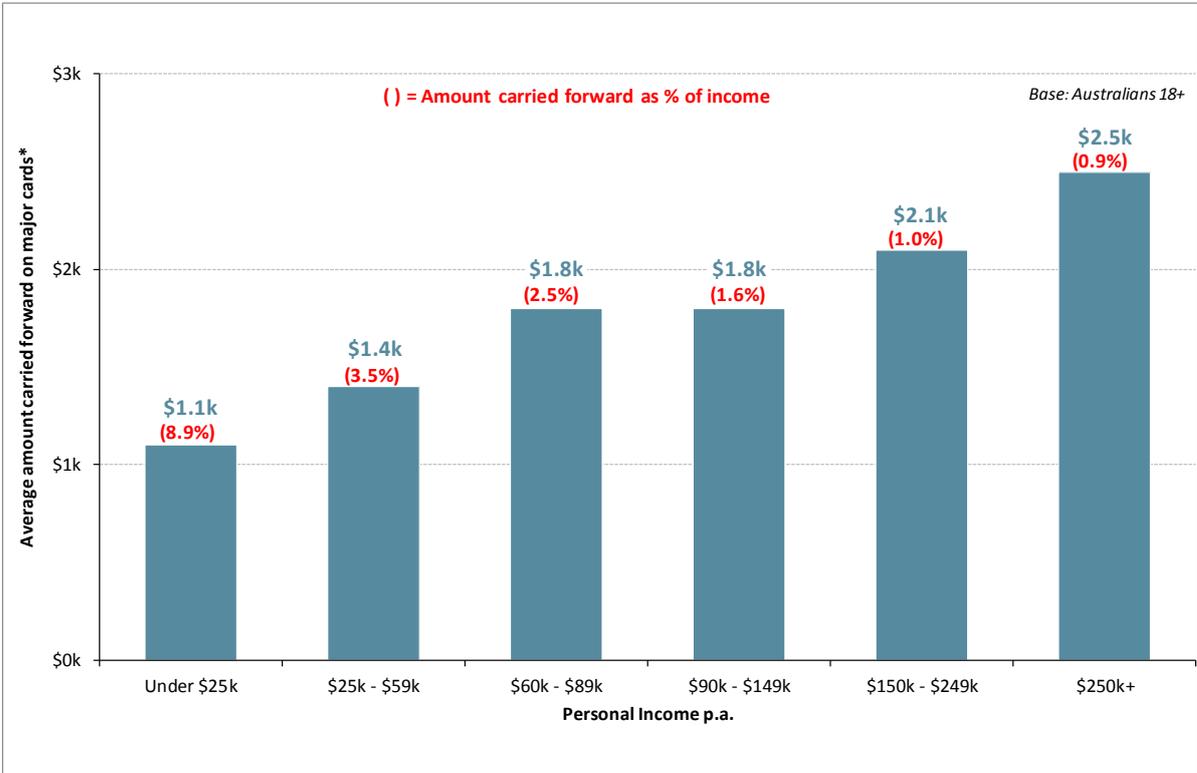
High incomes run up relatively less debt on major cards

In the 12 months to October 2016, holders of major cards (VISA, MASTERCARD, AMEX) intended to carry forward to their next statement an average monthly debt of \$19 billion between them. The main contributors to this were the lower-income card holders, who on average owed an amount equivalent to a much higher proportion of their incomes than the higher-income groups. These are the latest findings from Roy Morgan’s Single Source survey of over 50,000 consumers pa which includes detailed coverage of over 39,000 with major cards.

Low-income card holders at more repayment risk

Major card holders with incomes of under \$25,000 pa, carry forward \$1,100 on average. This represents 8.9% of their annual income, which is clearly the highest of all income groups. This is particularly significant given the fact that cardholders in this income group account for a third of all major card holders.

Average Amount Carried Forward on Major Cards* by Personal Income



* Major cards include VISA, MASTERCARD, AMEX. Source: Roy Morgan Single Source (Australia); 12 months ended October 2016, n=50,577. Includes 39,084 with major cards.

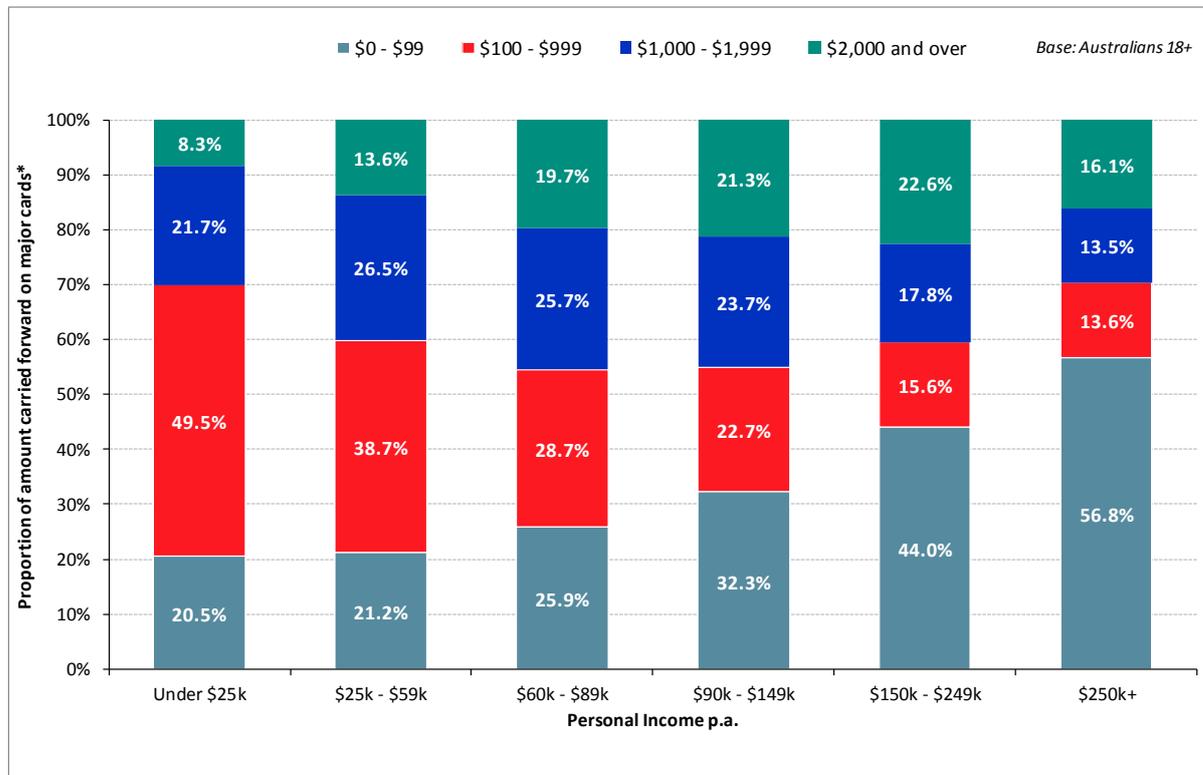
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As income increases, the average amount carried forward represents a declining proportion of the cardholder’s income. For the highest income group of \$250,000+ pa, the average debt was \$2,500, less than one percent (0.9%) of their average income. The largest cardholder segment, with just over a third of the market (33.7%), is the \$25,000 to \$59,000 group. Their average debt is \$1,400, or about 3.5% of their average income.

The majority of high-income earners owe zero or very little

The proportion of cardholders who carry nothing or very little forward to their next statement increases with income. For the under-\$25,000 segment, only one in five (20.5%) carry forward either nothing or less than \$100. For the highest income group (\$250,000+pa), more than half (56.8%) carry forward either zero or less than \$100.

Breakdown of Amount Carried Forward on Major Cards* by Personal Income



* Major cards include VISA, MASTERCARD, AMEX. **Source:** Roy Morgan Single Source (Australia); 12 months ended October 2016, n=50,577. Includes 39,084 with major cards.

The potential repayment problem areas, particularly for the lower-income cardholders, are likely to start for those carrying forward more than \$1,000 at the end of the month. The proportion owing this amount rises with income, going from 30% in the under-\$25,000 group to 45.4% in the \$60,000 to \$89,000 bracket.

Among those carrying over \$2,000 or more at the end of the month, there is likely to be some increase in stress for the lowest income group: 8.3% of cardholders on incomes of under \$25,000 carry forward this amount. Although the proportion owing \$2,000 or more peaks at nearly one in four (22.6%) among cardholders earning \$150,000–\$249,000, it is usually easier to handle debts of this size at these higher income levels. Only 16.1% of card holders in the

\$250,000+ income group carry forward over \$2,000, although some of these will no doubt owe considerably more.

Norman Morris, Industry Communications Director, Roy Morgan Research says:

“Around Christmas in particular, the level of debt on major cards is likely to get some adverse publicity. Although the overall level of debt that cardholders intend to carry forward per month has averaged an impressive \$19 billion over the last year and is likely to rise over the festive season, it appears that most cardholders are coping with this level. Evidence for this is that this debt overall is only equivalent to 2.8% of cardholders’ incomes.

“Some potential problem areas however are those cardholders with incomes of less than \$25,000 pa, where around 80% carry over some debt. People with incomes over \$90,000 are coping well, particularly those earning \$250,000 or more, among whom well over half (56.8%) carry over zero or less than \$100.

“With over 50,000 interviews conducted annually for more than 20 years, Roy Morgan data has become the industry currency in retail financial services, including major cards where we interview over 39,000 card holders pa. The size of this survey enables an in-depth and unique understanding of card holder behaviour and trends.”

For comments or more information about Roy Morgan Research’s finance and banking data, please contact:

Norman Morris

Office: +61 (3) 9224 5172

norman.morris@roymorgan.com

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About Roy Morgan Research

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has over 70 years’ experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

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Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
7,500	±1.1	±1.0	±0.7	±0.5
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2