# Advice for good.

Rethinking New Zealand's relationship with financial advice.

# Foreword.

As we celebrated the 50th birthday of Fidelity Life in 2023, it was natural for us not only to take stock of where we've come from, but also, to look ahead at where financial advice is going in Aotearoa. Our mission is to be "here for the good of New Zealand", but the evidence shows most New Zealanders aren't seeking financial help, either through regular financial "health checks" or at key life stages, until they're nearing retirement – when it may be too late.

When it comes to insurance alone, the OECD says that as of 2021 we're ranked 28th out of 56 countries in terms of insurance spend, equating to 3.4% of GDP. That's just over a third of the OECD average of 9.3%. That's an indicator of a broader challenge relating to financial literacy, and our maturity as a nation when it comes to making financial decisions.

As a business invested in the future of the advice industry, and in creating better outcomes for all New Zealanders, we embarked on our own research to understand the role of financial advice in New Zealand, who we're getting our advice from and how advisers could better support consumers to understand the value of advice to their financial and emotional wellbeing.

There are some significant misunderstandings around how we view the role of advisers, and some sobering statistics around how we're collectively managing our money, especially during a cost of living crisis. The common "sleepwalking" approach sets New Zealanders up for missteps that take away financial choice in the future. Unsurprisingly, the short-term money behaviours we're adopting are also contributing to longer-term stress that could be avoided with early support from an adviser. Markedly higher levels of stress among younger New Zealanders and Pacific Islanders are particularly concerning.

However, there are some really positive insights and signals from younger generations that point the way to how the industry, advisers and government can work together on a solution.

It's great to see the new government signal a commitment to boosting financial literacy in schools, which will help create the right money mindsets in younger New Zealanders. But, with so many having already missed out, this report seeks to provide insights to advisers and the industry on how to generate broader awareness and strengthen relationships with customers throughout their lives. It's also to help policymakers identify strategies and areas of focus to improve financial literacy and wellbeing, helping New Zealanders avoid those financial mistakes that are costing us in money, missed opportunities and mental health.

Working together, we can create change that will empower future generations to enjoy a better quality of life and achieve their financial objectives, making a real and lasting difference to New Zealand and New Zealanders.

Ngā mihi,
Bronwyn Kirwan
Chief Sales and Service Officer.

# Contents.



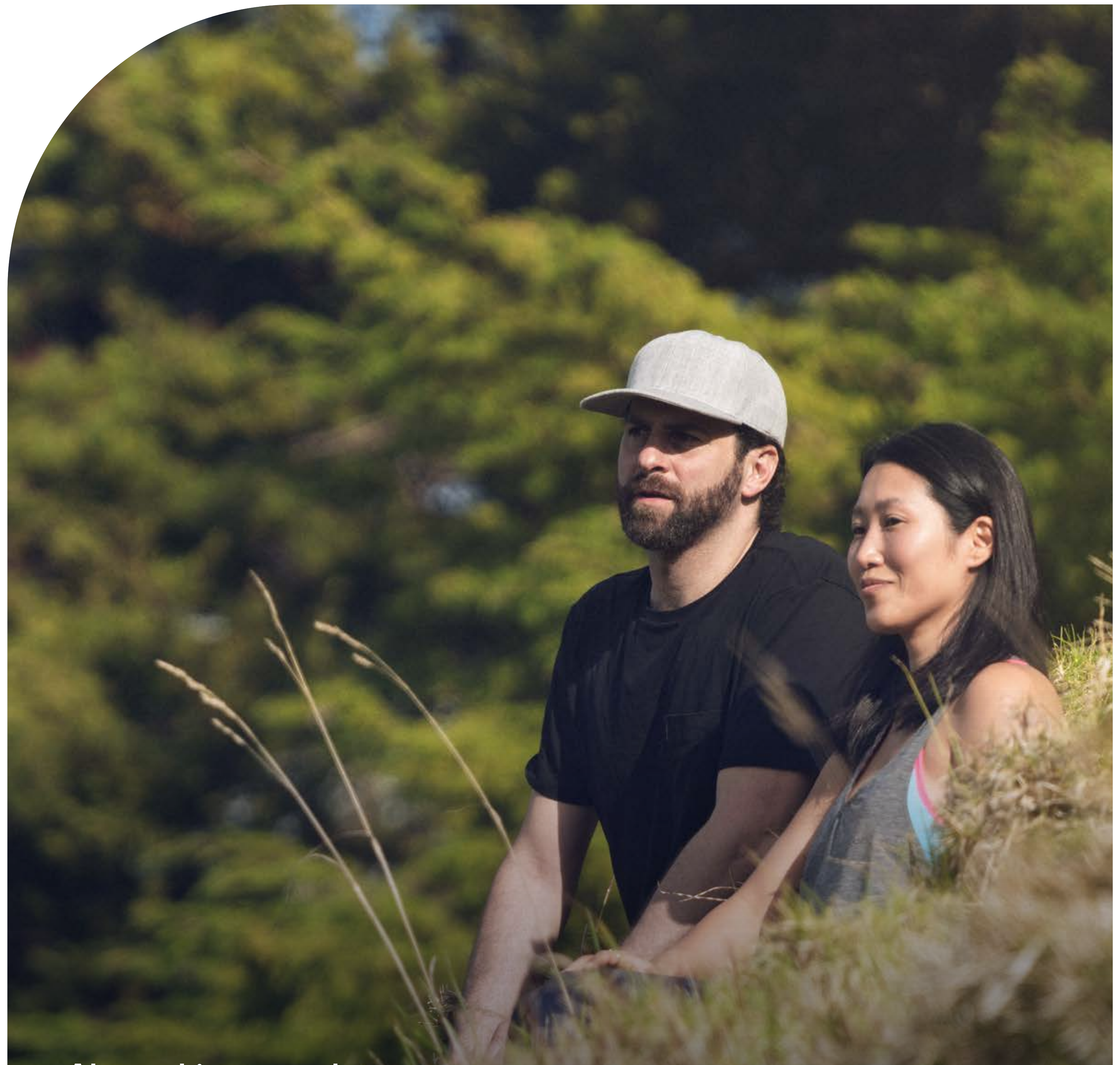
# Executive summary.

## Despite our differences in age, wealth and outlook, there's one thing most New Zealanders agree on: all of us should be able to access financial advice. However, most of us aren't getting it.

While our research shows significant anxiety about our financial future, particularly among younger generations, this isn't translating into a high uptake of advice. Whether through a "she'll be right attitude" and belief that we can go it alone, or confusion about what financial advice actually means, we're typically turning to "amateur advice" from family and friends even though we know it's probably not as good as what we'd get from a professional.

As a result, we're somewhat stuck on our time-tested pathways to wealth – focusing on linear, short-term goals such as getting on the property ladder as previous generations have done, and assuming that will be enough to set us up for a comfortable retirement. Meanwhile, we lack confidence to make financial decisions, and a large number of us feel our financial future is out of our control. We tend to avoid taking action to avoid making mistakes, without realising that this can also be a significant "money misstep".

The findings of this report show significant opportunity for education to help build confidence and financial security sooner, especially to help the younger cohort evolve their goals and support them along the journey. Advice for good: Rethinking New Zealand's relationship with financial advice aims to provide useful insights to help financial advisers, the financial services industry and policymakers develop informed strategies to support more New Zealanders, building trusted relationships at every stage of their lives, helping them avoid money missteps and reducing financial fear.



**About this research.**

This research was conducted by market research specialists Sapien in Q4 2023, commissioned by Fidelity Life Assurance Company Limited (Fidelity Life). More than 1,100 New Zealanders aged 18-69 were interviewed, consisting of a representative sampling across age, gender, ethnicity and income level.

Research consisted of both quantitative surveys and qualitative interviews. Interviewees included full-time and part-time workers, unemployed, students and retirees in a range of income brackets. Incomes ranged from less than $15,000 to more than $200,000, with approximately 1 in 5 of those surveyed earning above $150,001.

We want to say a very big thank you to the following organisations who also gave their time to participate in interviews for this research, including Consumer New Zealand, Financial Advice New Zealand, The Financial Services Council, Kaplan Professional and Massey University, Te Ara Ahunga Ora Retirement Commission, Ngāi Tahu Whai Rawa and The Financial Advice Code Committee.

# On top, optimistic or overwhelmed? – New Zealand's financial generation gap.

Overwhelmingly, we agree financial advice is important. More than 4 in 5 respondents to the survey agreed that all New Zealanders should have access to financial advice.

However, the emotions we feel about our financial situation show two very different New Zealands. A third (34%) of us are feeling comfortable, especially older New Zealanders. While some studies suggest there's a growing gap between New Zealand superannuation payments and retirees' basic expenditure, 81% of those in the 65+ age group in our study felt positive about their financial situation.

**81%** Agree all New Zealanders should have access to financial advice.

**Everyone should be able to get financial advice.**

**31%** Somewhat agree.

**20%** Mostly agree.

**30%** Completely agree.

That's in contrast to the other New Zealand, where two-thirds of us are worried about our financial future. In fact, nearly half (47%) of New Zealanders often or always worry about money – especially given the current cost of living crisis.

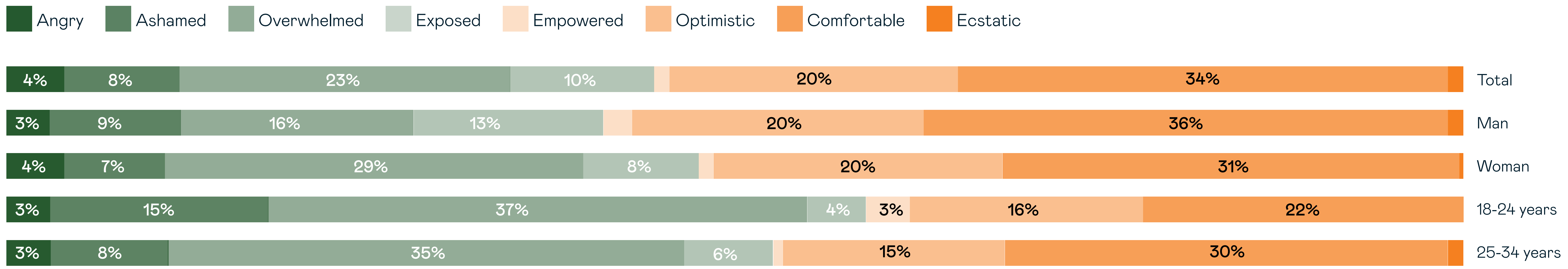
Negative emotions are especially impacting the young. In this age group, their perceived level of wealth is affecting mental health, with "overwhelmed" being the most-selected emotion. The under-35 cohort are also the most likely to agree they always worry about money.

**Younger New Zealanders are worried.**

**37%** of 18-24s feel overwhelmed about their financial situation.

**59%** of 18-24s feel negatively overall towards their finances.

**53%** of under-35s agree they always worry about money.




Fidelity Life's research also shows interesting and very different emotions towards money depending on ethnicity, with non-Europeans more likely to feel negatively. 30% of Māori and 38% of Middle Eastern, Latin American and African (MELAA) respondents said their financial situation made them feel overwhelmed. Meanwhile, 27% of Pacific Islanders were ashamed, and 58% viewed their financial situation negatively overall – the largest cohort by a significant margin.

There are, however, some interesting areas of tension that seem to contradict the generally gloomy sentiment. Even with higher costs adding pressure, the vast majority of New Zealanders (88%) feel like they typically have enough to pay the bills. We're surprisingly positive in our financial outlook as well, with 41% feeling optimistic that our financial situation will improve in the next 12 months, compared with 28% of us expecting things to worsen. Interestingly, the most worried of us – the under 35s – are more likely to feel optimistic.

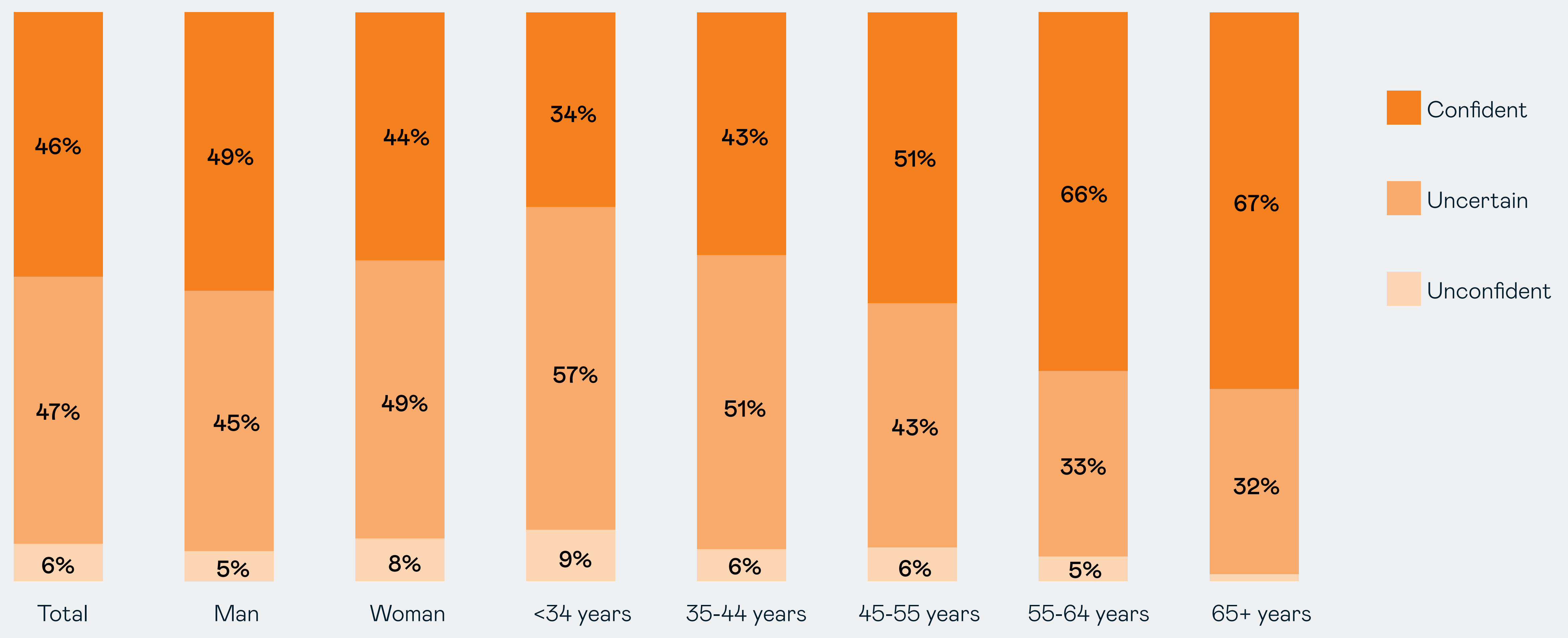
The inference is that many of us are worried without necessarily understanding what's driving this. While we're all right now, and might even think we're going to be OK in the future, we don't know how we're going to get there – and that creates uncertainty, which leads to stress.

The research shows real potential to help New Zealanders feel more secure, and utilise advice to build financial literacy from a younger age that helps more people take an active role in their financial future and achieve their goals at every phase of life.

# A shortage of "money confidence".

Overwhelmingly, we agree financial advice is important. The common short-term worry, without fully considering the longer term, is a symptom of a broader issue: we lack confidence when it comes to making decisions about our finances until we're nearing retirement.

Even in the 45-54 age bracket, around half of New Zealanders still feel uncertain or unconfident making money decisions. Only in the 55+ age group, once we've paid off a larger amount of debt or accumulated wealth, do we see 63% feeling confident.




**Qx. How confident are you in making decisions around your money and finances?**

Ethnic minorities need even greater support to build confidence. Three quarters (74%) of Pacific Islanders feel unconfident or unsure making financial decisions, as do 59% of Asians and 56% of Māori.

What's even more worrying is that more than a quarter of New Zealanders feel their financial situation is out of their control. Yet despite this, we're predominantly taking a passive approach to our finances that is leaving many languishing and anxious, and the result is that we're missing opportunities throughout our lives to give ourselves the best possible choices later on.

One reason is that many New Zealanders don't know where to get financial advice they can trust, especially among the younger generations. When asked, 41% of under 35s weren't able to say where to find good advice. By helping New Zealanders (especially younger New Zealanders and those from ethnic minorities) to understand what financial advice means, and what it could help them achieve, that widespread uncertainty and worry could be better addressed.

# Shifting our money aspirations.

While the cost-of-living crisis is undoubtedly affecting many New Zealanders' lifestyles and aspirations, it's also an opportunity to reflect on our long-term financial goals and behaviours.

By and large, New Zealanders don't have sky-high aspirations. We want to be "comfortable" – but we don't feel in control of the journey. Less than a third of New Zealanders (30%) agree they are at least somewhat in control of their financial situation, with only 8% believing they are either mostly or fully in control.

Instead, we're focusing on the short-term horizon. Especially during a cost-of-living crisis, 89% are prioritising day to day spending, followed by saving (65%) and paying off debt (57%). All of these things give a more immediate sense of control, seeing food go on the table, savings increase and debts reduce.

Actively growing our wealth is in fifth place. Only around 4 in 10 New Zealanders rate growing wealth as a high or the highest priority, with 39% of New Zealanders having investment products or other assets to help create wealth.

This short-term focus is leading to a linear, disjointed financial journey, centred on specific milestones rather than enabling the long-term outcome of living comfortably. It's concerning that more than a third of those surveyed (34%) don't have any form of insurance. Just 11% had consulted an insurance adviser. While a small number will be retirees living in managed accommodation with its own insurance, the high percentage demonstrates a broader lack of forward-thinking. There's a general lack of understanding about the importance of protecting our income and earning ability as well as our assets to provide greater financial security.

Notably, we're not thinking far enough into the future to set ourselves up for a comfortable retirement, with only 3% of those under 35 mentioning this as an aspiration – and only 23% even in the 55+ age group. For the 35-54 age bracket, home ownership is overwhelmingly the number one priority, showing New Zealanders are still equating home ownership with financial stability. This opens up doors to show New Zealanders that there's more than one way to achieve our long-term aspirations.

The good news is that although less than half of New Zealanders have stocks and shares or managed funds, most already have KiwiSaver. This provides a helpful way into conversations about the value of working towards financial goals early, compounding interest and how different behaviours and settings can influence our long-term ability to achieve our goals – not just for retirement.

### New Zealanders' investments.

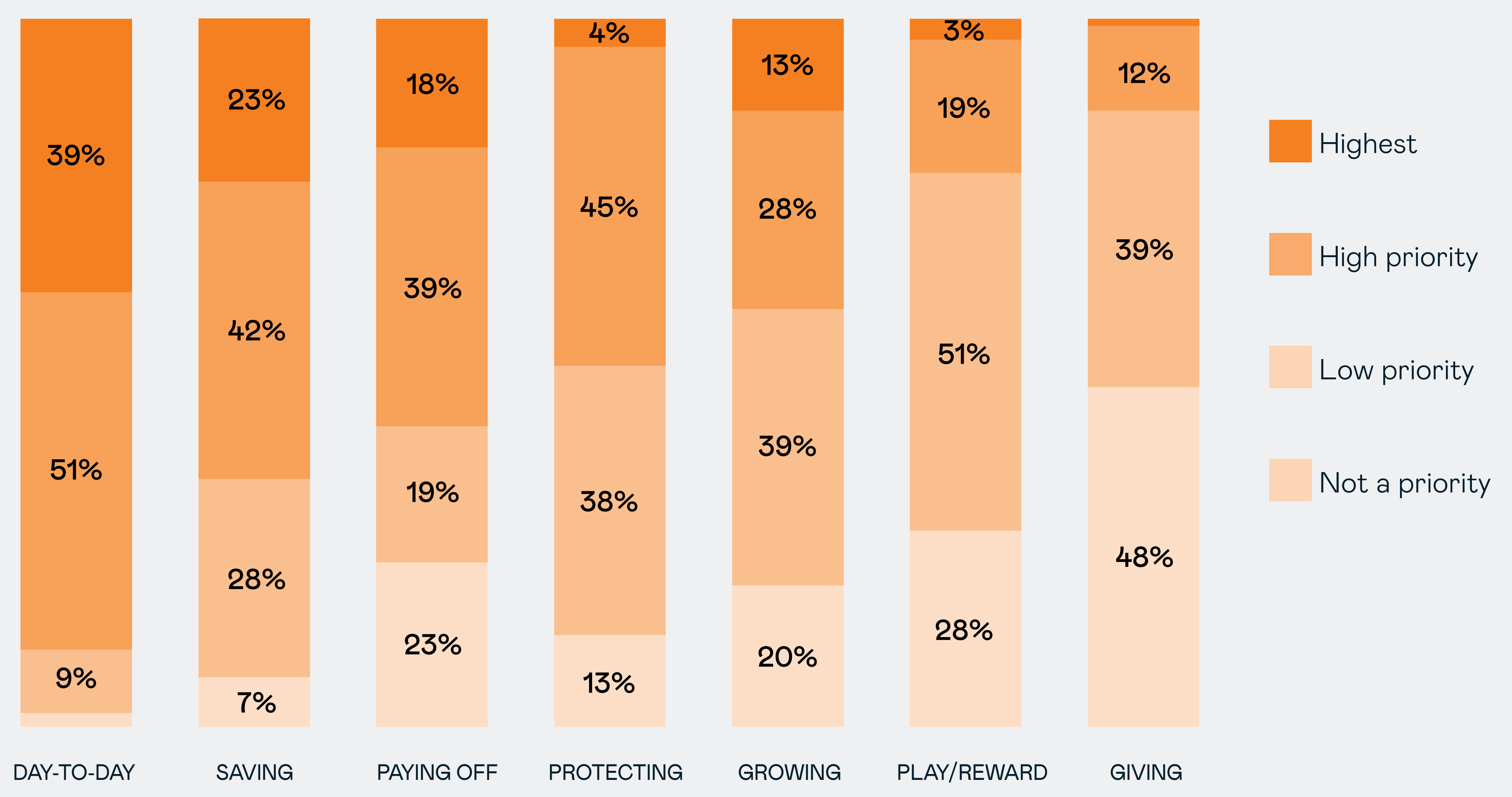
**30%** Have stocks and shares.

**17%** Have managed funds.

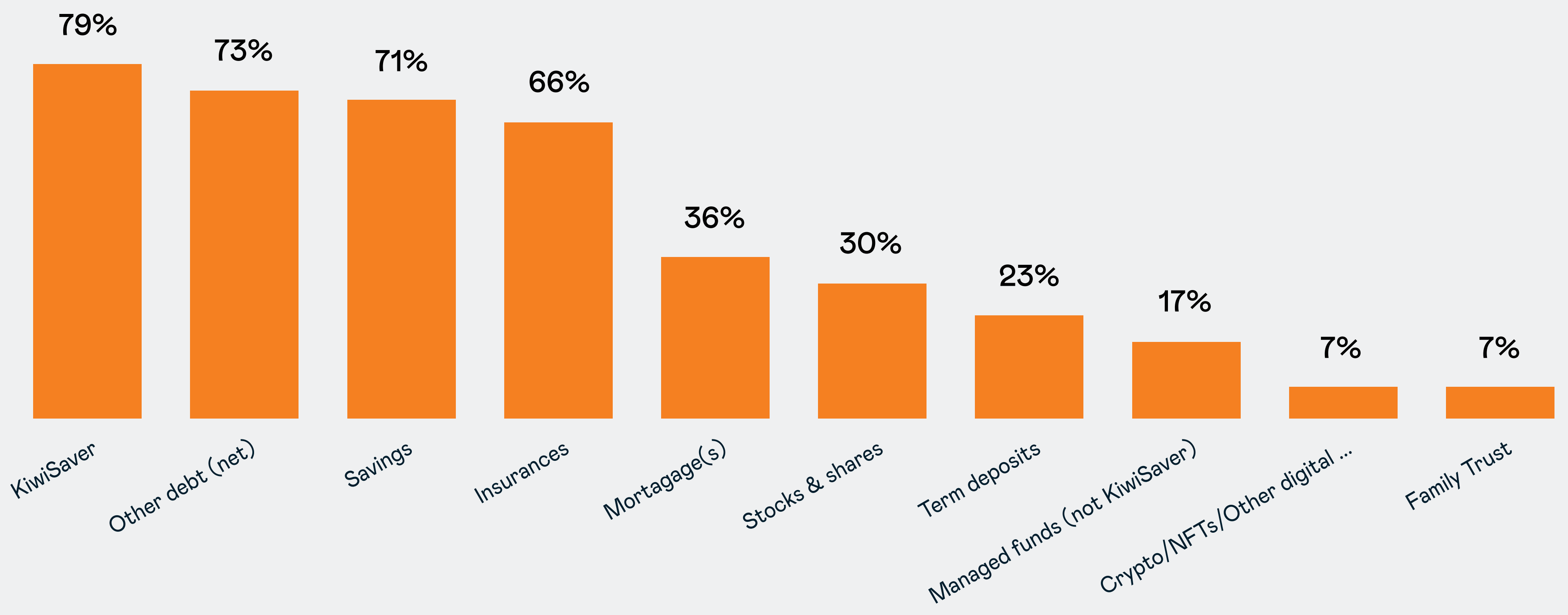
**79%** Have KiwiSaver.

While a house will understandably remain a popular means of achieving security and stability, the opportunity is to build a longer-term narrative that starts with helping 18-34-year-olds set goals and understand investments, and plan earlier for retirement, whether or not a house makes the most sense for them.

### Qx. Here are ways people use their money, which are your priorities?




### Qx. Which if any of these financial products/services do you currently have?



# Hilton’s story.

## Consumer case study.

Hilton is a young dad who’s just turned 30. He’s keen on financial self-improvement, but he doesn’t feel he has enough money to justify seeking professional advice.

“We’re living paycheque to paycheque, so we’re just surviving. There’s enough to pay the bills, but I don’t have a lot of money to work with. Instead I look at taking on another job or changing power companies whenever I want to save money.”

He doesn’t know any professionals to go to for help, and he’s also worried about the fees.

“I haven’t seen much out there at all from advisers, but going from previous experiences online, people aren’t upfront about the costs, and they’re really expensive.”

Instead, a seminar on buying property sparked him to consult Sorted.org.nz and other websites, as well as podcasts and books like The Barefoot Investor, which he says were hugely useful in getting him to budget and manage his savings. He’s also got shares, bought before he and his brother purchased their house together, although he describes these as a hands-off “invest and walk away situation”.

His goal is one day to own several properties and businesses, earning $100,000 a year.

“I just want to be comfortable and save for my family. There is a way to do it,” he says.

**‘We’re living paycheque to paycheque, so we’re just surviving. There’s enough to pay the bills, but I don’t have a lot of money to work with. ’**

# An over-reliance on amateur advice.

One of the most significant barriers to addressing short-term thinking is our attitudes towards financial advice.

Despite agreeing that all of us should have access to it, and 88% of us agreeing that financial advisers are the most trustworthy source of information on our finances, we're choosing an amateur approach. Far more New Zealanders have consulted a family member (36%) than a financial adviser (22%). While 10% of us have used social media as a source of advice, that rises to 18% for those under 35 – almost as many as have consulted a financial adviser. Just 11% of us have used an insurance adviser.

When facing complex legal issues that have the power to impact our futures, the majority of people would agree a lawyer is the best source of advice, even when there's a cost implication. Considering attitudes to financial advice in this context, it's equivalent to choosing our mum and dad to represent us in court, even if it would save us considerable time and have a significant impact on the outcome if we consulted a professional. In a DIY nation, we seem addicted to managing our finances ourselves, without appreciating the level of knowledge required and the value professional expertise brings.

### Why haven't New Zealanders sought advice?

**31%** Don't see the relevance of advice.

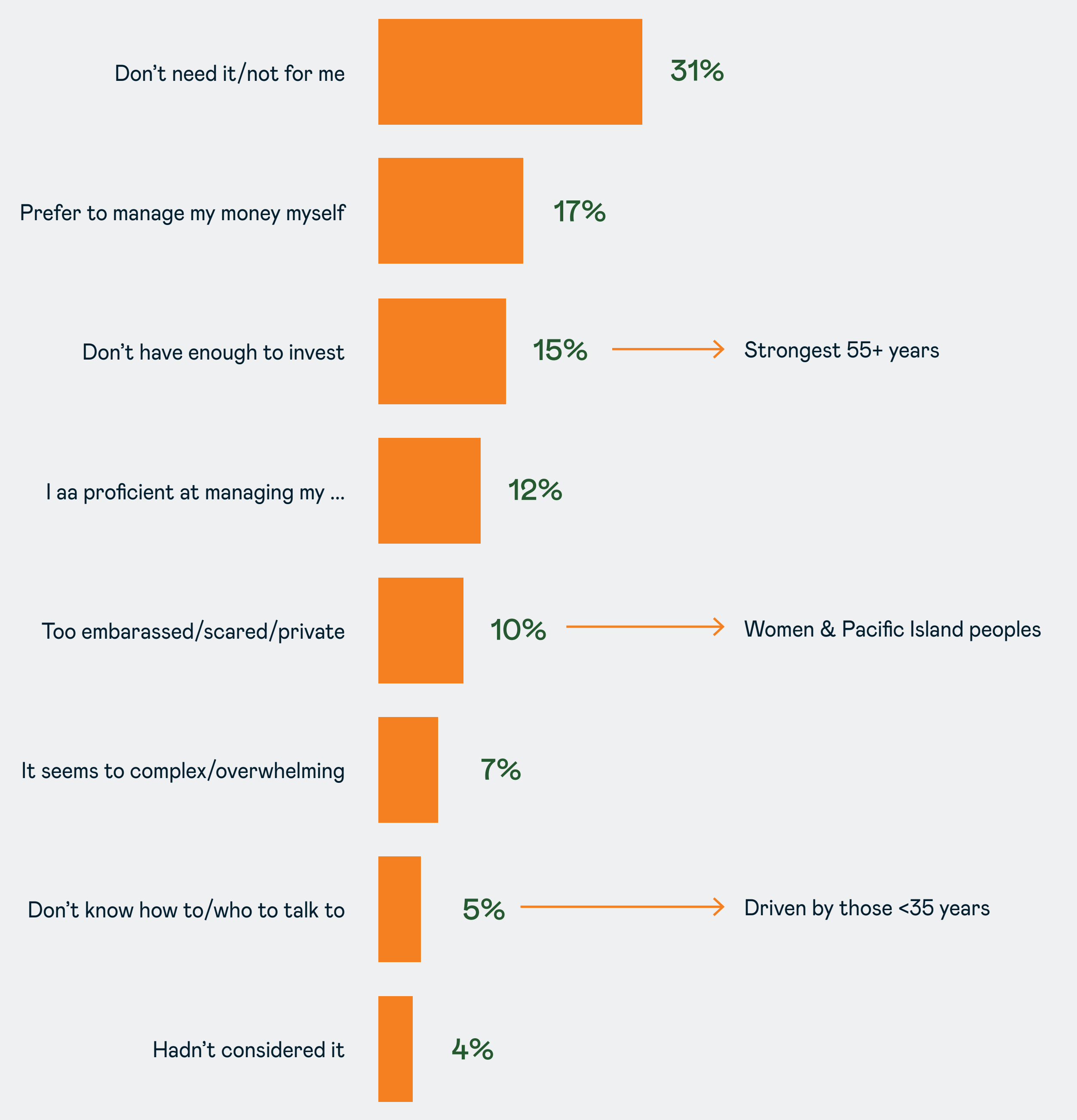
**17%** Prefer to manage their own money.

**12%** Believe they have enough knowledge to manage on their own.

**10%** Are too embarassed, scared or want privacy.

So, why is this? Almost a third of people who haven't sought professional advice say they don't see the relevance of it. There's also a sense of wanting privacy or discomfort about seeking help – that our money isn't anyone else's business, perhaps a leftover from the cultural trope that it's bad manners to talk about money.

### Qx. Why have you not sought advice?



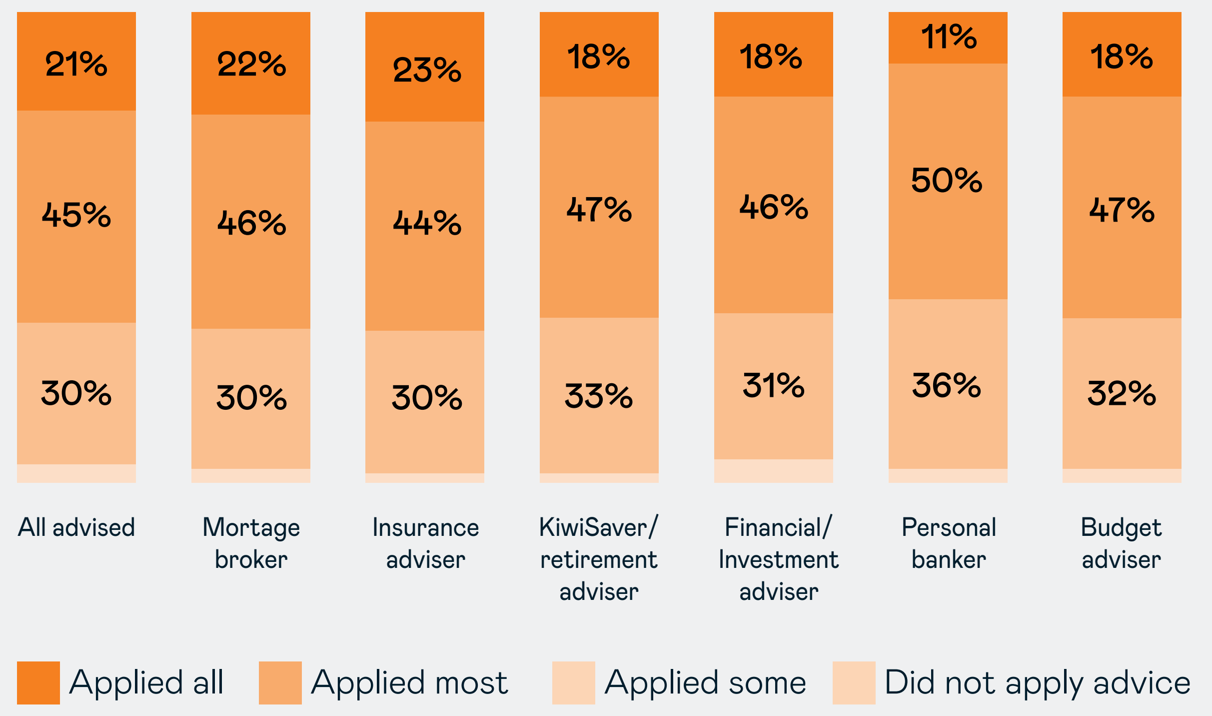

*Percentages represent only New Zealanders who haven't sought financial advice.

Even for those who have sought financial advice, just 14% have spoken to an investment specialist to support with growing wealth. The 65+ cohort was the most likely to have done so (32%), compared with just 8% of under 35s and 10% of under 45s. The most common reason for seeing an adviser is for borrowing money (48%), against 36% for investing to grow wealth. Just 28% of us have sought out advice on products like income protection insurance, or mortgage insurance, to help protect the wealth we've created so far.

The challenge is that we lack familiarity with the role of advisers. Just 13% of us are able to explain the role they perform with any confidence. Half of us also believe that financial advice is too expensive. Interestingly, in at least three-quarters of cases, we're only applying some of the advice we receive.

### We don't apply the advice we receive 1/3 of the time.

**Qx. Extent to which advice was applied. Those advised by a financial adviser/type used.**



# Danielle's story.

## Consumer case study.

As a lawyer, Danielle is a firm believer in the value of professional advice. The first time she sought financial advice was around 10 years ago when she and her husband returned from their OE (overseas experience) in the UK, and were buying their first home. They had good jobs and an investment property, but weren't sure the decisions they were making were the right ones.

In Danielle's words: "I've always had this nagging feeling of 'you don't know what you don't know'. I'm from a family where you just buy an investment property, but I wasn't sure whether just to follow my parents and rely on the capital gain. Forecasting all the scenarios about which loans to pay off first was also really tricky, and I just wanted a steer so I didn't take the wrong step."

Creating a plan with an adviser worked so well that the couple sought help again a few years later, around the arrival of their first child, which helped them decide to sell their investment property. While they're now going it alone, the advice they received gave them the encouragement that they're on the right track.

"For me, it was like having a personal trainer for my finances, giving me the fundamentals, and now we're feeling positive about our financial future."

**'For me, it was like having a personal trainer for my finances'**

# So, what does this mean?

As a result of seeking amateur advice, we get stuck in the same old ways of doing things and can't see a way forward – especially when the people we most often turn to for advice, our parents, have experienced different conditions. While it's good to see a rise in confidence around financial management by the time New Zealanders are nearing retirement, the low uptake of expert advice suggests some of this confidence might be misplaced.

Baby Boomers who have achieved financial success via the traditional route of buying a home and an investment property may consider themselves financially savvy without taking into account the fact they've lived through one of the greatest property booms in our history, and that as the world changes, a different approach might work better today.

Because we haven't taken advice, we're also not recognising our money missteps as we go through life. 67% of New Zealanders who received financial advice think it saved them from making mistakes, while 41% of those that got advice regret not getting it sooner. However, when only 22% of New Zealanders have used an adviser, that shows there's a lot of New Zealanders who are possibly completely unaware of the potential money mistakes they're making every day, which limits their options.

In some ways our 'she'll be right' attitude to our finances, as well as reliance on asset classes like property for growing wealth, has left a wealth knowledge gap. The majority of New Zealanders "don't know what they don't know". While some of the mistakes we're making may only seem small, over a lifetime they add up to having a significant impact on our overall wealth. Many of us sleepwalk into money missteps, as Danielle is afraid of doing, but we're leaving it too late to seek financial advice that could avert or correct these until it's too late, when we're approaching retirement.

**81% of those who had consulted a professional financial adviser said getting financial advice provided peace of mind.**

Notably, 81% of those who had consulted a professional financial adviser said getting financial advice provided peace of mind, and 70% said it helped them achieve their goals. This provides a positive foundation to build education around, potentially supported by the high uptake of KiwiSaver. By helping New Zealanders understand what financial advice means, and what it could help them achieve, we can begin to address the uncertainty and worry that's so widespread.

One of the promising insights from the research is that young New Zealanders are more likely to prefer an ongoing relationship with a financial adviser, rather than on an "as necessary" basis. They are also more prone to seeing the amount of funds required to "need" advice as lower than older people, seeing funds of less than $10,000 as worth seeking advice about. For them, the catalyst for taking up advice is more centred on it being offered by someone trusted, including the government.

This is a clear indication that creating strategies to educate younger generations around the value of advice at every life stage and making access to advice easier could make a significant difference to young people's overall wellbeing – whether financial or emotional. This also includes education on products like insurance that provide peace of mind, or on the kinds of questions to ask financial services providers, offering a greater sense of confidence and control when seeking advice.

Even more positive, the younger cohort is more willing to engage than older generations, with 48% of 18-34s saying they would definitely or probably approach an adviser in the future. This demonstrates a real opportunity to build the foundations for lifelong trusted relationships.

# James' story.

## Adviser case study.

James Blair, a financial adviser from Lighthouse Financial, is all too familiar with the financial challenges that New Zealanders are facing.

James' main demographic is time-poor 30-50-year-olds with families, who want to get ahead, but just don't have the head space or energy to come up with a plan. They have debt, and with interest rates more than tripling, they're really feeling the pinch. As the research suggests, James is meeting a lot of New Zealanders running on auto-pilot, focused on how they get through to the next paycheque, but not thinking much further ahead.

"It's understandable that the research shows we're grinding it out at the moment. They don't call it a cost-of-living crisis for nothing," he says.

"One of the antidotes to money stress is action – it makes us feel good that we're doing something about our situation. But, when you're stressed you have no clarity around what to do and instead you stick your head in the sand."

It's no surprise to James that younger generations are the ones feeling the most money stress. They are just setting out on their money journey, and the task of building wealth seems long and complex. However, James believes that money is actually very simple – people are what make it complicated.

"We overestimate what we can do in 6 months, and grossly underestimate what we can do in 10 years. The role of advice is to ensure we are clear on what the long-term goal is, then put a plan in place to make sure we get there. Professional advice is what ensures clients aren't disappointed and down-hearted at the 6 month mark, and then that they are pleasantly surprised after 10 years."

James also appreciates why we're more likely to turn to people we know for advice.

"Money is linked to success in life, and we think if we talk about how we're getting help with money, that may be seen as weak or embarrassing. So, naturally we reserve talk about money to a small cohort of trusted people, like friends and family."

In James' view, tall poppy syndrome doesn't help our money aspirations. He believes we like to aim for the middle of the pack to not stand out, but that by aiming higher, we would not only improve our own financial wellbeing and live a better retirement, but we'd stimulate the New Zealand economy to greater heights. He's a fan of platforms like Sharesies as an education tool, which are driving younger New Zealanders to have more conversations about growing wealth and understanding the financial market.

While James says that while we shouldn't rely on amateur advice about our financial future, recommendations from trusted friends and family about who they've gone to for professional advice, or just doing some research online yourself, are a good way to find someone. He suggests looking at Google Reviews to find the right adviser, and then when you meet with them, ask about their experience, qualifications and examples of how they've helped other customers.

While the recently introduced changes to financial adviser licensing laws aim to build trust, he believes the advice industry needs to work harder to boost its overall image, with more education on what financial advice is to change New Zealanders' perceptions. He also recommends a greater focus on appealing to different ethnicities and genders. To remove an initial barrier to seeking advice he suggests potentially lowering upfront fees, with slightly higher ongoing fees to encourage advisers to work on keeping the relationship going.

"New Zealanders might be feeling negative at the moment, but the bad times don't last, just as much as the good times don't last. Everything is cyclical. With the right advice we're more likely to have the confidence to tough things out," he says.

"Financial advice is a relationship that develops over time. With the right research, asking the right questions, and then trusting the advice and following it over the long term, it can really pay off for New Zealanders."

**"Money is straight forward – people make it complicated."**

# What needs to happen next?

From the survey, we know financial advice creates more confidence and better outcomes. The challenge for the industry and government is to develop strategies that raise awareness of the true role and value of advisers, and get people talking about retirement sooner.

There are some simple steps the industry can take. For example, Fidelity Life is taking proactive steps to increase accessibility to advice, including its Adviser edge training and professional development programmes for life insurance advisers. This includes recruiting and training new advisers as well as networking, upskilling and business coaching for those with longer experience, to build their capabilities and share best practice across the industry. There has also been a focus on encouraging diversity within Fidelity Life's adviser network, to ensure advice reflects the needs of different communities, speaking the right language and creating stronger connections.

But what about the role of government? It must be acknowledged that the financial services industry, and advisers, have been experiencing significant regulatory change over the past few years. The Financial Services Legislation Amendment Act updated previous adviser licensing requirements to provide New Zealanders with more confidence in the advice they receive.

From 2025, the Conduct of Financial Institutions (CoFI) regime will introduce new conduct obligations for banks and insurers to treat customers fairly, while banning target-based sales incentives, again to help boost New Zealanders' confidence in the financial services sector. Ringa Hora Workforce Development Council is also reviewing the New Zealand Certificate in Financial Services.

Amidst all this change, further regulation risks muddying the waters. The effectiveness of the new regime will take time to evaluate. With so much change in the last few years, the advice sector has also invested as much energy adjusting as it has providing good advice to customers. A pause on new regulation is needed.

Instead, the focus must be on education. With more than half of New Zealanders uncertain about the role of advisers, there's significant opportunity for the government to work alongside the industry to help build confidence and financial security sooner, especially to help the younger cohort evolve their goals, avert "money missteps" and support them along the journey.

We've already seen some positive steps. In line with its focus on boosting prosperity and empowering New Zealanders to take more responsibility for their financial futures, this government has stated it wants to give KiwiSaver more flexibility, which will encourage New Zealanders to do more research around how their KiwiSaver works and how they can best utilise it. Financial literacy in schools has also been signalled as a priority, which will help give the next generation the platform they need to live more financially fulfilled lives. Further support and promotion of such schemes and education initiatives – noting that younger New Zealanders are hungry for guidance from trusted sources – is what will really create intergenerational change.

This will take a collaborative effort. The industry, advisers and government all have a role to play in helping New Zealanders understand the value of advice and reframing our understanding of what a mature financial market looks like, to collectively increase financial prosperity for all.

# Advice for good.

fidelity life

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