

# YOUNG NEW ZEALANDERS AND RETIREMENT SAVINGS ENGAGEMENT:

## A LONGITUDINAL STUDY UPDATE

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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 behaviour 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. This report is a periodic update to the Longitudinal Study.

## About the Longitudinal Study project team:

**Associate Professor Claire Matthews** joined Massey University in 1996 after 12 years with Trust Bank. Her research interests centre on consumer's financial behaviour, decisions and attitudes, with a particular interest in payment channels including internet banking, and KiwiSaver. Claire has a PhD in Banking on the subject of Switching Costs in the New Zealand Banking Market, and is a Fellow of the Financial Services Institute of Australasia.

**Dr Michelle Reyers** joined Massey in 2018. Her research interests relate to financial decision making and behavioural aspects connected to these decisions. More specifically, she studies consumer financial decision making with a focus on financial capability, considering how the combination of knowledge, skills, confidence and attitude relate to financial decisions. Michelle received her PhD from the University of Pretoria in 2014. She is a Chartered Financial Analyst (CFA) and, prior to her academic career, spent 10 years working in the finance industry.

**Dr Jeffrey Stangl** joined Massey University in 2004. He has founded and directed several US and Indonesian based SMEs in the manufacturing, transportation, and gift industries, and the focus of his business career has been start-up innovative companies. Jeffrey believes in the responsibility of extending financial literacy. He was a founding Board Member for the Fin-Ed Centre and is President of the New Zealand Society of Chartered Financial Analysts.

**Dr Pushpa Wood** Dr Pushpa Wood has been appointed as an Officer of the New Zealand Order of Merit in the Queen's 90th Birthday Honours List for 2016 for her services to financial literacy and interfaith relations. Pushpa has a long history of financial literacy advocacy. She was previously the Education Manager at the Commission for Financial Capability and has worked in financial literacy across the school, tertiary, and industry sectors. She was a member of the New Zealand Qualifications Authority's project advisory group reviewing financial literacy unit standards. Her research interests include identifying what motivates people to change their financial behaviour, preparedness of women in planning for their future and testing culturally appropriate evaluation tools.

## Acknowledgements

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The views expressed in this report are those of the authors and do not necessarily represent the views of the Fin-Ed Centre, Massey University or Westpac New Zealand Limited.

## Survey at a Glance

This report covers an interim update to the 20-year longitudinal study into how young New Zealanders learn about personal finance. The main longitudinal study, conducted at five-early intervals, launched in 2012 and comprised a cohort of New Zealanders aged 18 to 22 years, at that time. The second stage of the study took place in 2017 and the third stage will take place in 2022. Overall, the Longitudinal Study endeavours to understand issues related to the financial knowledge and financial education experience, both formal and informal, of the participants. Planned interim updates, such as this, enable on-going contact with the participants as well as providing a periodic snapshot of their financial knowledge progression and financial wellbeing. The study previously undertook interim updates in 2014 and 2016.

Seven years on from the original study, the participants' range in age from 24 to 28 years. Key features of the interim survey follow.

- The survey ran from 1 October 2019 to 5 November 2019.
- As some of the original Longitudinal Study participants had opted out of the study, 290 received an invitation to participate in this interim survey. The number of participants who attempted the survey was 160, giving a response rate of 55 percent this is slightly higher than previous interim surveys (148 in 2014 and 141 in 2016).
- This interim survey had three key objectives
  - Maintain contact with the participants in the Longitudinal Study
  - Measure participants' current financial well-being and behaviour
  - Explore participants' retirement savings engagement.

## Results at a Glance

- Participants had generally high levels of engagement with their retirement savings accounts, more than 96 percent have a KiwiSaver account, and of these, 90 percent actively contribute to KiwiSaver.
- Approximately 90 percent know what their KiwiSaver balance is, which is perhaps not surprising given that almost two-thirds of participants check their KiwiSaver balance monthly or more frequently.
- An area where we see less engagement is comparing fund performance and fees, where just less than 30 percent of participants have made use of the tools provided by the FMA and CFFC.
- A key predictor of whether participants show high levels of engagement with their KiwiSaver accounts is whether they indicate that they personally take an interest in their retirement affairs, we also find that males are more likely to be engaged with their KiwiSaver compared to females in this study. The same two factors also predict whether participants actively choose a KiwiSaver account or remain in the default account.
- The key reason for being in the default account appears to be lack of knowledge related to not knowing what else to choose, with some indication that procrastination plays a role too.
- A quarter of participants have already used their KiwiSaver funds for a first home purchase, and another quarter are looking to use their funds for a home purchase in the next three years.
- In general, our participants are satisfied with their current financial situation and are optimistic about their future financial position in the coming year.
- While parents remain a key advice source for participants, we see an increasing use of the internet and seeking advice from partners or spouses compared to responses in prior surveys.

## 1. Background

As in the past, this interim survey has two purposes. First to maintain on-going communication and contact with the participants in the Longitudinal Study which is critical to the study's integrity. In addition to developing a sense of community and involvement across the cohort, maintaining contact also preserves the lines of communication necessary to preserve links with the participants. The second purpose of the interim updates is to obtain additional insights regarding where individuals learn about financial matters and to focus on their financial experiences contextualized within a topical framework.

Past interim updates have considered economic inclusion, housing affordability and retirement planning. We know from past surveys that many of our longitudinal study participants have KiwiSaver accounts, however there is concern in New Zealand that there is a lack of engagement with KiwiSaver accounts particularly with regard to those placed in default accounts and among the 40 percent of members who are not currently contributing to their accounts (FMA, 2019). Given the importance of retirement planning for long term financial wellbeing, and the importance of starting to save early to ensure adequate retirement savings, this interim study explores young people's engagement with their KiwiSaver accounts to provide insights into the role of factors such as advice, trust and general interest in their retirement.

## 2. Methodology

All participants of the full Longitudinal Study who had not opted out of the study received an email on 1 October 2019 to participate in the online interim survey, with reminder emails sent on 15 October 2019 and again on 29 October 2019. The main cohort of the study originally comprised 266 participants, selected at random based on age (18-22 years at the time of the first stage of the study) from six regions; Auckland, New Plymouth, Wellington, Nelson, Christchurch, and Palmerston North and a sub-cohort comprised of 52 young New Zealanders who identified as being of Ngāi Tahu descent. Of these original cohorts some participants had opted out of further participation in the study, and for this interim survey emails were therefore only sent to the remaining 290 participants.

At the time of taking the online survey, participants were aged 24-28 years old. For this interim survey, the online questionnaire comprised a range of questions. Some of the questions were from the 2014 and 2016 interim surveys, which allows changes to be identified and tracked over time. The new questions sought to obtain an understanding of participant's attitudes to retirement and KiwiSaver, as well as their engagement with their retirement savings account.

### 2.1. Summary Statistics

As shown in Table 1, female participants continue to dominate the sample. Participants identified as NZ European comprise 80 percent of the participants. The age range is 24 - 28 with an average age of 26 years.

**Table 1:** Demographic information

Gender	2012	2019	Age	2019
Male	32%	34%	24	1%
Female	68%	65%	25	21%
Prefer to self-describe		1%	26	35%
			27	30%
			28	13%

Highest Education	2019		Income	2012	2019
Less than high school	3%		0-\$14,999	69%	4%
High school or equivalent	11%		\$15,000-\$47,999	24%	23%
Vocational or trade qualification	10%		\$48,000-\$69,999	1%	41%
Bachelor's degree	48%		\$70,000-\$99,999	0%	22%
Higher degree	22%		\$100,000 or more	na	7%
Other, please write in	6%		Prefer not to answer	6%	3%
Ethnicity	2012	2019	Marital Status	2012	2019
NZ European	73%	80%	Never married	84%	42%
Māori	5%	6%	Not married, but living with a partner	13%	39%
Chinese	3%	4%	Separated	1%	1%
Other European	3%	3%	Now married or in a civil union	2%	17%
Pasifika	3%	0%	Divorced	0%	1%
Indian	2%	1%	Widowed	0%	0%
Other Asian	4%	1%			
Other	6%	5%			

**Notes:** Table reports descriptive statistics for the sample cohort for gender, age, education, income, ethnicity, and marital status, with comparative figures from 2012 study.

Almost half of the participants have a bachelor's degree, and a further 22 percent have a higher degree. In terms of income 41 percent earn between \$48,000 to \$69,999, and 21 percent earn between \$70,000 and \$99,999, reflecting the upward trajectory of early career salaries often seen among this age group, who were mostly earning less than \$15,000 seven years ago. The majority of the sample (56 percent) are now either married or living with a partner compared to only 15 percent in 2012.

The study has limitations. Notably, the samples are not demographically representative of the NZ population in terms of gender and ethnicity, due to the composition of invitee response. A self-selection bias in the sample is likely, due to the willingness of those more interested in financial literacy and financial matters generally to participate in the study.

## 3. Results

### 3.1. Retirement Savings Engagement

The first part of the survey focussed on understanding participant's attitudes to retirement and KiwiSaver, as well as their engagement with their retirement savings account. The level of participation in the KiwiSaver scheme among participants is very high at 96 percent (another 1 percent were members of another superannuation scheme other than KiwiSaver). In the original 2012 survey participation rates were at 61 percent, while 90 percent reported being members of KiwiSaver in follow up surveys in 2016 and 2017. For the remainder of the survey questions related to retirement engagement only those who had a KiwiSaver account or another superannuation account were requested to respond, therefore for this section of the survey the sample size was 156.

For those with a KiwiSaver account, just over 10 percent are not currently contributing to their account. For those who are actively contributing 11 percent did not know what rate they were currently contributing and 10 percent provided a dollar value for their contribution as they were not contributing a fixed percentage of salary. Table 2 shows the contribution rates for the remainder of the sample who were able to provide their contribution rate. Just less than half contributed the minimum amount of 3 percent, with about a quarter contributing at 4 percent. A small number of participants were contributing at the newly introduced rates of 6 percent and 10 percent which came into effect in 2019.

Turning to employer contribution rates, approximately 18 percent of participants did not know what their employer contributed, and another 9 percent did not have an employer, the employer contribution rates for everyone else are shown in Table 2. Over 80 percent of employer contributions are at the minimum rate of 3 percent, with just over 12 percent of employers contributing at 4 percent.

**Table 2: KiwiSaver Contribution rates**

KiwiSaver Contribution Rate	3%	4%	6%	8%	10%
Respondent's contribution	45.4%	27.8%	5.6%	14.8%	6.5%
Employer's contribution	83.5%	12.6%	2.9%	1.0%	0.0%

**Notes:** Table reports respondent contribution rates for those who are actively contributing a fixed percentage of salary to KiwiSaver and who know what rate they were contributing (n = 108). Employer contribution rates relate to those who have an employer and who know what rate their employer contributes (n = 103).

In order to understand participant attitudes to KiwiSaver, several statements were included to consider elements such as satisfaction, trust and interest in retirement saving. These statements were adapted from previous research on retirement savings engagement (Deetlefs et al., 2019). Results are reported in Table 3.

In general, it appears that levels of satisfaction are high with more than 70 percent of participants agreeing or strongly agreeing that they are satisfied with their KiwiSaver provider. There is also a high level of interest in retirement affairs, with just over 60 percent of participants indicating agreement with the statement that they take an interest in their retirement affairs, and 56 percent disagreeing with the statement that their retirement will take care of itself. Trust levels are also generally high with 61 percent agreeing that they trust the investment decisions of their KiwiSaver provider. A final statement related to retirement income sufficiency, it considered whether participants thought that other assets, outside of KiwiSaver, would give them an income in retirement. Responses indicate that for 53 percent of participants, KiwiSaver is only one aspect of their retirement plan, however, we did not have a follow up question regarding what these other assets were.

**Table 3: Retirement attitude statements**

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE NOR DISAGREE	AGREE	STRONGLY AGREE
I am satisfied with my KiwiSaver Provider	2.6%	3.2%	21.8%	51.3%	21.2%
I trust the investment decisions of my KiwiSaver Provider	0.6%	5.1%	33.3%	53.8%	7.1%
I personally take an interest in my retirement affairs	3.2%	11.5%	23.7%	44.2%	17.3%
My retirement will take care of itself	13.5%	42.9%	25.6%	16.0%	1.9%
I am confident that other assets outside of KiwiSaver will give me an income in retirement	3.9%	13.5%	29.5%	39.1%	14.1%

**Notes:** Table reports respondent attitudes measured on a five point scale (ranging from strongly disagree to strongly agree) (n = 156 for each statement).

In order to understand the level of engagement with retirement savings among participants, questions were asked about specific activities, with results reported in Table 4. The engagement activities included in the survey ranged from understanding whether the participants were currently contributing to KiwiSaver to whether they compared fund performance and fees.

**Table 4: Retirement engagement**

	YES	NO
Are you currently contributing to your KiwiSaver account?	89.7%	10.3%
Have you made any voluntary extra contributions into your KiwiSaver account in the past year?	16.0%	84.0%
Do you know what your current balance is in KiwiSaver?	90.4%	9.6%
Do you know what type of KiwiSaver portfolio you are invested in?	80.8%	19.2%
Current portfolio was actively chosen <sup>1</sup>	82.7%	17.3%
Have you compared performance and/or fees of the different KiwiSaver funds using the tools on the Sorted website or the Financial Market Authority (FMA) website	29.0%	71.0%

**Notes:** Table reports responses to several questions in the survey which indicated engagement with retirement savings (n = 156).

<sup>1</sup>Respondents were asked how they selected their current portfolio, “Yes” responses correspond to those who actively chose a portfolio, “No” responses relate to those who were allocated to the default portfolio as they had not made an active choice.

In this study almost 90 percent were currently contributing to KiwiSaver, however when considering who had made voluntary extra contributions (which in previous research has been used as a measure of engagement (Deetlefs et al., 2019)), only 16 percent had made an extra voluntary contribution in the past year. Other indications of being engaged with retirement savings were whether participants knew what portfolio they were invested in, and perhaps more importantly whether they had actively chosen that portfolio or whether they had been placed in the default account, as this may again

indicate a lack of involvement or engagement (Hedesström et al., 2007).

In our study engagement levels related to these behaviours were generally high with 81 percent of participants aware of what portfolio they were invested in and 83percent indicating that they had made an active choice to be in a particular portfolio. One area where engagement appeared to be low related to whether participants had compared performance and/or fees of various funds using tools provided by the Financial Markets Authority (FMA) or the Commission for Financial Capability (CFFC) through the Sorted website. Only 29 percent of participants had made use of these tools.

In order to obtain a clearer understanding of what factors were associated with KiwiSaver engagement a multivariate analysis was carried out using a logistic regression model. Individuals were scored based on the number of engagement activities (from Table 4) that they took part in and then separated into a low engagement group (3 or less activities) and a high engagement group (4 or more activities). The independent variables used in the analysis were based on responses to the attitude statements related to retirement (Table 3) and demographic variables of age, gender, marital status, level of education, salary, and whether or not they had studied mathematical /statistical/business/accounting subjects at school and/or university.

In the multivariate analysis, the only attitude statement that significantly predicted engagement with KiwiSaver was “I personally take an interest in my retirement affairs” where those who showed higher levels of agreement with this statement were more likely to be highly engaged with their KiwiSaver account ( $p<0.01$ ). The only demographic variable that was a statistically significant predictor of engagement was gender, where males were more likely to be engaged with their KiwiSaver account compared to females ( $p<0.01$ ).

One of the key areas of engagement which has received a lot of attention both from researchers and policy makers relates to default behaviour. Therefore, our study also focused on understanding differences between individuals that make an active portfolio choice and those that remain in the default portfolio. The default portfolio for KiwiSaver funds is a conservative portfolio, and therefore it is important to understand more about individual’s who are invested in the default portfolio. This is of particular importance among the participants in this study as, given that the average age is 26 years, a conservative portfolio could be seen to be sub-optimal given their long time horizon.

Participants were asked how they had selected their current KiwiSaver provider. As shown in Table 5, just over one-third made the choice on their own. For those who sought advice elsewhere family and friends were the most frequently consulted, followed by KiwiSaver providers and then financial advisors. The majority of those who indicated that they made use of another source had used online sources of information.

**Table 5:** KiwiSaver portfolio selection

How did you select your current KiwiSaver portfolio?	
It was the default portfolio	17.3%
I selected this portfolio on my own	35.9%
I selected this portfolio after getting advice from my KiwiSaver provider	14.7%
I selected this portfolio after getting advice from family & friends	17.3%
I selected this portfolio after getting advice from a financial advisor	8.3%
I selected this portfolio after getting advice from another source	6.4%

**Notes:** Table provides responses to the question related to KiwiSaver portfolio selection (n = 156)

A multivariate analysis was carried out to focus on this one aspect of engagement. In particular to understand what factors were associated with an individual being in the default portfolio rather than making an active choice. The independent variables used in the analysis were again based on responses to the attitude statements related to retirement (Table 3) and demographic variables of age, gender, marital status, level of education, salary, and whether they had studied mathematical/statistical/business/accounting subjects at school and/or university.

In line with the results of overall engagement with KiwiSaver, in this multivariate analysis, the only attitude statement that significantly predicted who had made an active choice was “I personally take an interest in my retirement affairs” where those who showed higher levels of agreement with this statement were less likely to be in the default account ( $p < 0.01$ ). The only demographic variable that was a statistically significant predictor was gender, where males were less likely to be in the default account compared to females ( $p < 0.01$ ).

Next we investigated possible reasons for being in default portfolio. Research in this area has indicated that there are a variety of reasons for being in the default. Potential reasons include lack of knowledge, procrastination (sometimes referred to as inertia), or seeing the default as the recommended choice from an authority figure and therefore the “correct” choice (Butt et al., 2018; Choi et al., 2002, 2004; Madrian & Shea, 2001; Thaler & Sunstein, 2008). Table 6 reports the results highlighting why individuals remained in the default portfolio.

**Table 6:** Reasons for being in the default portfolio

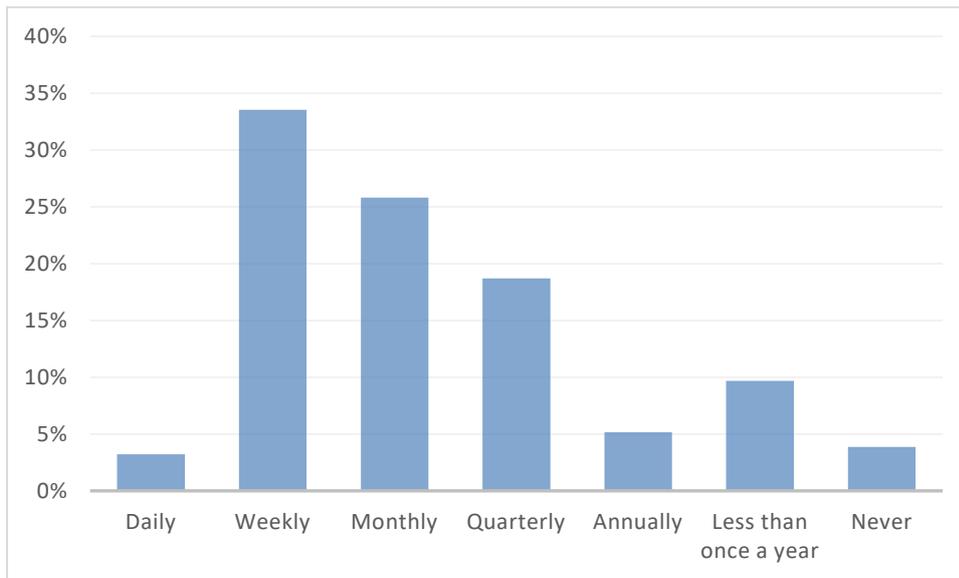
What is your reason for being in the default portfolio	
I haven't got around to changing it yet	37.0%
I don't know what else to choose	59.3%
I think that the KiwiSaver provider knows what is best for me	0.0%
Other	3.7%

**Notes:** Table provides responses to the question related to reasons for being in the default portfolio (n = 27)

There were only 27 participants in the default portfolio, results should therefore be interpreted with caution. While there were indications that procrastination was probably a factor for 37 percent of participants, almost 60 percent of participants reported being in the default portfolio because they did not know what else to choose, indicating a lack of knowledge, and perhaps also not knowing where to go for help.

We next investigated how often participants checked their KiwiSaver balance, as this also provides insights into engagement and interest related to their retirement accounts. Results are reported in Figure 1 and show that about a third of participants check their balance weekly, while a quarter will look at their balance on a monthly basis.

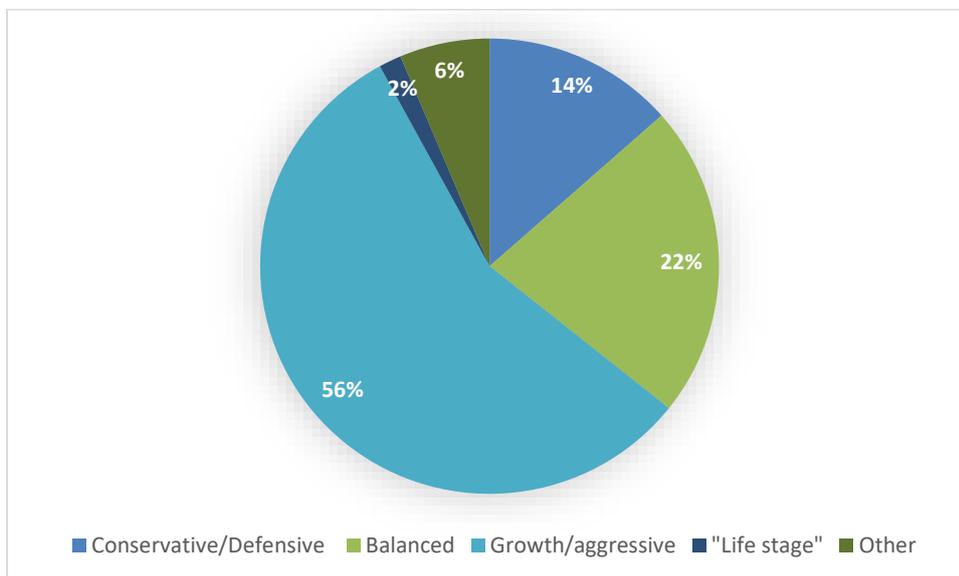
**Figure 1:** KiwiSaver balance checking frequency



**Notes:** Figure provides overview of responses to question “How often do you check your KiwiSaver balance” (n = 155)

As part of the engagement activities set out in Table 4, we had asked participants whether they knew what type of portfolio they were invested in and 80 percent indicated that they knew this information. Of the 80 percent who knew their portfolio type, we asked them to identify the specific portfolio they were invested in and these results are reported in Figure 2.

**Figure 2:** KiwiSaver Portfolio Choices



**Notes:** Figure provides overview of responses to the question which asked respondents to identify which portfolio type they were currently invested in. Only those who knew what type of portfolio they were invested in were included (n = 125).

The majority of participants (56 percent) were invested in growth/aggressive portfolios, followed by 22 percent in balanced portfolios, and 14 percent in conservative/defensive portfolios<sup>1</sup>. This would appear to be in line with generally accepted advice that those who are younger, with a longer time to retirement, should be invested in more risky assets. However, one non-traditional aspect of KiwiSaver that needs to be considered is the ability of participants to access retirement savings to pay for their first home deposit. This implies that those who are going to purchase a home soon might be better off investing in a more conservative portfolio. In order to understand whether this had a bearing on the portfolio choices of our study participants, we asked whether they intended to use their KiwiSaver funds for a first home deposit, and if so what sort of time frame they were considering. Responses are contained in Table 7. A quarter of participants had already used their funds for a first home deposit, while another quarter intended using their funds for this purpose in the next three years.

**Table 7: Use of KiwiSaver for first home deposit**

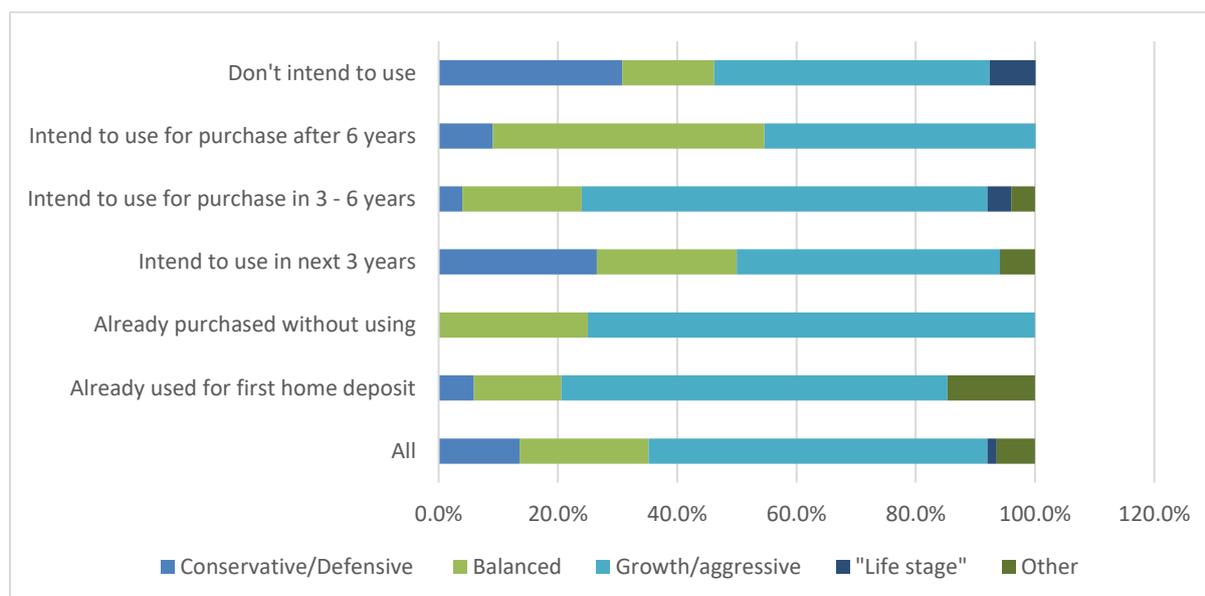
Have you used your KiwiSaver for a first home deposit	
Already used KiwiSaver for first home deposit	25.8%
Already bought a first home without using it	7.1%
Intend to use if for a first home deposit in the next 3 years	25.2%
Intend to use if for a first home deposit in the next 3 -6 years	18.1%
Intend to use if for a first home deposit in more than 6 years	12.3%
Don't intend to use it for a first home deposit	11.6%

**Notes:** Table provides responses to the question related to whether KiwiSaver funds had been used for a first home deposit, or whether they intend using funds for this in the future (n = 155)

Next we compared what portfolios individuals were invested in and related this back to their intention to use their funds for a first home deposit. Results are shown in Figure 3. There seems to be some indication that participants may be investing in conservative funds with a view to a first home purchase as we see that, of those who intend to buy a house in the next three years, 26.5 percent are invested in a conservative fund. This is higher than the investment in a conservative funds for those with a longer time horizon for a first home purchase, where a much smaller percentage are invested in a conservative fund (4 percent for those who are expecting to use it for a purchase in the next 3 to 6 years; 9 percent for those who are expecting to use it for a purchase after 6 years). We also observe higher levels of investment in conservative funds for those who report that they do not intend to use their funds for a first home purchase (31 percent). We would expect to see these individuals invested in portfolios that provide higher return potential over the longer term if they are not going to access funds in the short term. However, there are other factors that may lead to investment in conservative funds among this age group, such as individual risk tolerance, but these were not examined in the present study.

<sup>1</sup> The number of participants invested in a conservative portfolio is probably larger than reported as, of the 20% of respondents who did not know what portfolio they were invested in, 60% also told us they had not made an active choice of portfolio and were invested in the default portfolio (a conservative portfolio).

**Figure 3: KiwiSaver Portfolio and Intention to use funds for a first home deposit**



**Notes:** Figure provides overview of the relationship between the portfolios that participants are invested in and their intention to make use of their KiwiSaver funds for a first home deposit. Only those who knew what type of portfolio they were invested in were included in this analysis (n = 125).

### 3.2. Personal Financial Management

This section of report focusses on the results related to the questions that have been repeated from previous interim surveys to provide insights into how personal financial management changes and evolve over time among the study participants. As these questions no longer related to retirement engagement, those without a KiwiSaver or Superannuation account also responded to questions in this section. We started out by asking participants to provide us with some insights into their attitudes with respect to their financial situation and money management skills, results are reported in Table 8.

**Table 8: Financial situation, money skills and financial status**

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE NOR DISAGREE	AGREE	STRONGLY AGREE
I feel in control of my financial situation	1.3% (8.3%)	8.8% (13.3%)	11.9% (16.7%)	58.5% (47.5%)	19.5% (14.2%)
I feel good about my money management skills	1.3% (1.7%)	10.7% (15.8%)	15.1% (9.2%)	49.1% (54.2%)	23.9% (19.2%)
I am satisfied with my current financial status	4.4% (11.7%)	19.5% (31.7%)	17.0% (15.0%)	43.4% (32.5%)	15.7% (9.2%)

**Notes:** Table provides responses to questions measuring financial attitudes (2019: n = 159). Percentages shown in brackets reflect responses from the interim study of 2016 provided for comparison purposes (2016: n = 141)

A large majority of participants felt in control of their financial situation, felt good about their money management skills, and were satisfied with their current financial status. The responses related to feeling in control of their financial situation reflect higher levels of agreement than what was observed when these questions were posed in 2016 (78 percent in 2019 versus 61 percent in 2016). There are comparable levels of agreement in 2019 and 2016 related to the statement regarding money management skills, as in both cases 73 percent of participants agreed or strongly agreed that they felt good about their money management skills. In terms of responses related to satisfaction with current financial situation, we see much higher levels of agreement in 2019 (59 percent) compared to 2016 (42 percent). This is confirmed when we ask participants about their financial situation compared to 12 months ago as reported in Table 9.

**Table 9:** Financial situation today compared to twelve months ago

COMPARED TO TWELVE MONTHS AGO, MY FINANCIAL SITUATION TODAY IS:	2019	2016	2014
A lot better	25.2%	20.8%	13.3%
A bit better	43.4%	38.3%	28.0%
About the same	18.9%	17.5%	24.5%
A bit worse	10.7%	20.0%	28.7%
A lot worse	1.9%	3.3%	5.6%

**Notes:** Table provides responses to the question “Compared to twelve months ago, my financial situation today is:” (n = 159). Results are also reported for studies carried out in 2016 (n = 141) and 2014 (n = 143) to provide comparative figures.

Almost 70 percent of participants indicated their situation was better than a year ago, this is higher than previous years where approximately 60 percent (2016) and 40 percent (2014) reported their financial situation to be better than in the previous year.

We next asked participants what things had occurred in the past year that had impacted on their current financial situation, and results are reported in Table 10. Responses are similar to previous years, with getting a new job being a fairly common factor.

**Table 10:** Factors influencing current financial situation

	2019	2016	2014
I've got a new job	39.6%	40.5%	48.9%
I've relocated to another town	17.0%	16.8%	14.6%
My employer has made changes	13.8%	11.5%	11.0%
Changes in Government policy	3.8%	3.8%	8.0%
The general economic situation in New Zealand	12.0%	10.7%	11.0%
Other	45.3%	40.5%	44.5%

**Notes:** Table provides responses to the question “What things have influenced your financial situation today relative to twelve months ago”, respondents could select multiple options. Results are also reported for studies carried out in 2016 and 2014 to provide comparative figures.

We then asked participants to think about the next twelve months and provide us with their expectations regarding their future financial situation, with the results reported in Table 11. Almost

three quarters of the sample expect their financial situation to improve over the coming year, higher than those who expected a better future financial situation in the studies in 2016 (65 percent) and 2014 (69 percent).

**Table 11:** Expectations of future financial situation

COMPARED TO TODAY, MY FINANCIAL SITUATION IN TWELVE MONTHS WILL	2019	2016	2014
Get a lot better	23.9%	21.8%	24.5%
Get a bit better	50.9%	42.9%	44.8%
Stay about the same	18.9%	27.7%	15.4%
Get a bit worse	5.0%	5.9%	12.6%
Get a lot worse	1.3%	1.7%	2.8%

**Notes:** Table provides responses to the question “Compared to today, my financial situation in twelve months will:” (n = 159). Results are also reported for studies carried out in 2016 (n = 141) and 2014 (n = 143) to provide comparative figures.

The next area we investigated related to money management skills. We first asked participants whether they had taken any steps to improve their money management skills (Table 12), and then for those who had indicated they had taken steps, we asked the participants about what specific actions they had taken in the past twelve months to improve their money management skills (Table 13). There were similar results to those observed in 2016 with 42.8 percent taking action to improve their skills in 2019 (41.7 percent in 2016), however this was up from levels observed in 2014 (29.4 percent).

**Table 12:** Money management skills

IN THE PAST TWELVE MONTHS, HAVE YOU TAKEN ANY STEPS TO IMPROVE YOUR MONEY MANAGEMENT SKILLS	2019	2016	2014
Yes	42.8%	41.7%	29.4%
No, because my money management skills were already very good	17.6%	18.3%	18.2%
No, I didn't think it was necessary	35.2%	34.2%	42.0%
No, I couldn't find anything to help me improve	4.4%	5.8%	10.5%

**Notes:** Table provides responses to the question “In the past twelve months, have you taken any steps to improve your money management skills?” (n = 159). Results are also reported for studies carried out in 2016 (n = 141) and 2014 (n = 143) to provide comparative figures.

When considering what steps had been taken, Table 13 shows that the response levels for most of the categories were similar to those reported in previous years. However, more participants indicated talking about money management with friends compared to previous years, and there was a large increase in the number who reported accessing internet provided information compared to previous years.

**Table 13: Steps taken to improve money management skills**

WHICH OF THE FOLLOWING STEPS DID YOU TAKE	2019	2016	2014
Talked about money management with my parents	50.0%	52.0%	45.2%
Talked about money management with my friends	57.3%	44.0%	40.5%
Attended classes, workshops, and/or seminars on money management	10.3%	4.0%	9.5%
Read books and magazines about money management	33.8%	24.0%	14.3%
Found information about money management through television, radio and/or newspapers	17.7%	16.0%	9.5%
Talked about money management with bank staff	25.0%	32.0%	33.3%
Found information about money management on the internet	66.2%	38.0%	28.6%
Talked about money management with my financial planners, financial advisers or financial counselors	17.7%	12.0%	0.0%
Sought assistance from a budget adviser	0.0%	6.0%	2.4%
Other	16.8%	18.0%	31.0%

**Notes:** Table provides responses to the question related to the steps individuals took to improve their money management skills, multiple categories could be selected. Results are also reported for studies carried out in 2016 and 2014 to provide comparative figures.

We then asked participants which of the sources they consulted was the main source of help. Responses are reported in Table 14 where it can be seen that the main source of help is no longer parents, as was observed in previous surveys, rather participants seem to be relying more on information provided on the internet.

**Table 14: Main source of money management help**

WHAT WAS THE MAIN SOURCE OF HELP FOR YOU	2019	2016	2014
Talked about money management with my parents	20.9%	35.4%	35.7%
Talked about money management with my friends	16.4%	18.8%	19.0%
Attended classes, workshops, and/or seminars on money management	1.5%	2.1%	7.1%
Read books and magazines about money management	11.9%	2.1%	2.4%
Found information about money management through television, radio and/or newspapers	0.0%	0.0%	4.8%
Talked about money management with bank staff	1.5%	4.2%	7.1%
Found information about money management on the internet	31.3%	18.8%	9.5%
Talked about money management with my financial planners, financial advisers or financial counselors	6.0%	4.2%	0.0%
Sought assistance from a budget adviser	0.0%	2.1%	0.0%
Other	10.4%	12.5%	14.3%

**Notes:** Table provides responses to the question regarding the main source of help for improving money management skills for those who reported they had taken action to improve their skills (n = 67). Results are also reported for studies carried out in 2016 (n = 59) and 2014 (n = 42) to provide comparative figures.

In 2019 talking to parents only accounted for just over 20 percent of responses, compared to approximately 35 percent in both 2016 and 2014. Around 30 percent found the internet to be the main source of help compared to just under 20 percent in 2016 and only 9.5 percent in 2014.

We next asked participants whether they had made a major financial decision in the past twelve months and 46 percent reported that they had, compared to 43 percent in 2016 and 36 percent in 2014. As can be seen in Table 15, in line with previous results, changing jobs was a frequently occurring major decision, however we see that in 2019 there was an increase in the number of participants who are acquiring assets such as cars and houses compared to previous years.

**Table 15:** Major financial decision

WHAT WAS THE MAJOR FINANCIAL DECISION THAT YOU MADE?	2019	2016	2014
To give up my job to study	4.1%	13.2%	11.8%
To change jobs	31.5%	28.3%	31.4%
To give up my job to travel overseas	11.0%	15.8%	27.5%
To buy a car	30.1%	19.5%	15.7%
To buy a house	41.1%	22.7%	3.9%
To join KiwiSaver	0.0%	7.5%	7.8%
Other	38.4%	45.9%	54.9%

**Notes:** Table provides responses to the question related to what major financial decision they had made; multiple selections were allowed. Results are also reported for studies carried out in 2016 and 2014 to provide comparative figures.

We asked participants what the main source of advice was for the major financial decision with results reported in Table 16. In previous years the question was asked in a different way and individuals could select multiple advice sources, these responses are given in Table 17 to provide some basic comparisons to what was found in 2019, where only the main advice source was selected.

**Table 16:** Main advice source for major financial decision

WHAT WAS THE MAIN SOURCE OF INFORMATION TO HELP WITH YOUR DECISION	2019
Talked about it with my parents	26.0%
Talked about it with my friends	5.5%
Read books and magazines	1.4%
Found information about it through television, radio and/or newspapers	0.0%
Talked about it with bank staff	8.2%
Found information about it on the internet	19.2%
Talked about money management with my financial planners, financial advisers or financial counselors	9.6%
Other	30.1%

**Notes:** Table provides responses to the question related to what the main source of advice was for the major financial decision they had made. Results are only for those who reported having made a major financial decision (n = 73)

As in previous years, parents remain a key source of advice. Friends seem to be less important as an advice source, but almost 20 percent used the internet for finding advice. An analysis of the “Other” category revealed that 19 percent mentioned getting advice from their spouse or partner, which is perhaps not surprising given that almost 55 percent of the participants are now married or living with a partner.

**Table 17:** Advice sources for major decision in 2016 and 2014

	2016	2014
Talked about it with my parents	58.5%	74.5%
Talked about it with my friends	54.7%	43.1%
Read books and magazines	5.7%	9.8%
Found information about it through television, radio and/or newspapers	9.4%	11.8%
Talked about it with bank staff	11.3%	19.6%
Found information about it on the internet	37.7%	49.0%
Talked about money management with my financial planners, financial advisers or financial counselors	13.2%	5.9%
Other	11.3%	17.6%

**Notes:** Table provides responses to the question regarding the sources of advice for those who reported they had made a major decision as reported in the 2014 and 2016 surveys. Multiple categories could be selected.

#### 4. Discussion of Study Results

The results from the first part of the study give us a number of insights into our participant’s engagement with their KiwiSaver accounts. Almost all our participants have KiwiSaver accounts and we find that participants report high levels of satisfaction with their KiwiSaver providers and trust the investment decisions made by these providers. Participants also generally take an interest in their retirement affairs and do not believe that their retirement will take care of itself. Of those with a KiwiSaver account, 90 percent currently contribute to their account, this is much higher than observed among all KiwiSaver participants, as the FMA reports that 40 percent of KiwiSaver members were not actively contributing in 2019 (FMA, 2019).

This interim report found high levels of engagement for many activities related to KiwiSaver accounts, however very few participants were making additional voluntary contributions, and less than a third have compared the performance of their account or the fees that they pay using the tools that have been provided by the FMA and CFFC. Considering the ongoing work that is being done to make fee disclosures more transparent and given the negative impact of fees on eventual retirement balances, more perhaps needs to be done to encourage KiwiSaver participants to take an active interest in the fees they are being charged.

Looking at retirement savings engagement from a multivariate perspective, this study found that males and those who identified that they personally take an interest in their retirement affairs were more likely to be actively engaged with their retirement account which is in line with findings from other research (Deetlefs et al., 2019). When considering one specific area of retirement engagement behaviour, understanding who remains in the default account and who makes an active choice, the same two factors remain significant. The majority of the participants in this study who remained in

the default portfolio indicated that they did not know what else to choose, while inertia or procrastination appeared to contribute to just over a third still being in the default.

More than half of participants check their retirement savings account balance on a monthly or weekly basis. While it is important for individuals to keep track of their savings, there is a danger that looking at balances on such a frequent basis may have drawbacks. Specifically this behaviour may be concerning in market downturns, as there is a risk that myopic loss aversion, where individuals become very concerned about short term losses on their portfolio, could lead to decisions to move to a more conservative portfolio, which may not be appropriate given the very long time frame for retirement savings (Benartzi & Thaler, 2007).

The majority of participants are invested in growth or aggressive portfolios which aligns with the general assumptions about the ability of younger participants to take greater risk given their long investment time horizon, that is unless they are going to use these funds in the short term for a first home purchase. The ability to use KiwiSaver funds for a first home deposit appears to be an attractive feature for this cohort, and a quarter have already made use of their funds for a home deposit. A further quarter expect to use their funds in the next three years for a home purchase, and among this group we see higher levels of investment in conservative KiwiSaver funds, compared to those who have longer time horizons for the purchase of a first home, or those who have already made use of their funds for a deposit.

When we consider the responses to the repeated survey questions it appears that participants are generally better off financially and more optimistic about their financial future compared to participant reports in prior interim surveys. There appears to be a growing recognition of the need to improve their money management skills, with over 40 percent taking action to improve their skills in the past year. However, unlike in previous years where talking to parents was the main source of help when improving their skills, now finding information on the internet is the main advice source for almost a third of participants. That being said, when looking for information for a major financial decision, a quarter still turn to their parents, with about 20 percent consulting the internet. We also see that spouses and partners are rising in prominence as an advice source, as here again, about 20 percent of participants turned to partners for advice when making a major financial decision.

## **5. Summary**

### **5.1. Conclusion**

The interim study had three main objectives: to maintain contact with the Longitudinal Study participants in the years between scheduled five-year updates, to get an update on participants' financial well-being and behaviour, and in this particular study to explore levels of engagement with retirement savings accounts.

With respect to the first objective a response rate of 55 percent indicates a successful outcome in terms of maintaining contact and engagement with our participants (this response rate is higher than we have had in previous interim studies which is also encouraging).

In the second instance we find that our participants are in general happy with their current financial situation, and optimistic about their future financial situation. We are also able to observe some interesting changes to the advice sources of our cohort as they mature. We find less reliance on parents, with increasing tendencies to turn to spouses and partners for advice on major financial decisions, and an increasing reliance on the internet to develop both money skills and seek advice.

Finally, we find very high levels of engagement with retirement savings accounts amongst our participants. There are indications that in some instances they may be too engaged in terms of frequently checking their retirement savings account balances, but on the whole this engagement is

positive. One area where we see less engagement is in comparing fund performance and fees, this in concerning in light of the detrimental impact that fees can have over time, and this lack of engagement provides some preliminary indications that more needs to be done to engage the general public on this aspect.

## **5.2. Next Steps**

Longitudinal Study updates are 5-yearly with periodic topical updates. The next stage of the main Longitudinal study will occur in 2022, followed by further stages in 2027 and concluding in 2032. Interim reports will continue to be undertaken in the years between these main studies to remain connected with the cohort and query the group on topical issues of concern at the time.

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## Appendix: Longitudinal Study Surveys and Interim Updates

### 2012 Baseline Study:

Stangl, J., & Matthews, C. (2012). How young New Zealanders learn about personal finance: A longitudinal study (p. 19). Fin-Ed Centre Massey University.

Available from:

[www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/Long\\_Study\\_Interim\\_Report\\_Final.pdf](http://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/Long_Study_Interim_Report_Final.pdf)

### 2014 Interim Study:

Stangl, J., & Matthews, C. (2015). How young New Zealanders perceive political & financial wellbeing: a longitudinal study election year update. (p. 15). Fin-Ed Centre Massey University.

Available from:

<https://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/FinEd/documents/LS%20Study%20Update%20-%202014%20-final%2010%20March%202015%20rev2.pdf>

### 2016 Interim Study:

Stangl, J., Matthews, C., & Wilson, B. (2016). Young New Zealanders and retirement planning: a longitudinal study update. (p. 12). Fin-Ed Centre Massey University.

Available from:

<https://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/FinEd/documents/187694%20NZ%20Retirement%20Planning%20Study%20v2a.pdf>

### 2017 Longitudinal Study Second Stage:

Matthews, C., Reyers, M., Stangl, J. & Wood, P. (2019). Young New Zealanders ongoing Personal Finance Journey: A Longitudinal Study – Stage 2. (p. 33) Fin-Ed Centre Massey University.

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