

MELBOURNE INSTITUTE:
Applied Economic & Social Research

How to use the Reported Financial Wellbeing Scale

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In partnership with



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Introduction

Every day thousands of financial professionals, including counsellors, educators and planners help consumers navigate financial challenges and opportunities using a range of programs to improve their financial wellbeing. There is a growing consensus that the ultimate and common goal of these efforts is to improve the financial wellbeing of the people served.

Yet financial wellbeing has lacked a standardised definition or form of measurement. In order to provide practitioners and researchers with a standard, reliable, and broadly available way to measure individual financial wellbeing, the Commonwealth Bank of Australia and the Melbourne Institute led a rigorous research effort to develop a consumer-driven definition of financial wellbeing, and then tested a set of questions – a “scale” – to measure financial wellbeing outcomes. The scale is designed to allow practitioners and researchers to accurately and consistently quantify, and therefore observe something that is not directly observable – someone’s financial wellbeing outcomes. This guide describes the research behind the Reported Financial Wellbeing Scale and provides detailed steps for using it, including how to score individuals’ responses and compare their scores.

The Reported Financial Wellbeing Scale is:

- A consumer-driven measure based on a definition of financial wellbeing.
- A measurement tool developed using state-of-the-art techniques and global research.
- A highly reliable and valid measure of the financial wellbeing construct based on robust quantitative testing.
- A common metric that allows an “apples-to-apples” comparison of scores across consumers. It can also be used to assess a consumer’s current state of financial wellbeing, to track their progress over time, and to understand how other factors, including household circumstances, financial behaviours, external conditions and program interventions, affect financial wellbeing.
- A free and publicly available survey instrument and measurement scale.

The Financial Wellbeing Scales are the result of collaboration between the Melbourne Institute: Applied Economic & Social Research at The University of Melbourne and the Commonwealth Bank of Australia. Both organisations have made the specifications of the Scales available for use by others to improve understanding and measurement of financial wellbeing.

If you use or reference the Scales, we ask that you refer to them as the “Melbourne Institute Financial Wellbeing Scales” or “MI Financial Wellbeing Scales” and cite the initial report (e.g., cite Comerton-Forde et al., 2018) with each use. If you use the methodology in a different scale or modify it, we ask that you give your other / modified scale a different name. If you would like to apply to join our Financial Wellbeing Community of Practice to gain and share insights on using the Scales, to connect with a non-competing organisation that is using the Scales or to share your use of the Scales in the interest of research and education, please email Melb-Inst@unimelb.edu.au with your organisation’s name and your contact details so we can get in touch with you.

By downloading these Scales, you agree that you will only use them for your organisation’s internal, non-commercial purposes (e.g., to monitor the FWB of your customers). If you want to use the Scales to create a commercial product or service for individuals, industry clients and/or practitioners (e.g., to provide individual FWB

assessments as part of a bundled service, or to create an FWB score or index to sell to the financial services industry), then please contact us to discuss licensing options.

Neither the Commonwealth Bank of Australia nor the Melbourne Institute shall be liable for any errors or omissions, or for any misinterpretation or misuse of the Financial Wellbeing Scales, including the Observed Financial Wellbeing Scale and the Reported Financial Wellbeing Scale, and the methodology. All information is provided “as is”, without any warranties (express or implied) as to completeness, accuracy or currency and does not constitute financial advice.

Further Information on the Reported Financial Wellbeing Scale

The Reported Financial Wellbeing Scale is a free tool to measure an individual’s level of financial wellbeing. The scale consists of 10 (original version) or 5 (shortened version) questions and a scoring method, and is created from survey responses.

- **What is financial wellbeing?** Financial wellbeing is a state wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life. We like to think about financial wellbeing in terms of ‘every day’, ‘one day’, and ‘rainy day’.
- **How was it developed?** The Melbourne Institute and the Commonwealth Bank of Australia developed this scale with input from experts and consumers. The questions in the scale were selected through a rigorous testing process to ensure their quality and reliability.
- **How can I use the scale?** The Reported Financial Wellbeing Scale can be used to 1. assess a person’s financial wellbeing before providing service, 2. track changes in an individual’s financial wellbeing over time and 3. measure the extent to which programs are improving the financial wellbeing of the individuals that they serve.
- **How do I interpret the score?** The Reported Financial Wellbeing Scale score is a number between 0 and 100. A higher score indicates a higher level of measured financial wellbeing, but there is not a specific cut-off for a “good” or “bad” financial wellbeing score. Most people’s scores will fall somewhere in the middle—extremely low or extremely high scores will be uncommon.
- **What else do I need to know?** In order for the scale to work properly, you must not change the wording of questions or responses and the respondent must answer every question in the questionnaire.

A guide to using the Reported Financial Wellbeing Scale (10 Questions)

Here we focus on the original 10 Questions scale.

Calculations

1. Determine the total response value (or raw total): Using the scoring worksheet, add the person’s responses to find the “total response value”;
2. Convert the total response value to a final score by multiplying by 2.5;
3. This will give you the respondent’s Reported Financial Well-Being Scale score.

Notes: * Negative statements are reverse-coded in the scale. The R-10 scale contains question groups I through IV. The R-5 scale only contains questions 2 and 3 of question group II and all questions from group IV. Both R-10 and R-5 scales have the same relative proportion of 'every day', 'rainy day' and 'one day' questions.

Reported Financial Wellbeing Scoring Worksheet (10 Questions)

How well do the following statements describe you or your situation?	Completely	Very well	Somewhat	Very little	Not at all	Response Value
I can enjoy life because of the way I'm managing my money	4	3	2	1	0	
I could handle a major unexpected expense	4	3	2	1	0	
I am securing my financial future	4	3	2	1	0	
When it comes to how you think and feel about your finances, please indicate the extent to which you agree or disagree with the following statements	Agree strongly	Agree	Neither disagree or agree	Disagree	Disagree strongly	
I feel on top of my day to day finances	4	3	2	1	0	
I am comfortable with my current levels of spending relative to the funds I have coming in	4	3	2	1	0	
I am on track to have enough money to provide for my financial needs in the future	4	3	2	1	0	
In the last 12 months, how difficult was it for you	Very Easy	Easy	Neither difficult nor easy	Difficult	Very difficult	
To meet your necessary cost of living expenses like housing, electricity, water, health care, food, clothing or transport?	4	3	2	1	0	
How often do the following statements apply to you?	Always	Often	Sometimes	Rarely	Never	
I have money left over at the end of the month	4	3	2	1	0	
My finances control my life *	0	1	2	3	4	
Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month *	0	1	2	3	4	
Total Response Value						
Financial Wellbeing Score						Multiply x 2.5

A guide to using the Reported Financial Wellbeing Scale (5 Questions)

The shortened 5 Questions’ scale is a short-form version of the Reported Financial Wellbeing Scale that only contains half the questions of the original 10 Question scale in order to lower respondent burden, lower implementation and data collection costs, sources of errors and non-response or dropout rates. It still covers all three temporal domains of financial wellbeing in similar, maintains the high informational content of the reported scale components, and maximises the discriminatory properties of the retained questions to maintain the excellent statistical properties of the scale.

Calculations

1. Determine the total response value (or raw total): Using the scoring worksheet, add the person’s responses to find the “total response value”;
2. Convert the total response value to a final score by multiplying by 5;
3. This will give you the respondent’s Reported Financial Well-Being Scale score.

Reported Financial Wellbeing Scoring Worksheet (5 Questions)

How well do the following statements describe you or your situation?	Completely	Very well	Somewhat	Very little	Not at all	Response Value
I can enjoy life because of the way I’m managing my money	4	3	2	1	0	
I could handle a major unexpected expense	4	3	2	1	0	
When it comes to how you think and feel about your finances, please indicate the extent to which you agree or disagree with the following statements	Agree strongly	Agree	Neither disagree or agree	Disagree	Disagree strongly	
I feel on top of my day to day finances	4	3	2	1	0	
I am comfortable with my current levels of spending relative to the funds I have coming in	4	3	2	1	0	
I am on track to have enough money to provide for my financial needs in the future	4	3	2	1	0	
Total Response Value						
Financial Wellbeing Score						Multiply x 5

Descriptive Categories of the Reported Financial Wellbeing Scale

To place more meaning on the score values, we provide descriptive categories for ranges of score values based on the logical relationships between the values and the component conditions. The descriptive categories are based on the types of financial outcomes that people report, such as the best or worst categorical outcome, or the type of outcome their financial records indicate.

Descriptive Label	Scores	Explanation
Having trouble	0 – 22.5	Experienced the worst possible (0) outcome for one or more financial wellbeing conditions
Just coping	25.0 – 47.5	Experienced a negative outcome (1 or lower) for one or more conditions
Getting by	50.0 – 75.0	The averages of people’s outcomes were in the neutral (2) or second-highest (3) categories
Doing great	77.5 – 100	Experienced the best possible outcome (4) for one or more conditions

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