

Financial **Services** Council.

FINANCIAL RESILIENCE INDEX

MARCH | APRIL 2020





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The Financial Resilience Index is a tracking survey of New Zealanders' views on five key financial resilience indicators. The Index was carried out by CoreData and was commissioned by the Financial Services Council to understand how financially resilient Kiwis are and how that resilience has changed in these unprecedented times.

The five indicators of the index explore financial confidence, literacy and preparedness, job security and wellbeing. This edition of the Financial Resilience Index compares responses in March 2020, just as Covid-19 was becoming a reality to New Zealanders, with responses at the end of April 2020 as the New Zealand Alert Level began to drop.

The responses show that Covid-19 has impacted Kiwis' financial resilience across the board, but with a particularly acute hit to job security, money worries, and mental wellbeing. By late April, 50% of respondents felt that Covid-19 was impacting job security, a jump of almost 10% since March. In addition, over 40% now worrying about money on an at least weekly basis, taking a major toll on our mental health.

We also saw COVID-19 change the way Kiwis invest, with the number of Kiwis looking for low-risk investments jumping by around 20% from March to April, reflecting respondents' reduced confidence in making financial decisions.

Overall, and most worrying, is the impact on mental health. Over half of respondents said that they had their mental health affected at least once or twice by money matters.

The index identifies that financial resilience effects all age groups and provides a stark reminder of the challenging outlook for many Kiwis when it comes to preparation for retirement. Even before COVID-19 hitting New Zealand over 50% of respondents did not feel on track for the retirement they would be happy with, and expected to have carry on working past the NZ superannuation age given open interpretation of 'retirement'.

The picture being painted by this index is one of a relationship between money and wellbeing which has only been amplified during these difficult times. The sector has adapted to these issues in support of New Zealanders as we all navigate this crisis. By continuing to track these indicators over time, the results will allow us to adapt and support consumers as we head to a more normal footing.

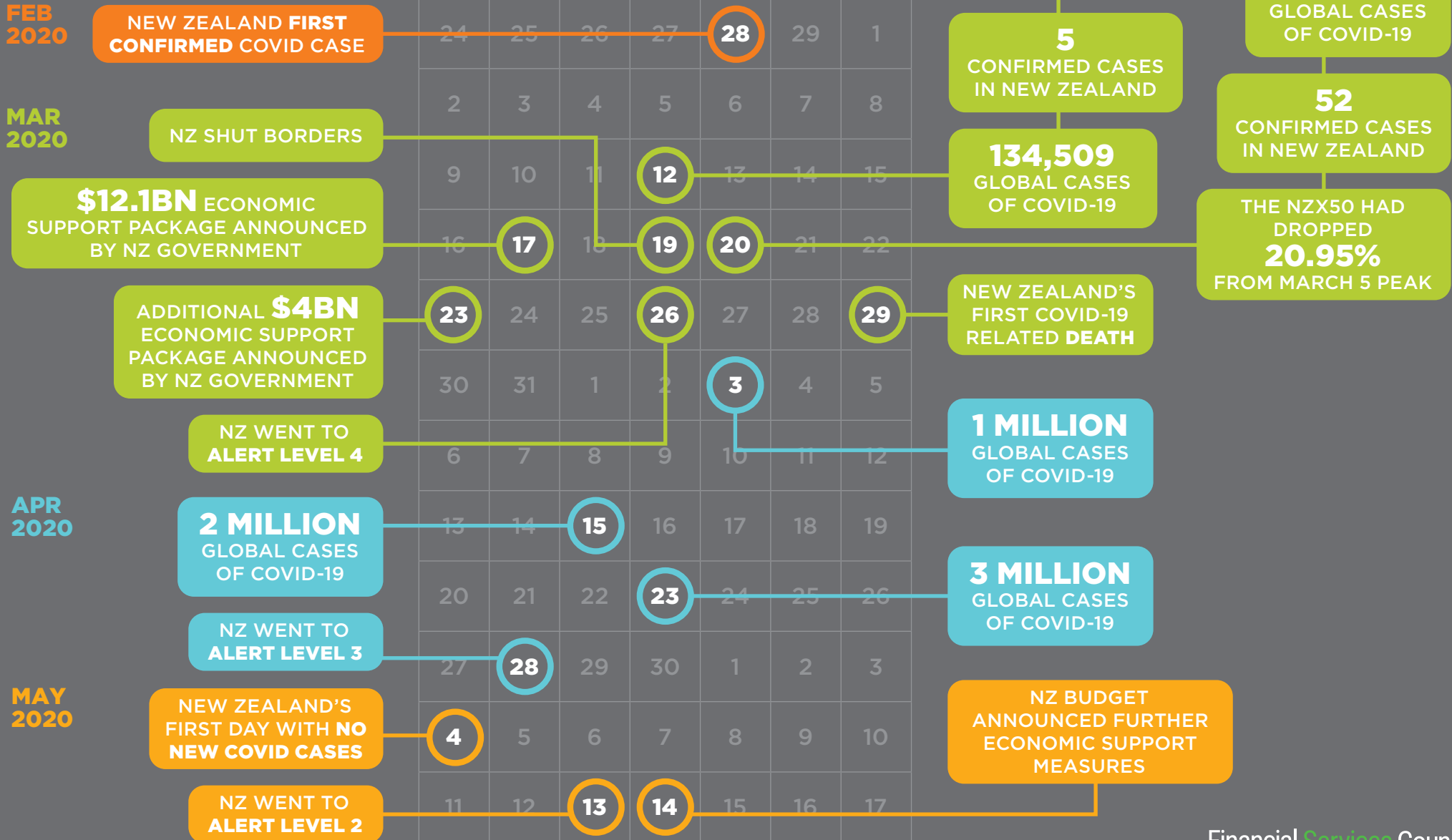


Rob Flannagan
Chairman, FSC



Richard Klipin
CEO, FSC

RESEARCH IN THE SHADOW OF COVID-19



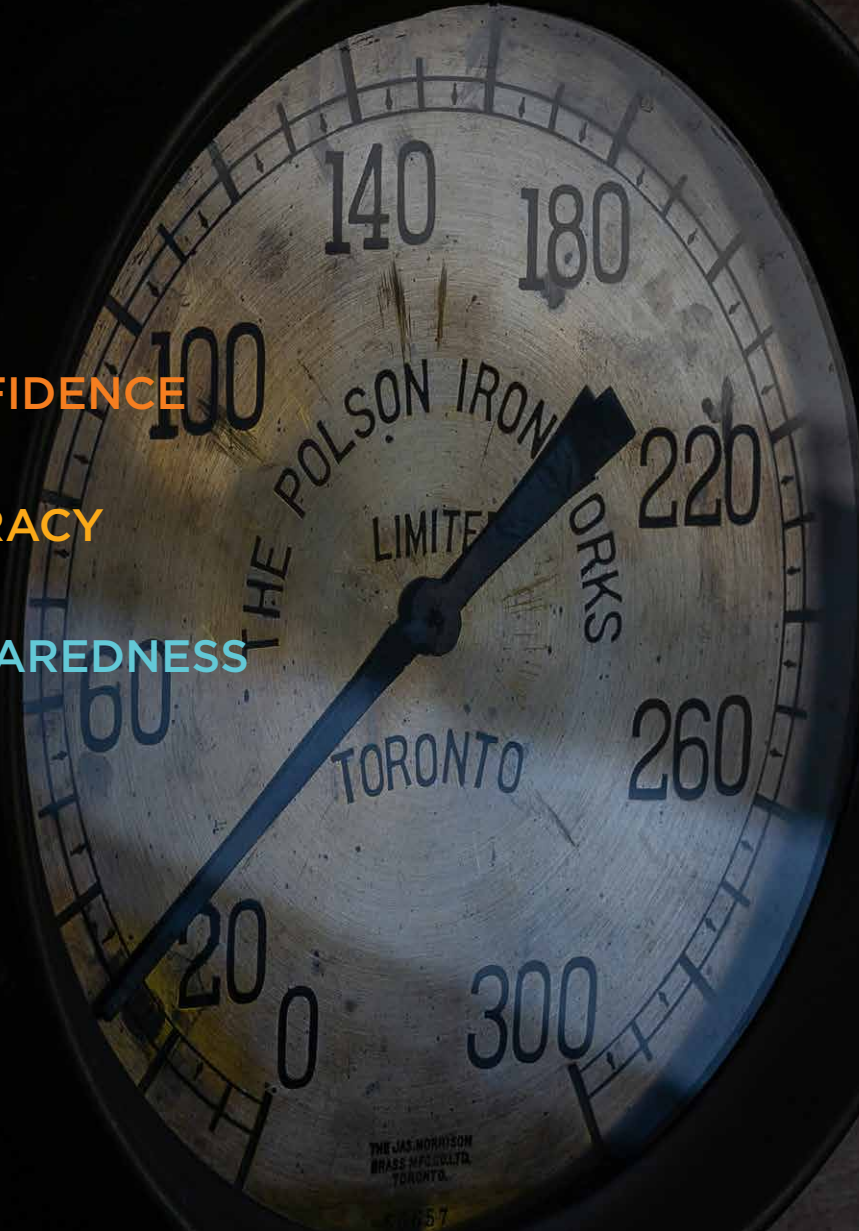
KEY INDICATOR **1** FINANCIAL CONFIDENCE

KEY INDICATOR **2** FINANCIAL LITERACY

KEY INDICATOR **3** FINANCIAL PREPAREDNESS

KEY INDICATOR **4** JOB SECURITY

KEY INDICATOR **5** WELLBEING

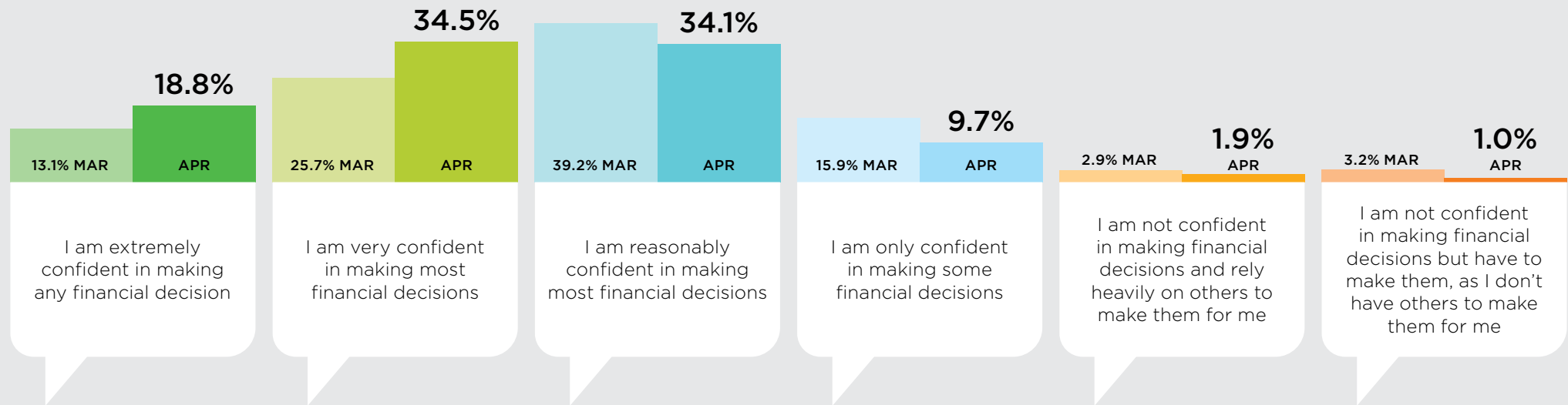




KEY INDICATOR: FINANCIAL CONFIDENCE

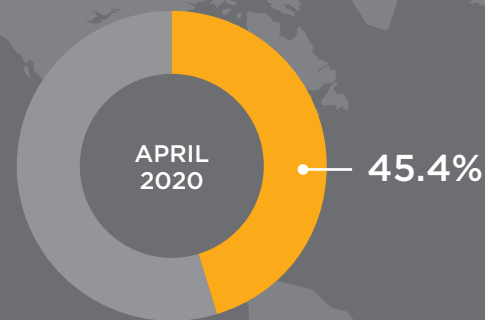
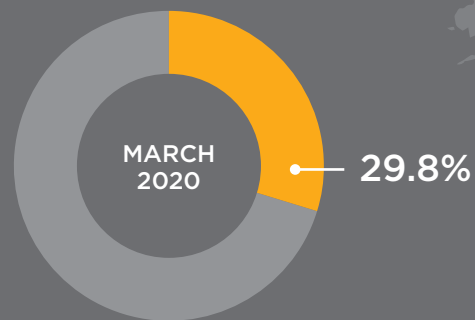
THE PANDEMIC HAS HAD AN IMPACT, BUT KIWIS REMAIN FINANCIALLY CONFIDENT

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



Have global events (e.g. Coronavirus outbreak) impacted your confidence in making financial decisions?

Yes

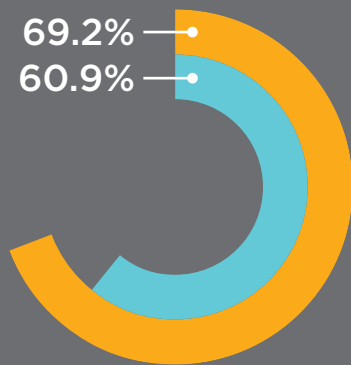




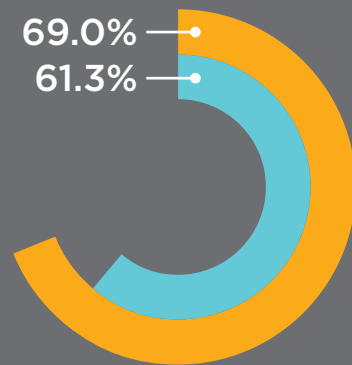
KEY INDICATOR: FINANCIAL LITERACY

THERE IS EVIDENCE OF IMPROVED FINANCIAL LITERACY IN TERMS OF UNDERSTANDING OF INVESTMENT CONCEPTS, ALTHOUGH IT IS STILL LOW IN SOME AREAS

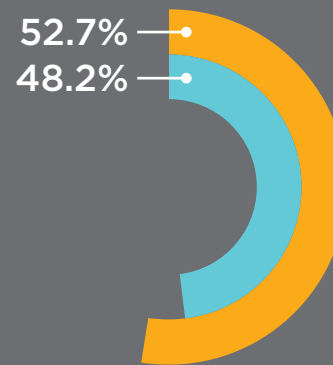
How would you rate your understanding of the following?



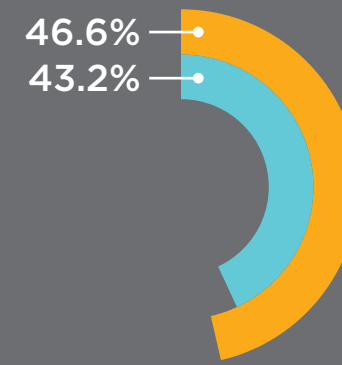
The relationship between risk and return



The importance of investing in a variety of investments (diversification)



Current investment market themes/trends



The risk of return profile of the different types of investments



The different approaches and strategies to invest your money (asset allocation)

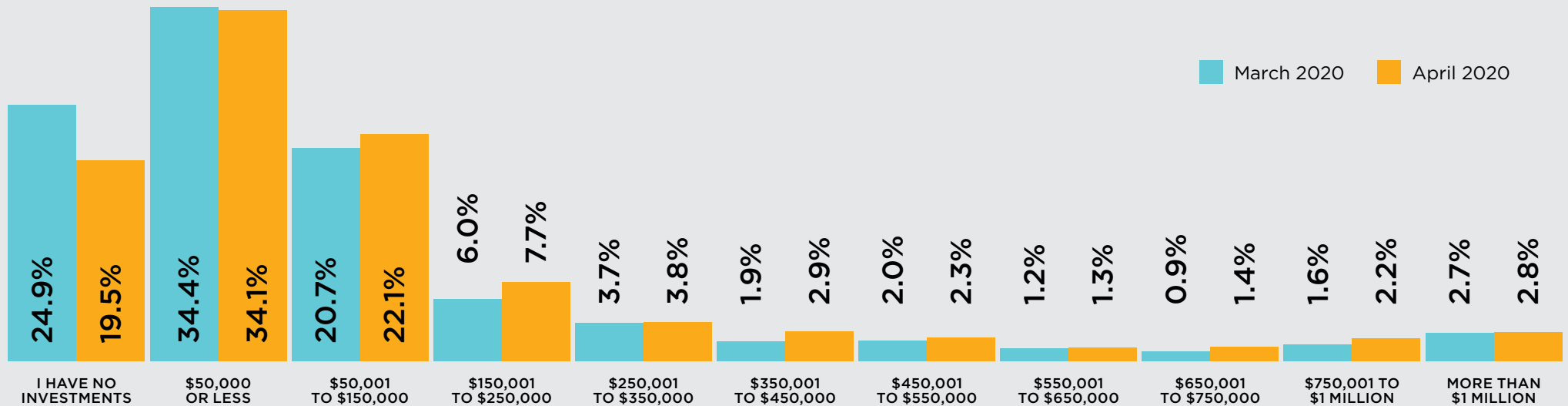
■ March 2020 ■ April 2020 % At least good understanding



KEY INDICATOR: FINANCIAL PREPAREDNESS

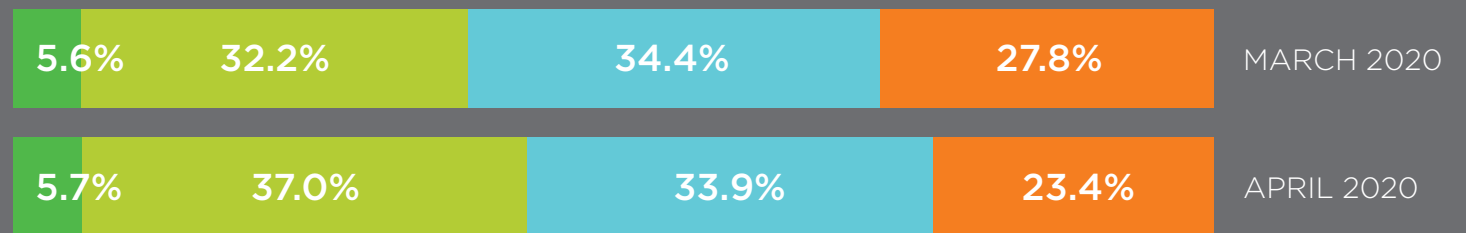
THE PANDEMIC HAS HAD AN IMPACT, BUT KIWIS REMAIN FINANCIALLY CONFIDENT

Household Investments



How financially prepared do you feel you are for retirement?

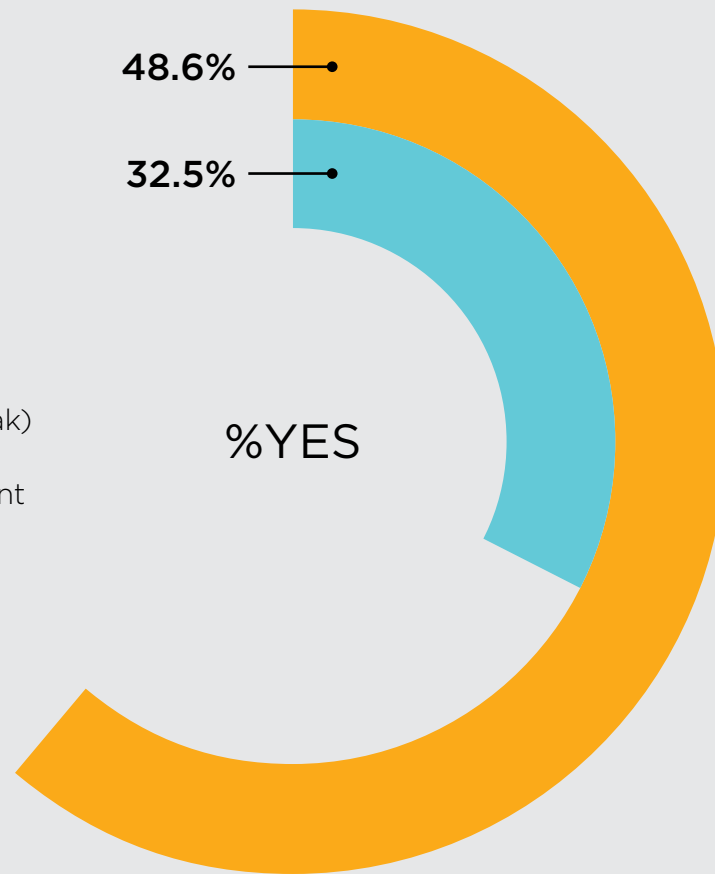
- Very prepared
- Reasonably prepared
- Not particularly prepared
- Not prepared at all





KEY INDICATOR: JOB SECURITY

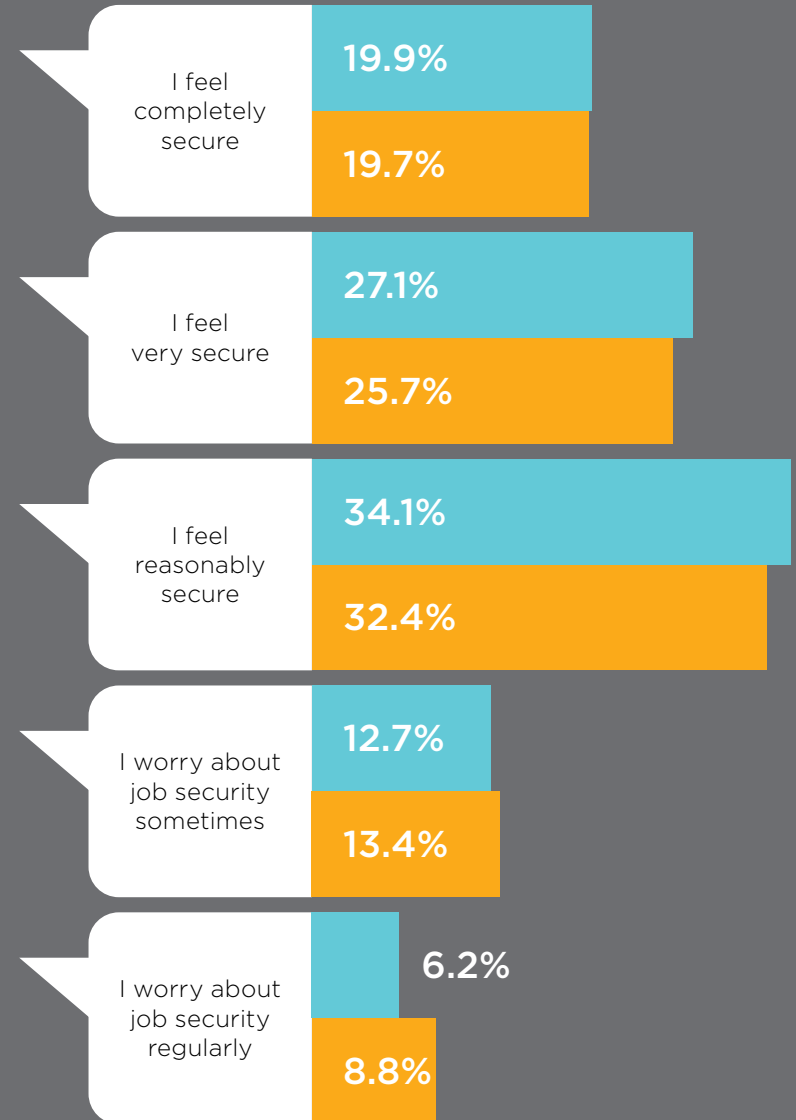
THE PANDEMIC HAS HAD AN IMPACT ON JOB SECURITY ACROSS NEW ZEALAND, WITH 3 IN 10 WORRYING ABOUT THEIR JOB SECURITY IN MARCH, RISING TO NEARLY 50% IN APRIL



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

■ March 2020
■ April 2020

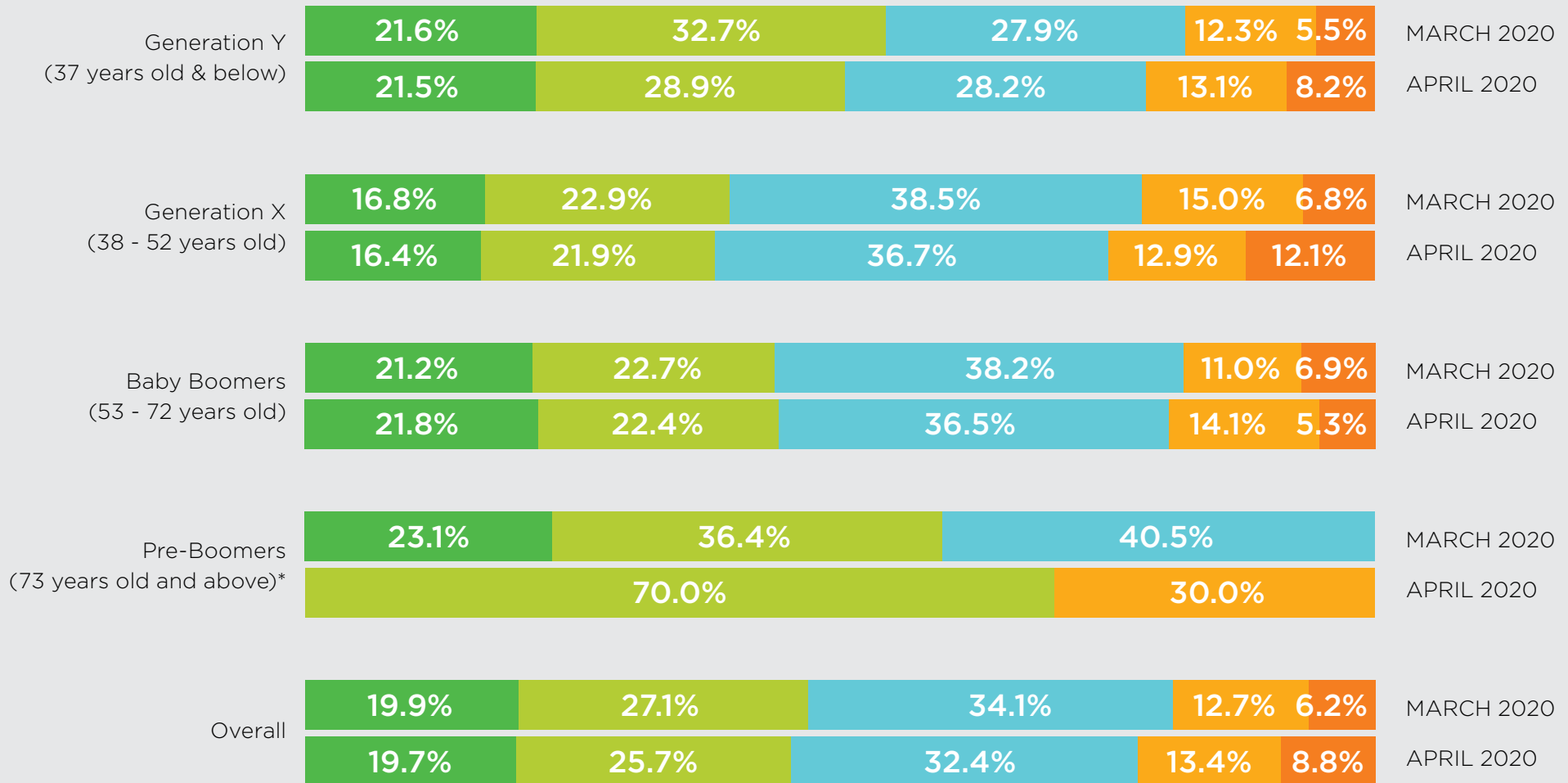
How much job security do you feel in your current employment?





KEY INDICATOR: JOB SECURITY (DEMOGRAPHICS)

JOB SECURITY REMAINS WEAK AMONG GENERATION X, WITH 1 IN 4 WORRYING ABOUT THEIR JOB SECURITY



* Small sample

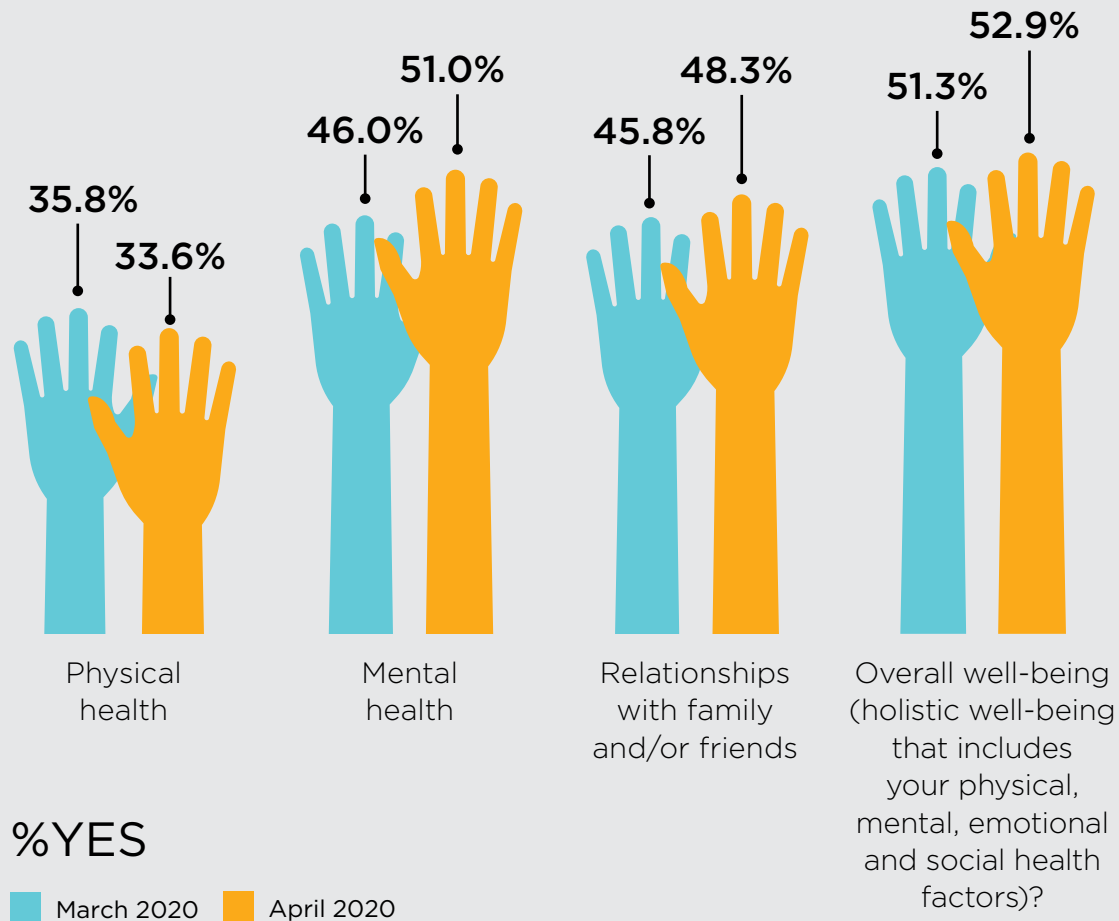
■ Fully secure
 ■ Very secure
 ■ Reasonably secure
 ■ Worry sometimes
 ■ Worry always



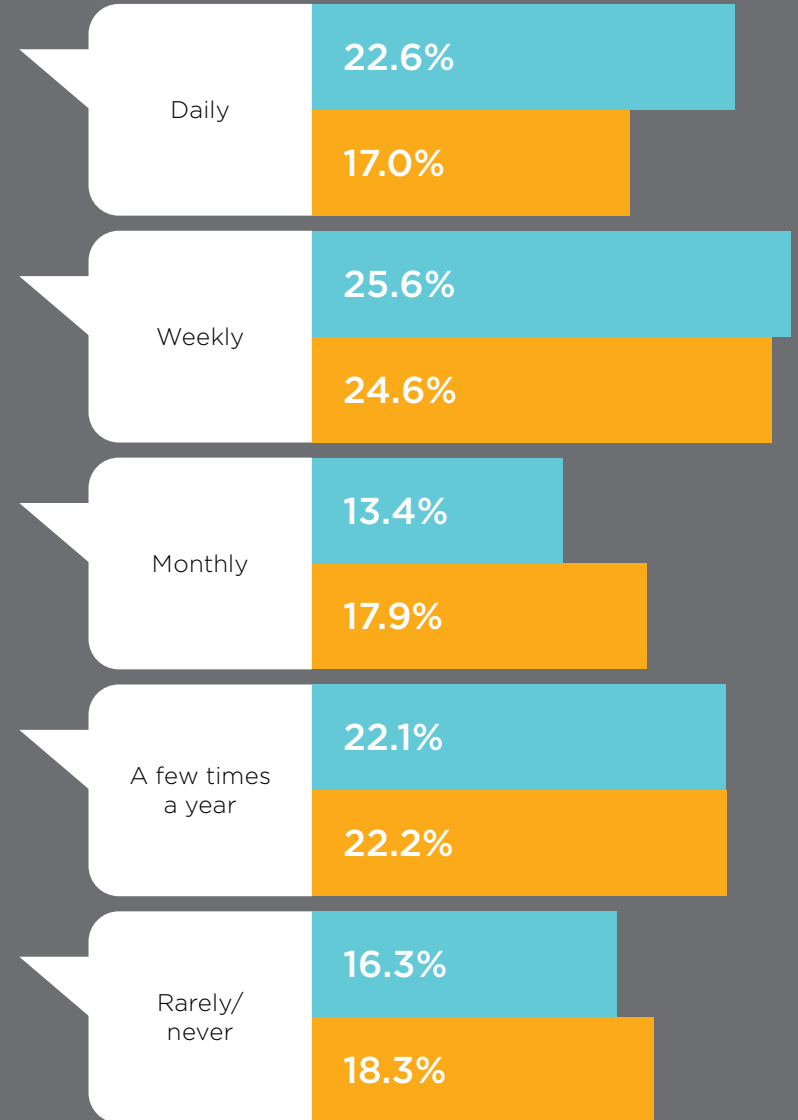
KEY INDICATOR: WELLBEING

WHILE THE FREQUENCY OF MONEY WORRIES IS DOWN, THE IMPACT OF FINANCIAL ISSUES REMAINS REAL FOR KIWIS, PARTICULARLY ON MENTAL HEALTH

Have financial issues ever adversely affected your ...?



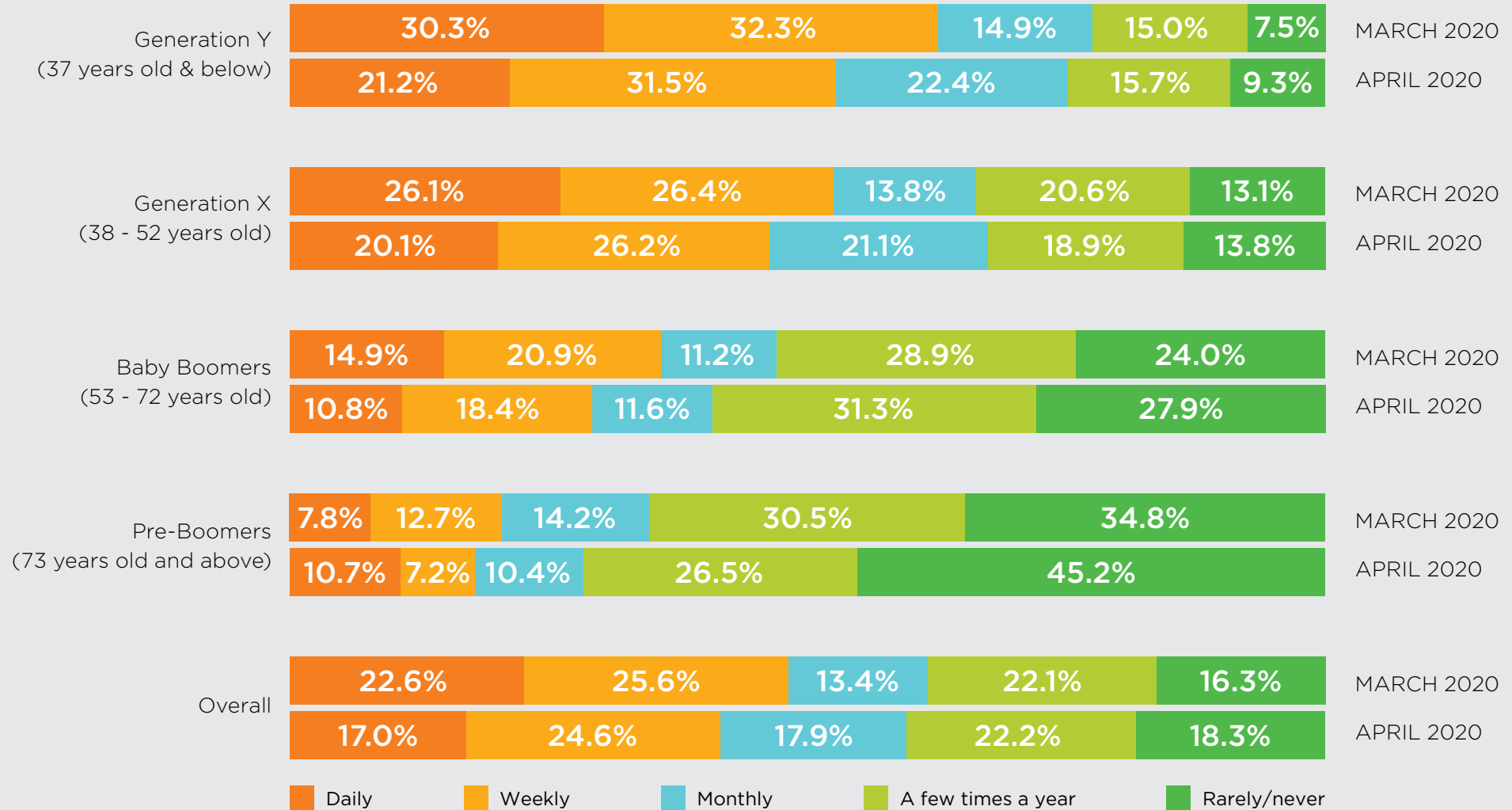
How often do you worry about money?





KEY INDICATOR: WELLBEING (DEMOGRAPHICS)

GEN Y KIWIS STILL WORRY ABOUT MONEY THE MOST



04

CONCLUSION

As an industry we have invested in this research to build a better picture and understanding of exactly how New Zealanders feel at this time and in coming months about money and other everyday financial concerns.

Overall the findings of the first Financial Resilience Index paint a challenging picture of our financial resilience as a nation and one that we know is likely to worsen in coming months.

As we continue through the Alert Levels and continue this research, we hope to be able to start to explore the links between 'Team NZ', government support, and individual financial resilience. Asking difficult questions will help drive a national conversation and build awareness of how we can collectively work to build our financial resilience and wellbeing.

There is no getting away from the scale of this challenge, especially with the worsening economic outlook, but as an industry we are committed to doing what we can to help New Zealanders improve their financial resilience.



ABOUT THE FINANCIAL SERVICES COUNCIL

The Financial Services Council is a non-profit member organisation and the voice of the financial services sector in New Zealand. Our 68 members comprise 95% of the life insurance market in New Zealand and manage funds of more than \$83bn. Members include the major insurers in life, 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. March data was collected between 12 March and 20 March 2020. A total of 2,000 valid complete responses were collected, which formed the basis of the analysis and the report.

April data was collected between 30 April and 3 May 2020. A total of 1,000 valid complete responses were collected.

The sample is representative of the New Zealand consumer population in terms of age, gender and income based on the latest Stats NZ data.



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Growing and protecting the wealth of New Zealanders

May 2020