

Superfunds 2006

How much do Kiwis know about money?

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ANZ-Retirement Commission Financial Knowledge Survey

- First national survey of financial knowledge levels of adult New Zealanders.
- Sets benchmark to measure future knowledge trends.
- To be repeated in 3 to 5 years.



Why is Financial Knowledge Important?

- More financial knowledge = better long term planning.
- Student loans mean young people need to be equipped early.
- Deregulated financial market requires consumer know-how.
- Voluntary approach to saving for retirement requires understanding of savings and investments.



Main Objectives

- Identify gaps in financial knowledge to target financial education.
- Develop benchmarks to measure trends.
- Assist financial services to identify industry products or services causing problems.



Methodology

- 856 face to face interviews with adults 18+ years.
- Data weighted to population proportions by age within gender and ethnicity.
- Interviews conducted between 1 October and 20 November 2005.
- Interviews of 55 minutes duration, on average.



What is Financial Knowledge?

Financial knowledge was defined as:

“the ability to make informed judgements and to take effective decisions regarding the use and management of money.”



Overall Findings

- Knowledge levels are reasonable overall, but definite gaps.
- On a par with other OECD countries.
- Levels of knowledge are specific to circumstances.



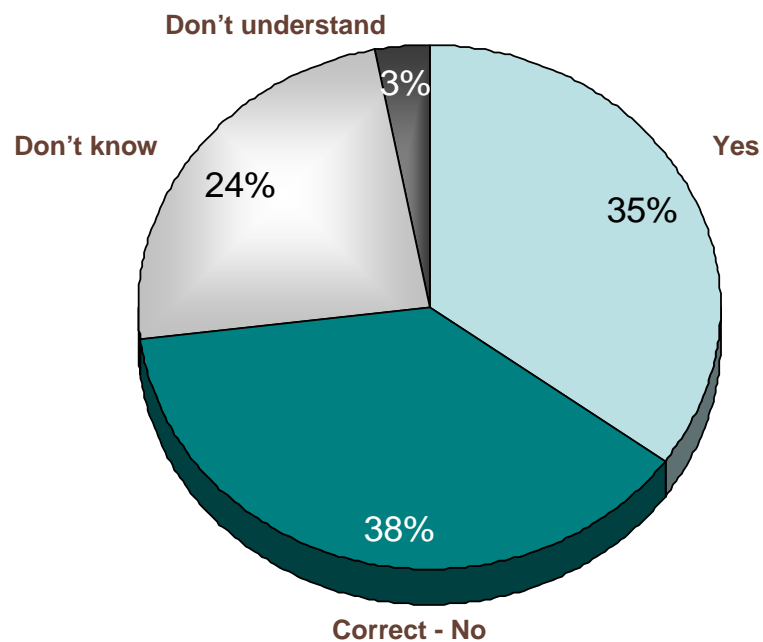
Exceptions to General Findings

- 15% of those with net wealth over \$300,000 and 18% of tertiary education had low knowledge.
- 46% of those with no qualifications had good or high level of knowledge.
- 8% of those who earn \$20,000 in high knowledge group.
- 11% of young people scored highly.

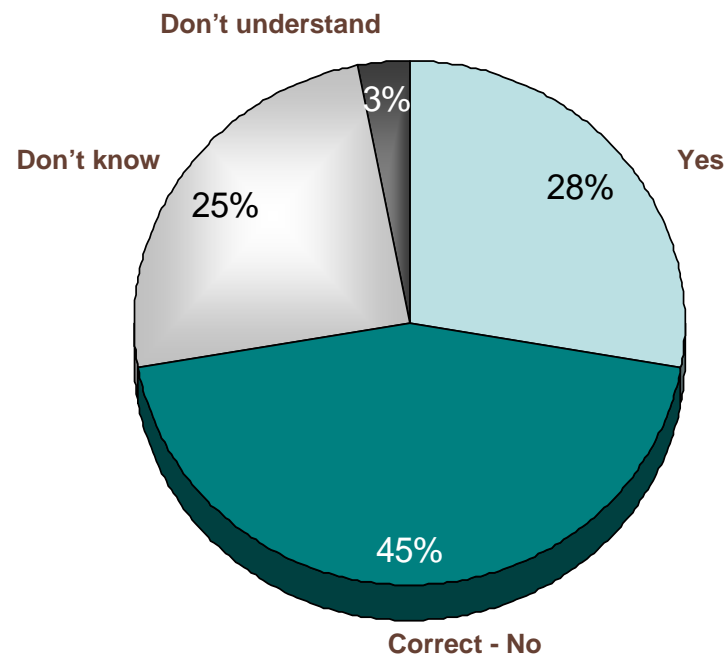


NZ Super Testing

Is NZ Super income tested?



Is NZ Super asset tested?





Retirement Planning

- Asked what a person needs to think about to work out how much to save for retirement:
 - 80% mentioned lifestyle and costs in retirement.
 - Nearly half mentioned their current situation and their ability to save right now.
 - 40% mentioned the income they will have when they retire.
 - 10% mentioned life expectancy as a key factor.



Home Loans/Mortgages

- Some basic mortgage terminology not fully understood.
- A quarter of mortgage holders, did not know the meaning of the term “equity”.
- Half of mortgagees did not choose the option of borrowing against an existing property.
- A fifth of mortgagees could not identify what type of mortgage was best under rising interest rate conditions.



Investments

- Nearly 20 % thought that investing only in property was a way to reduce investment risk.
- 93% understood share market has ups and downs in short term.
- But 54% incorrectly thought a range of fixed interest investments would make more money over 18 years than shares.



Other Areas of Weak Knowledge

- 20% of credit card holders did not understand credit-free days.
- Most of the population did not understand the impact of compound interest.
- Fewer than half identified grouping of debts together in one low interest loan as a way to pay off debt faster.
- Lack of understanding of key terms.



Attitudes and Behaviour

- 83% felt confident about managing their financial affairs.
- 84% felt in control of their borrowing and debt generally.
- 80% said they had financial goals.
- More than half save on a regular basis.



Attitudes and Behaviour

- 92% felt responsible for financial future.
- 7% agreed that it didn't matter about saving for retirement because of Super.
- But only 35% actually worked out how much they need for retirement.
- Disparity between thought and action.



Attitudes and Behaviour

- 60% would cope with major loss of income for 3 months.
- 26% said greatest problem was too little income.
- 19% said controlling spending greatest difficulty.



Main Implications

- **Young adults** - not equipped to make the best choices at a vulnerable time in their lives.
- **Preparing for the future** - unsteady grasp of financial terms and concepts means many at a disadvantage.
- **Mortgages** - gaps in knowledge might deter borrowers from paying off debt quickly.



Educational Opportunities

Workplace financial education programme to cover:

- financial goal setting and budgeting
- managing debt
- preparation for retirement
- investing
- financial terminology
- managing risk



Educational Opportunities from survey

- Review Sorted – remove jargon and explain concepts.
- Schools education programme.

ANZ – RETIREMENT COMMISSION
FINANCIAL KNOWLEDGE SURVEY



Retirement Commission

Whiriwhiria!