



Media release

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## **“Good, but room for improvement” says report on New Zealanders’ financial knowledge**

Most New Zealanders have a reasonable understanding of personal finances but many still do not know basic facts about everyday financial matters such as mortgages and investments, according to the results of New Zealand’s first Adult Financial Knowledge Survey.

The ANZ-Retirement Commission Financial Knowledge Survey found that two thirds of New Zealanders have a medium or high level of knowledge about personal finance.

Kiwis are generally positive about how well they manage their money, with 83 percent saying they felt confident about managing their financial affairs. Eighty percent of respondents said they had financial goals and more than half save regularly.

However, 26 percent said their greatest difficulty with managing money was that they didn’t have enough, while a further 19 percent said controlling their own spending was their greatest difficulty.

Funded by ANZ, the survey was commissioned by the Retirement Commission, with the support of the Ministry of Economic Development. It involved face to face interviews with 856 adults throughout New Zealand. The results provide the first measure of New Zealanders’ level of financial literacy and set a benchmark to measure future knowledge trends.

Specific areas of weakness in knowledge included mortgages, compound interest and investments:

- 25 percent of people with home loans did not know that increasing the frequency of repayments from monthly to fortnightly reduced the amount of interest they would pay over the life of the loan.
- Only 30 percent identified that a range of shares would make more money than fixed interest investments and savings accounts over 18 years.
- When tested on their understanding of compound interest, only 53 percent correctly identified that they would earn more interest on a one-year term deposit when the interest was paid back quarterly into the term deposit, rather than paid at the end of the term.
- 20 percent thought they could reduce risk by investing only in property.

Those with lower levels of personal financial knowledge were more likely to be young (18 to 24) or older (75+), people with lower levels of formal education, income and net wealth, and renters rather than homeowners.

The survey also revealed some surprising conclusions, including that a small number of the highest earners have a low level of financial smarts:

- 15 percent of those with a net wealth of more than \$300,000 had a low level of personal financial knowledge.
- 18 percent of those with tertiary or post graduate education had a low level of personal financial knowledge.
- 46 percent of those with no formal qualifications had a good or high level of personal financial knowledge.
- 8 percent who earned less than \$20,000 were in the high knowledge group.

Retirement Commissioner Diana Crossan said sound financial knowledge was more important than ever given New Zealand's relatively deregulated financial market.

"People need to know more so they can make better decisions - because there's a greater choice of products and services than ever before and it is increasingly easy to access credit and savings products.

"When you add in our voluntary approach to retirement savings, it is clear that New Zealanders need to be making good decisions about their money.

"Well-informed financial decisions are the key to effective money management.

"The results show that all New Zealanders must continue to build on their financial knowledge, regardless of their age, net worth or education."

Ms Crossan said the Retirement Commission would use the results to tailor its public education programmes.

ANZ National Bank Chief Executive Graham Hodges said that, in supporting the study, ANZ was keen to highlight the importance of financial knowledge and to identify areas where, as a Bank, it could improve knowledge among its own customers.

"This survey provides the first comprehensive picture of adult financial knowledge in New Zealand. It establishes the benchmark for ongoing measurement and forms the basis for financial institutions, regulators and government to address the issues that are causing the greatest problems for consumers.

"While the survey indicates New Zealanders have a good foundation of basic skills, it is clear there are areas where knowledge needs to be improved, such as around investment and home loans, and among the sections of the community struggling with financial skills," Mr Hodges said.

ANZ is committed to action in three areas to improve financial knowledge in New Zealand, particularly among its own customers:

- Through sponsoring the first national study into New Zealanders' level of financial knowledge and committing to repeat the study to provide an ongoing measure of financial knowledge.
- By integrating the survey findings into our business. As a first step, ANZ has produced an informative booklet to help customers get their finances under control, called 'Kickstart Your Financial Fitness'.

“We understand our own responsibility in addressing the financial information needs of our customers with better communication, simpler products and aware and informed staff,” says Mr Hodges.

- Investing in programmes which help increase New Zealanders’ level of financial knowledge.

“By empowering people with the appropriate financial skills, knowledge and information, they are better placed to make informed decisions about their money,” says Mr Hodges.

The ANZ-Retirement Commission Financial Knowledge Survey was overseen by a steering group including representatives of ANZ, the Retirement Commission, Ministry of Economic Development, Victoria University and independent financial experts.

The Retirement Commission urges New Zealanders wanting to learn more about personal finances to visit the Commission’s independent personal finance website [www.sorted.org.nz](http://www.sorted.org.nz)

For a summary of the ANZ-Retirement Commission Financial Knowledge Survey findings visit [www.retirement.org.nz](http://www.retirement.org.nz)

Ends

**The survey results are being officially launched by Minister for Social Development and Employment, the Hon David Benson-Pope at a Parliamentary function this evening at 5pm in the Grand Hall. Media are welcome.**

For more information contact

Robyn Cormack  
Retirement Commission  
Phone: 04 494 6243  
Mobile: 021 242 7936

Craig Howie  
ANZ  
Phone: 04 463 9414  
Mobile: 027 490 9424