Embargoed until: 9am Tuesday 1 March 2022

Financial Advice NEW ZEALAND

Better Behaviours

Research on the Value of Financial Advice

Quality financial advice gives you the confidence to do what you value the most; alongside the people you care about most.

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FOREWORD

Financial Advice New Zealand believes people who access quality financial advice are better off than those who don't.

We also believe that quality financial advice leads to a long-term increase in people's financial health, wealth and wellbeing.

Our first research report, *Trust in Advice*, provided a comprehensive and independent survey into the value of financial advice and clearly showed that financial advice and advisers are trusted and highly valued.

This report, *Better Behaviours*, takes one step further to look at the positive financial behaviours of advised Kiwis.

We sought to understand the extent that advised Kiwis showed the behaviours we would expect to see from those who have sought advice.

Regardless of which type of financial adviser a person sees - mortgage adviser, insurance adviser, investment adviser or financial planner, we expected to see a better understanding of financial concepts, more regular reviews of their financial products and changes that are appropriate for their age, stage and personal circumstances.

We engaged CoreData Research, a recognised global specialist in financial services research, to design and manage the 2,000 person survey in October 2021.

Similar to the 2020 research, we ran two almost identical surveys. One for the advised, the other for the unadvised.

The survey repeated many questions from the 2020 survey to enable us to determine the 2021 *Financial Advice NZ Wellbeing Index* and to compare it to the 2020 results.

The *Financial Advice NZ Wellbeing Index* measures an individual's overall financial wellness beyond just the financial aspects and focuses on what is important to New Zealanders.

With the index we can quantify the unquantifiable, and see clearly the value of advice, both now and over time.

The 2021 Wellbeing Index again showed the clear difference in subjective and objective financial wellbeing, with advised Kiwis scoring higher than the unadvised, quantitatively demonstrating the value of advice.

This year's new survey questions explored financial behaviours. We asked consumers about their financial plans, what financial products they had, when they last reviewed aspects of each product, and if they made changes.

We also asked if they thought those changes would make a long-term difference to their financial wellbeing.

The results are clear, advised Kiwis exhibit the best of financial behaviours.

They are more likely to have a documented budget and financial plan, to review their financial products regularly, to understand risk vs return, and to take-up and cancel insurance products when appropriate. They are also more likely to have positive mortgage behaviours, setting themselves up to save interest and carve years off the life of their mortgages.

Regardless of income levels, advised Kiwis are more prepared for retirement, feel better about their financial position and are more comfortable making big financial decisions.

Thank you to the PAA Legacy Trust for a generous research grant and to Financial Advice New Zealand's Business Partners who supported this research.

Katrina Shanks

CEO Financial Advice New Zealand

REPORT HIGHLIGHTS – BETTER BEHAVIOURS

Advised Kiwis exhibit good financial behaviours more often than unadvised Kiwis. They review their financial situation, make plans, adjust their financial products, and exit their financial products at the right time.

Advised Vs Unadvised

Budgeting & Planning Behaviours of Advised Kiwis

Advised Kiwis are on track for better future outcomes by being better budgeters.

• Have a documented budget	64% vs 43%
• Have a financial plan in place to some extent	71% vs 44%
• Review spending habits annually	86% vs 69%
• Have a rainy-day fund	72% vs 58%

KiwiSaver Behaviours of Advised Kiwis

Higher use of KiwiSaver will drive better retirement outcomes.

• Salary/wage contributions above the minimum 3%	63% vs 51%
• Additional contributions at least occasionally	56% vs 31%
• Annual review of aspects of KiwiSaver (e.g., who the provider is)	70% vs 49%

Mortgage Behaviours of Advised Kiwis

Advised Kiwis understand the value of reviewing and making changes to their mortgage.

• Annual review of mortgage loans	86% vs 68%
• Reviewing the loan structure when a fixed-term mortgage ends	76% vs 59%
• Increasing mortgage payments when incomes rise	61% vs 53%

Insurance Behaviours of Advised Kiwis

Higher take-up of insurances across age and income levels protects the advised.

• Annual review of need for, and level of, life insurance	58% vs 34%
• Confident they have adequate life insurance	79% vs 58%
• Review insurances after positive life events (a significant windfall)	88% vs 59%
• Review insurances after negative life events (being seriously ill)	79% vs 36%

Investment Behaviours of Advised Kiwis

Understanding risk and reward drives diversification and ongoing reviews.

• Having investments beyond property and KiwiSaver	61% vs 35%
• Understanding risk, return and investment timeframes	67% vs 39%
• Understanding the importance of diversification	72% vs 45%
• Reviewing risk appetite annually	83% vs 66%

Retirement Planning Behaviours of Advised Kiwis

Advised Kiwis plan for and expect a better retirement.

• Understanding of how much money they need in retirement	62% vs 40%
• Made a start to a plan for retirement	81% vs 55%
• Expect a comfortable or higher level retirement	59% vs 35%

GOOD ADVICE = TRUST AND RESULTS

The 2020 Financial Advice NZ *Trust in Advice* report clearly showed that financial advice has high value through its trustworthiness, good consumer outcomes, service, and results (both tangible and intangible) for New Zealand consumers in all demographics.

This 2021 report focuses on the financial behaviours of advised vs unadvised, but the benefit and outcomes of good advice is still clear to see.

The vast majority of advised consumers say that their advice relationship is meeting their needs.

When asked whether the service provided by their adviser met their needs, a **strong majority** (91%) said yes to at least some extent.

Satisfaction is also at a high level, with **more than three quarters** (76%) of advised Kiwis saying that their advice always meets their expectations - if not exceeds them.

The impact of financial advice is clear, with financial security, mental health, family life, and even physical health all improved.

More than two thirds of advised New Zealanders (67%) say that their financial security has improved at least slightly as a direct result of receiving financial advice.

Further to this, sizeable proportions also say that advice has had a **positive impact** on their mental health (46%), family life (40%), and even on their physical health (25%).

Beyond intangibles, advice positively impacts consumer behaviors, resulting in much stronger outcomes for the advised Kiwi community.

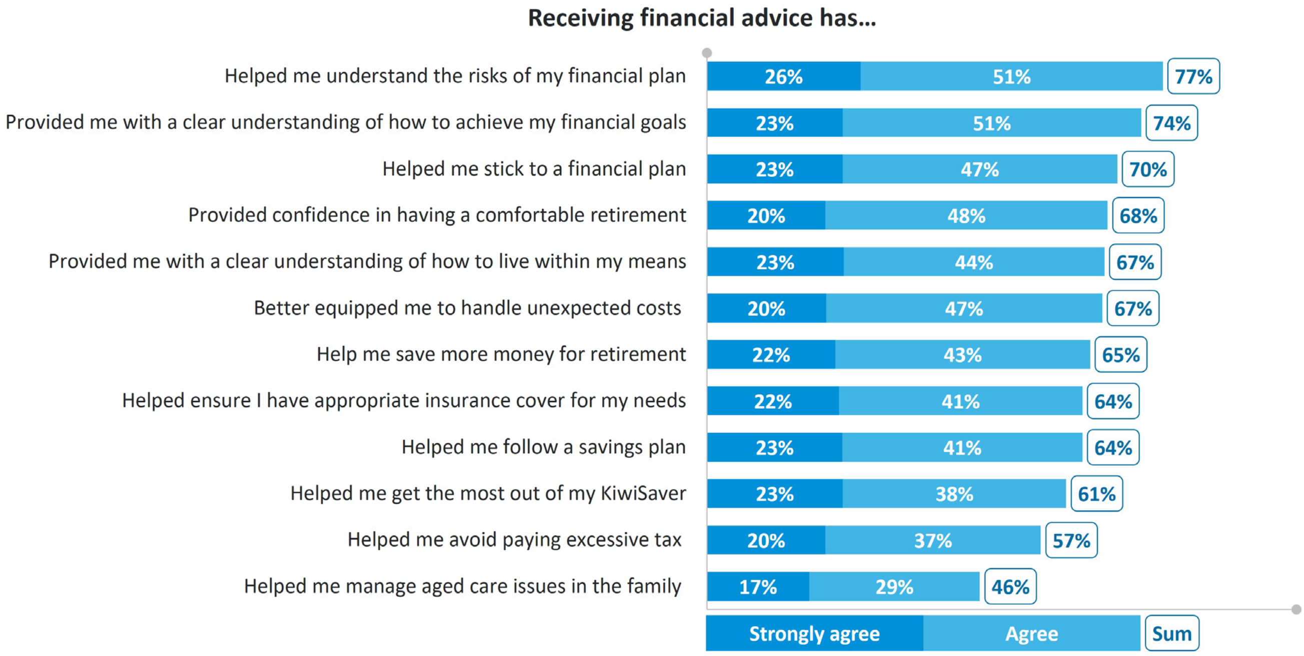
More than two thirds of advised New Zealanders say that advice has led to outcomes such as a better understanding of the risks of their financial plan (77%), a better understanding of how to achieve financial goals (74%), and they are better equipped to actually stick to these financial plans (70%).

On a personal level, advice has enabled New Zealanders to live better lives.

New Zealanders who have received advice generally agree that they are **less concerned about finances** (33%), given them a plan for the next generations of family (20%), and even enabled them to achieve smaller personal goals like travel more regularly (18%) or pursue their hobbies and interests with more time (16%).

POSITIVE OUTCOMES OF ADVICE

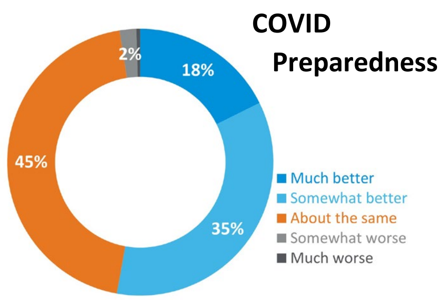
Advised consumers are clear about the positive results they get after seeking financial advice. Regardless of whether they get their financial advice from a mortgage adviser, insurance adviser, investment adviser or financial planner – across the board, financial advice has had a significant effect on their sense of financial wellbeing.



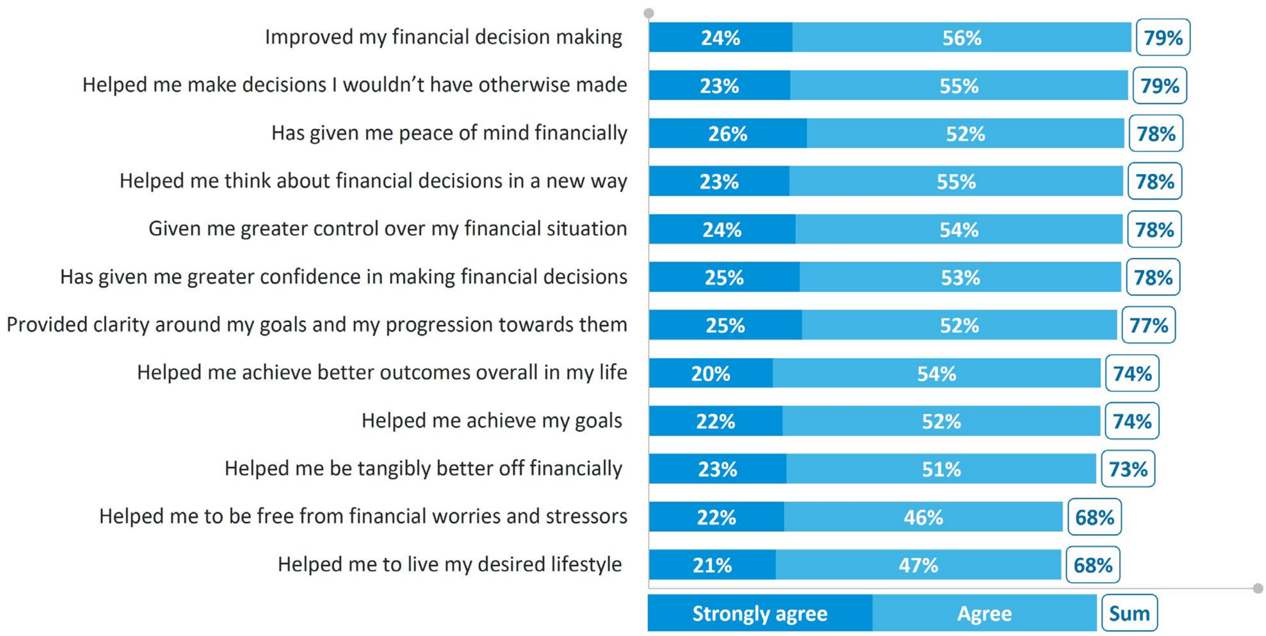
Quality financial advice has given advised Kiwis the tools to think about their finances in a different way, given them more control and greater confidence to make the decisions they need to make.

Almost half believe that as well as their finances, financial advice has benefitted their mental health, and 40% say their family life has benefitted.

Advised Kiwis also feel better prepared to deal with the COVID-19 pandemic as a whole because they are receiving or have recently received financial advice.



Receiving financial advice has…



POSITIVE BEHAVIOURS - BUDGETING & PLANNING

No matter the age or stage of life, budgeting is a good financial behaviour.

Whether saving for a first home, managing pay to pay, or living off savings in retirement, good budgeting supports better financial outcomes.

Advised Kiwis, due to their better understanding of the issues, appear to worry about money just as much as the unadvised (56% advised vs 52% unadvised worry at least monthly).

However, many more advised Kiwis have a budget and a plan to help manage and mitigate those worries, compared to the unadvised, and are therefore more confident in making financial decisions.

Kiwis who have an ongoing association with a financial adviser are much more likely to have a documented budget (64%), whereas less than half of unadvised New Zealanders have a budget (43%).

Making financial plans

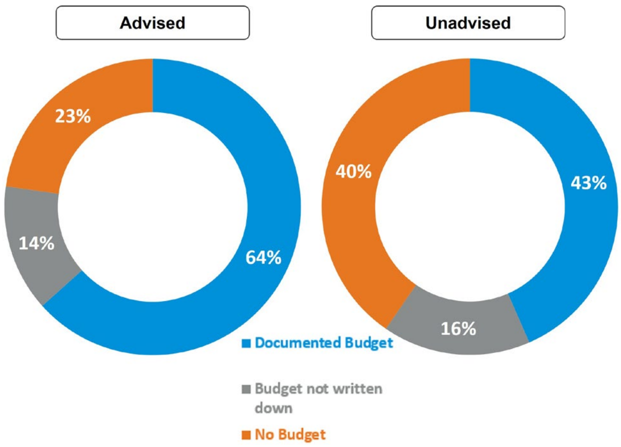
Advised consumers are also much more likely to have made some sort of plan for their financial future (70%), when compared to the proportion of unadvised consumers that have a financial plan (44%).

Reviewing plans

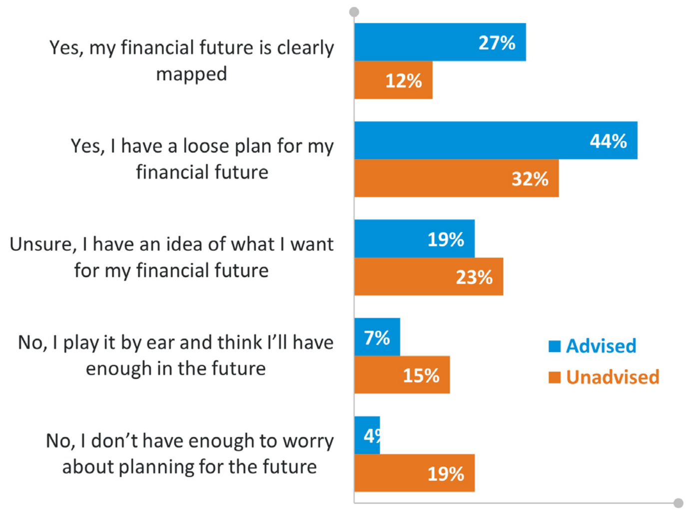
Advised Kiwis understand the benefit of reviewing these plans with 86% saying they reviewed their spending habits / financial plan in the last year, compared to 69% of the unadvised.

Those reviews resulted in changes for most (77% advised, 68% unadvised), and across both groups, at least some of those changes are still in place.

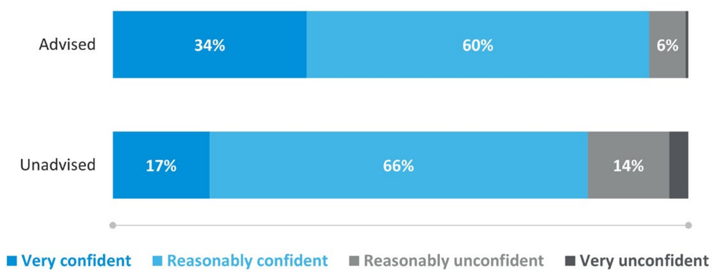
Advised Kiwis are more likely to have a documented budget



Do you have a financial plan for your future?



How confident are you in making big financial decisions?

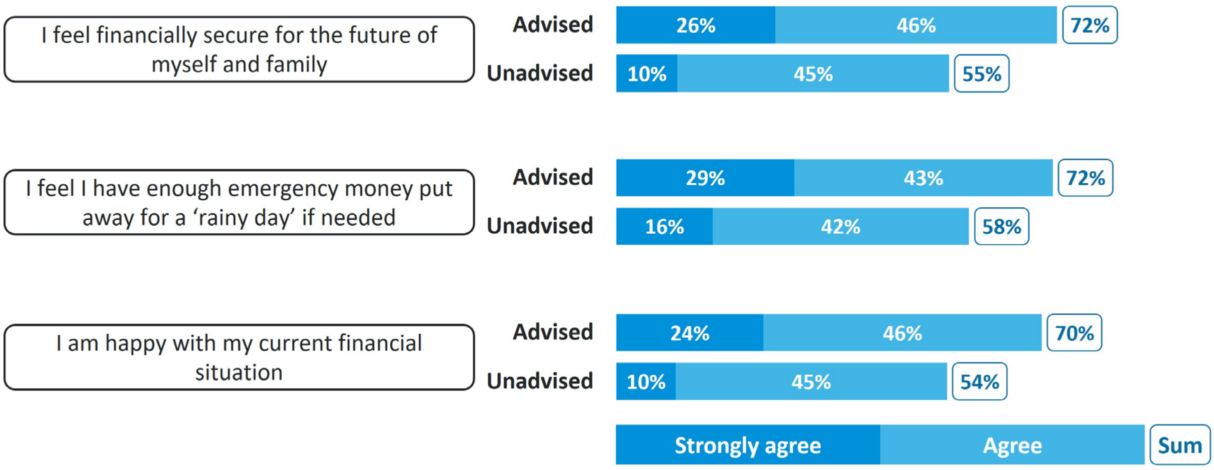


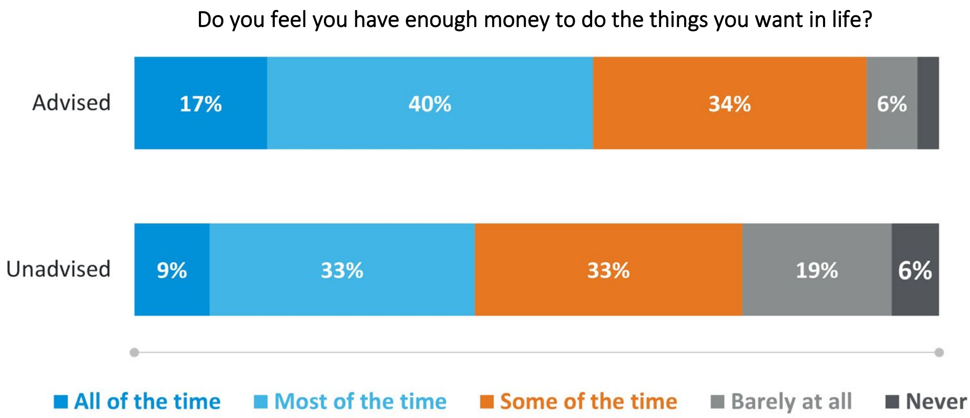
With budgets and plans in place, advised consumers are more confident in making big financial decisions with 94% saying they are very or reasonably confident compared to 83% of the unadvised.

Even with some worries, advised Kiwis are much more likely to feel financially secure for the future for themselves and their families (72% compared to 55%).

Overall, the majority are happy with their current financial situation (70% compared to 54%) and are more likely to be able to do the things they want in life.

With their increased budgeting and planning, advised Kiwis are more likely to have a 'rainy day' fund (72% vs 58%).





POSITIVE BEHAVIOURS – KIWISAVER

KiwiSaver is a voluntary savings scheme to help Kiwis fund their retirement.

Regardless of how many years away retirement is, there are many good financial behaviours people can make in order to maximise the KiwiSaver opportunity.

Good financial KiwiSaver behaviours

Good KiwiSaver behaviours are regular consideration and analysis of who to use as a KiwiSaver provider, the fund risk type, what regular contributions to make, and whether and when to add additional funds.

KiwiSaver Contributions

Across the advised and unadvised wage/salary earners, both groups had high rates of KiwiSaver contribution (82% vs 72%).

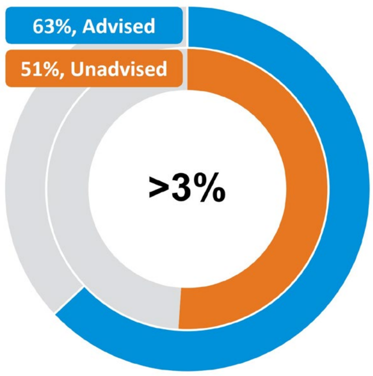
However, advised Kiwis are more likely to be making regular contributions higher than the 3% minimum, with 63% paying 4% or higher compared to 51% of unadvised.

Those Kiwis who see a financial adviser specialising in investment advice had an even higher uptake of contributions above the minimum, at 78%.

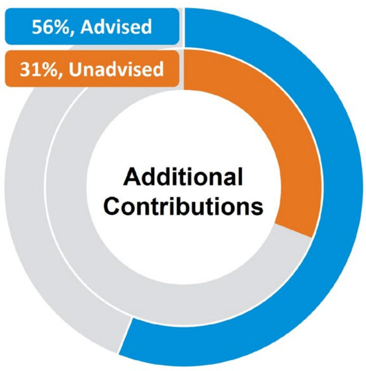
Advised Kiwi salary/wage earners are also twice as likely to be making occasional or more frequent contributions to their KiwiSaver other than their wage/salary contributions (56% vs 31%).

This marked difference in behaviour is seen across all ranges of personal/household income indicating that advice, and not income, is driving KiwiSaver contribution rates.

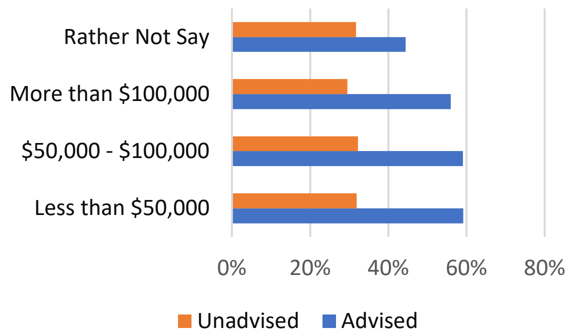
KiwiSaver contribution rate through wages/salary



Occasional or more frequent contributions to KiwiSaver other than through wages/salary



Occasional or more frequent additional contributions beyond wage / salary contributions by household income



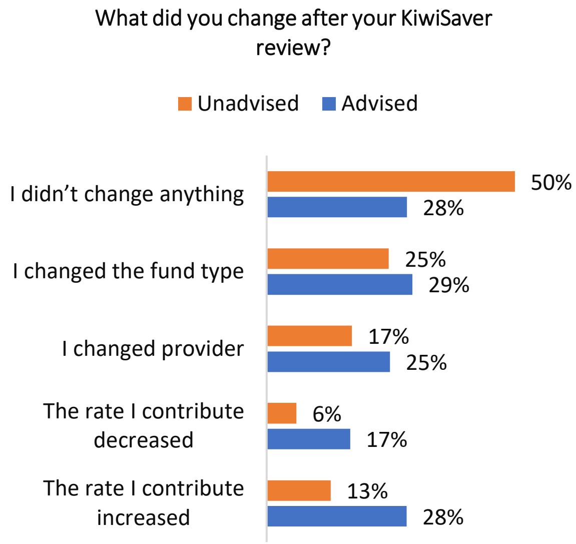
KiwiSaver reviews

Advised Kiwis are more proactive about reviewing aspects of their KiwiSaver compared to the unadvised, and they are more likely to make changes as a result of those reviews.

Close to 70% of advised Kiwis have reviewed most aspects of their KiwiSaver in the last 12 months, and those reviews resulted in changes for 72% of them.

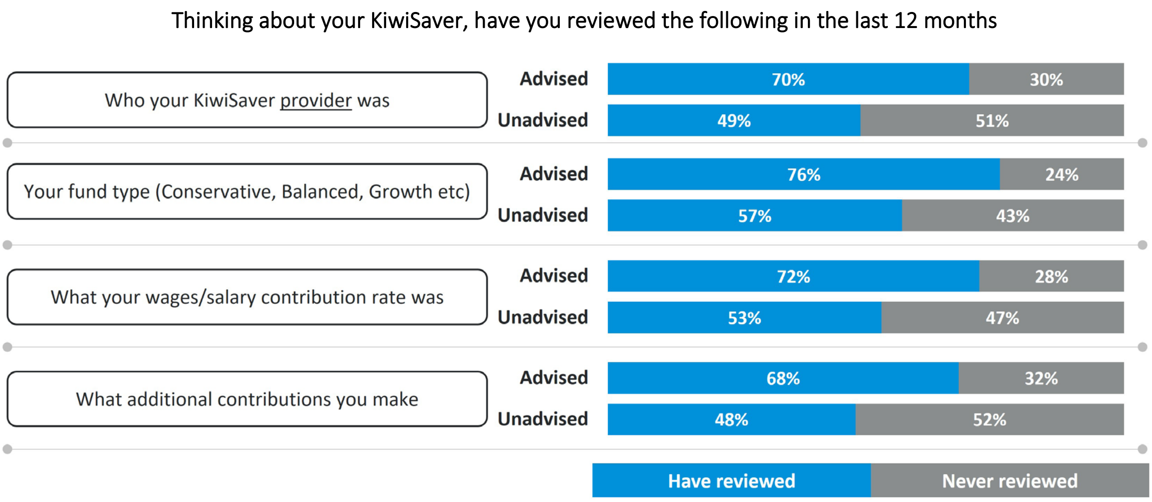
The unadvised, who are less likely to do a review at least annually, are also less likely to change anything when they do review – with only 50% indicating they made a change the last time they reviewed their KiwiSaver.

Looking at the changes made, across the advised and unadvised, around a quarter changed their fund risk type after their review.



Changes to fund risk type should be made based on an assessment of individual needs and goals rather than switching in times of volatility when losses can be crystallised and long-term returns missed.

A financial adviser can help assess individual circumstances to help determine the best fund risk type and the plan for any changes.



Life Event KiwiSaver Reviews

When significant life events occur, a financially aware Kiwi should review their KiwiSaver to determine if any changes are required or worthwhile.

These tables show that across the board, advised Kiwis are far more likely to review their KiwiSaver when faced with changes in their lives – whether positive or negative.

Did you review your KiwiSaver when the following life events occurred?

Positive events	Advised	Unadvised
Received a significant windfall (e.g., lotto)	94%	67%
Received a significant inheritance	82%	44%

Home events	Advised	Unadvised
Purchased a first home	82%	56%
Purchased a new home (other than a first home)	72%	36%

Family events	Advised	Unadvised
Divorced	91%	64%
Separated from long-term partner	77%	39%
Got married	74%	29%
Had a child or children	69%	30%

Negative events	Advised	Unadvised
Been seriously ill	81%	33%
Been seriously injured	80%	34%
Unexpectedly lost employment	75%	43%
Expectedly lost employment (e.g., contract ended)	78%	37%

POSITIVE BEHAVIOURS – MORTGAGES

Buying a home and then paying off the mortgage is a key financial goal for a majority of New Zealanders. It is also one of the largest investments and costs.

Good financial behaviours throughout the life of the loan can save thousands of dollars of interest, and carve years off a loan's expected repayment date.

Across the advised and unadvised in this survey, both groups had similar rates of home ownership (65% vs 60%).

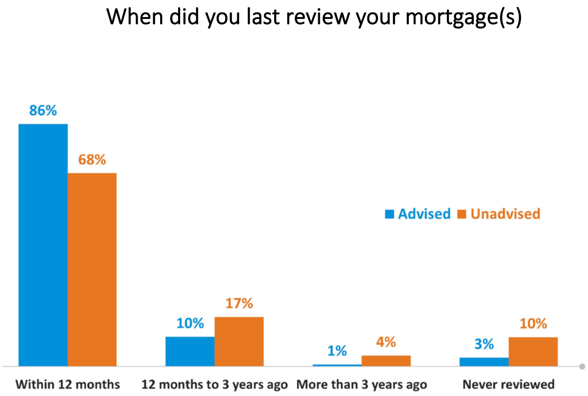
However, the home loan related financial behaviour for those mortgage holders who have a relationship with a financial adviser is better than those who are unadvised.

They review their mortgages often, and are more likely to make changes after those reviews. Showing the value of those reviews, a remarkable 90% believe those changes will save them money in the long term.

GOOD FINANCIAL MORTGAGE BEHAVIOURS

For most people, there is a long-elapsed period between a home purchase and paying off that mortgage, however that does not mean a mortgage is a "set and forget" product.

MORE ADVISED KIWIS REVIEW THEIR MORTGAGES REGULARLY



A home loan requires regular decisions throughout the years – more than merely deciding whether to fix for a 12 or 24 month period each time a fixed home loan term ends.

A financially aware consumer should regularly be reviewing aspects of their loan such as the amount they pay, the payment frequency, the amount or proportion they have on flexi/ revolving/floating or fixed loan products and whether they can afford to pay off a lump sum, or conversely need additional funds.

These reviews can be triggered proactively, by changes in personal circumstances, or be provider led through changes in interest rates or term loans ending.

Good financial behaviour would see Kiwis consider their options and understand the implications of making or not making changes.

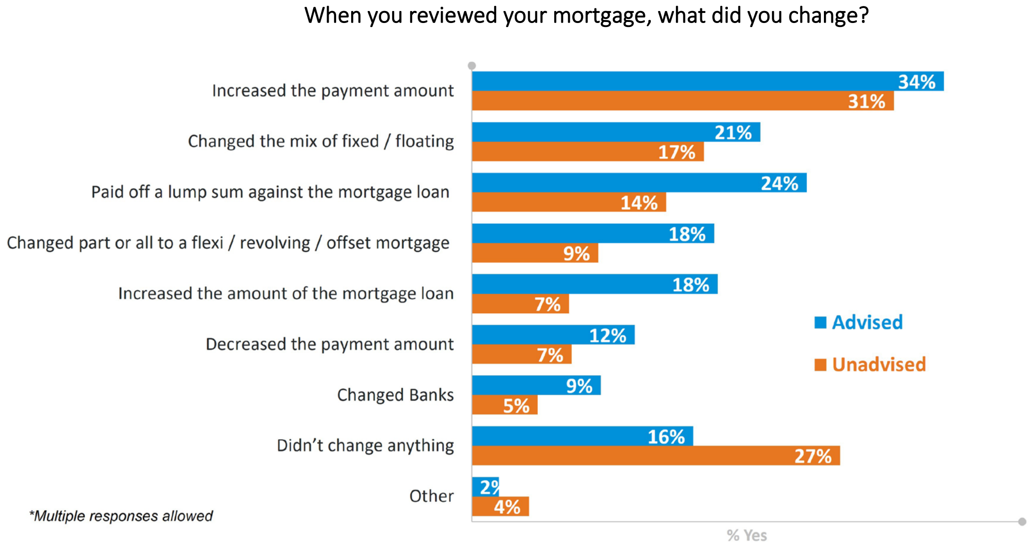
REVIEWING MORTGAGE LOANS

People who have seen a financial adviser are much more likely to have reviewed their mortgage in the last 12 months.

86% of advised Kiwis with a mortgage have reviewed that mortgage in the last year, but only 68% of unadvised have done the same.

Of those who did review their mortgage, 84% of advised Kiwis changed at least one aspect of their mortgage product, however almost 1 in 3 unadvised Kiwis did not change anything.

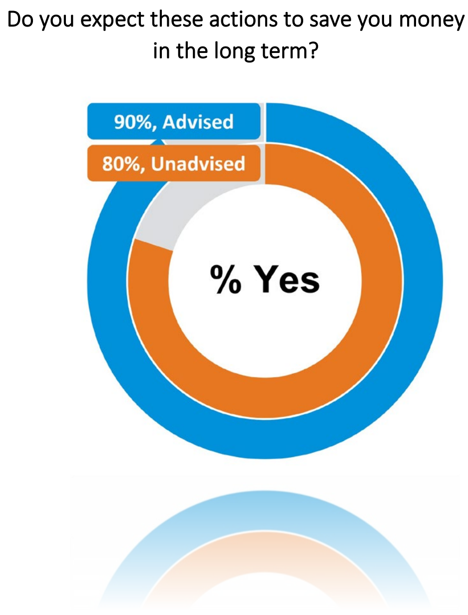
ADVISED KIWIS MAKE TANGIBLE CHANGES AFTER THEY REVIEW THEIR MORTGAGES



After their review, almost 1 in 5 advised Kiwis changed part or all of their mortgage to a flexi / revolving / offset mortgage, double that of unadvised Kiwis.

These types of mortgage products, when understood well and managed appropriately, can carve years off the mortgage loan length, saving thousands in interest along the way.

As a result of making changes to their mortgages, both advised (90%) and unadvised (80%) Kiwis have a clear view that the change will save them money in the long term, showing the value of regular mortgage reviews.



WHAT TO DO WHEN MORTGAGE RATES CHANGE

When those with mortgages were asked what they would do if their home loan's interest rate decreased and the provider reduced their required minimum payments, 64% of all respondents answered they would consider adjusting their repayments back up to what they were before the change – a positive financial behaviour across both advised and unadvised.

However, when looking at the youngest generation who arguably have the greatest long-term gain from this type of positive financial behaviour, only 17% of the unadvised Generation Zs (under 26) answered by saying they would adjust their payments back up, compared to 45% of advised Generation Zs.

> *Advised young Kiwis are learning better financial behaviours and are therefore setting themselves up for significant interest savings over the lifetime of their home loan.*

What to review when fixed term loans end

When a fixed term mortgage ends, there are many decisions a mortgage holder can make.

The following table shows advised Kiwis with mortgages are more likely to consider a range of aspects of their mortgage product at review time.

The consideration itself is a positive financial behaviour.

The decision on whether to make a change is personal to each person's individual situation, which is something a financial adviser can help people understand.

If you had a one-year fixed term mortgage due to end shortly, how likely are you to consider;

Likely or very likely to consider	*Advised*	*Un-Advised*
Whether to fix for a different term	73%	67%
Whether to contribute more each payment	72%	54%
Whether to review the overall loan structure to reduce the mortgage more quickly	76%	59%
Whether to move providers based on interest rates	52%	32%
Whether to move to a floating type of mortgage	38%	26%

What to review when incomes increase

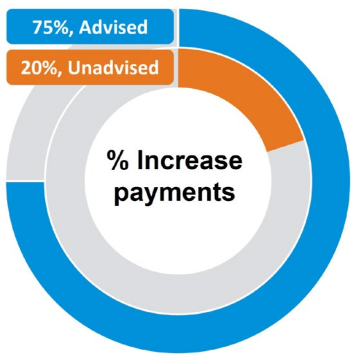
When incomes increase is another time when a person with a mortgage should consider making additional payments on the home loan, therefore reducing their loan term and saving interest costs.

61% of advised Kiwis say they are most likely to increase their payments when their income increases, compared to 53% of unadvised Kiwis.

The difference is more marked in the youngest generation. Only 20% of unadvised Generation Zs say they are likely to increase their home loan payments when their income increased, compared to an incredible 75% of advised Generation Zs.

This again shows the value of gaining financial advice early in life, when decisions like this can make a significant difference to wealth later in life.

Gen Z (under 26): If your income increased, would you be most likely to:



POSITIVE BEHAVIOURS – PERSONAL INSURANCES

The term personal insurances covers a suite of products that protect financial wealth in a range of situations. The products include life insurance, trauma or critical illness insurance, disability income protection, total and permanent disability insurance and health/medical insurance.

Positive insurance behaviours

Good financial behaviour around insurances would see people reviewing their need for and extent of coverage both proactively and as a result of changing circumstances. Policies would be taken up and cancelled at the appropriate times, and regular reviews would check the terms and level of cover was still relevant.

Personal insurance uptake

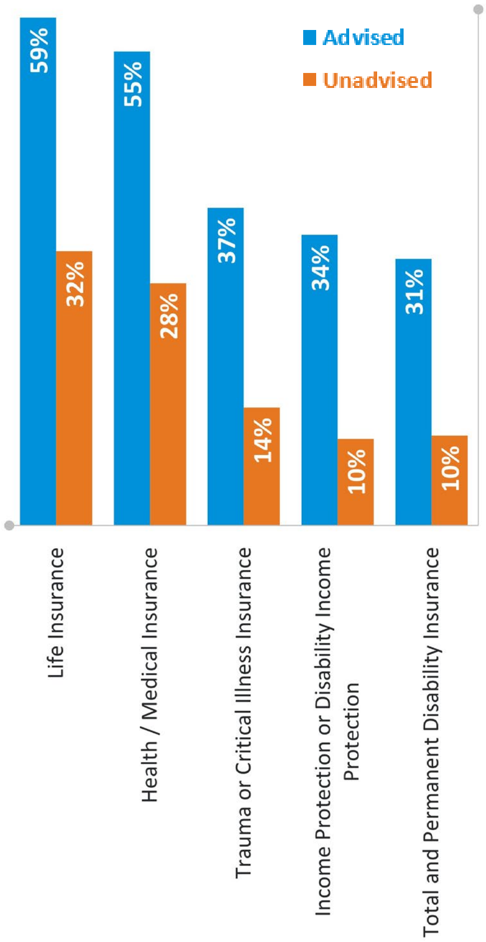
Across all types of personal insurance, advised Kiwis have far higher rates of take-up than those not receiving advice.

Almost twice as many advised Kiwis have Life Insurance (59% compared to 32%) and Health Insurance (55% compared to 28%) than unadvised. Usage of other types of insurance such as Income Protection and Total and Permanent Disability Insurance are more than three times higher amongst advised Kiwis than the unadvised (34% and 10%, 31% and 10%).

Insurance reviews

Across all these products, advised Kiwis review their personal risk management needs more regularly, and are more likely to make changes as a result of those reviews.

Do you have cover under the following personal insurance policy types?



Whether they changed the policy value, the excess amount, provider, or made a decision to take-up or cancel a product – overall, 82% of advised Kiwis believe the latest change they made will have a positive impact on their financial wellbeing.

LIFE EVENT INSURANCE REVIEWS

Kiwis under advice are also more likely to review their insurance needs for all tested significant life events .

Personal Insurance provides protection against unexpected life events, which is why unexpected events happening are a trigger for many to review their insurances.

Advised Kiwis who have experienced significant life events are much more likely to have reviewed their insurances as a consequence of that life event, than unadvised Kiwis who have also experienced those same events.

Advised Kiwis are more likely to have reviewed their insurances, regardless of whether the life event was positive, such as receiving a significant windfall (88% reviewed vs 59%) or negative, such as being seriously ill (79% vs 36%).

Home and Family life events are also a trigger for the advised: getting married (78% vs 39%), having children (80% vs 43%), purchasing a first home (78% vs 60%).

If a person had an ongoing association with a financial adviser who specialises in insurance advice, these figures are higher again.

As expected, not all reviews result in changes to insurances. However, close to half of the respondents said they changed their insurances as a result of a review after one of these life events.

Did you review your insurances when the following life events occurred?

Positive events	Advised	Unadvised
Received a significant windfall (e.g., lotto)	88%	59%
Received a significant inheritance	76%	36%

Home events	Advised	Unadvised
Purchased a first home	78%	60%
Purchased a new home (other than a first home)	82%	60%

Family events	Advised	Unadvised
Divorced	86%	49%
Separated from long-term partner	80%	40%
Got married	78%	39%
Had a child or children	80%	43%

Negative events	Advised	Unadvised
Been seriously ill	79%	36%
Been seriously injured	75%	38%
Unexpectedly lost employment	71%	37%
Expectedly lost employment (e.g., contract ended)	76%	38%

Life Insurance

Life insurance policies pay out a lump sum payment on death, and the majority of policies pay on diagnosis of a terminal illness.

Take-up – almost twice as high

Advised Kiwis are almost twice as likely to have a life insurance policy compared to unadvised Kiwis (59% vs 32%).

For those Kiwis who see a financial adviser that specialises in insurance, the take-up rate is even higher, at 76%.

Across all household income levels, the take-up of advised Kiwis is higher than the unadvised.

Advised Kiwis are also more confident that they have an adequate level of cover for their circumstances (79% vs 58% are at least reasonably confident).

Reviewing the need for life insurance

Unadvised Kiwis understand the need to review their life insurance situation when there is a significant life event, but most advised Kiwis believe their life insurance needs should be reviewed at least annually (57% vs 34%).

However, not all have performed that annual review with only 49% of advised and 21% unadvised saying they have reviewed their need for life insurance in the last year.

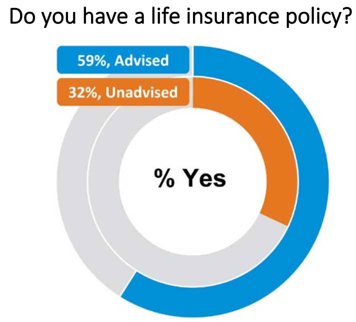
The outcome of the life insurance review resulted in a change for two in three advised Kiwis, but more than half the unadvised Kiwis didn't change anything.

Advised Kiwis had a wide range of outcomes as a result of their review.

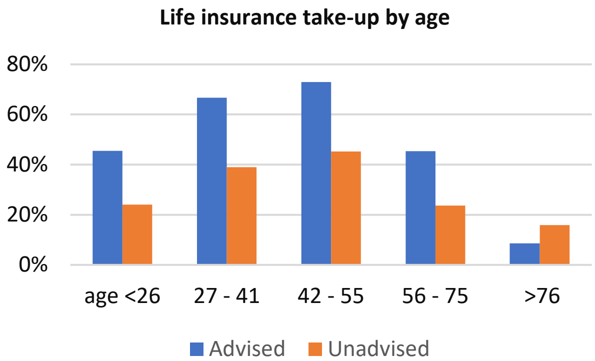
Life Insurance take-up and cancellation by age

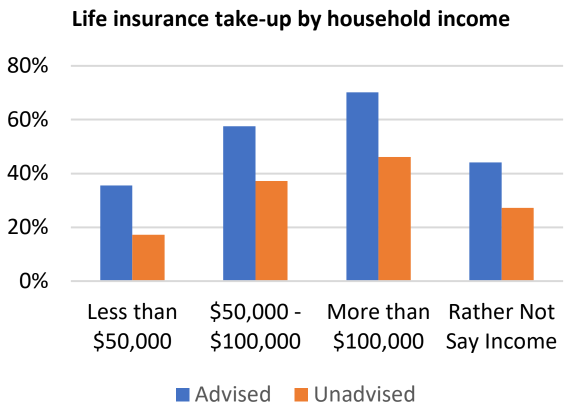
The need for life insurance, and all other personal insurances, changes during a lifetime as people move through their life cycle (eg loans are repaid, dependents leave). As age increases, the risk and reward vs cost benefit equation also changes.

A quality financial adviser can help advised Kiwis understand the right time to take-up and then cancel a personal insurance policy.



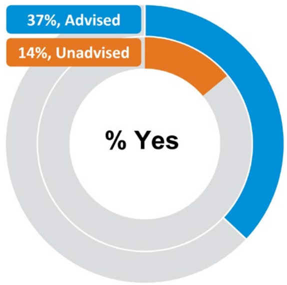
Outcome of Life Insurance review	Advised	Unadvised
Changed insurance provider	16%	5%
Increased my policy value	16%	7%
Decreased my policy value	13%	6%
Increased my excess	13%	3%
Decreased my excess	11%	3%
Exited a product I no longer needed	20%	16%
Purchased a new product I now needed	18%	6%
Didn't change anything	32%	56%
Other	2%	5%





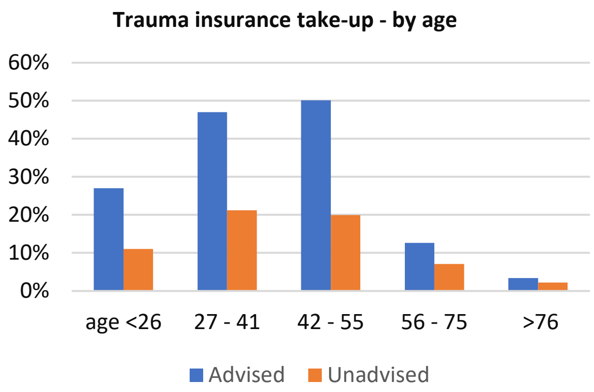
Trauma or Critical Illness Insurance – almost three times higher take-up

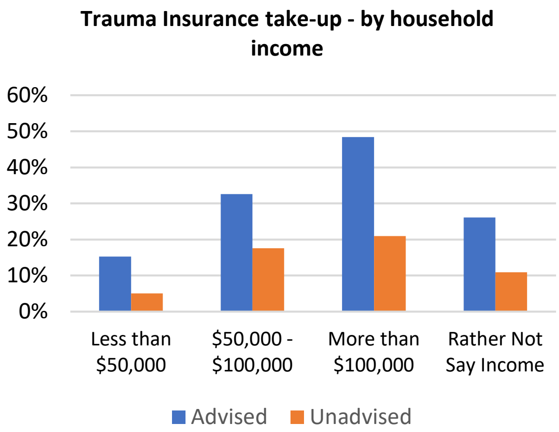
Trauma or critical illness insurance policies pay a lump sum on diagnosis of one of the illnesses or injuries listed on the policy such as cancer, kidney failure, heart disease, paralysis, etc.



Advised Kiwis are much more likely to have a trauma or critical illness insurance policy compared to unadvised Kiwis (37% vs 14%). For those Kiwis who see a financial adviser that specialises in insurance, the take-up rate is even higher, at 57%.

This difference is not explained by age or household income, indicating it is the greater understanding of the need due to financial advice which is driving the higher take-up.

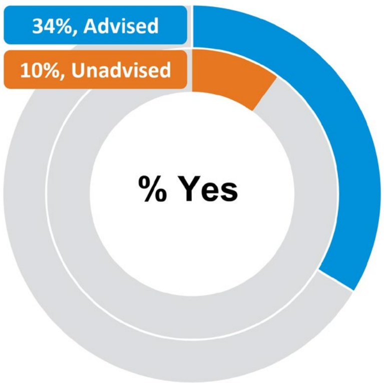


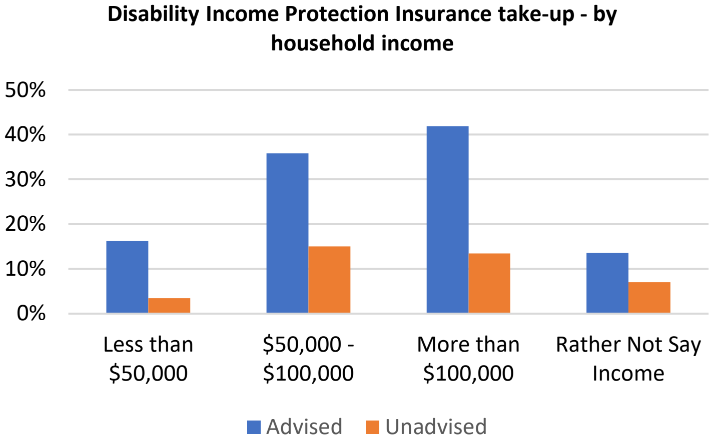


Disability Income Protection – three times higher take-up

Disability income protection insurance pays a percentage of earned income if an insured person is unable to work due to illness or injury.

Advised Kiwis are much more likely to have disability income protection insurance policy compared to unadvised Kiwis (34% vs 10%). For those Kiwis who see an insurance adviser, the rate is 49%. These differences are not explained by age or income, with a similar gap seen over all household income levels.



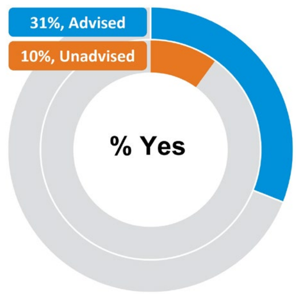


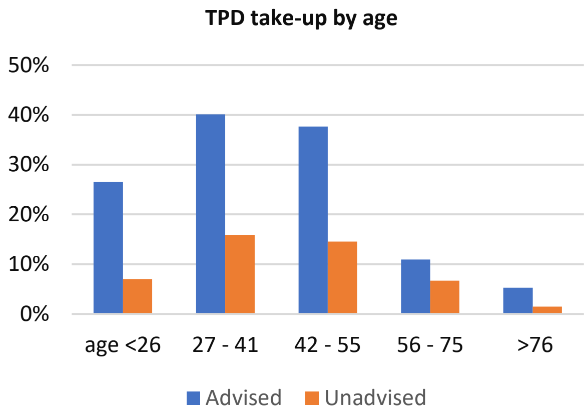
Total and permanent disability insurance (TPD) – three times higher take-up

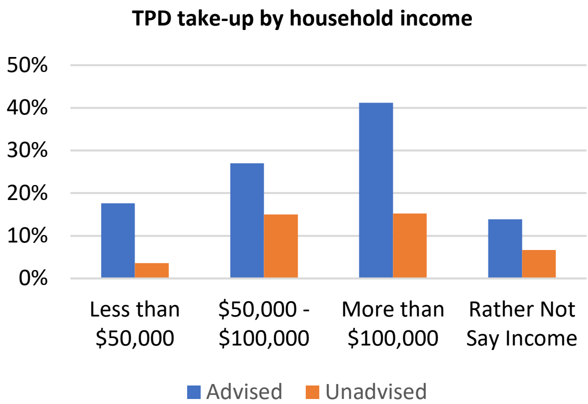
TPD cover pays a lump sum payment if an unsured person is totally and permanently disabled.

Advised Kiwis are much more likely to have a TPD insurance policy compared to unadvised Kiwis (31% vs 10%).

For those Kiwis who see an insurance adviser, the rate is 50%.





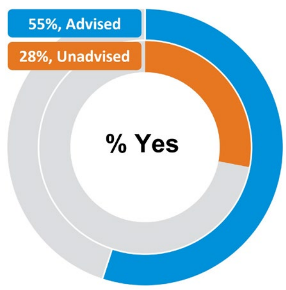


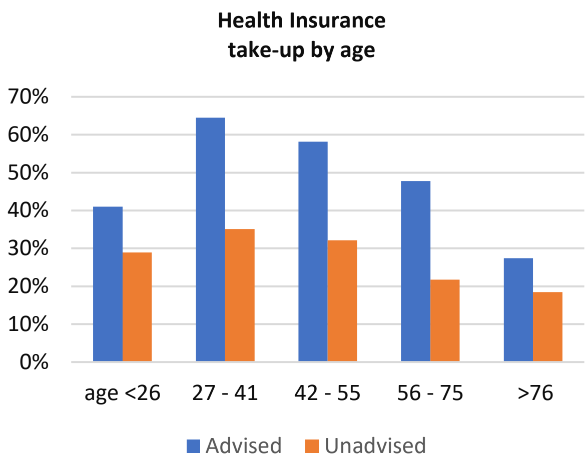
Health / Medical Insurance – twice as high take-up

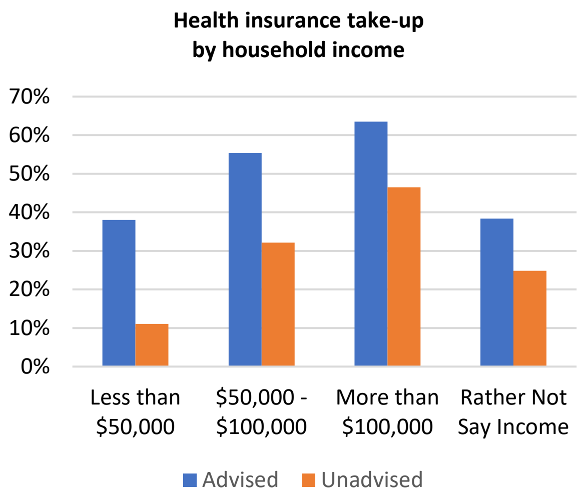
Health /medical insurance offers a reimbursement of approved medical expenses if medical treatment or advice is required.

Advised Kiwis are much more likely to have a health insurance policy compared to unadvised Kiwis (55% vs 28%). For those Kiwis who work with an insurance adviser, the rate is higher, at 66%.

Regardless or age or household income, advised Kiwis have higher rates of take-up of health/medical insurance.



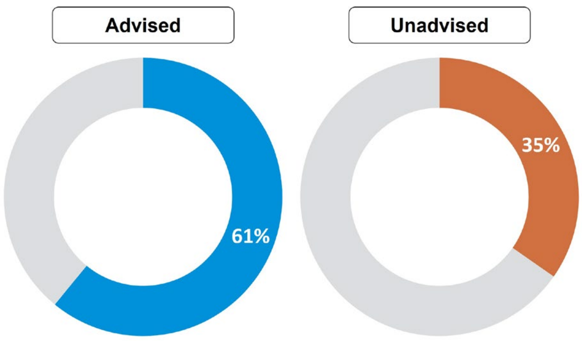




POSITIVE BEHAVIOURS – INVESTMENTS

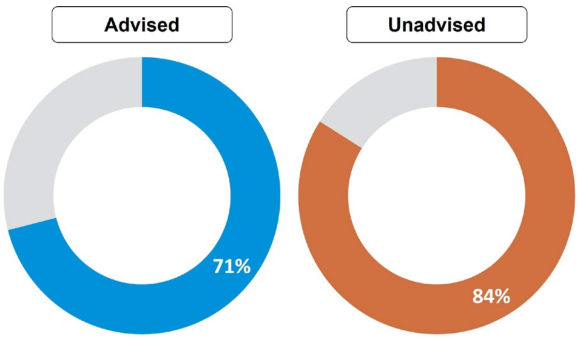
Beyond KiwiSaver and property, advised Kiwis are more likely to have other investments (61% vs 35%), indicating they have a wider diversification of investment assets than the unadvised.

Do you have any investments other than property and KiwiSaver?

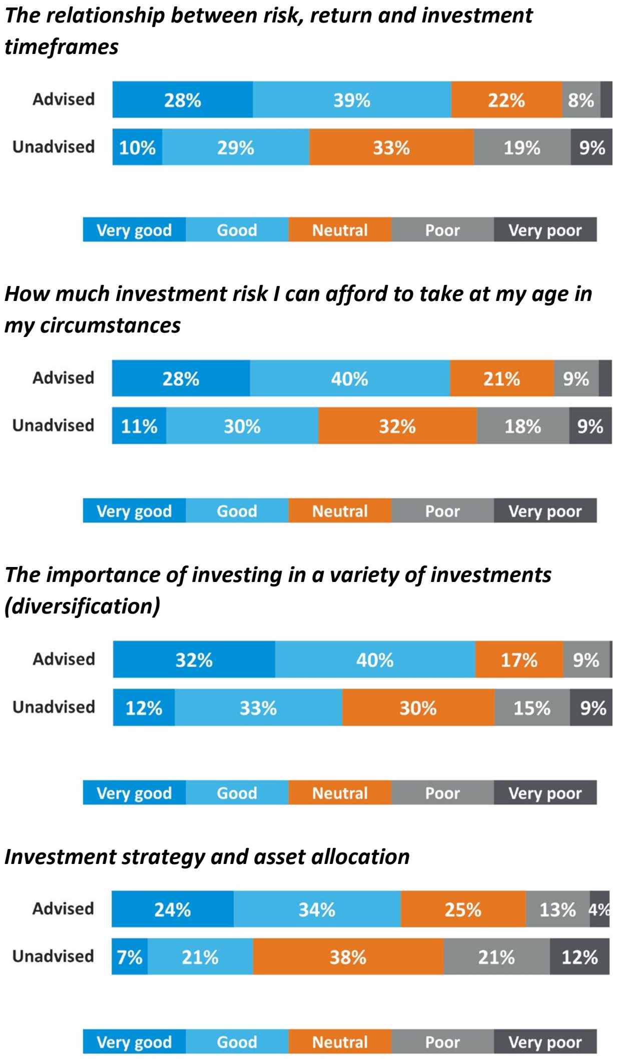


That investment portfolio is more likely to be self-managed by unadvised Kiwis compared to advised Kiwis (84% vs 71%).

Who manages your investments?



How would you rate your understanding of the following?



Good financial Investment behaviours

Good financial behaviours around investments require informed decision making around asset diversification, the balance between risk and return and about investment timeframes and goals.

In all these aspects advised Kiwis rank higher than unadvised Kiwis in their understanding of these core investment concepts.

Understanding an appropriate investment strategy for each age and stage is an important aspect of good investing.

68% of advised Kiwis rank their understanding of this concept as good or very good, compared to only 41% of unadvised.

For those advised Kiwis who had advice from an investment financial adviser had an even higher understanding ranking, at 80%.

Investment Review

Like all areas of financial health, wealth and wellbeing, investments and decisions around investing require regular review both proactively, and when circumstances change.

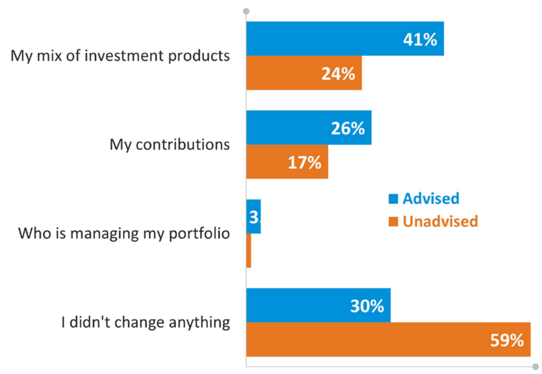
Across all aspects, advised Kiwis are reviewing their investments more regularly than unadvised Kiwis.

88% of advised Kiwis have reviewed their mix of investments over the last 12 months compared to 73% of the unadvised.

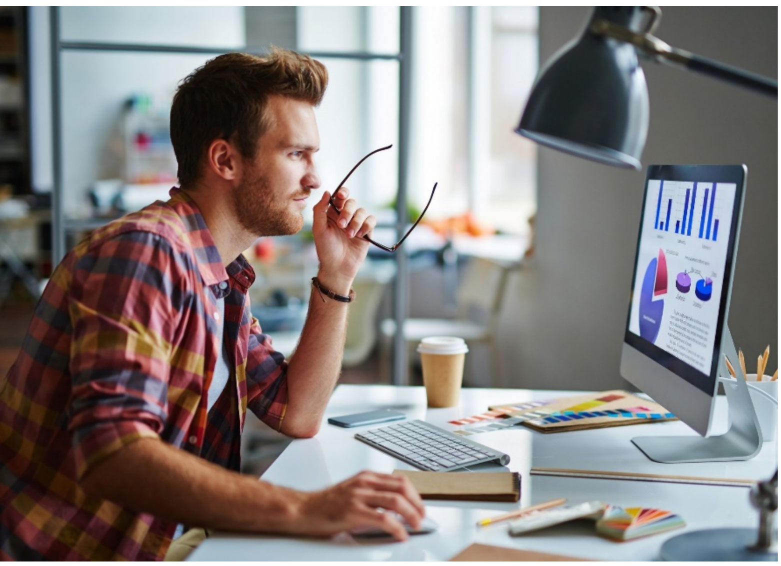
Worryingly, one in five unadvised investors haven't reviewed their risk appetite in over ten years, and almost the same proportion haven't reviewed their investment goals over that same period.

Once reviewed, advised investors are twice as likely to make a change to one or more aspects of their investment.

What did you change after that review?

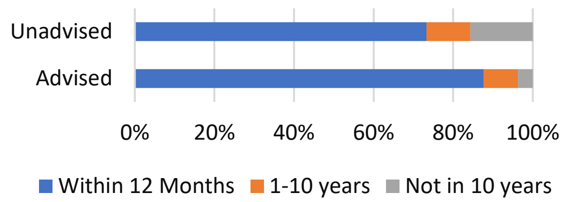


> *Over 80% of advised Kiwis say their investment adviser/financial planner helped them understand the risks of their financial plan*

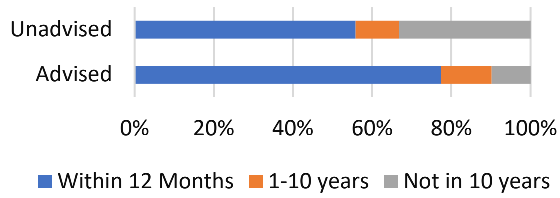


When was the last time you reviewed...

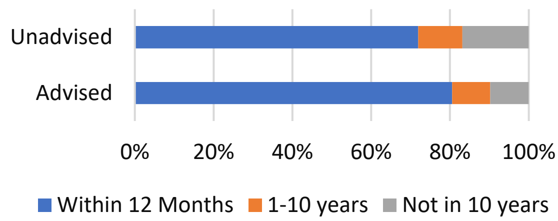
Your mix of investments:



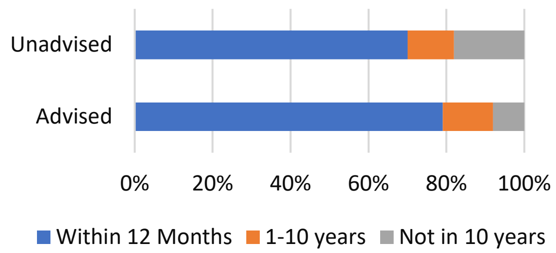
Who is managing the portfolio:



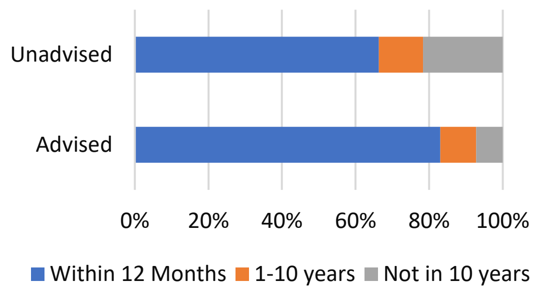
The amount of contribution (if any):



Investment goals (value and timeframe):



Risk Appetite:

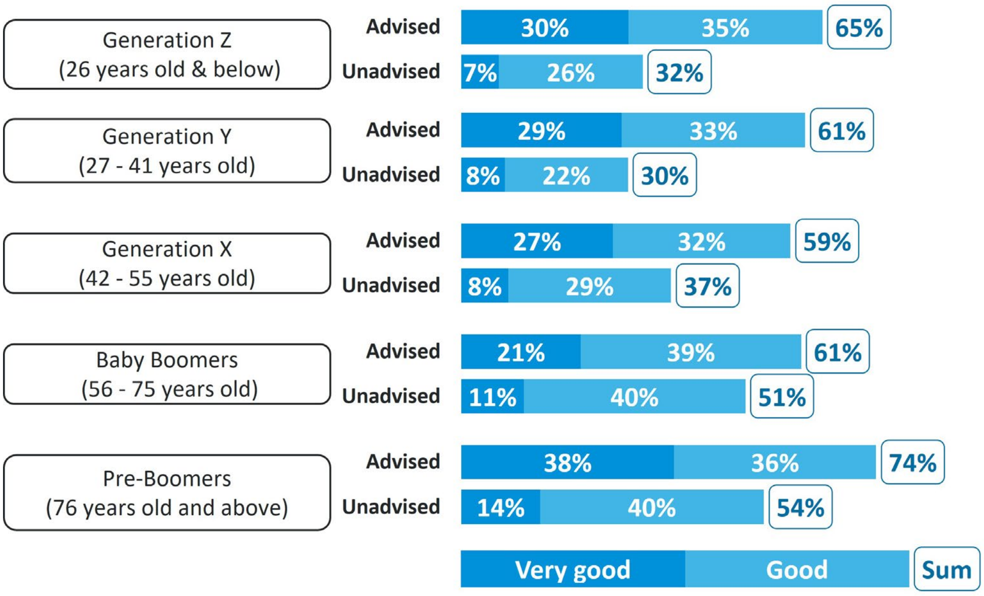


POSITIVE BEHAVIOURS – RETIREMENT PLANNING

Advised Kiwis are better informed and more likely to be preparing for retirement.

Across every age band, advised Kiwis feel they have a better understanding of how much money they will need in retirement (62% vs 40% overall). In the youngest generation, those 26 years and below, 65% of the advised rate their understanding of retirement financial needs as good or very good, double that of their unadvised peers.

How would you rate your understanding of … How much money I will need in retirement

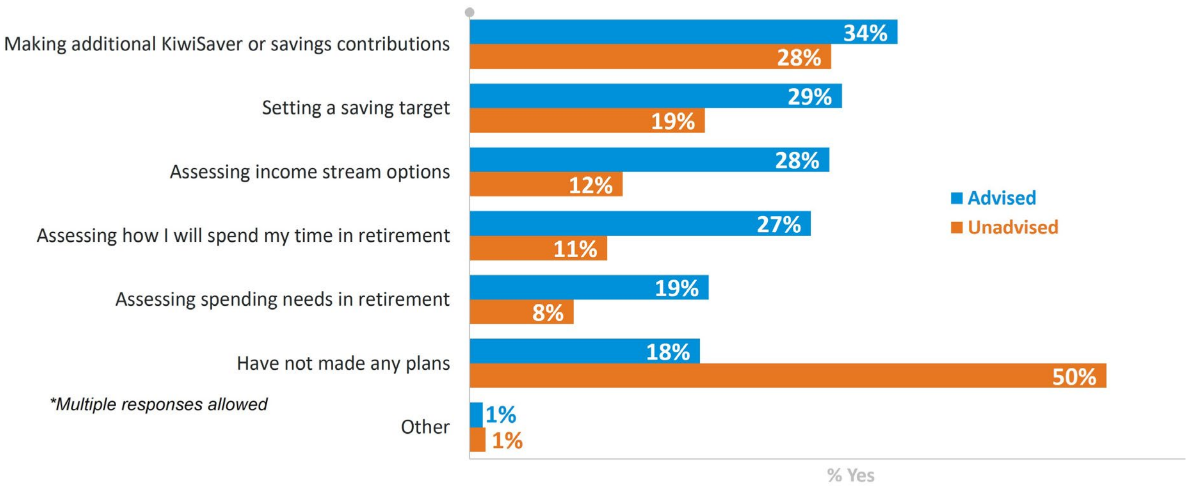


Those young advised Kiwis also feel more financially prepared for their retirement with 58% compared to just 24% of all those under 41 years saying they already feel very or reasonably prepared.

This preparedness comes from better financial behaviours like early retirement planning.

Half (50%) of the unadvised Kiwis in this age band have not made any retirement plans – much more than the proportion of advised young Kiwis (18%).

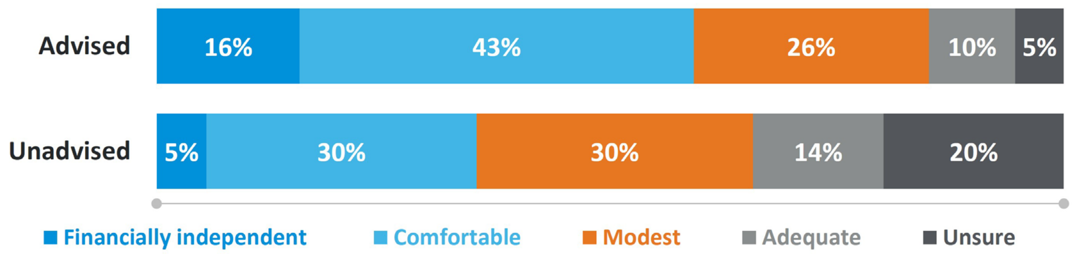
Under 41 years of age - What type of plans have you made for retirement?



*Multiple responses allowed

With a better understanding of the financial needs of retirement, and plans in place to achieve their goals, it is not surprising to see that overall, advised Kiwis have better retirement expectations (59% vs 35% say they will have at least a comfortable retirement).

Not yet retired: What kind of retirement standard of living do you think that you will be able to afford?



Financially independent – *I will have plenty of money to do everything that I want in retirement*
Comfortable – *I will have enough money to live very comfortably without being too extravagant*
Modest – *I will have a reasonable lifestyle but possibly not as comfortable as I might like*
Adequate – *I will have to make quite a few sacrifices*

A BETTER RETIREMENT FOR THOSE ALREADY RETIRED

When already retired New Zealanders were asked about their standard of living in retirement, the divide between the advised and unadvised couldn't be clearer.

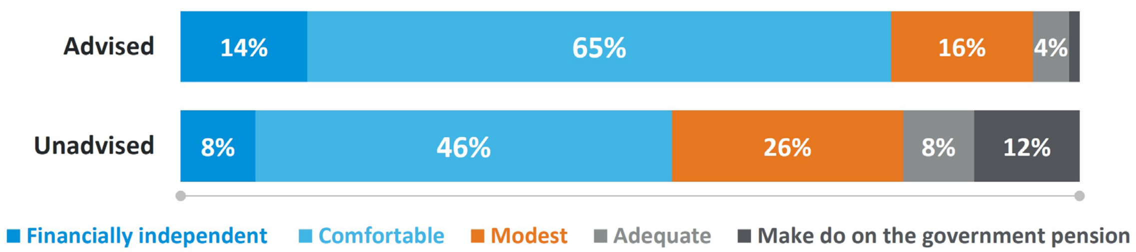
Advised Kiwis overwhelmingly have a financially independent or comfortable (79%) retirement.

Few have a modest retirement (16%), and a small minority say it's adequate (4%) or have to rely on the pension (1%).

On the other side of the coin, a significant portion of unadvised Kiwis have to rely on the pension (12%).

Quite a few also only have an adequate (8%) or modest (26%) retirement. Only just over half have a comfortable (46%) or financially independent (8%) retirement.

Retired already: What kind of retirement standard of living can you currently afford?



Financially independent – *I have plenty of money to do everything that I want in retirement*
Comfortable – *I have enough money to live very comfortably without being too extravagant*
Modest – *I have a reasonable lifestyle but possibly not as comfortable as I might like*
Adequate – *I have to make quite a few sacrifices*

INFORMING THE UNADVISED

Kiwi consumers are only likely to seek advice in unusual circumstances, despite the clear value it gives to everyday New Zealanders.

When asked what would trigger them to actively seek advice, popular answers among the unadvised revolved around large, unexpected life events like receiving a large sum of money (32%), health issues (18%), or financial distress (19%).

Almost one in three (30%) couldn't envision a circumstance where they would actively seek advice.

This shows a misinterpretation - or even a complete lack of understanding - of the everyday value that advice can provide to consumers, both tangibly and intangibly.

This value disconnect is best explained by the overconfidence of unadvised consumers in their own abilities to manage and optimise their financial situation.

Most unadvised Kiwis gave the **confidence in their own abilities** as the main reason they don't have an advice relationship.

Roughly a third said they prefer to just do it themselves (34%), or that they feel like they can manage their own affairs (33%).

As the two top reasons, these again show that there is a genuine lack of understanding about the actual value that advice can provide across a person's holistic financial situation.

What are the key reasons you have never received financial advice from a financial planner/financial adviser?

34% - I preferred to just do it myself

33% - Felt I could manage my own financial affairs

31% - I didn't feel my circumstances justified the need

28% - I didn't feel I could afford it

ADVICE & WELLBEING

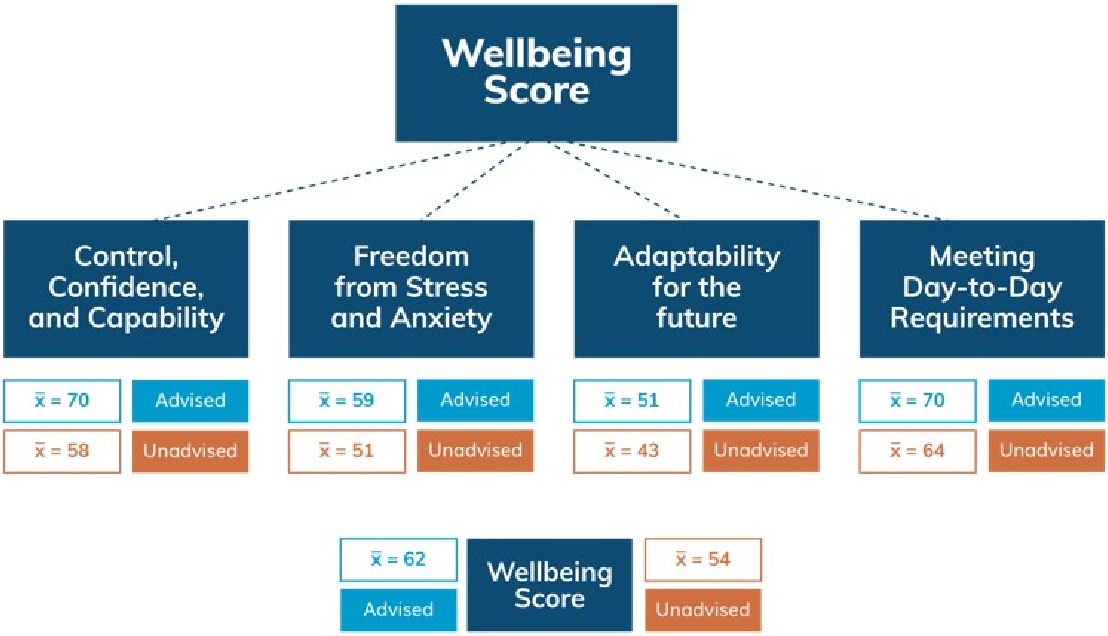
Financial Advice NZ Wellbeing Index

To standardise the measurement of financial wellbeing, in 2020 Financial Advice NZ and CoreData developed the Financial Advice NZ Wellbeing Index.

The four key measurable components of every New Zealander's financial wellbeing were identified.

Together they gauge an individual's overall financial wellness beyond just the financial aspects and focus on what is really important to New Zealanders.

With the index, we can quantify the unquantifiable, and see clearly the value of advice, both now and over time.



Overall Wellbeing Index Score for Advised Kiwis remains steady

Despite the ongoing COVID-19 pandemic, financial advice has put many in good stead to maintain an overall positive financial Wellbeing Index Score (62), remaining consistent with the results of 2020.

There have been gains in the measured categories of control, confidence and capability, showing that advised Kiwis do have a better sense of control. Interestingly, advised New Zealanders score lower than unadvised in their freedom from stress and anxiety – likely as a result of their heightened awareness.

Small declines in some Index measures for Advised Kiwis but still consistently higher than unadvised

Slight declines have also been measured in the categories of 'Adaptability for the future', and 'Meeting day-to-day requirements'. However, overall results are still promising as Advised Kiwis overall wellbeing score is significantly higher than that of those not receiving advice.

The higher overall score has been driven by those receiving advice still measuring consistently higher on each measure of the Wellbeing Index.

RESEARCH METHODOLOGY

METHODOLOGY

This research was based on a survey conducted for just under two weeks in October 2021 by CoreData Research.

All charts and statistics (as well as the index results) were pulled from the data gathered in this survey.

The survey was answered by 2008 New Zealanders

- 633 Currently receiving advice
- 1375 Not currently receiving advice

CORE DATA

CoreData Research is a global specialist financial services research and strategy consultancy, founded in 2002 and headquartered in Australia, with operations in Sydney, Perth, London, Boston and Manila.

SPONSORS

This research was made with the help of a generous grant from the PAA Legacy Trust and with support from the following Financial Advice NZ Business Partners.

Thanks to these Financial Advice NZ Business Partners

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Financial Advice NZ is the professional body for the financial advice sector, supporting New Zealanders to achieve choice in their financial matters, and financial security.

Financial Advisers who are members of Financial Advice New Zealand are part of an association that strives to build a thriving future for financial advice.

We know the most essential element of financial wellbeing is quality financial advice. By helping advisers do what they do best, and helping more Kiwis access quality advice, together we'll help to improve New Zealand's financial health, wealth, and wellbeing.

Through our three pillars of standards, advocacy and promotion, we are committed to promoting the value of financial advice and to help more New Zealanders access quality financial advisers.

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