

New Zealand Financial Behaviour Index

Wave Three – November 2012



Introduction and summary (slide one of three)

A key aim of the Commission for Financial Literacy and Retirement Income (the Commission) is to encourage New Zealanders to take action to become financially sorted. Initiatives to do this include the provision of financial education and free, independent, and impartial information and resources to New Zealanders, as well as PR initiatives and multi-media campaigns designed to encourage New Zealanders to take positive financial action.

To this end, the Commission requires research to describe some of the key financial behaviours of New Zealanders, and to track changes in these behaviours at regular intervals. The results of this research will assist the Commission to track progress, set priorities, and develop communication strategies going forward. The findings will sit alongside findings from other research to provide a comprehensive picture of the environment within which New Zealanders make their financial decisions.

Colmar Brunton was commissioned to develop and carry out a New Zealand Financial Behaviour Index to track New Zealanders' financial behaviour at 6 monthly intervals. The first benchmark measure was carried out in November 2011. This report presents the results of the third wave of the research, carried out in November 2012.

Summary of results

Key changes over time

1

Overall, findings this wave suggest that compared to 12 months ago, New Zealanders may be thinking a little more about the longer-term, and trying harder to avoid interest on debt.

- Compared to one year ago, the proportion of respondents saying they earn more than they spend is higher (up from 50% to 54%), and more people have a plan in place to achieve long-term financial goals (up from 27% to 31%).
- Compared to one year ago, more respondents who paid off retail purchase agreements in the previous 12 months say they always did so before the end of the interest free period (up from 85% to 92%).
- Compared to one year ago, a greater proportion of those with personal loans say they have paid back more than required by the lender over the last three months (up from 30% to 39%).

2

Fewer New Zealanders are checking annually that their insurance cover remains right for their situation. We suspect this result may be due to a peak in 2011 following the Christchurch earthquakes.

- Compared to one year ago, fewer people say they have checked that their insurance cover is appropriate for their situation in the last 12 months (down from 57% to 53%).

Introduction and summary (slide two of three)

THINK: PLANNING FOR THE EXPECTED AND UNEXPECTED

- Compared to 12 months ago, more people have a plan in place to achieve long-term financial goals (up from 27% in Nov. 2011 to 31% in Nov. 2012).
- People are more likely to have a short-term financial plan (50%) than mid- (39%) or long-term (31%) plans. Overall, 68% of respondents say they have at least one plan in place (short-, mid-, or long-term).
- The proportion of respondents saying they earn more than they spend is higher relative to the same time in 2011 (up from 50% in Nov. 2011 to 54% in Nov. 2012).
- Most respondents (74%) shop around when making significant purchases. The majority of people shop around for products (87%) and trade services (66%). Fewer people (23%) shop around when they need to make a significant purchase from a health service provider.
- Compared to one year ago, fewer people say they have checked that their insurance cover is appropriate for their situation in the last 12 months (down from 57% in Nov. 2011 to 53% in Nov. 2012). This decrease was expected, because in 2011 some New Zealanders would have been prompted by the Christchurch earthquakes to review their insurance cover.
- Just over two thirds of respondents (68%) say they could access up to three months' worth of their income in an emergency - 40% say they could access this money solely through their own savings and investments.

SHRINK: REDUCING DEBT

- Our May 2012 wave illustrated that the proportion of people who'd had a retail purchase agreement over the previous 12 months had declined to 23% (down from 27% in Nov. 2011). This wave, the proportion of people with retail purchase agreements has remained consistent, at 23%.
- Compared to 12 months ago, more respondents who paid off retail purchase agreements in the previous 12 months say they always did so before the end of the interest free period (up from 85% in Nov. 2011 to 92% in Nov 2012).
- Over the last three months, more than half (61%) of those with a credit card paid off their bill in full each month, and 44% of those with a mortgage paid back more than the amount required by the lender.
- Compared to the same time last year, a greater proportion of those with personal loans say they have paid back more than required by the lender over the last three months (up from 30% in 2011 to 39% in Nov. 2012)
- Nearly three quarters (73%) of those with debt, and who have had more money than expected in the past three months, used that unexpected money to pay back some debt. This is up slightly since last wave (up from 66% in May 2012), but is not significantly different than the same time 12 months ago.
- More than half (58%) of those with more than one debt, and who have had more money than expected in the past three months, used that money to pay off some of their highest interest debt.

GROW: SAVING REGULARLY FOR THE SHORT-TERM AND LONG-TERM

- Most New Zealanders appear to be putting some money aside, at least for the short-term. Nearly three quarters of respondents (71%) say they have put at least some money into savings over the last three months. Fewer than one third of respondents are saving for the mid- (31%) to long-term (22%).
- Nearly two thirds of respondents (61%) say they are investing money somewhere other than KiwiSaver. This includes in a term deposit (32%), in a unit trust or managed fund (18%), in property (19%), in their own business (15%), in shares (18%, up from 14% in Nov. 2011), or in some other way (19%).
- Forty four percent of respondents have contributed to KiwiSaver in the last three months.



Methodology

A total of 1,001 New Zealanders aged 18 years or over were interviewed online from 31 October to 19 November 2012.

Respondents were randomly selected from the Colmar Brunton Fly Buys panel and invited to take part in the survey. Fly Buys holds a consumer database of over 2.2 million New Zealanders, covering 1.1 million New Zealand households. As of November 2012, just over 175,000 Fly Buys members had agreed to take part in Colmar Brunton research in exchange for Fly Buys points. We believe this is New Zealand's largest online research only panel.

The survey is intended to provide an overall picture representative of the New Zealand public. Quotas were applied at the sampling and selection stage, and the final results were weighted to be representative of New Zealand by age, gender, ethnicity, and location. Not all households have internet access in New Zealand (75% of households had internet access in 2009*), and online panels do not include every New Zealand household, so the survey cannot be said to be truly representative of all groups. Having said this, we are confident that the results provide a reasonably good picture of the population and will allow us to see trends and changes over time. Weighted and unweighted respondent profiles can be found in Appendix A.

The maximum sampling error for a simple random sample of 1,000 is +/- 3.1 percentage points at the 95% confidence interval.

*Household use of information and communication technology survey, 2009. Statistics New Zealand



1,001
online
interviews



31 October –
19 November
2012



Average 9.6
minutes per
survey



Weighted by age,
gender, location
and ethnicity

money plan
protect

goal setting

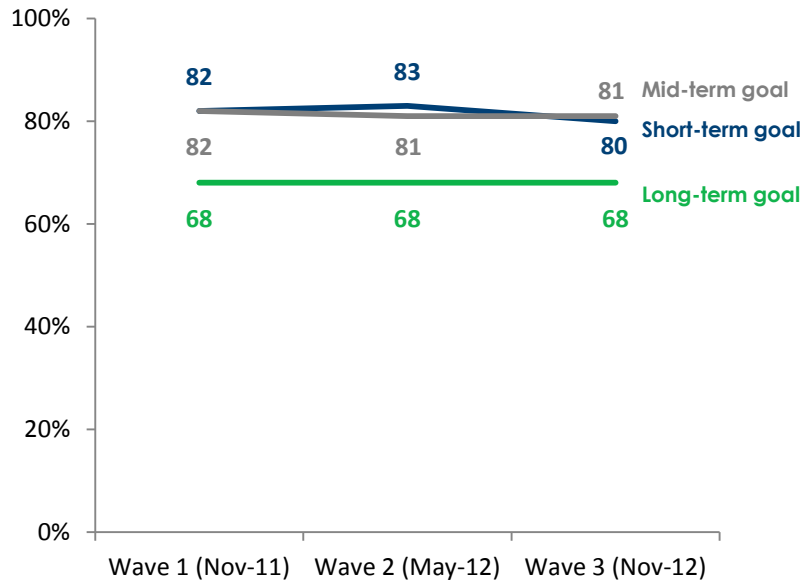
think

Goal setting and planning

Compared to the same time in 2011, more people have a financial plan in place to achieve long term goals (up from 27% to 31%).

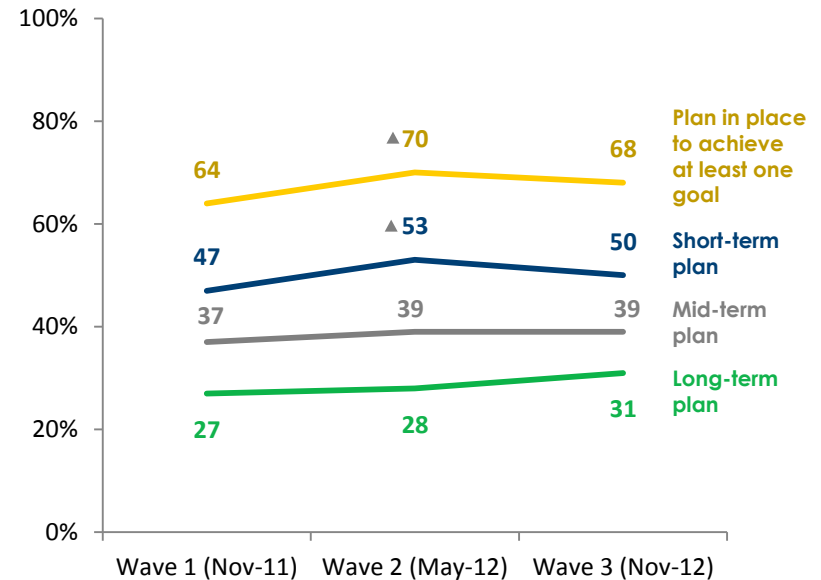
Having a plan in place includes having a goal, working out how much money you need to achieve it, and taking action to build up the money needed to achieve it.

HAS FINANCIAL GOALS



Source: Q1a
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)

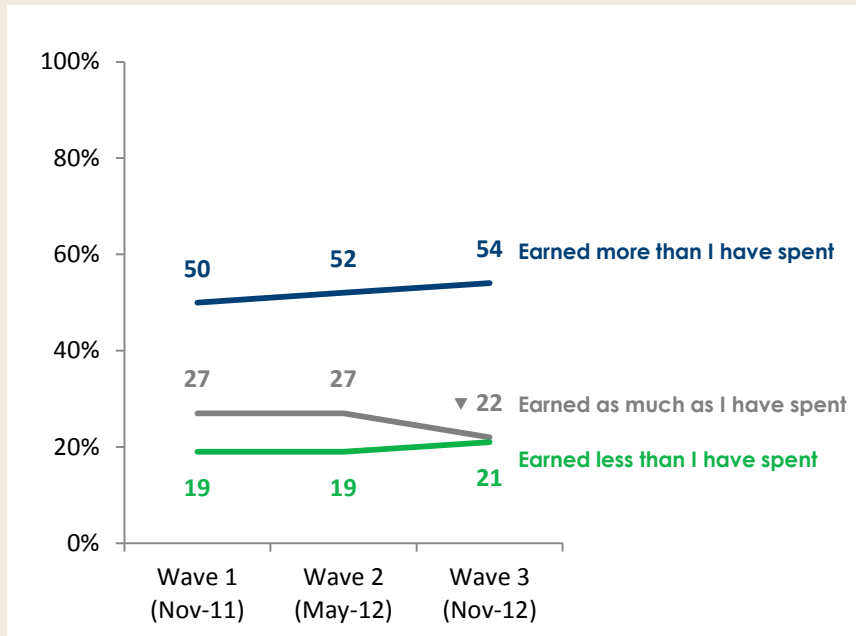
HAS PUT A PLAN IN PLACE



Source: Q1a, Q1f, and Q1g
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)
▲ Statistically significant change since previous wave

Spending versus earning

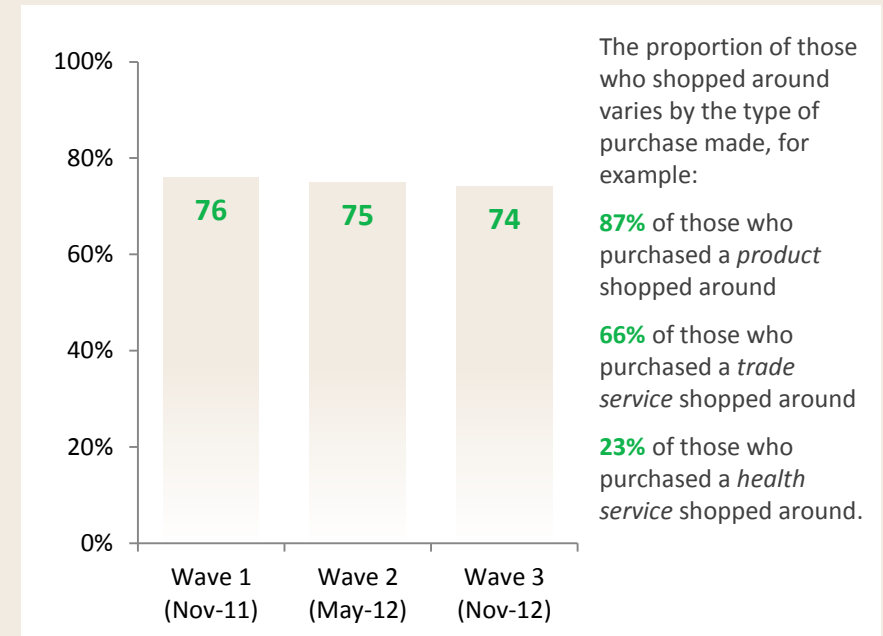
The proportion of people saying they earned **more** than they spent over the past three months is higher than the same time in 2011.*



Source: Q5j
 Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)
 Note: Those who said don't know are not shown
 ♦ Statistically significant change since previous wave

Shopping around

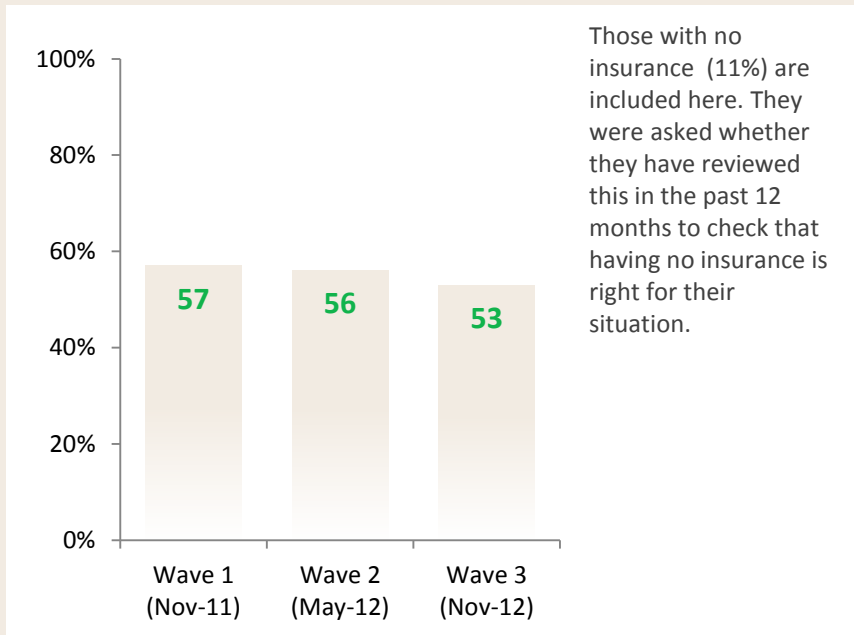
Three quarters of those who have made a significant purchase in the last three months 'shopped around'.



Source: Q2c
 Base: Those who have made a significant purchase in the last three months (n W1=607, W2=543, W3=580)

Annually reviewing insurance cover

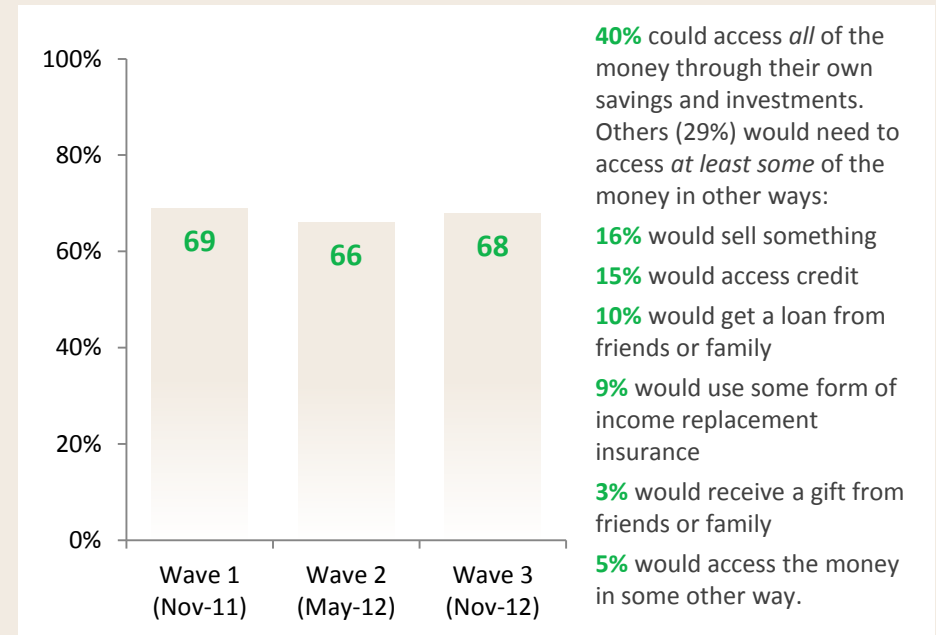
Compared to the same time in 2011, a smaller proportion of people have checked that their insurance **cover** is appropriate for their situation over the last 12 months.*



Source: Q3j and Q3k
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)

Access to an emergency fund

Two thirds of respondents say they could access up to three months' worth of their income in an emergency.



Source: Q3f
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)

*This decrease is significant at the 90% level.

manage
reduce

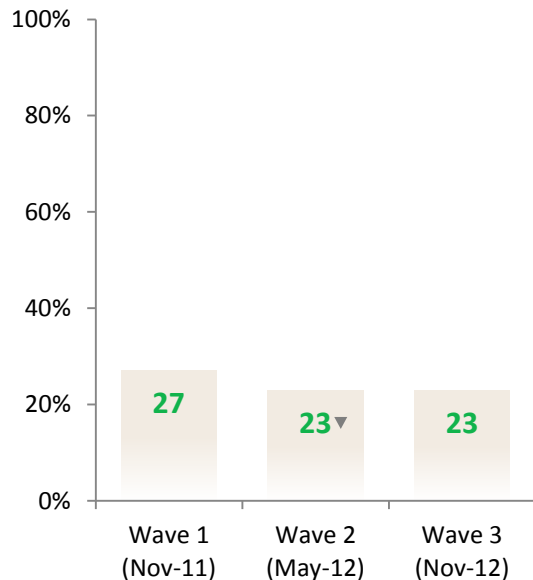
debt

shrink

Retail purchase agreements

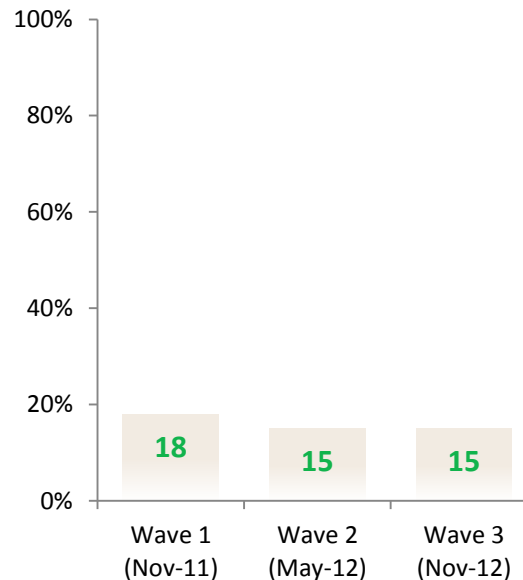
Compared to the same time in 2011, fewer people have had retail purchase agreements over the last year (down from 27% in 2011 to 23% this wave), and more people are paying off their agreements before the end of the interest free period (up from 85% in 2011 to 92% this wave).*

HAD A RETAIL PURCHASE AGREEMENT IN THE LAST YEAR



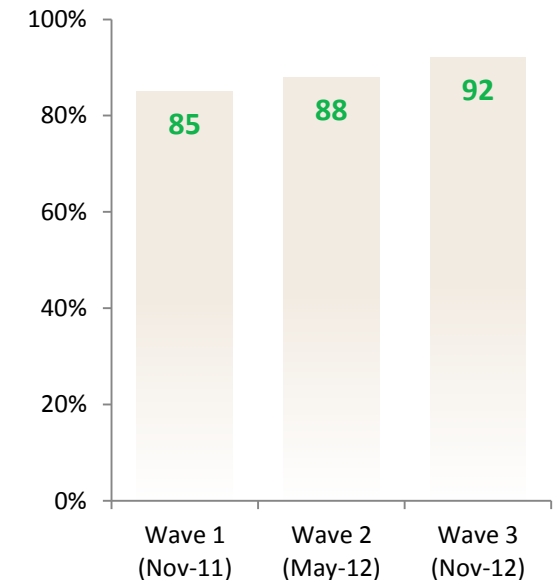
Source: Q4a
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)
◆ Statistically significant change since previous wave

PAID OFF A RETAIL PURCHASE AGREEMENT IN THE LAST YEAR



Source: Q4b
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)

PAID OFF ALL AGREEMENTS BEFORE END OF INTEREST FREE PERIOD



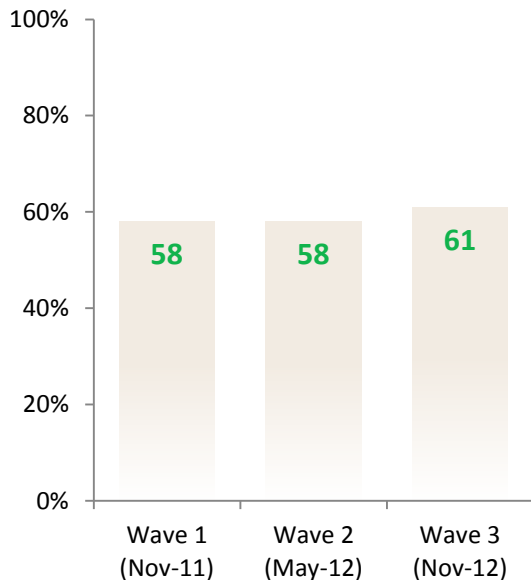
Source: Q4a to Q4f
Base: Those who have paid off agreements with an interest free period (n W1=148, W2=134, W3=117)

*These changes are significant at the 90% level.

Shrinking debt

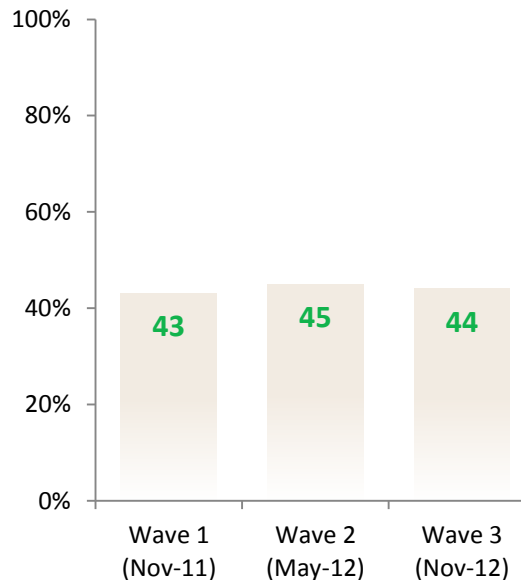
We asked some specific questions to find out how people have paid off credit cards, mortgages, and personal loans over the *last three months*. Compared to the same time last year, a greater proportion of people are paying more of their personal loans than required by the lender (up from 30% in 2011 to 39% this wave).*

PAID OFF THEIR CREDIT CARD BILL(S) IN FULL EACH MONTH



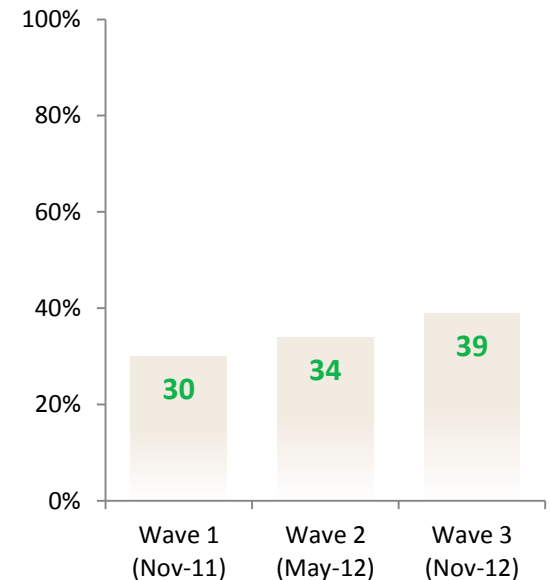
Source: Q3i
Base: Those with one or more credit cards (n W1=815, W2=817, W3=837)

PAID MORE OF THEIR MORTGAGE(S) THAN REQUIRED BY THE LENDER



Source: Q3n
Base: Those with a mortgage (n W1=450, W2=429, W3=438)

PAID MORE OF PERSONAL LOAN(S) THAN REQUIRED BY THE LENDER



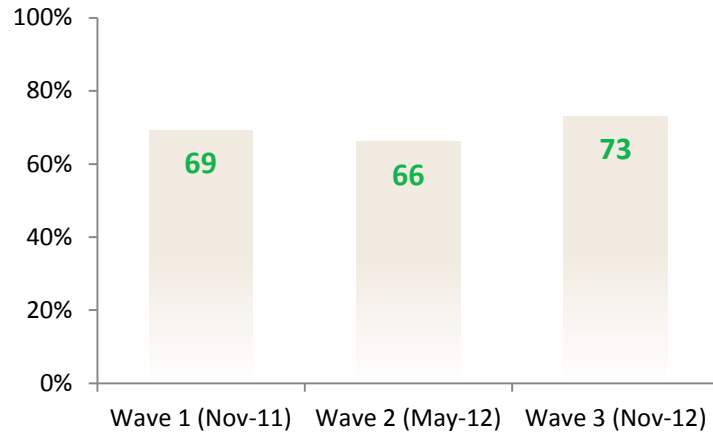
Source: Q3l
Base: Those with a personal loan (n W1=204, W2=195, W3=188)

*These increase is significant at the 90% level.

Using unexpected money

38% of those with at least one debt (excluding a student loan) have had more money than expected at some point in the last three months.

NEARLY THREE QUARTERS USED THAT MONEY TO PAY BACK SOME OF THEIR DEBT (UP FROM 66% IN MAY).*



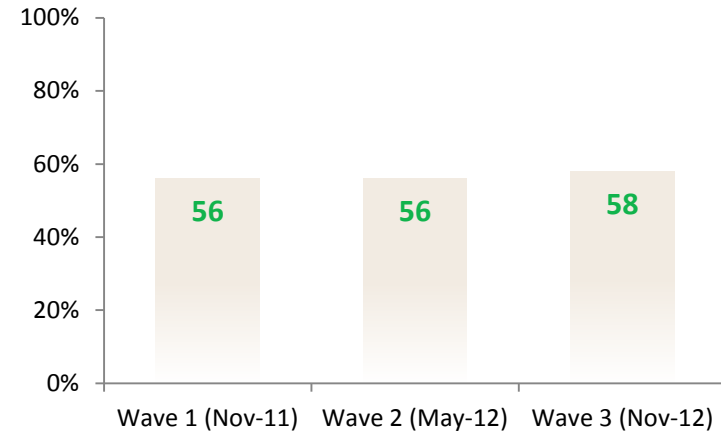
Source: Q5e

Base: Those who have debt and who have had more money than expected at some point in the last three months (n W1=264, W2=262, W3=244)

The remaining 27% did not use the money to pay back debt.

The reasons for not paying off debt were: there was something else to use the money for (59%), there were financial penalties for paying the debt off early (9%), just hadn't thought of it (18%), the lender would be unhappy about it (2%), and other reasons (21%).

MORE THAN HALF OF THOSE WITH MORE THAN ONE DEBT USED THE MONEY TO PAY BACK THEIR HIGHEST INTEREST DEBT



Source: Q5g

Base: Those with more than one debt and who have had more money than expected at some point in the last three months (n W1=199, W2=197, W3=198)

The remaining 42% either did not use the money to pay back any debt (25%), could not recall whether the debt they paid back was the one with the highest interest rate (6%), or chose not to pay the highest interest debt (11%).

*These increase is significant at the 90% level.

grow

saving
future

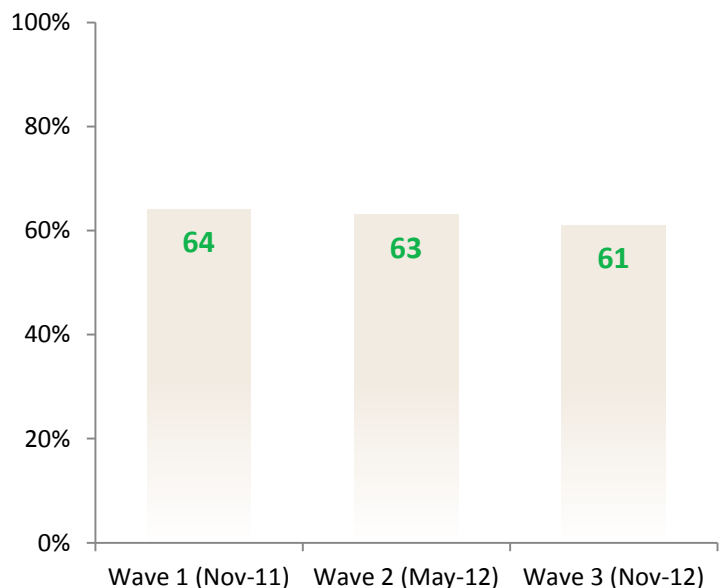
investment



Overall saving and investing

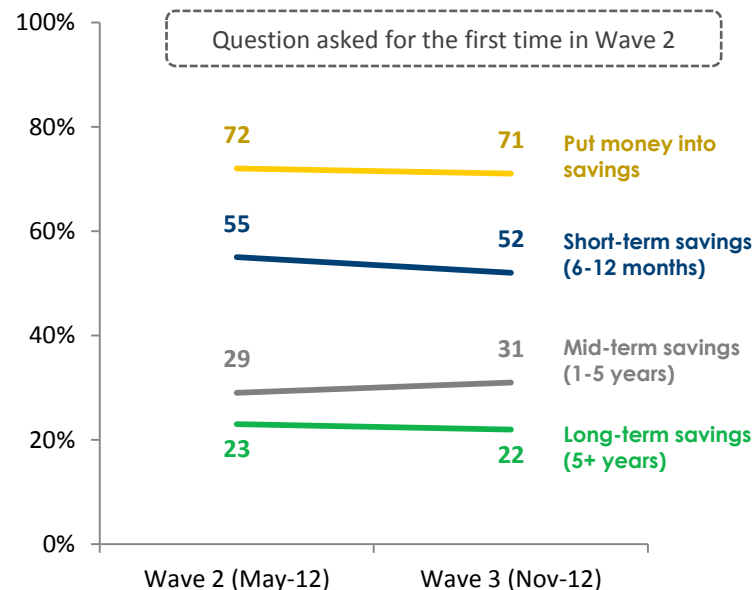
61% of respondents are currently investing money somewhere other than in KiwiSaver. Fewer than one third of respondents are saving for the mid-term or long-term

CURRENTLY INVESTING MONEY SOMEWHERE OTHER THAN IN KIWISAVER



Source: Q3b, Q3d, and Q3e
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)

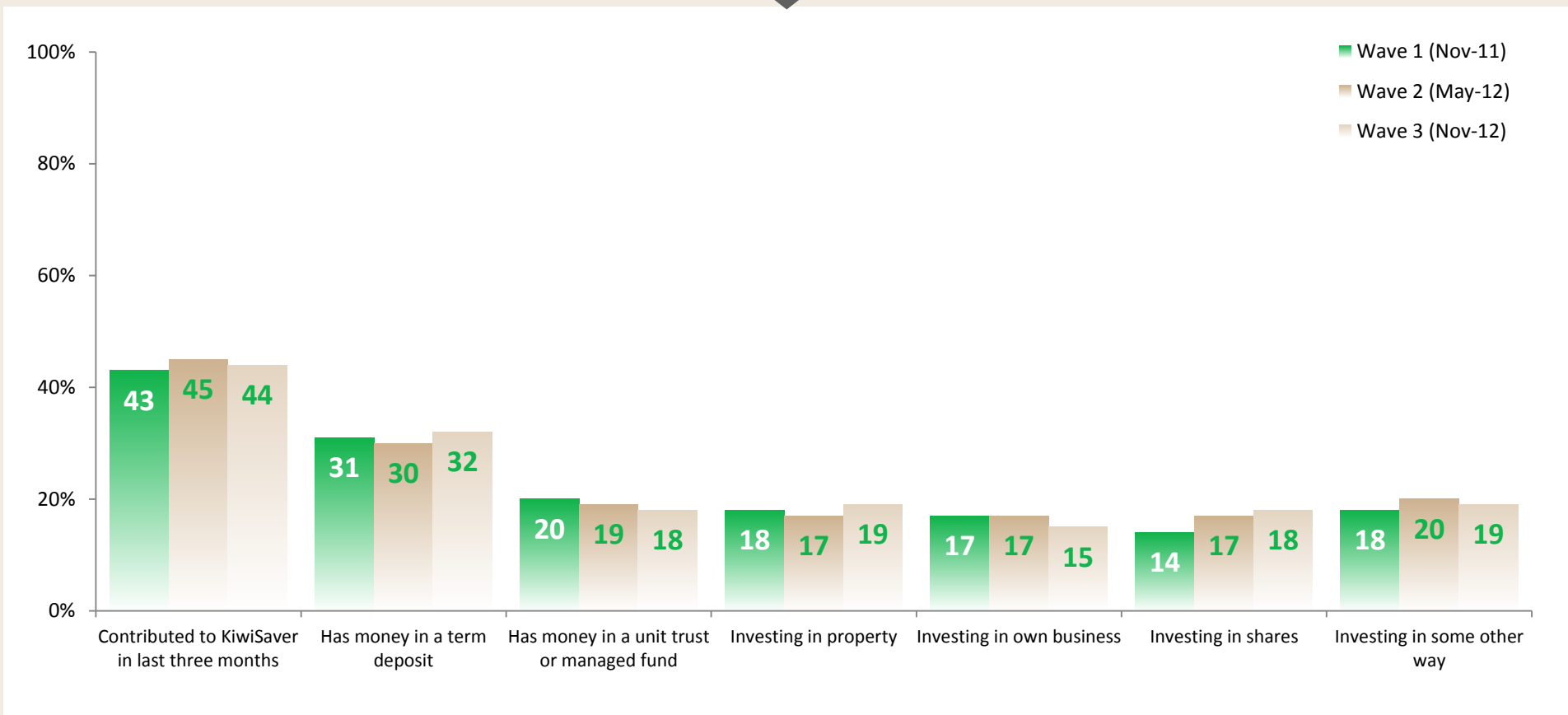
HAS PUT SOME MONEY INTO SHORT- MID- OR LONG-TERM SAVINGS OVER THE LAST THREE MONTHS



Source: Q1h
Base: All respondents (n W2=1,004, W3=1,001)

Types of investments

Compared to this time in 2011, more people are investing in shares (up from 14% to 18%).



Source: Q3c, Q3d, and Q3e
Base: All respondents (n W1=1,001, W2=1,004, W3=1,001)

Appendix: Demographic profiles



Appendix: Demographic profile

	WEIGHTED SAMPLE (n=1,001)	UNWEIGHTED SAMPLE (n=1,001)
Gender		
Male	48%	45%
Female	52%	55%
Age group		
Aged 18 to 34 years	30%	30%
Aged 35 to 49 years	28%	27%
Aged 50 to 64 years	25%	24%
Aged 65 years or over	17%	19%
Ethnicity		
New Zealand European	68%	66%
Māori	13%	11%
Pacific	6%	3%
Asian	9%	14%
Other	15%	15%
Household income		
Up to \$30,000	14%	14%
\$30,000 to \$50,000	13%	13%
\$50,000 to \$70,000	16%	16%
\$70,000 to \$100,000	20%	19%
More than \$100,000	22%	22%