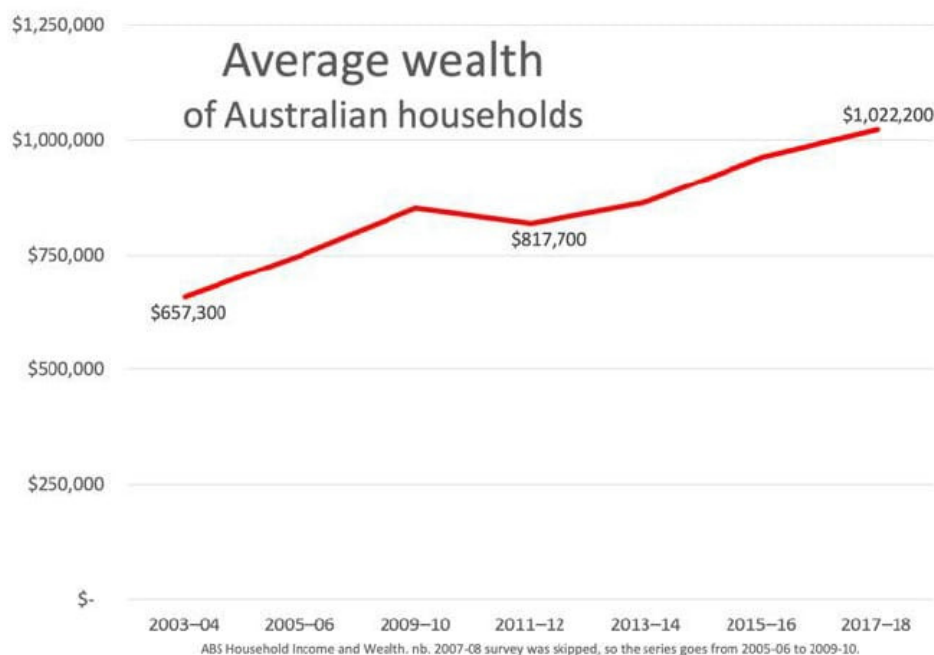


Jason Murphy: \$460k lie Aussies are being fed about personal wealth

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JULY 17, 2019

According to the latest figures, the average Australian is now a millionaire. But there's a fatal flaw in this reasoning, to the tune of \$460,000.

Did you hear that Australians are millionaires now? This fact came out just the other day. And it's true, technically, as the next graph shows.



The average wealth of Australian households has gone over the \$1 million mark.

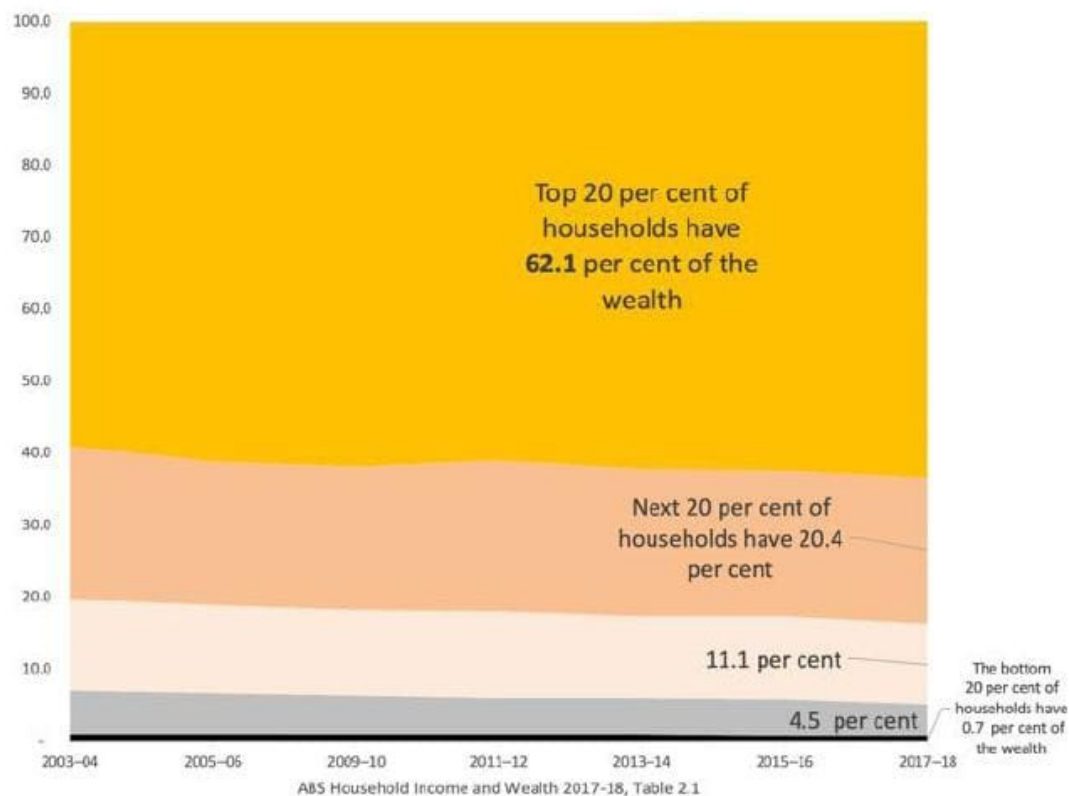
But it doesn't feel true, does it? And there's a reason for that. That is the average. And the average is not a good way to describe wealth.

Averages can get screwy when you're measuring something [that is not evenly distributed](#). Another number, called the median, is often better.

For an example, imagine three households, one has \$40,000, one has \$50,000, one has \$60,000. The average wealth is \$50,000 and the median wealth is also \$50,000. So far, so plain and simple.

Now imagine that last household has \$150,000 instead of \$60,000. The median wealth is still \$50,000, because median just tells us how the person in the middle is going. But the average goes up. Average wealth is now \$80,000 and two-thirds of the people have less than average. Averages are affected by outliers. For example, the average Australian has 1.99 legs. If you have two, you're above average. (Some people only have one, you see, dragging the average down.)

Whenever there is a difference between the average and the median, it's a sign what you're measuring is not spread out evenly. And wealth in Australia is not evenly distributed at all, as the next graph shows.



Wealth in Australia is incredibly unevenly distributed, as this graph shows.

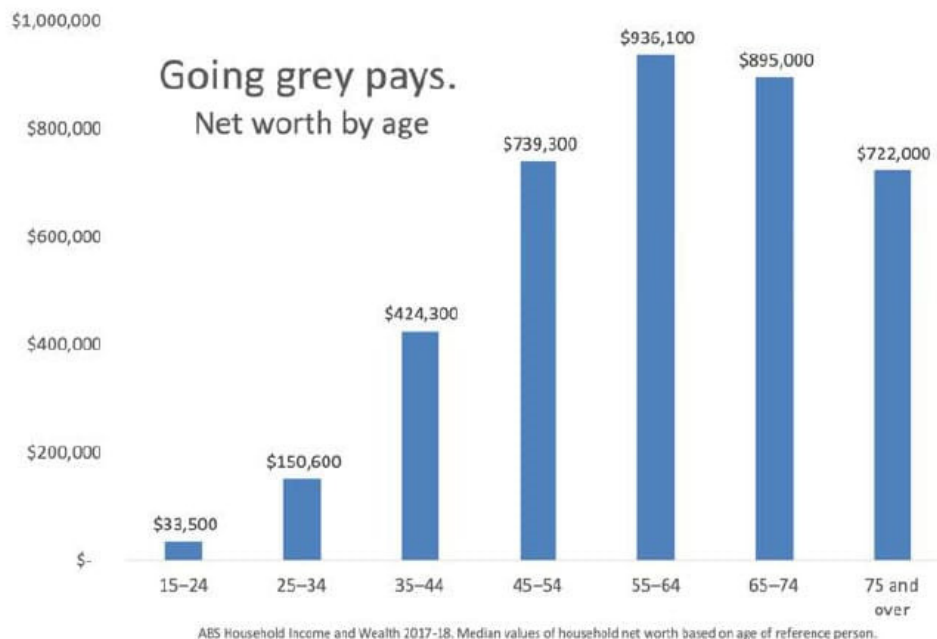
The median wealth of Australian households is substantially lower than a million dollars — around \$560,000. That's the median, so half of households have more than that and half have less.

For most households that \$560,000 is made up of a house [minus whatever mortgage is being paid off](#). Superannuation is the other major chunk of Australian household wealth.

THE SLOW BUILD

But of course, talking about wealth is meaningless unless you take into account your stage in life. Having \$500,000 on the day you retire is a lot less unusual than having it age 21.

As the next graph shows, Aussie households can expect their [wealth to peak around the time of their 60th birthday](#).



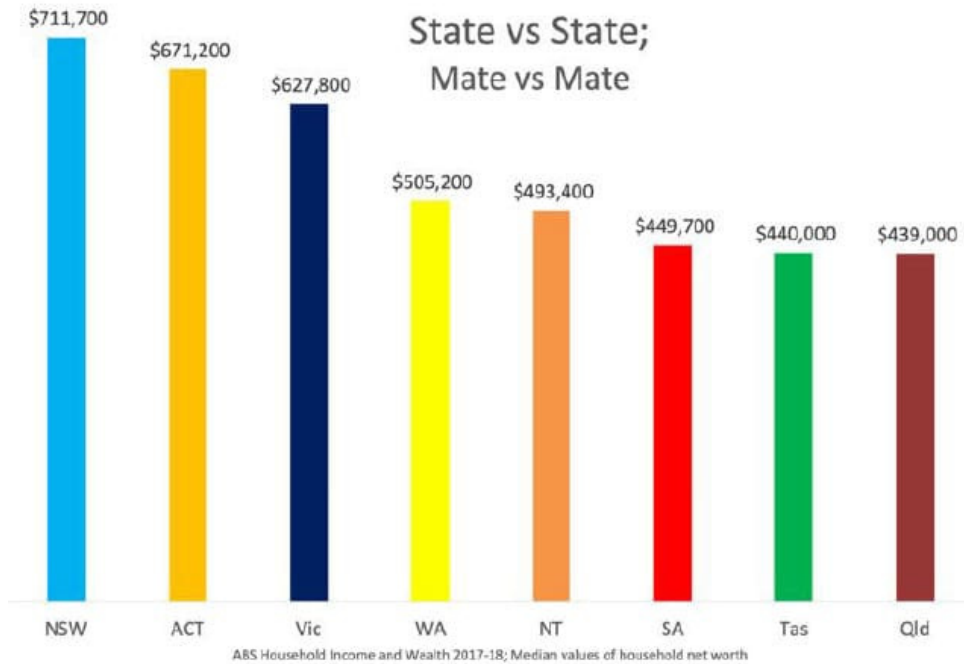
The vast majority of the nation's wealth is held by older people.

When you hit that peak, you've probably spent your whole life saving, and there's a chance you've paid off your house (although the share of households who still have a mortgage in that 55-64 age bracket has shot up to 40 per cent). [Your superannuation](#) is looking about as good as it ever will, because you are probably thinking about retiring and starting to use it up.

If you're feeling glum looking at the average Australian household's million dollar wealth, or the median Australian household's \$560,000 wealth, it's worth remembering the age factor. If, like me, you're still on the left side of that peak, still fairly young, it's not helpful to compare yourself to the average or the median. Most of the money is in the hands of the old and even the elderly.

POSTCODE FACTOR

The other enormous factor to take into account before comparing yourself to the national average is where you live. NSW is ahead of everyone else, and Queensland far behind. The Blues trounce the Maroons in terms of net worth, with everyone else in the middle, as the next graph shows.



Personal wealth varies dramatically between states.

But it's worth bearing in mind that NSW households don't have much more in the way of material goods or cash than Queenslanders, just more expensive homes. A Queensland household has one average \$200,000 less wealth in their home value than a New South Wales household.

So take the million dollar wealth fact with a grain of salt. Most people have less than the average — unless you're 60 years old and live in Sydney. The rest of us can take a deep breath and relax about how much we have.

Jason Murphy is an economist. He is the author of the new book [Incentivology](#). Continue the conversation [@jaseMurphy](#)