



## HOW YOUNG NEW ZEALANDERS PERCEIVE POLITICAL & FINANCIAL WELLBEING: A LONGITUDINAL STUDY ELECTION YEAR UPDATE



# Fin-Ed Centre

FINANCIAL EDUCATION AND RESEARCH CENTRE  
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## ABOUT THE FIN-ED CENTRE

Westpac New Zealand and Massey University founded the Fin-Ed Centre with the aim of improving New Zealanders' knowledge, attitudes and behavior towards money matters. The Fin-Ed Centre undertakes a variety of teaching and research activities to improve the quality and access of financial education. Key projects, among others, include a 20-year longitudinal study tracking 300 New Zealanders over time to better understand the need for financial knowledge at different life stages, a multi-level certification for personal financial educators, and the a Retirement Income Survey. "How Young New Zealanders Perceive Political and Financial Wellbeing" is a periodic update to the Longitudinal Study.

## ABOUT THE AUTHORS

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## SURVEY UPDATE

This report covers an update to the 20-year longitudinal study. The main longitudinal study, launched in 2012, comprises a cohort of 266 New Zealanders, at the time aged 18 to 22 years, with updates scheduled at 5-yearly intervals. Overall, the longitudinal study endeavors to understand issues related to participants' financial knowledge and financial education experience, both formal and informal. Online surveys of the participants between the main 5-yearly updates, such as this one, provide an opportunity for ongoing contact with the participants as well as a periodic snapshot of their financial knowledge progression and financial wellbeing. In that vein, a sense of inclusion in New Zealand's political and economic future, of course, plays a significant role in an individual's view of their current and future financial wellbeing. Thus, this update intentionally coincides with the 2014 New Zealand general election. The aim is not only to see how the participants have managed their finances, with lessons learned, from the baseline 2012 survey, but also to gauge the perception of financial wellbeing in an election year. Of the original 266 Longitudinal Study, 56% responded to the update survey over a four-week period preceding the election. Two years on from the original study, the respondents range in age from 20 to 24 years. Key features of the interim survey follow.

- The online question was available from 15 August 2014 until 12 September 2014.
- One hundred forty-eight of the original 266 longitudinal study participants attempted the survey.
- The original longitudinal study selected participants randomly from New Zealand electoral roles covering the Auckland, New Plymouth, Wellington, Nelson, Christchurch, and Palmerston North regions.
- All longitudinal study participants received an invitation to participate in this interim survey.
- The survey comprises 16 questions designed to explore two issues:
  - The first issue related to respondents' financial decisions and financial decision-making process, subsequent to the original survey.
  - The second issue related to respondents' sense of their current financial wellbeing and outlook for their financial future.

## RESULTS AT A GLANCE

The key observations from the survey are:

- 71% feel “in control” of their financial situation and 69% feel good about their money management skills.
- 39% are satisfied with their current financial status but 69% expect their situation to improve in the coming year.
- 29% had taken steps to improve their money management skills in the past year; of these 45% had discussed money management with parents and 40% had discussed it with friends.
- 36% had made a major financial decision in the past year; of these 31% changed jobs, 27% had decided to go overseas and 16% bought a car.
- 75% sought advice from their parents, 43% discussed the decision with friends while 49% researched using the internet.
- 44% are considering moving overseas in the next two years to improve their financial position.
- 26% said they felt included in the financial direction of New Zealand, while 78% agreed that financial inequality is a problem in New Zealand.
- 32% said that lower rent would have the most impact on their financial wellbeing, followed by lower food costs 29% and a lower tax rate 23%.
- 41% believe that they and their friends were worse off financially than a similar group of friends would have been 15 years ago.

## BACKGROUND

This interim report has two intents. In the first instance, ongoing communication and contact with longitudinal study participants plays a critical role in maintaining the integrity of the study. Ongoing contact develops a sense of community and involvement across the cohort, in between the regularly five-yearly updates to the full study. On a more practical note, ongoing contact preserves the lines of communication required to stay in touch with the participants. To that end, periodic updates of email, phone, and residence are essential. In the second instance, periodic updates help better inform the long-term objectives of the longitudinal study to understand better where individuals learn about financial matters and their financial experiences contextualized within a topical framework.

The timing of this update coincided with a very topical event, the 2014 New Zealand general election. While economic and financial outlook is an important consideration during any election, it was perhaps more so during the 2014 election. Given the direct link between financial inclusion and the perception of one's financial wellbeing and outlook, the election provided a good opportunity to question participants on their views.

## METHODOLOGY

All participants of the full longitudinal study received an email on 15 August 2014 asking them to participate in an online interim survey. The main cohort of the study comprises 266 participants, originally selected at random based on age (18-22 years) from six regions; Auckland, New Plymouth, Wellington, Nelson, Christchurch, and Palmerston North. From that group, 148 (56%) completed the survey over a four week period leading up to the election. At the time of taking the online survey, participants would have been aged 20-24 years old.

The online survey instrument comprises 16 questions related to individual perceptions of wellbeing and feelings about the future direction of New Zealand and the potential impact of the election. Participants had the option to terminate the survey at any point and the ability not to answer any question. Questions related to financial decisions and the acquisition of financial advice were designed, in part, to correlate with questions covered by the full study for later backward comparison. Where appropriate, questions used a 5-point Likert scale to gauge agreement or importance.

## RESULTS

This section reports tabulated results for each question. A discussion of results follows in the subsequent section and conclusion.

Question 1: To what extent do you agree or disagree with the following statements?

Question	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Total Responses
I feel in control of my financial situation.	3	17	22	74	27	143
I feel good about my money management abilities.	0	20	24	73	23	140
I am satisfied with my current financial status.	16	40	31	37	16	140

Question 1 measures respondents feeling of control with their financial status and money management abilities. It also gauges overall satisfaction with financial wellbeing. Approximately 70% felt in control of their financial situation and confident with their money management skills, while 40% felt dissatisfied with their current financial status.

Question 2: How is your financial situation today compared to twelve months ago?

Answer	Response	%
A lot better	19	13%
A bit better	40	28%
About the same	35	24%
A bit worse	41	29%
A lot worse	8	6%
Total	143	100%

Question 2 examines perceived change to one's financial situation, looking back over the previous 12 months. Only slightly more respondents believed they were better off (41%) than worse off (35%), with the reminder feeling stuck in the middle.

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Question 3: What things have influenced your financial situation today relative to twelve months ago?

Answer	Response	%
I've got a new job	67	49%
I've relocated to another town	20	15%
My employer has made changes	15	11%
Changes in Government policy	11	8%
The general economic situation in New Zealand	15	11%
Other, please provide details	61	45%

In question 3, we ask what factors most influenced their financial situation. Employment ranks as the most important factor (49%). The question allowed for multiple responses. Most frequently mentioned under "other" factor was servicing of student debt. Perhaps showing a lack of economic/political inclusion, only a small number (8%) consider changes in government policy and general economic conditions (11%) as having an impact.

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Question 4: How do you expect your financial situation to change over the next twelve months?

Answer	Response	%
Get a lot better	35	24%
Get a bit better	64	45%
Stay about the same	22	15%
Get a bit worse	18	13%
Get a lot worse	4	3%
Total	143	100%

In question 4, we examine expectations for financial change over the coming twelve months. Encouragingly, 69% believe their financial situation will get a "bit better" or "a lot better."

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Question 5: In the past twelve months, have you taken any steps to improve your money management skills?

Answer	Response	%
Yes	42	29%
No, because my money management skills were already very good.	26	18%
No, I didn't think it was necessary.	60	42%
No, I couldn't find anything to help me improve	15	10%
Total	143	100%



The vast majority of respondents to question 5 (70%) have taken no steps to improve their money management skills, in most cases because it was seen as unnecessary.

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Question 6: You have told us that you have taken steps in the last twelve months to improve your money management skills. Which of the following steps did you take? Choose all that apply.

Answer	Response	%
Talked about money management with my parents	19	45%
Talked about money management with my friends	17	40%
Attended classes, workshops, and/or seminars on money management	4	10%
Read books and magazines about money management	6	14%
Found information about money management through television, radio, and/or newspapers	4	10%
Talked about money management with bank staff	14	33%
Found information about money management on the internet	12	29%
Talked about money management with my financial planners, financial advisers, or financial counselors	0	0%
Sought assistance from a budget adviser	1	2%
Other, please provide details	13	31%

In question 6 we look at what steps were taken by the 29% or 42 participants from question 5 who had sought to improve their money management skills, both through formal and informal channels. The question allows for multiple responses. Steps taken for gaining financial knowledge were primarily informal, with respondents reliant on family (45%) and friends (40%). More formal educational channels such as classes (4%) and financial counselors (0%) were well down the list, most likely pointing to either a lack of options or accessibility.

Question 7: Which of the steps you have taken in the last twelve months to improve your money management skills was the MAIN source of help for you?

Answer	Response	%
Talked about money management with my parents	15	36%
Talked about money management with my friends	8	19%
Attended classes, workshops, and/or seminars on money management	3	7%
Read books and magazines about money management	1	2%
Found information about money management through television, radio, and/or newspapers	2	5%
Talked about money management with bank staff	3	7%
Found information about money management on the internet	4	10%
Talked about money management with my financial planners, financial advisers, or financial counselors	0	0%
Sought assistance from a budget adviser	0	0%
Other, please provide details	6	14%
Total	42	100%

As an extension, question 7 asks which source the respondents regard as their primary source of information. Not surprisingly, the vast majority look to their parents for advice (36%) followed by their friends (19%).

Question 8: Have you made any MAJOR financial decisions in the last twelve months?

Answer	Response	%
Yes	51	36%
No	92	64%
Total	143	100%

Questions 8, 9, and 10 determine whether the respondents made any major financial decision, what that decision was, and what information was used to arrive at their decision. Of all respondents, 36% consider that they have made an important financial decision over the preceding year.

Question 9: You told us that you have made at least one MAJOR financial decision in the last twelve months. What was that decision? Choose all that apply.

Answer	Response	%
To give up my job to study	6	12%
To change jobs	16	31%
To give up my job to travel overseas	14	27%
To buy a car	8	16%
To buy a house	2	4%
To join KiwiSaver	4	8%
Other, please provide details	28	55%

The biggest financial decisions reported in question 9 were a change in employment (31%) and travel (27%). Most frequently included in the "other" category were decisions somehow related to study.

Question 10: What information did you use to help you make that MAJOR financial decision?

Answer	Response	%
Talked about it with my parents	38	75%
Talked about it with my friends	22	43%
Read books and magazines	5	10%
Found information about it through television, radio, and/or newspapers	6	12%
Talked about it with bank staff	10	20%
Found information about it on the internet	25	49%
Talked about it with my financial planners, financial advisers, or financial counselors	3	6%
Talked about it with a budget adviser	0	0%
Other, please provide details	9	18%

Overwhelmingly, the respondents who made a major financial decision sought advice from their parents (75%), followed by the internet (49% and friends 43%).

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Question 11: To what extent do you believe the outcome of the coming election will impact on your financial health?

Answer	Response	%
Definitely will not	4	3%
Probably will not	44	31%
Don't know	48	34%
Probably will	34	24%
Definitely will	13	9%
Total	143	100%

In question 11 we look at the perceived impact of the election outcome on the respondents' financial wellbeing. One third considers the election financially inconsequential. The remainder almost equally considers the election will have an impact or do not know.

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Question 12: Do you feel included in the financial direction of New Zealand?

Answer	Response	%
Yes	41	29%
No	102	71%
Total	143	100%

Question 12 directly measures a sense of financial inclusion. Disconcertingly, a vast majority (71%) do not feel included in the financial direction of the country.

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Question 13: Aside from more income, which one of the following changes would improve your financial wellbeing the most?

Answer	Response	%
A lower tax rate	34	24%
Lower property prices	10	7%
Higher property prices	0	0%
Lower rent	45	32%
Lower food costs	37	26%
Lower utility costs	6	4%
Lower interest rates	6	4%
Higher interest rates	4	3%
Total	142	100%

Here we asked about the factors which most impact on respondents' perception of financial wellbeing. Housing related factors are clearly the most important with lower rent (32%) and property prices (7%) key. Taxes (24%) are also an important consideration.

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Question 14: Do you feel that you and your friends are better off financially than a similar group of friends would have been 15 years ago?

Answer	Response	%
Yes	32	23%
No	55	39%
Not Sure	54	38%
Total	141	100%

In question 14 we gauge the respondents' perceived relative financial wellbeing in comparison to a similar group 15 years ago. Only a limited number (23%) feel they are better off, with the largest number (39%) responding negatively.

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Question 15: Do you feel that financial inequality is a problem in New Zealand?

Answer	Response	%
Yes	107	76%
No	13	9%
Not sure	21	15%
Total	141	100%

Question 15 takes a measure of perceived financial inequality, which potentially translates to a sense of perceived financial inclusion. Fully three-quarters of the respondents (76%) feel that financial inequality is a problem in New Zealand.

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Question 16: Are you considering moving overseas in the next two years in order to improve your financial prospects?

Answer	Response	%
Yes	61	44%
No	79	56%
Total	140	100%

Related to the previous two questions, question 16 asks whether respondents are considering overseas relocating to improve their financial position, with 44% answering in the affirmative.

## DISCUSSION OF RESULTS

This report re-surveys 56% of the original longitudinal study participants to obtain a current “snap shot” of how their financial world had changed over recent months.

Looking back over the previous twelve months, only slightly more respondents believed they were better off than those who believe they were worse off, with a minority feeling stuck in the middle. Their outlook for the future was slightly brighter with roughly two thirds expecting their financial situation would improve and only a very small number expecting a deterioration of their financial situation.

Generally, the group felt very confident with their money management skills (69%) and felt that they were in control of their financial destiny (71%). Given the difficulty most in this age bracket experience with budgeting and saving for milestone financial events such as buying their first home and retirement provision, such confidence appears unrealistic.

Of the respondents making major financial decisions over the last twelve months, a change in job and travel constituted the vast majority. Notably, very few financial decisions involved real estate, with less than 1% of the total sample purchasing a home. Although the difficulty of getting on “the property ladder”, especially in the Auckland market is well known, a lack of real estate purchases might be more indicative of the group's age.

For those making major financial decisions, family remains the major source of information. Parental advice is fine if you have financially savvy parents – but that is not always the case. Bad financial advice can become a debt trap perpetuated by a family environment where poor advice is given. Friends also remain an important source of advice, with the same caveat as parental advice. Interestingly, financial and budget advisors play a marginal role, at best, in providing financial advice for important financial decisions.

When asked what factors most influenced their financial situation, employment ranked first. Reflecting on the ultimate election outcome, a very small minority ranked changes in government (8%) and New Zealand's overall economic conditions (11%) as having a personal impact. This coincides with a strong feeling of political disenfranchisement (34%) and financial inequality (76%).

In terms of improving their financial education/capability, only 29% had felt the need and done something about it. Alternatively, there might have been those who felt the need but were unable to find a suitable course. Given overall levels of financial literacy, that rate is disappointingly low. Again, sources of information in gaining financial knowledge followed an informal channel, reliant on family (45%) and friends (40%). More formal educational channels such as classes (4%) and financial advisors (0%) were well down the list, pointing to either a lack of options or accessibility.

Respondents consider that the two most important changes that would improve their financial wellbeing are lower rent (32%) and food costs (29%).

Reflecting perhaps a universal view, the group also responded that lower tax rates (23%) would be a positive change.

A final question asks whether moving overseas was a consideration in improving the respondents' financial prospects. Disappointingly, 44% felt that they would be better off financially by leaving New Zealand. Coupled with the view that similar peers were better off 15 years ago (44%), it paints a less than optimistic picture for the current generation requiring attention.

## CONCLUSION

This interim report had two primary objectives, to maintain contact with the cohorts participating in the longitudinal study and to measure how respondents are managing financially in addition to their sense of financial wellbeing.

In the first instance, over 56% of the cohort responded to the survey over a four-week period, indicating a successful outcome in maintaining contact and preserving engagement in the 20-year longitudinal study.

In the second instance, the interim report provides a snapshot on the cohort's financial progression and sense of financial wellbeing since the last survey during an election year. The results confirm, not surprisingly, that individuals continue seek advice from family and friends when making financial decisions. Of course, such informal advice is not always the best advice. On that note, professional financial advice is only rarely if ever sought. While the internet plays a significant role in informing financial decisions, the cohort infrequently utilizes formal channels of financial education in building financial capability. The latter perhaps indicating the need for more readily accessible financial education programmes. Also revealing is the high level of confidence the group place on their financial management skills, while indicative of the age also suggesting a reality disconnect. Lastly, the results indicate a lack of political relevance and economic inclusion, affecting a sense of financial-wellbeing. Disappointingly, a large number of the respondents feel the need to look outside of New Zealand to improve their financial prospect. Coupled with the view that similar peers were better off 15 years ago it suggests there is an issue that needs to be addressed by the country.

## NEXT UPDATE

Longitudinal study updates are 5-yearly with periodic topical partial updates. The next full update will take place in 2017. In the meantime, there will be at least one more interim update, likely taking place in early 2016, using a survey designed to not only measure the financial learning progress of the cohort, but also to gauge response to a related topical consideration at the time.