



Retirement Commission  
*Whiriwhiria!*

# New Zealanders are worried - should they be?



DIANA CROSSAN  
Retirement Commissioner

30<sup>th</sup> March, 2009  
10<sup>th</sup> Annual Superfunds Conference

# New Zealanders are worried - jobs, houses and credit

"Lots of people are losing their jobs"



"Credit card debt is out of control"



"The kids will never be able to buy a house"



# Employment

“Lots of people are losing their jobs”

↑ Unemployment up to 4.6% Dec 08 <sup>\*</sup>

↑ Number on benefit up to 35,000 <sup>+</sup>

Sources:

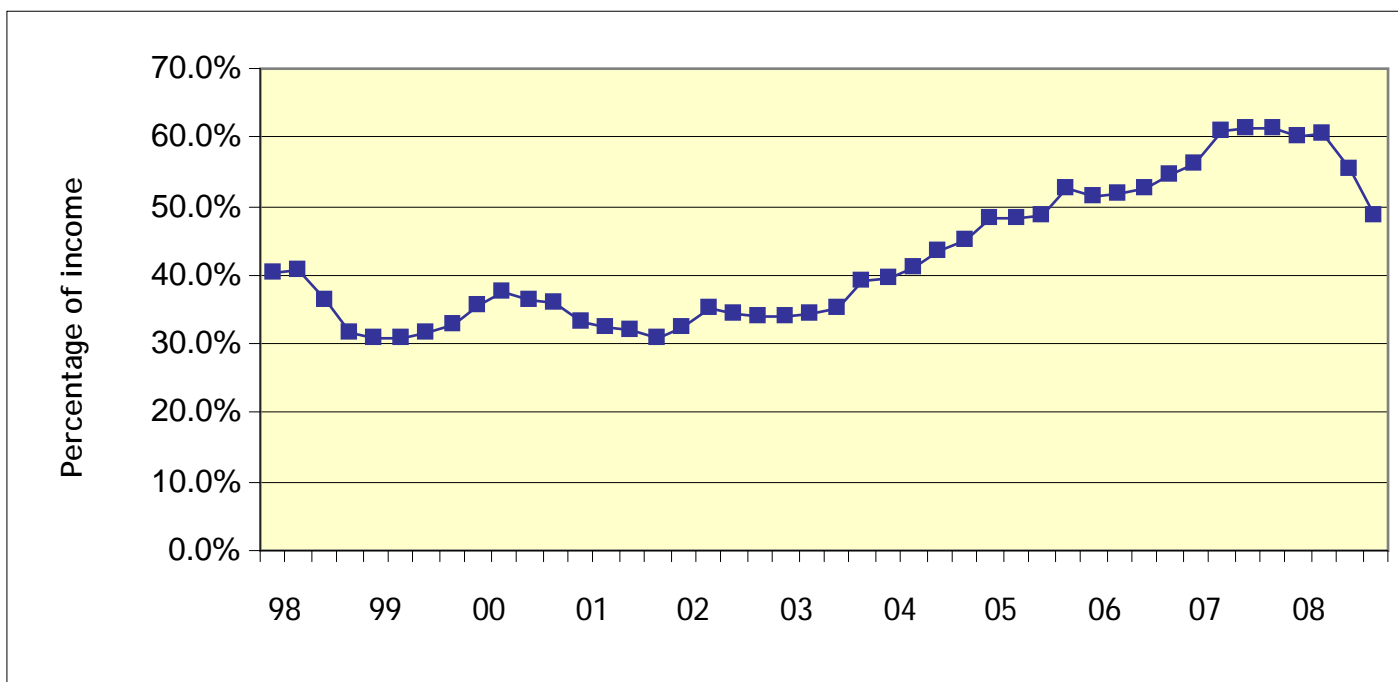
<sup>\*</sup> Household Labour Force Survey

<sup>+</sup> Work and Income New Zealand



# Housing

“The kids will never be able to buy a house”



Housing affordability

Source: Infometrics, March 2009





# Home ownership

Percentage of New Zealand homes that are owner-occupied:

1981	1986	1991	1996	2001	2006
71.4%	73.7%	73.8%	70.7%	67.8%	66.9%

- 15% of all households in New Zealand own an investment property
- Around 80% of over 65 year olds own their own home

Source: House Prices Unit Final Report, DPMC, March 2008



# Debt

“Credit card debt is out of control”

- Credit card debt is currently \$5.3 billion
  - down from \$0.1 billion last December \*
- Outstanding consolidated student loan balance is \$9.6 billion +
- Household debt is \$174 billion
  - equivalent to 158% of disposable income \*

Sources:

\* Reserve Bank of New Zealand, December 2008

+ Ministry of Education, 'Education Counts' website June 2008



# New Zealanders are worried - retirement



"I'm scared I'll  
be poor when  
I'm old"



"I'd be better off  
to move to  
Australia"

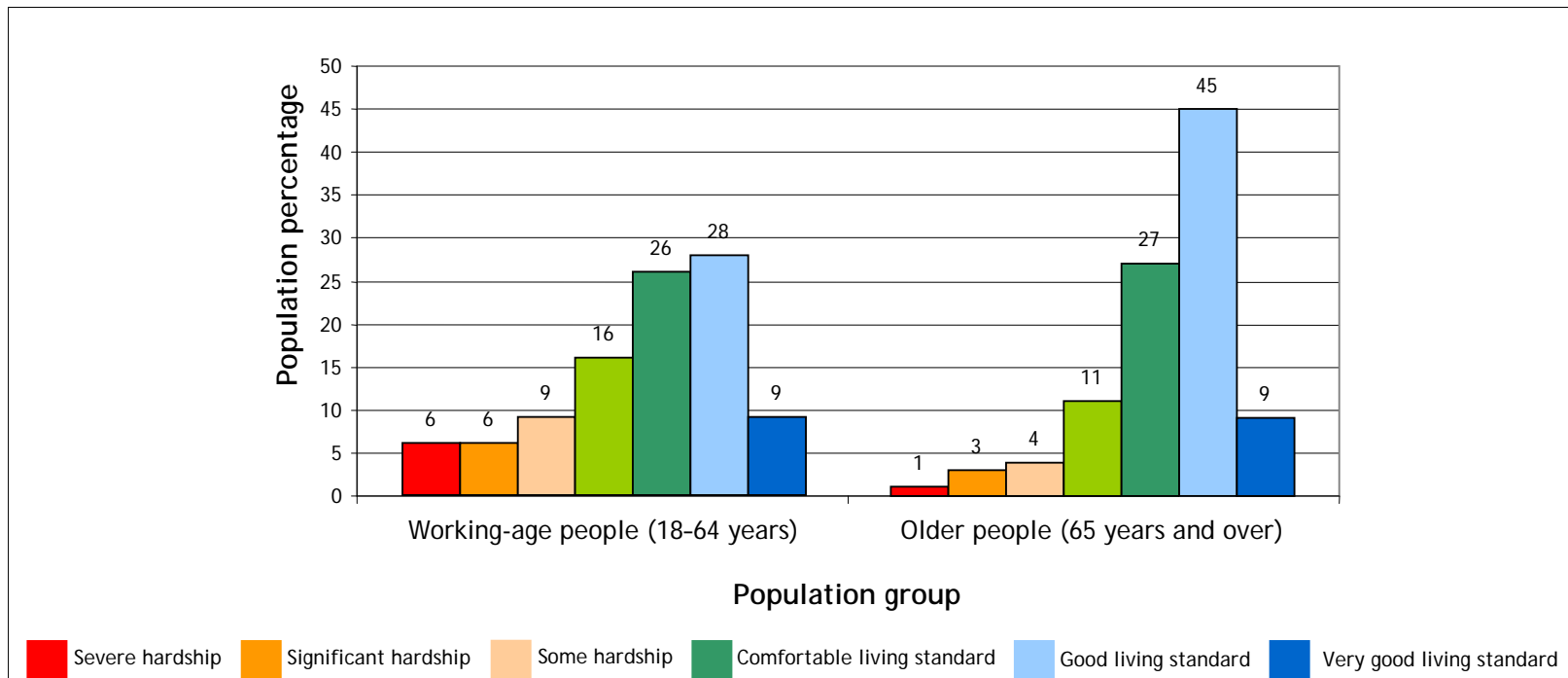


"The government's  
going to cut the  
pension"



# Standard of living in retirement

“I’m scared I’ll be poor when I’m old”



Source: New Zealand Living Standards, 2004



# NZ Super

“The government’s going to cut my super”

Recommendation of 2007 Review of Retirement Income Policy...

... that the basic structure of New Zealand Superannuation  
be maintained



# NZ Super

“The government’s going to cut my super”

“Let me say, ... there will be no change to superannuation payments for New Zealanders. ... I have made it quite clear that if superannuation was to be cut ... then I will resign as Prime Minister and resign as a member of Parliament. ”

John Key, 11th March 2009

# The grass is greener ...

“I’d be better off to move to Australia

What about:

- Universal super safety net
- Housing
- Health care
- Tax
- Social networks



# Retirement income

What are New Zealanders living on in retirement?

<u>For people aged 65 or above:</u>		
No. receiving NZS	422,862	
No. with income from rent, dividends, interest etc.	192,879	46%*
No. with income from other pensions	63,807	15%*
No. with income from wages and salaries	46,815	11%*
No. with income from self-employment	35,301	8%*

\*Not additive as could include overlap

Source: New Zealand Census, 2006



# New Zealanders are worried - the financial services sector

"Where's the money gone?"



"The great majority of my finance company investments have failed and I'm left wondering if a lifetime of saving was worth it."



"I can't understand how xxx products can leave people without money when xxx still makes a profit?"



"Where do I put my money? The share market's collapsed, the bond market's confusing, house prices have dropped and even banks overseas have fallen over."



# Finance companies

“Where’s the money gone?”

Finance companies with frozen or lost funds	Number of investors	Amount you might get back	Amount of investment affected
24	109,000	Average 55%	<b>\$2.8 billion</b>

Number of houses in NZ	Median value	Price drop to Feb 09	Total impact
1.65 million	\$325,000	8.9%	<b>\$52.5 billion</b>



# Trusted financial services sector

2000

- Complex
- Confusing documents
- Product pushers
- Inward looking
- Captive customer



2015

- Simple, straightforward
- Clear language
- Greater professionalism
- Growing customer focus
- Diverse & more informed

Open

Fair

Accessible

Expert

Relevant

# Information/education

- Clear communication
- Good advice - advice is good
- DIY vs. financial advice
- Sorted
  - regular reviews of content
  - advice for economic downturn
  - practical information



## In conclusion ...

### The crisis:

- Current impacts - job losses, housing price falls, finance company losses
- Long term potential impact - housing affordability

### The positives:

- Current over 65s faring reasonably well
- NZ Super is secure
- 2010 review

### Areas to watch:

- Predictions - don't believe them
- Communication - we need to get better
- Financial services sector - the fallout



# What's next?

- ANZ/Retirement Commission  
Financial Knowledge Survey 2009
- Financial Literacy 09 - 26 June 2009
- Retirement Income Policy Review 2010
- Working with the financial services sector





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