

FSC. FINANCIAL RESILIENCE INDEX

MARCH 2022



Financial Services
Council NZ

In partnership  Trustees Executors

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The Financial Resilience Index is a tracking survey of New Zealanders' views on five key resilience indicators.

The Financial Services Council started tracking the financial confidence and wellbeing of New Zealanders in March 2020, just as Covid-19 was becoming a reality, and has tracked views over the past three years, with the latest 2000 responses gathered in January 2022.

As we continue to work through the pandemic, many in New Zealand are thinking about their families' health and wellbeing through the lens of Covid-19, especially during lockdowns and now as the Omicron wave is hitting the country. This tracking index continues to highlight the changing dynamics as Kiwis continue to adjust in the Covid-19 world.

This year, we asked some additional questions to dig deeper into views about the New Zealand economy, impact of Covid-19 and preparedness for an unexpected event, which revealed that:

- 43% reported being somewhat or very unconfident in the NZ economy.
- 68% reported being concerned about house prices and 65% concerned about interest rates.
- 79% reported being concerned about inflation.
- 40% reported being negatively financially impacted by Covid-19.
- Most employed New Zealanders have less than 6 months' worth of expenses saved, and 2 in 5 would be unable to access \$5,000 if something unexpected were to happen.

We will delve further into these results over the coming year as we continue to focus on the key issues through our Money and You research series.



Rob Flannagan
Independent Chair



Richard Klipin
CEO, FSC

FOREWORD TRUSTEES EXECUTORS

Trustees Executors is delighted to expand on our participation in the Financial Services Council's Research Programme for 2022 through the support of the Financial Resilience Index for the first time.

The results from this latest research highlights that many of us still feel negatively impacted financially by the ongoing pandemic, and have real concerns about inflation, interest rates and house prices.

This should not be surprising. The global and domestic response to protecting economies from the negative impacts of COVID has resulted in a substantial boost to assets. New Zealand property values have now increased by more than 40% and investors in the S&P NZX50 index have enjoyed 34% growth from its low in March 2020.

Inflation worries are not unique to New Zealand and with interest rates increasing to accommodate this, as well as the geopolitical instability caused by events in the Ukraine, means we will have to live in increasing volatile times.

I am also concerned that the disparity in outcomes between those that have purchased assets prior to the boom and those that have been unable to, continues to grow.

Low unemployment is good news for most Kiwis, however the research also shows many of us are still not well prepared for a crisis. With wages growing at half the rate of inflation, and overall household savings lower on previous years, for the less well off, having access to an emergency fund is critical. This requires planning and underlines the importance of boosting medium to long-term savings.

Arguably, there has never been a more important time for Kiwis to be able to access professional and affordable advice. This is our challenge as it is our obligation.



Ryan Bessemer
Chief Executive Officer
Trustees Executors

FINANCIAL RESILIENCE INDEX KEY INDICATORS

86% ▲

FINANCIALLY
CONFIDENT

Financial confidence has increased

There was a 5% increase from 2021 in Kiwis reporting being either reasonably, very or extremely confident in making financial decisions.

43% ▼

FINANCIALLY
PREPARED
FOR
RETIREMENT

Financial preparedness for retirement remains stable

The trend of a lack of preparedness for retirement continues, with a similar number of respondents considering themselves financially prepared for retirement.

86% ▲

FEELING
SECURE IN
THEIR JOBS

Job security continues to rise

More feel reasonably to completely secure in their current employment, and overall, there is a rise in those feeling very and completely secure, likely reflecting the current NZ labour market. However, over 40% reported job security has been reduced because of the impact of Covid-19.

43% ▼

FINANCIALLY
LITERATE

Financial literacy has dropped

We observed a 5% drop in financial literacy when compared to average ratings across the five knowledge areas in previous years.

6% ▼

FEWER KIWIS
HAVE NO
INVESTMENTS

There are more with household investments

Respondents that indicated that they have no investments has dropped again, however all ranges are reported lower in 2022 as close to 25% of respondents declined to answer this question in 2022.

53% ▼

OVERALL
ADVERSE
EFFECT ON
WELLBEING

There is a decrease in financial issues affecting wellbeing

Positively, there was a small 3% drop in the impact of financial issues on overall wellbeing in 2022. However, there continues to be a worrying trend across all wellbeing indicators that financial issues are affecting physical and mental health, relationships, and overall wellbeing, especially in younger generations.



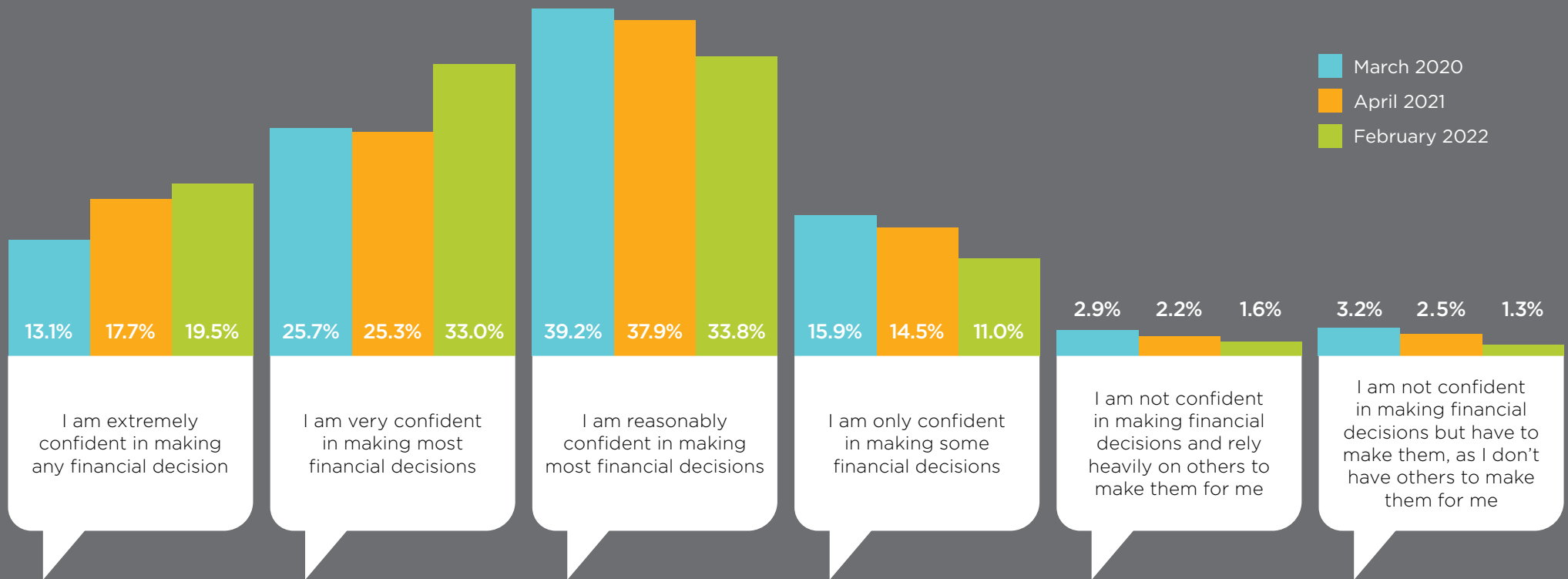
- 
- KEY INDICATOR ① FINANCIAL CONFIDENCE
- KEY INDICATOR ② FINANCIAL LITERACY
- KEY INDICATOR ③ FINANCIAL PREPAREDNESS
- KEY INDICATOR ④ JOB SECURITY
- KEY INDICATOR ⑤ WELLBEING



KEY INDICATOR: FINANCIAL CONFIDENCE

Respondents reported an increase in financial confidence, with more respondents very or extremely confident, and fewer lacking financial confidence in comparison to previous years.

Which of the following statements best describes your confidence in making financial decisions?



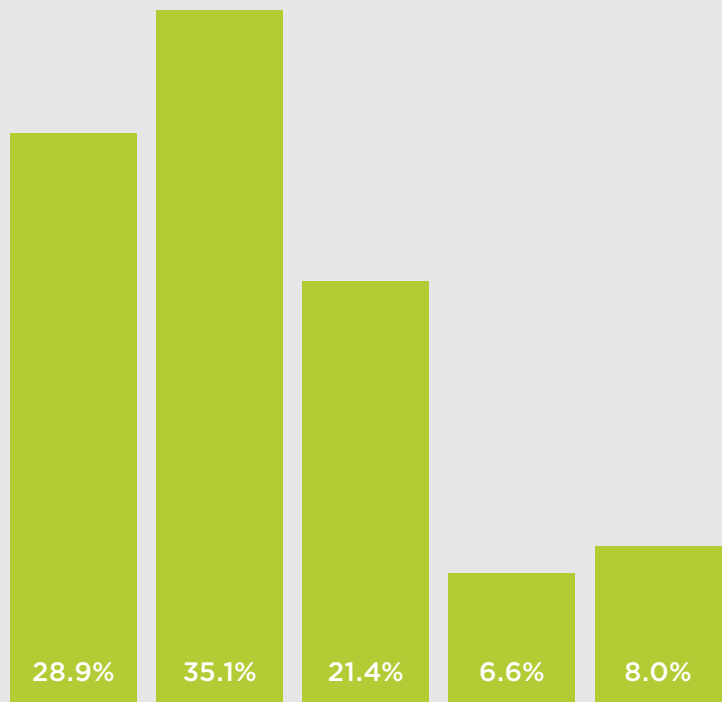
n=2,000



KEY INDICATOR: FINANCIAL CONFIDENCE

However, this contrasts with concerns about the economy, housing market, interest rates and a lack of reported savings to cover expenses should unexpected events happen.

How long could you continue your current lifestyle without earning an income?

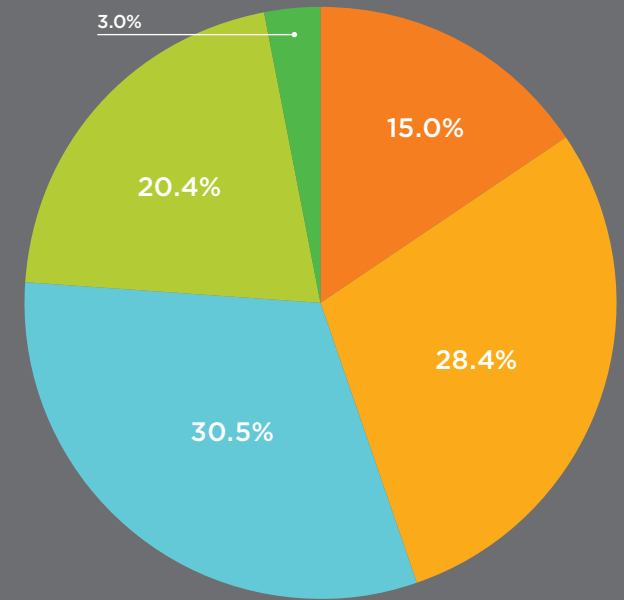


Less than a year 1 to 2 years 3 to 5 years 5 to 10 years More than 10 years

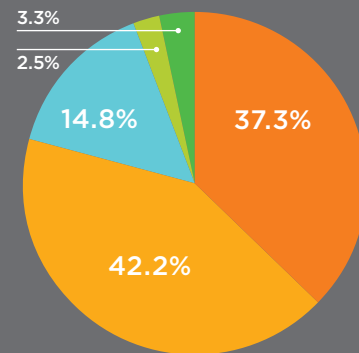
n=1,337

How confident are you with the overall economy at the moment?

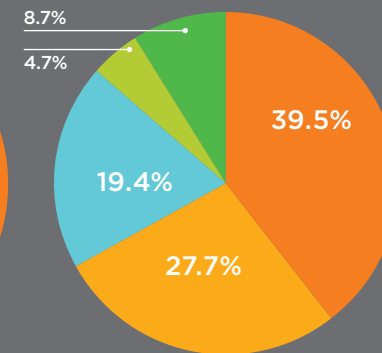
- Very unconfident
- Somewhat unconfident
- Neither confident nor unconfident
- Somewhat confident
- Very confident



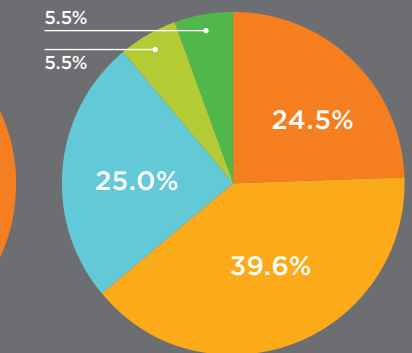
How concerned are you about the following financial issues at the moment?



Inflation



House Prices



Interest

- Very concerned
- Somewhat concerned
- Neither concerned nor unconfident
- Somewhat unconfident
- Not at all concerned

n=2,000

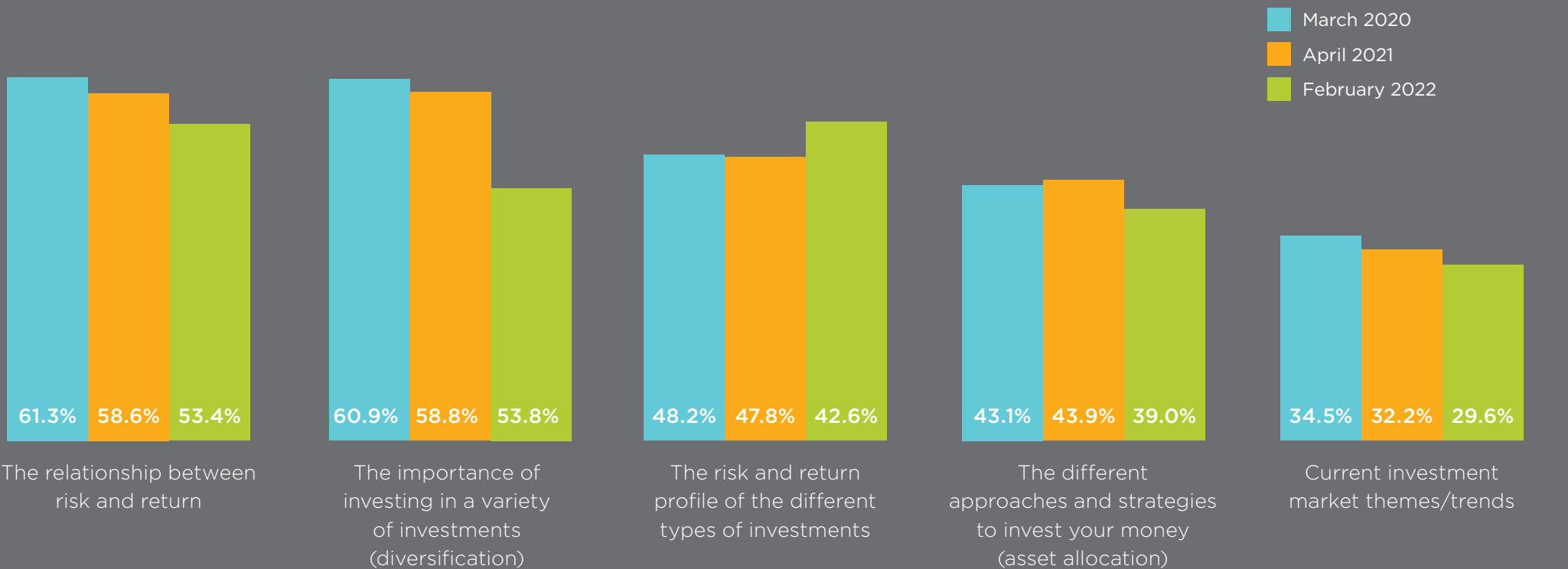


KEY INDICATOR: FINANCIAL LITERACY

There continues to be a drop in respondents' perceptions of their financial literacy across four of our five key financial literacy indicators of between 5 and 8

percent since 2020.. 80% or respondents reported that most of their investments were in KiwiSaver, followed by Cash (including term deposits) and NZ Shares.

How would you rate your understanding of the following?

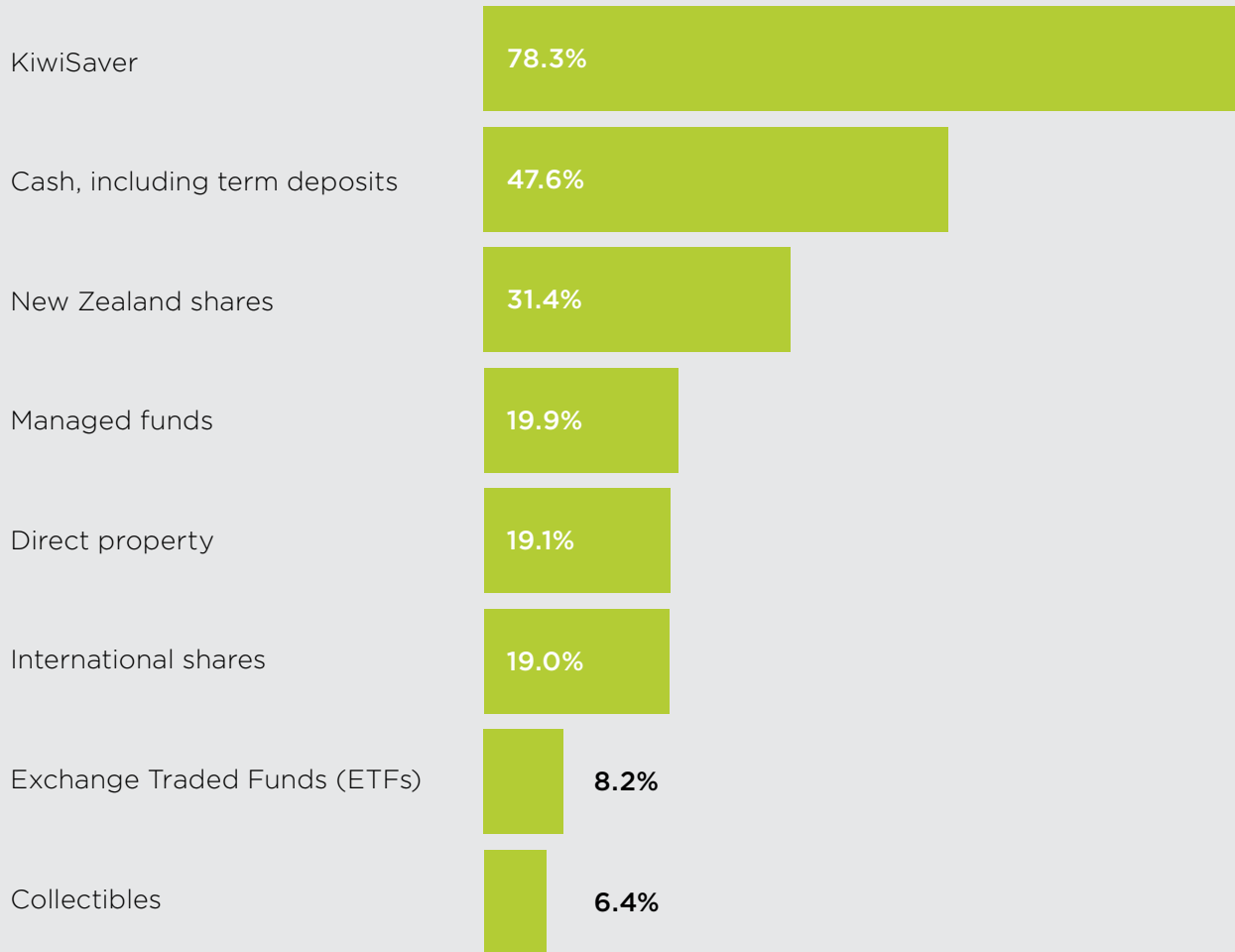


n=2,000

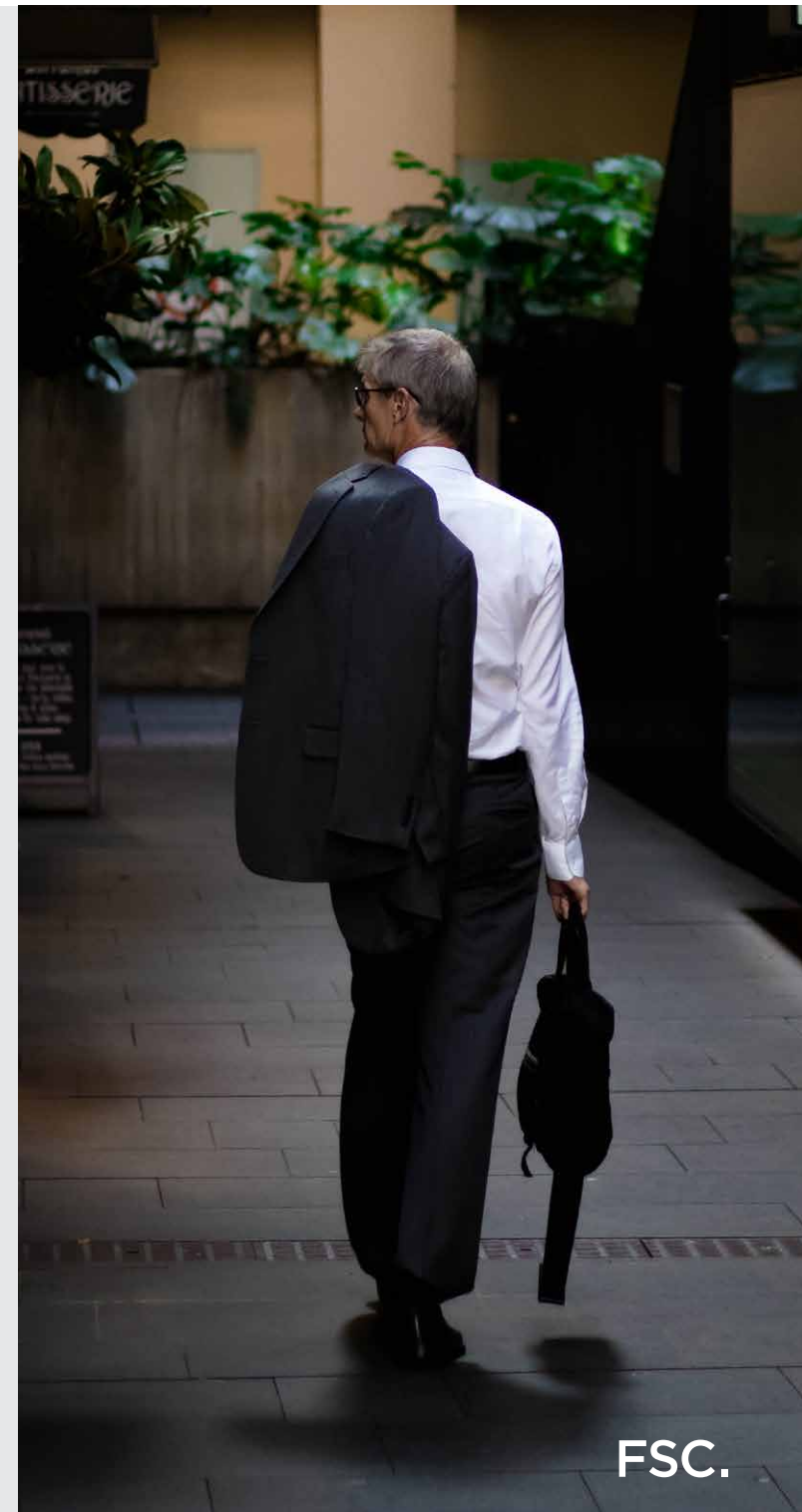


KEY INDICATOR: FINANCIAL LITERACY

Which of the following investments do you currently have?



n=1,601



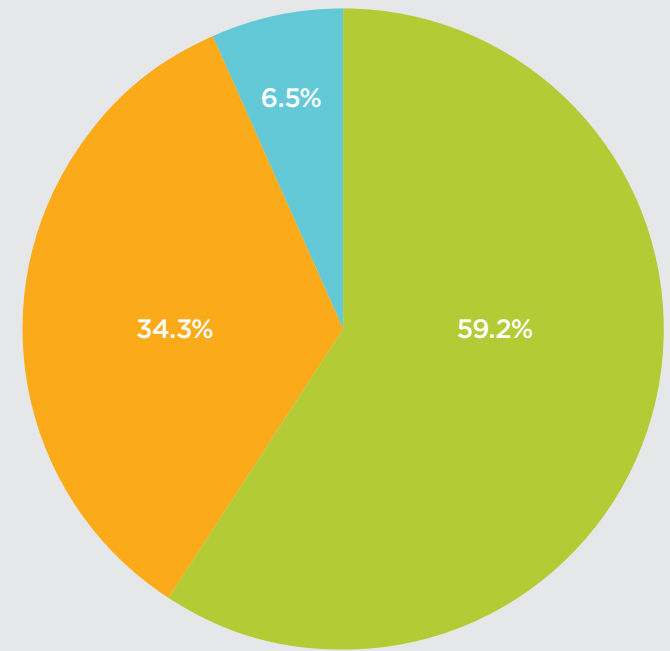


KEY INDICATOR: FINANCIAL PREPAREDNESS

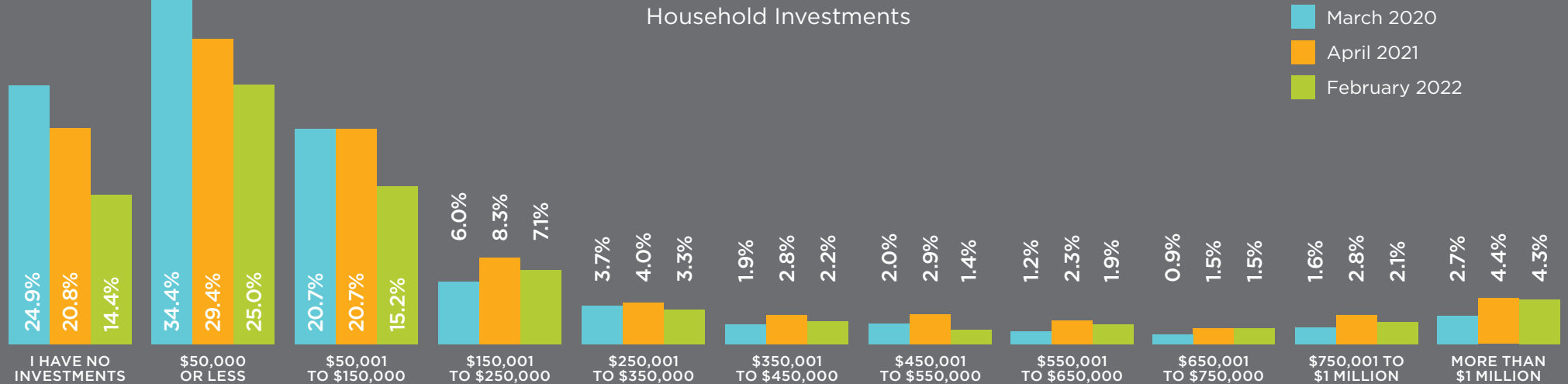
Despite responses indicating that there are fewer households with no investments, overall, all household investment bands are lower than previous years, due to close to a quarter of respondents not answering this question. As we have seen, however, 41% said they didn't have or don't know if they could access \$5,000 in savings within a week to cover an unexpected event, and this reality paints a worrying picture for Kiwis' financial preparedness.

If you had to pay \$5,000 for something unexpectedly, could you access the money within a week (without going into debt)?

- Yes
- No
- Don't know



Household Investments



n=2,000



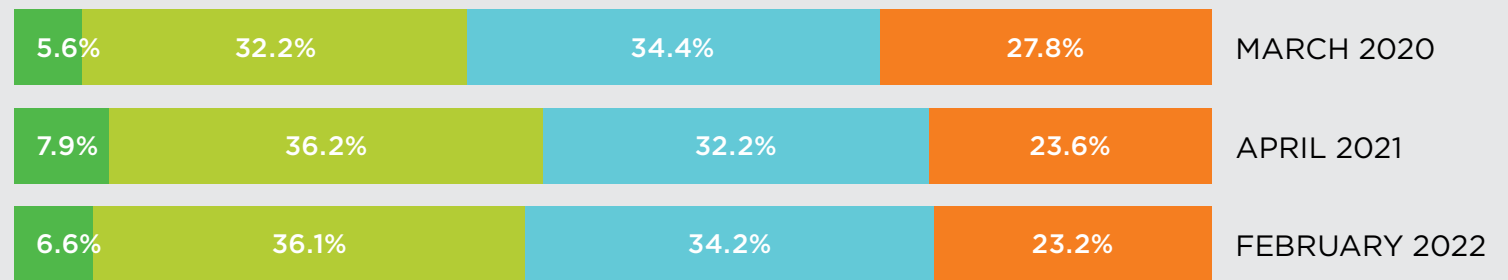
KEY INDICATOR: FINANCIAL PREPAREDNESS

Looking at financial preparedness for retirement, the 2022 survey remains broadly consistent with previous years and shows close to 60% of respondents either not particularly or not prepared at all for retirement.

This is supported by retirees' response to how long they could survive on retirement savings, showing that half of respondents said that they could only last for less than 10 years on current balances.

How financially prepared do you feel you are for retirement?

- Very prepared
- Reasonably prepared
- Not particularly prepared
- Not prepared at all



How long could you maintain your lifestyle with your remaining retirement savings?



n=366, Retired

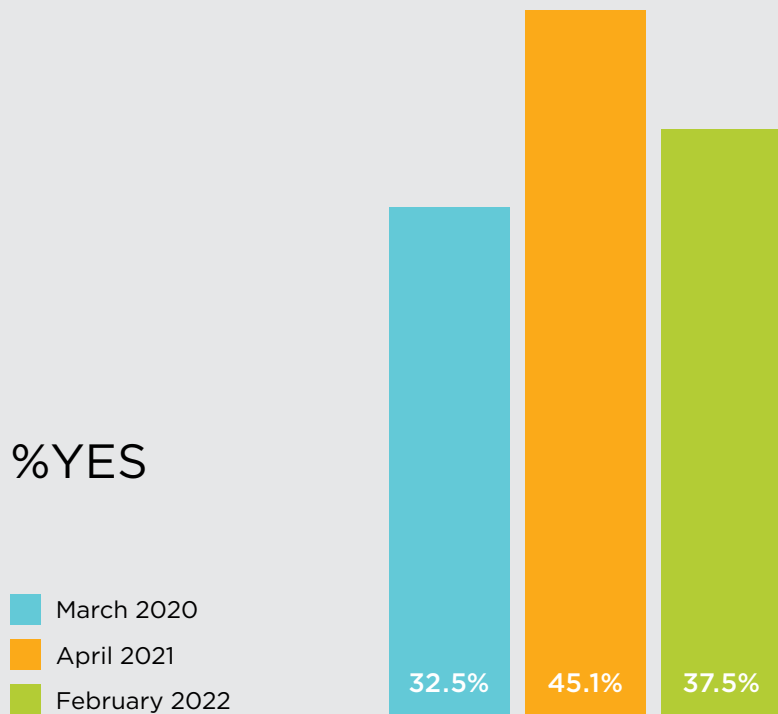
n=1,634



KEY INDICATOR: JOB SECURITY

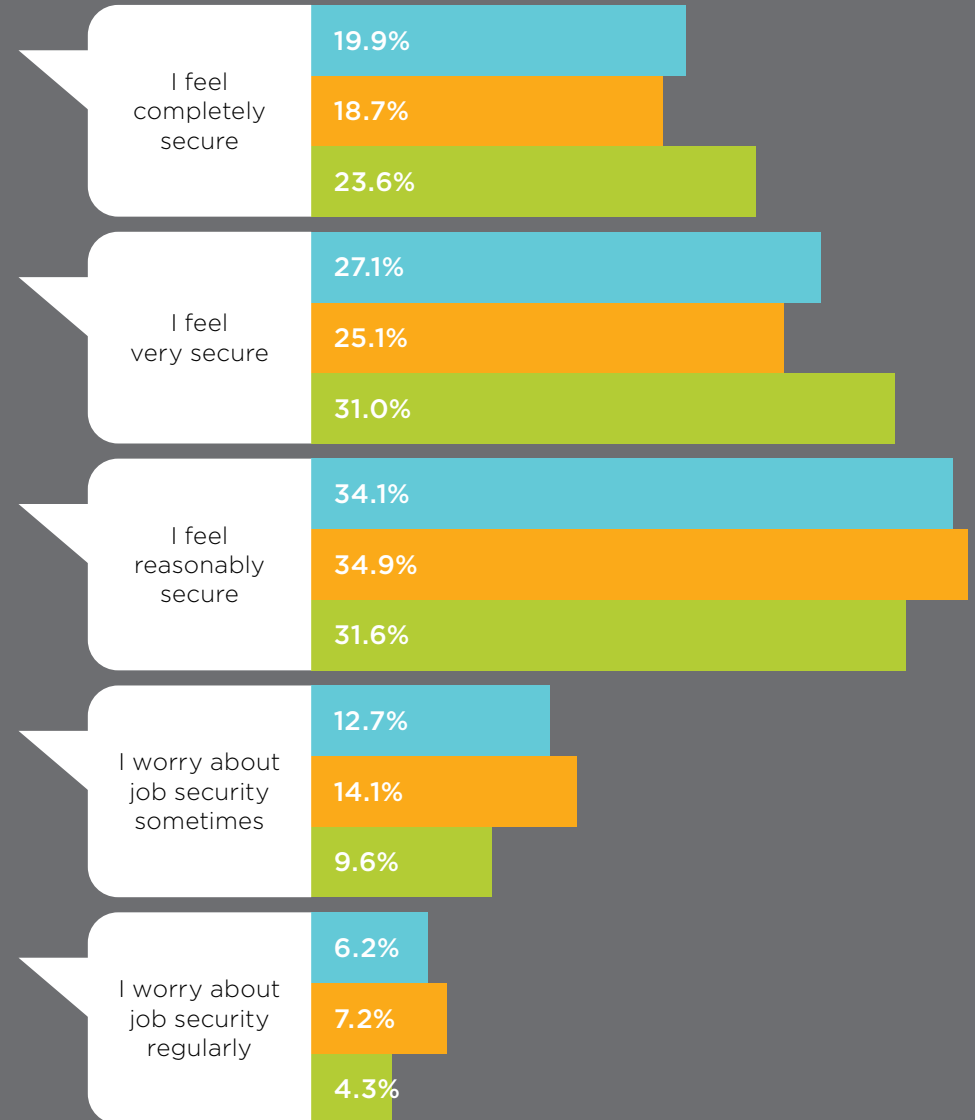
In comparison to previous years, job security has strengthened in 2022, with more respondents being fully, very or reasonably secure. However there are still a number that continue to worry. 38% of respondents reported that the COVID-19 pandemic has somewhat or substantially reduced job security.

Have global events (e.g. Coronavirus outbreak) impacted how much job security you feel in your current employment?



n=1,337

How much job security do you feel in your current employment?

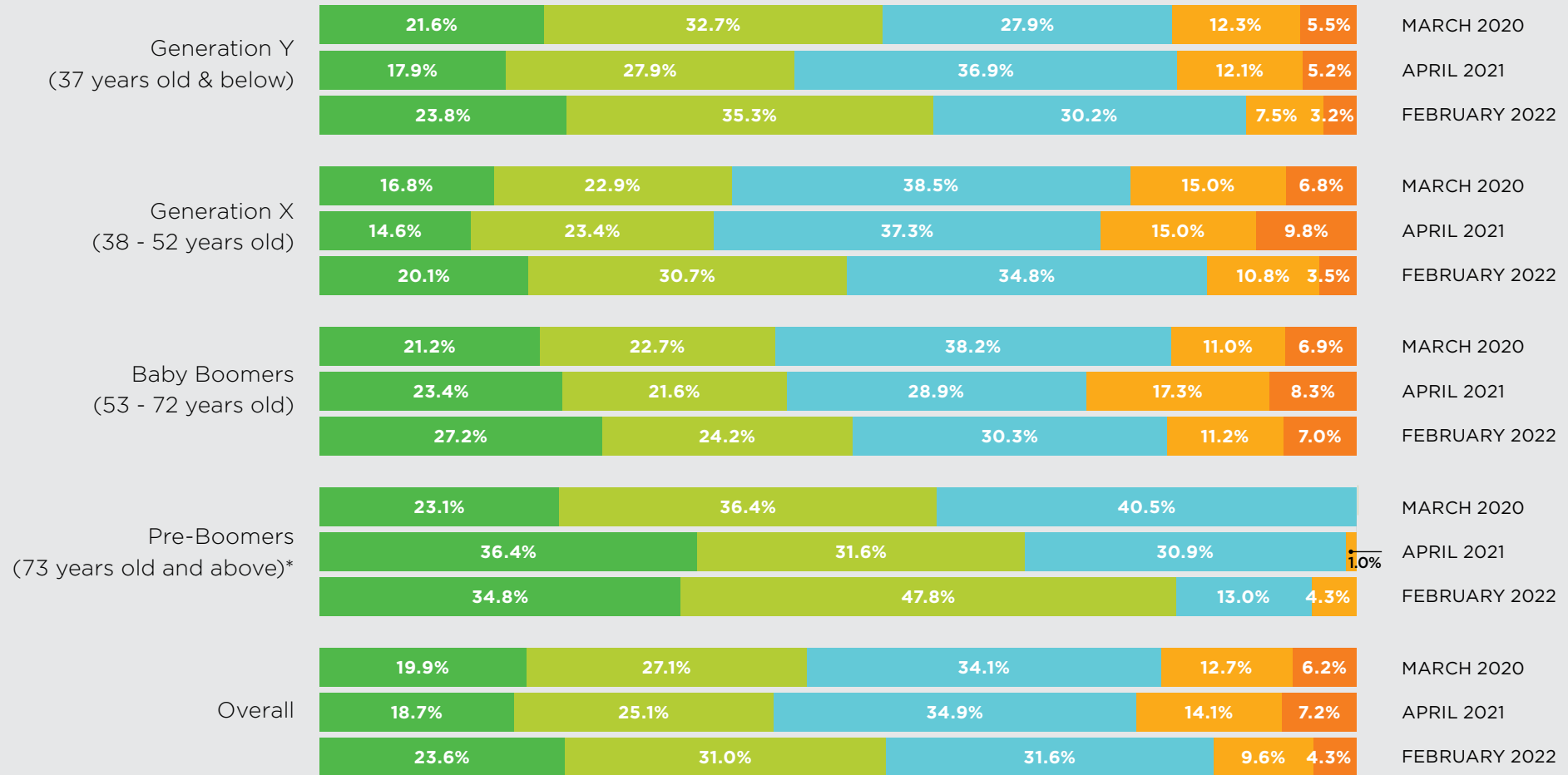


n=1,337



KEY INDICATOR: JOB SECURITY (DEMOGRAPHICS)

Overall, worry about job security has reduced across all age groupings compared to last year, with older generations generally feeling more secure than younger ones.



* Small sample
n=1,337

■ Fully secure
 ■ Very secure
 ■ Reasonably secure
 ■ Worry sometimes
 ■ Worry always

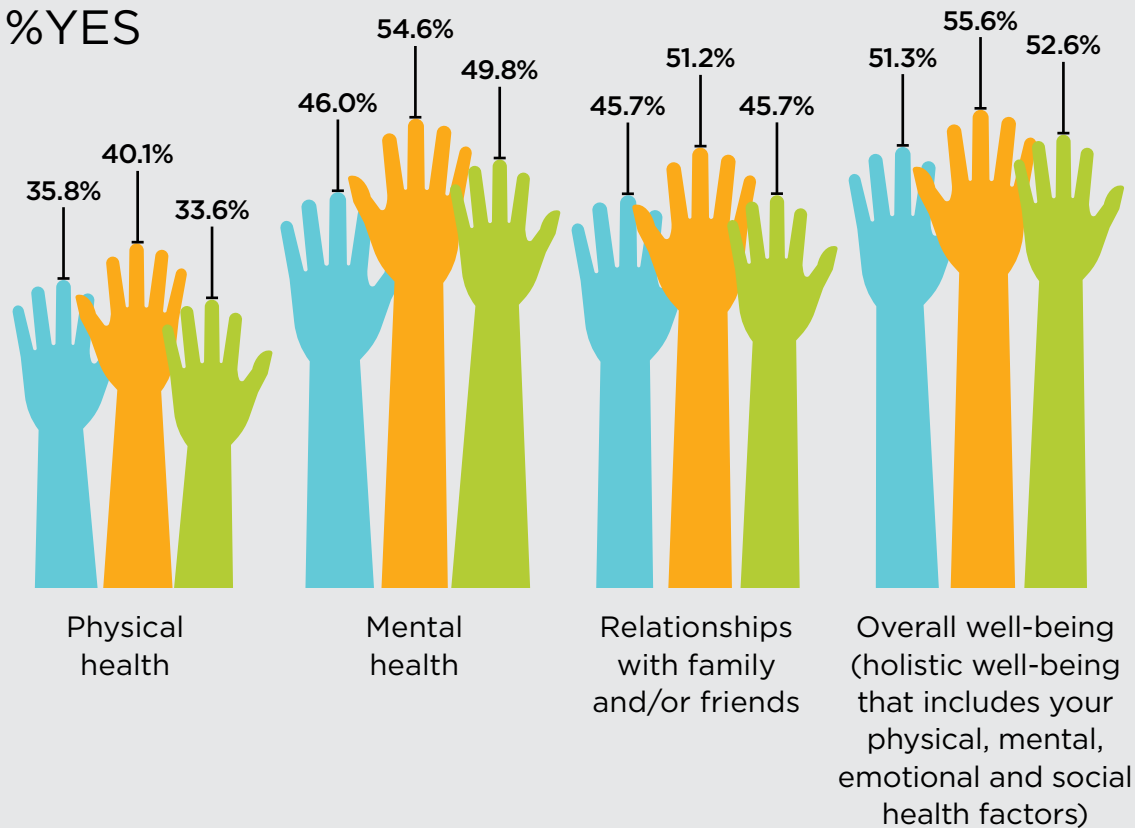


KEY INDICATOR: WELLBEING

There are fewer respondents worrying about money on a daily basis compared to previous years, as the effect of financial issues on all wellbeing dimensions is returning to pre-covid levels.

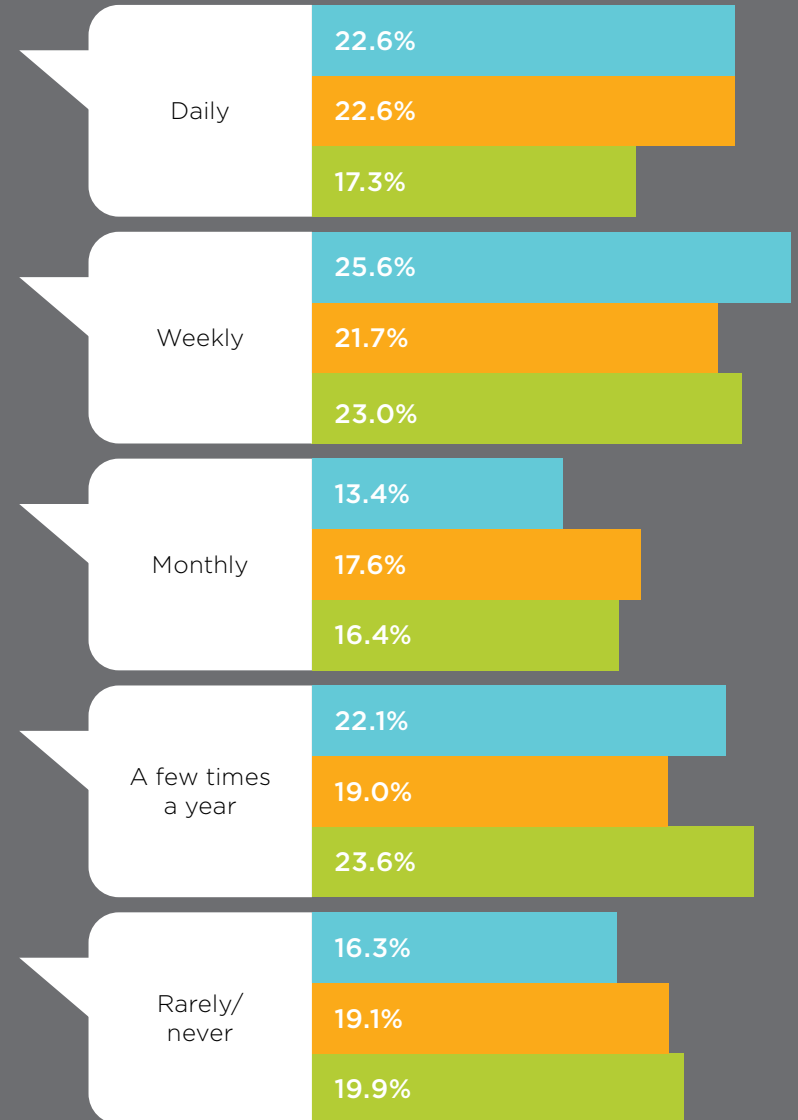
Have financial issues ever adversely affected your ...?

%YES



March 2020 April 2021 February 2022
n=2,000

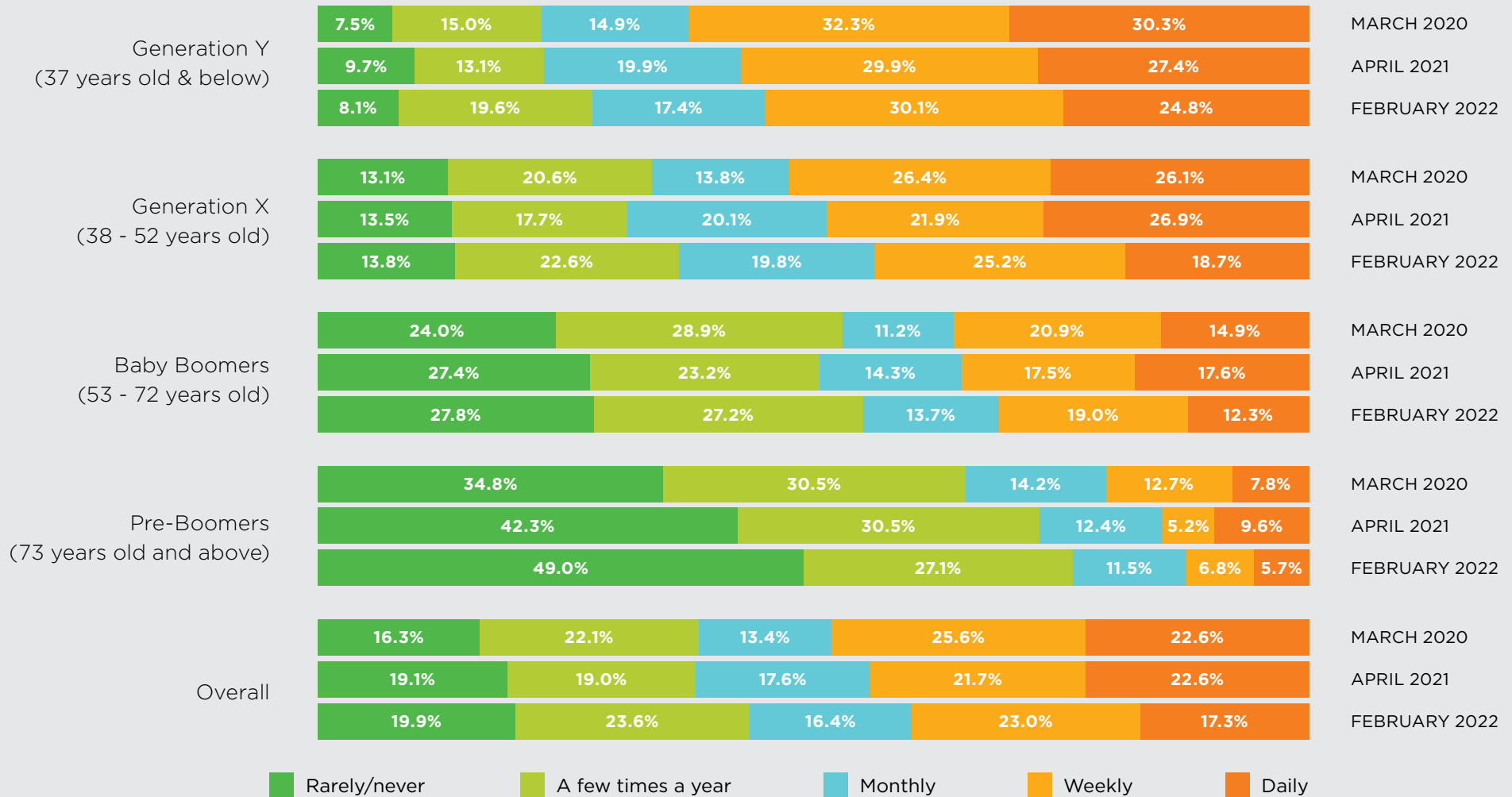
How often do you worry about money?





KEY INDICATOR: WELLBEING (DEMOGRAPHICS)

Generation Y are most likely to have had their mental or physical health, as well as relationships with family or friends affected by financial issues. Frequency of worry increases in younger generations, despite an overall drop in comparison to previous years.



n=2,000

ABOUT THE FINANCIAL SERVICES COUNCIL

As the voice of the sector, the Financial Services Council is a non-profit member organisation with a vision to grow the financial confidence and wellbeing of New Zealanders. FSC members commit to delivering strong consumer outcomes from a professional and sustainable financial services sector. Our 102 members manage funds of more than \$95bn and pay out claims of \$2.8bn per year (life and health insurance). Members include the major insurers in life, health, disability and income insurance, fund managers, KiwiSaver and workplace savings schemes (including restricted schemes), professional service providers, and technology providers to the financial services sector.

Find out more at fsc.org.nz

RESEARCH METHODOLOGY

The research was conducted via an online survey developed and hosted by CoreData.

2020 data was collected between 12 March and 20 March 2020. A total of 2,000 valid complete responses were collected.

2021 data was collected between 15 April and 26 April 2021. A total of 2,035 valid complete responses were collected in April 2021.

2022 data was collected between 25 January and 31 January 2022. A total of 2,000 valid complete responses were collected in January 2022.

All samples are representative of the New Zealand consumer population in terms of age, gender and income based on the latest Stats NZ data. The data collected forms the basis of this report.

Financial Services Council NZ



Grow the financial
confidence and wellbeing
of New Zealanders

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