

# Statement of Intent

2017-  
2020





# *From the Retirement Commissioner*

*In the future young New Zealanders will literally have more life to live, and more years with better health. Our grandchildren will survive diseases that would have killed my generation, do jobs that haven't yet been invented, glide to work in an autonomous vehicle while engaged in a global virtual group-chat. I'm quite jealous, and I'd really like to be there but I will have had my time.*

*Which brings me to the point that each generation faces the challenges of their time.*

Our population is ageing. By 2060 we will have a greater number of people who are over 65, living longer, with a smaller number of people working to support them. We don't know what these lower dependency ratios will do for productivity and GDP growth, but I'm prepared to go out on a limb and say that the costs of NZ Super will grow faster than the government's income. Combined with a steep increase in health costs, future governments will face some difficult choices about what to fund, and how.

It makes sense to invest now in the retirees of the future. They will be fitter and younger for longer, and have higher expectations for the second half of their lives. Many will arrive at their 50th birthday ready for career number two or three, anticipating another 20 years of work, and then a further 10 to 20 years of being relatively active.

In that sense, for all the inter-generational tension and debate over house prices and superannuation, young New Zealanders will literally have more life to live, and more years with better health. Our grandchildren will survive diseases that would have killed my generation, do jobs that haven't yet been invented, glide to work in an autonomous vehicle while engaged in a global virtual group-chat. I'm quite jealous, and I'd really like to be there but I will have had my time.

Which brings me to the point that each generation faces the challenges of their time. Generations arguing over 'who got what' ignores the fact that less than 100 years ago there were men and women who sent their children, lovers and communities off to war. Let's agree that they faced more adversity than anyone and accept history deals us all a different hand.

Our focus at The Commission is on building the financial capability of New Zealanders across a lifetime. It makes life better, easier and opens up choices. It reduces the social and financial cost to the government of a life financially out of control and it reduces the long-term liabilities of groups reaching retirement with nothing.

This is based on the premise that behaviour change is possible, that if we understand the brain and behaviour, the power of social norms, what underpins our decision-making, or lack of it, then we can effect change. The alternative is to say that our job is to give out information. We do that, but it's only one strand of our work. We have an increasingly sophisticated understanding of both the challenges and what's possible.

We also have an increasingly sophisticated array of technology to assist us. The Sorted website has a long-term goal of becoming your personal financial assistant – ever-present via your phone, a learning algorithm that serves up a 'whole of life' view of your finances and robo planning to keep you on track in real time as you make decisions and put them in place.

The online channel enables us to deliver scale, is cost-effective and personalised, but it assumes a level of motivation and self-direction. Over the past three years we have built a suite of face-to-face programmes that take the time to work on our attitudes to, knowledge of and relationship with, money. They run from one-off seminars to nine-week programmes with variations in between. Technology will never be enough to replace the warmth, camaraderie and power of 20 families meeting weekly to work their way through their money goals, aspirations and fears. The story-telling, eye contact, acceptance and shared experience are what bring people through to a point where they challenge their own assumptions and habits. The face-to-face work is more intensive and reaching scale has taken time, but we will be expanding the programmes further across the next four years.

The Commission uses a health framework to segment the 3.6 M adults in New Zealand and a triage approach to determine who needs what,

and how to best deploy our finite resources.

Our new Financial Capability Barometer will see us interview over 4,000 people each year, in addition to the thousands who we hear from through our roaming tent, our street activations, and our website surveys.

The Barometer gives us insights into the 14% of New Zealanders in financial 'Intensive Care', the 64% 'On the Ward' and the 22% who we call 'GP Visits'. Driving behavior change around money habits is a complex task, the demands of today drown out thoughts of tomorrow, 2nd and 3rd tier credit is more easily available and peer pressure and social norms play a role in how much we buy and consume. The message to 'save' sits alongside some far more exciting messages to 'buy now and pay later', which are immediately satisfying and frankly more fun. Asking people to step back from today and think about tomorrow matters, as does getting them on the right side of debt where it works for them and not against them.

The final word would have to be about the value of financial capability and the role it plays in our long-term economic health and our individual wellbeing. The importance of financial capability, what it does for our economy, right through to our capital markets and rate of GDP growth, is not well understood. At the Commission we understand it because we see what

it does every day: the parent who stops smoking because they calculate what the habit costs, what else they could do with the money, how quickly it would grow to a relatively large sum, and how life-changing that would be. The results are better family health, greater workforce participation, and in the long-term greater wealth and wellbeing leading to reduced government spend. The last point feels brutal but it is a reality and as we face an ageing workforce that reality grows.

We need a broader, better understanding of the crucial role of financial capability in our national wealth and wellbeing and that will continue to be an area of focus for us.



# What we do

*We are an organisation that drives sustainable behaviour change by helping people to better understand money. We want to build wealth and well-being by bringing about an underlying shift in the way people think about and manage money, which improves both short-term and long-term behaviour.*

*We do this for all New Zealanders in the belief that it will result in better national, collective and individual well-being.*

The Retirement Commissioner is an autonomous crown entity that is legally mandated to fulfil relevant functions and requirements of the New Zealand Superannuation and Retirement Income Act 2001 and the Retirement Villages Act 2003. The Commission for Financial Capability is its office.

The Commission is the home of financial capability. As an autonomous government agency, our main task is to help the financially vulnerable become financially capable, putting them in the best possible position to reach their life goals and reach retirement in good financial health.

Financial capability is increasingly an essential life skill. An ageing population and increased longevity will make the need for financial health all the more important for future generations.

For more than 20 years, the Commission has been equipping New Zealanders at all stages of life with the independent financial information they need to get ahead. Every day we drive an open dialogue with ordinary people about improving their financial situation through the ups and downs of economic cycles. We are passionate about tackling financial capability issues. Since 2001, our Sorted brand has become a trusted source of free, impartial and independent financial information and resources for the 1+ million New Zealanders who use it every year. We also provide robust policy advice on retirement income issues in the face of rapidly changing demographics, are a research hub that offers thought leadership, and we monitor retirement villages.

The Commission works closely with other government agencies, such as the Ministry of Business, Innovation and Employment, Financial Markets Authority, the Commerce Commission, Ministry of Social Development, and Inland Revenue, to facilitate a good exchange of information and drive efficiencies where possible.

BUILDING WEALTHY LIVES		
Financial Capability	Retirement Income	Retirement Villages
<b>Driving behaviour change</b> The Commission focuses on driving sustainable and enduring behaviour change, helping the financially vulnerable become financially capable.	<b>Raising awareness of retirement income policy issues</b> The Commission continues to drive awareness and discussion of the issues, and provides robust policy advice to meet complex demographic challenges.	<b>Administering the Retirement Villages Act disputes process</b> The first function is to administer the disputes process, which includes checking and holding documentation, providing an approved group of panellists and providing information about the process to both residents and operators.
<b>Raising awareness of the value of financial capability</b> Financial capability is an essential life skill. Improving New Zealanders' ability to manage their money across a lifetime, giving individuals greater financial certainty and freedom. It helps to reduce hardship among families and creates resilient communities and a more prosperous and productive economy.	<b>Monitoring and reporting on the effects and effectiveness of retirement income policies</b> The Commission's focus is on retirees of today – and of the future – operating as a research hub that offers thought leadership but also understands/ reflects the views and perceptions of the broader population.	<b>Monitoring the provisions of the Retirement Villages Act</b> The second function is to monitor the effects of the Retirement Villages Act, Codes and Regulations. Monitoring reports on specific parts of the sector have been completed since 2009.
<b>Extending reach</b> The Commission operates as a strategic centre, test hub and thought leader. We build and evaluate programmes tailored for different sectors, and engage with stakeholders across New Zealand to execute nationally. We also reach a broader base of New Zealanders through multiple platforms such as cffc.org.nz, sorted.org.nz, Money Week and media partnerships.		<b>Informing intending and existing residents of their rights and responsibilities</b> We also provide information and education to the sector.
<b>Improving financial capability learning experiences</b> Our children and our grandchildren will face new challenges in their retirement as the population ages and the world around them changes. The Commission's work seeks to equip people from an early age with the skills and confidence to navigate through a lifetime of financial choices, ask the right questions and be on the winning side of their decisions.		



# Setting a context

At a glance

## WAGE ↑

GROWTH

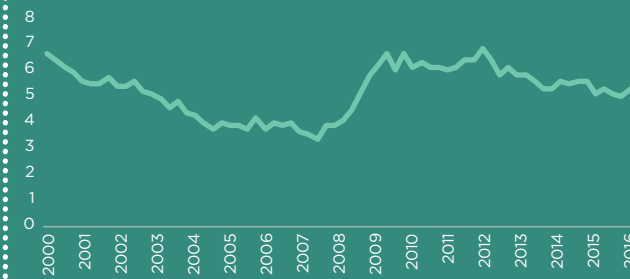
Wage growth - average earnings per hour \$ (January)



## UNEMPLOYMENT

HIGH WORKFORCE PARTICIPATION

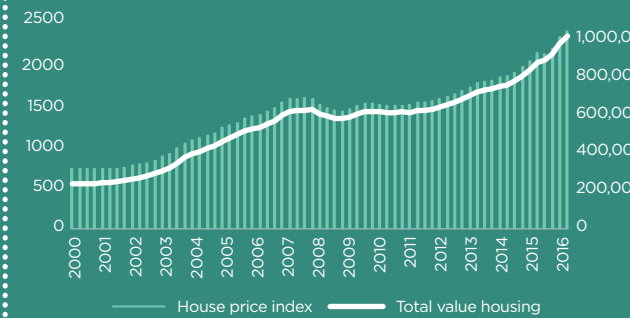
Unemployment rate %



## HOUSE PRICES ↑

HIGH

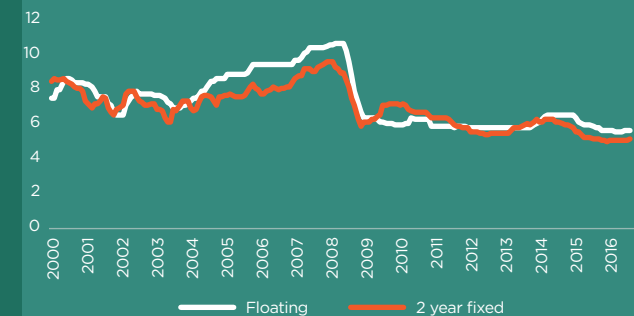
House Price Index - Millions (March)



## RATES ↓

INTEREST RATES LOW

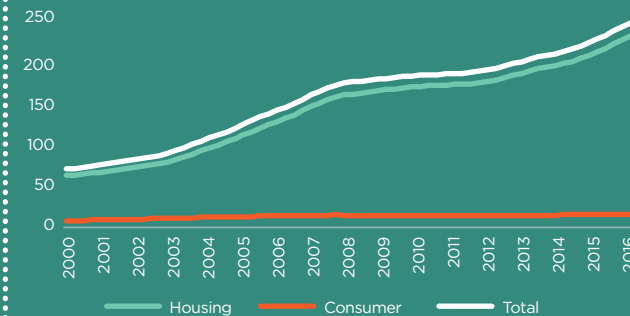
Floating and 2 year fixed interest rates (January)



## DEBT ↑

HOUSEHOLD DEBT HIGH

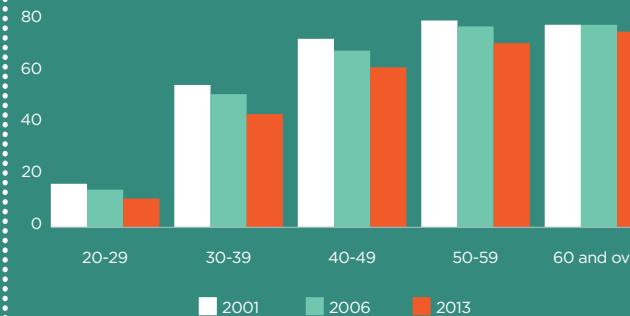
Household credit including housing - Billions \$ (March)



## HOME ↓

OWNERSHIP

% of people 20+ years who own/partly own their home



Source: Reserve Bank of New Zealand and Statistics New Zealand

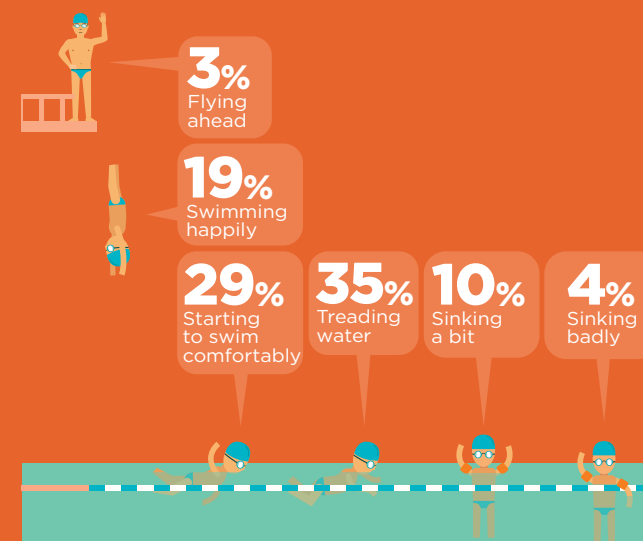




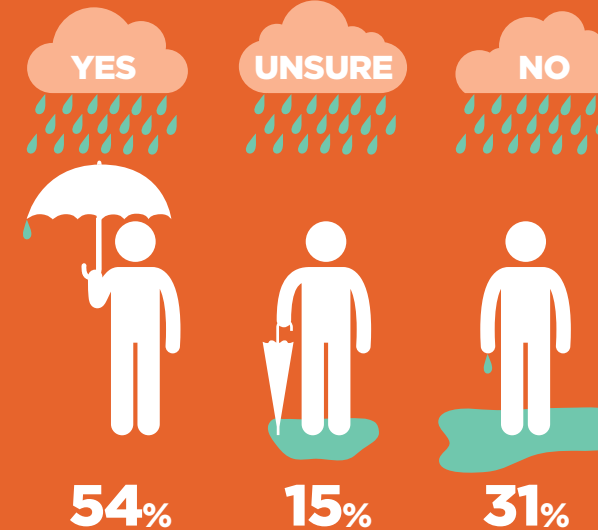
# Setting a context: financial capability in New Zealand

New Zealand's Financial Capability Barometer CFFC 2017

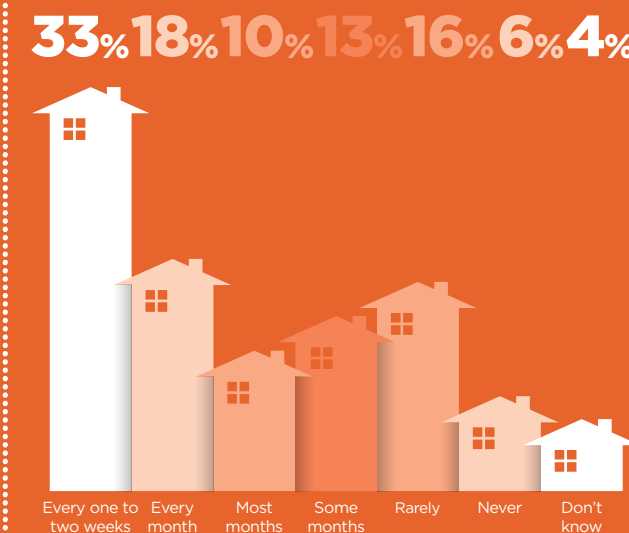
People's current financial situation



Percentage of New Zealanders who could access 3 months' income via savings or other means (credit)



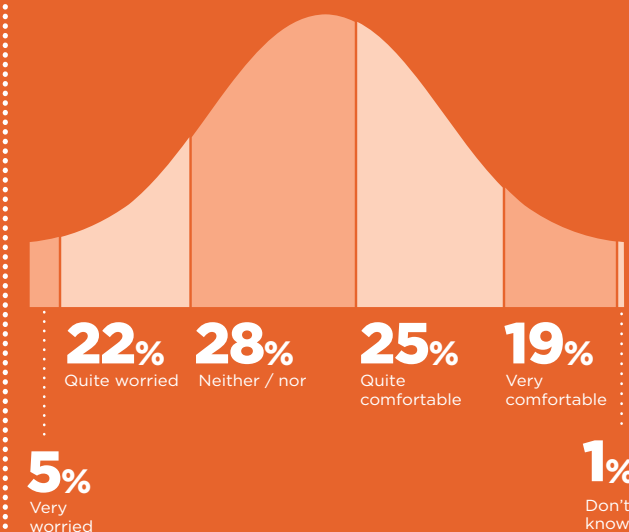
How often can your household save money?



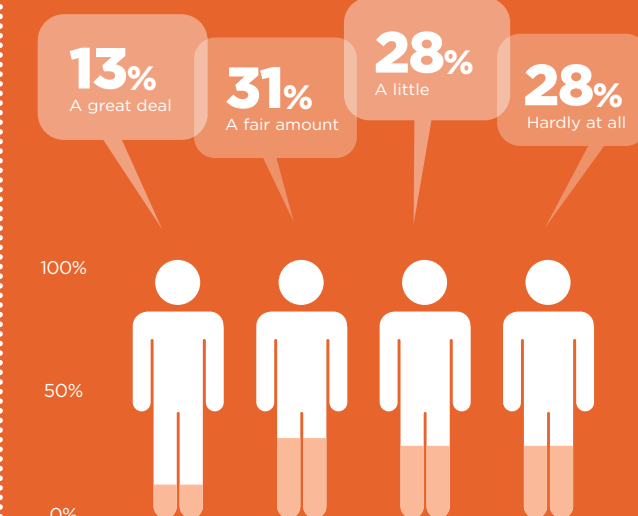
**26%**  
OF NEW ZEALANDERS  
HAVE SET LONG-TERM FINANCIAL  
GOALS AND STRIVE TOWARDS THEM



New Zealanders' comfort with debt



Level of thought about money needed in retirement



Source: New Zealand Financial Capability Barometer CFFC 2017












# National Strategy

## for Financial Capability

### Behind the Strategy

The vision outlined in the National Strategy for Financial Capability is to equip everyone to ‘get ahead financially’. It sounds good, but what does it actually mean? And does ‘getting ahead’ resonate with everybody or is it just a pipe dream for some?

 <b>Talk</b>	 <b>Learn</b>	 <b>Plan</b>	 <b>Debt-smart</b>	 <b>Save/invest</b>					
<b>A cultural shift where it's easy to talk about money.</b> <ul style="list-style-type: none"><li>• Money becomes a comfortable topic of conversation.</li><li>• People can talk with their partner, family &amp; friends about money.</li><li>• People confidently talk with providers, ask questions and understand the choices before them.</li></ul>	<b>Effective financial learning throughout life.</b> <ul style="list-style-type: none"><li>• All learners achieve financial capability outcomes as part of their educational pathway.</li><li>• Financial capability is part of lifelong learning for everyone.</li></ul>	<b>Everyone has a current financial plan &amp; is prepared for the unexpected.</b> <ul style="list-style-type: none"><li>• People make financial plans to support their life goals.</li><li>• All New Zealanders have a current financial plan.</li><li>• People protect their assets with insurance and emergency funds.</li></ul>	<b>People make smart use of debt</b> <ul style="list-style-type: none"><li>• People manage debt to their advantage.</li><li>• People get out of high-interest debt faster.</li></ul>	<b>Everyone saving and investing</b> <ul style="list-style-type: none"><li>• More people save and invest in the short, medium and long-term.</li><li>• More people actively engage with and contribute to KiwiSaver.</li><li>• More people save and invest in a range of financial assets.</li></ul>					
 <b>BANKING</b>	 <b>BUSINESS &amp; INDUSTRY</b>	 <b>GOVERNMENT</b>	 <b>EDUCATION</b>	 <b>NGOS</b>	 <b>WORKPLACE</b>	 <b>MĀORI</b>	 <b>PASIFIKA</b>	 <b>MEDIA</b>	 <b>CFFC</b>

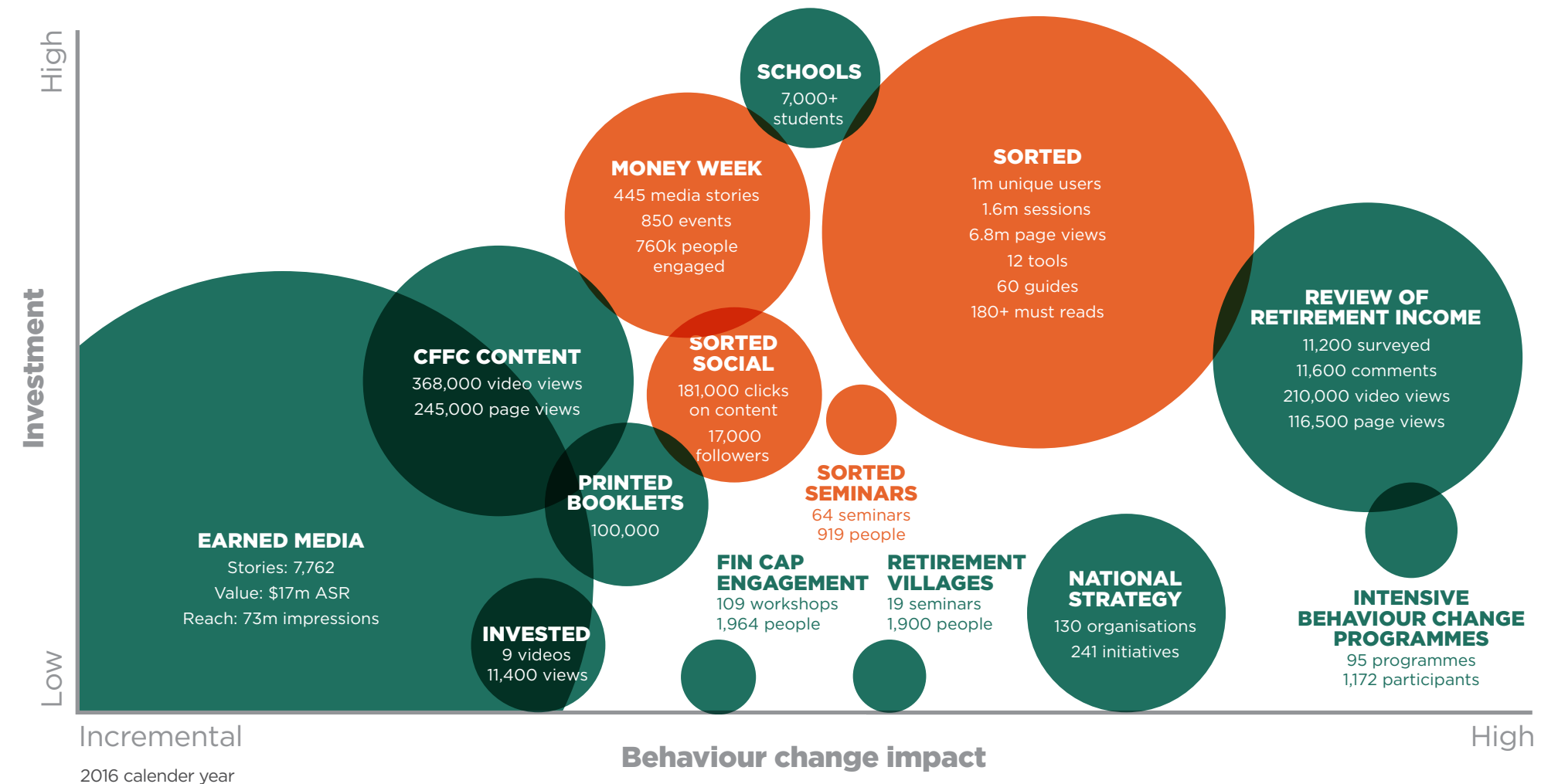


# What we do

Building wealthy lives

# Our impact

A notional representation of our work, ranging from niche to mass

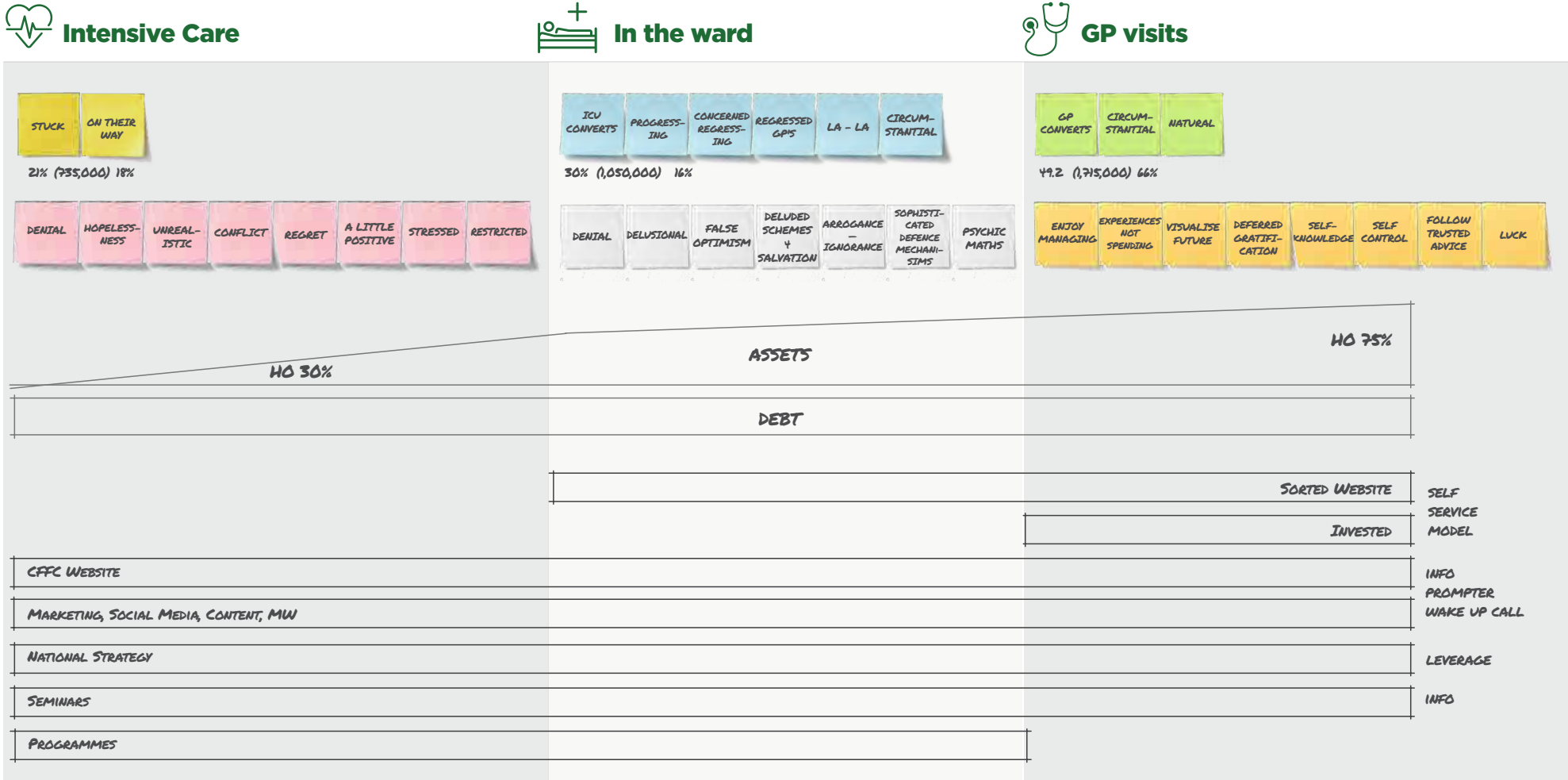




# Segmentation – our starting point

New Zealanders' financial capability

The first cut 2015





# Segmentation

## New Zealand's Financial Capability Barometer

Assessing  
our financial  
capability

CFFC has launched a new longitudinal barometer of financial capability. It will contact over 4000 people per annum, with 100 interviews conducted online per week, for approximately 40 weeks of the year. The participants will be aged 18 years and over with quota by age, sex, ethnicity and location. The barometer will provide a frequently updated view of financial capability.

The barometer assesses a range of situations, beliefs, knowledge and behaviours. It will provide us insights on:

### Current financial situation:

- Debt
- Savings
- Investments

### Confidence and satisfaction

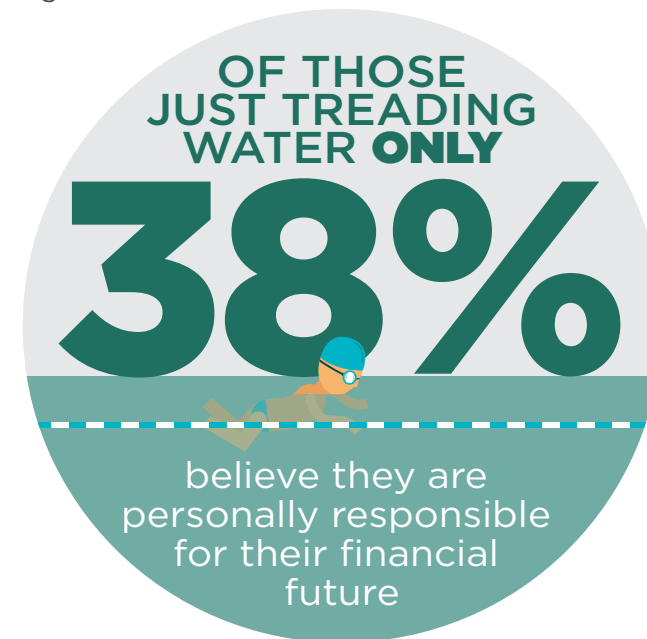
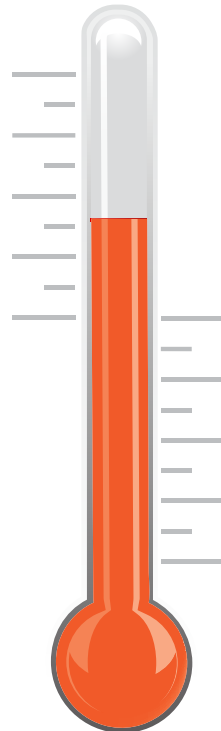
- Attitudes to saving and spending money
- Optimism or pessimism about financial future
- Thinking, planning and doing something to prepare and save for retirement
- Financial knowledge and literacy [OECD]
- Sources of information and influence on financial decision-making

### Understanding and opinions on National Superannuation

- Age
- Amount
- Funding sources

### Awareness, understanding and engagement with:

- Retirement Commissioner
- Commission for Financial Capability
- Sorted
- Digital Engagement Behaviours
- Full respondent demographics



# Segmentation - today

## New Zealanders' financial capability

An evolved  
model  
2017



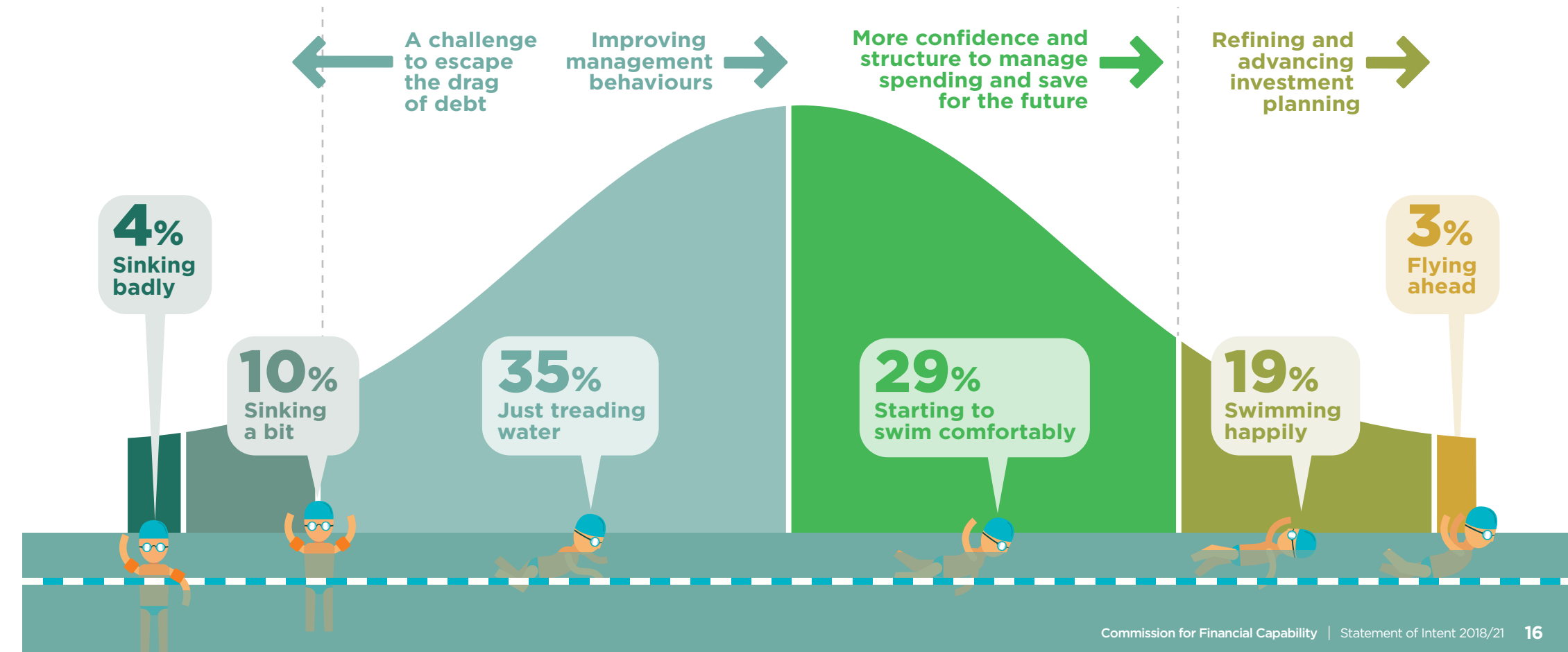
Intensive Care



In the ward



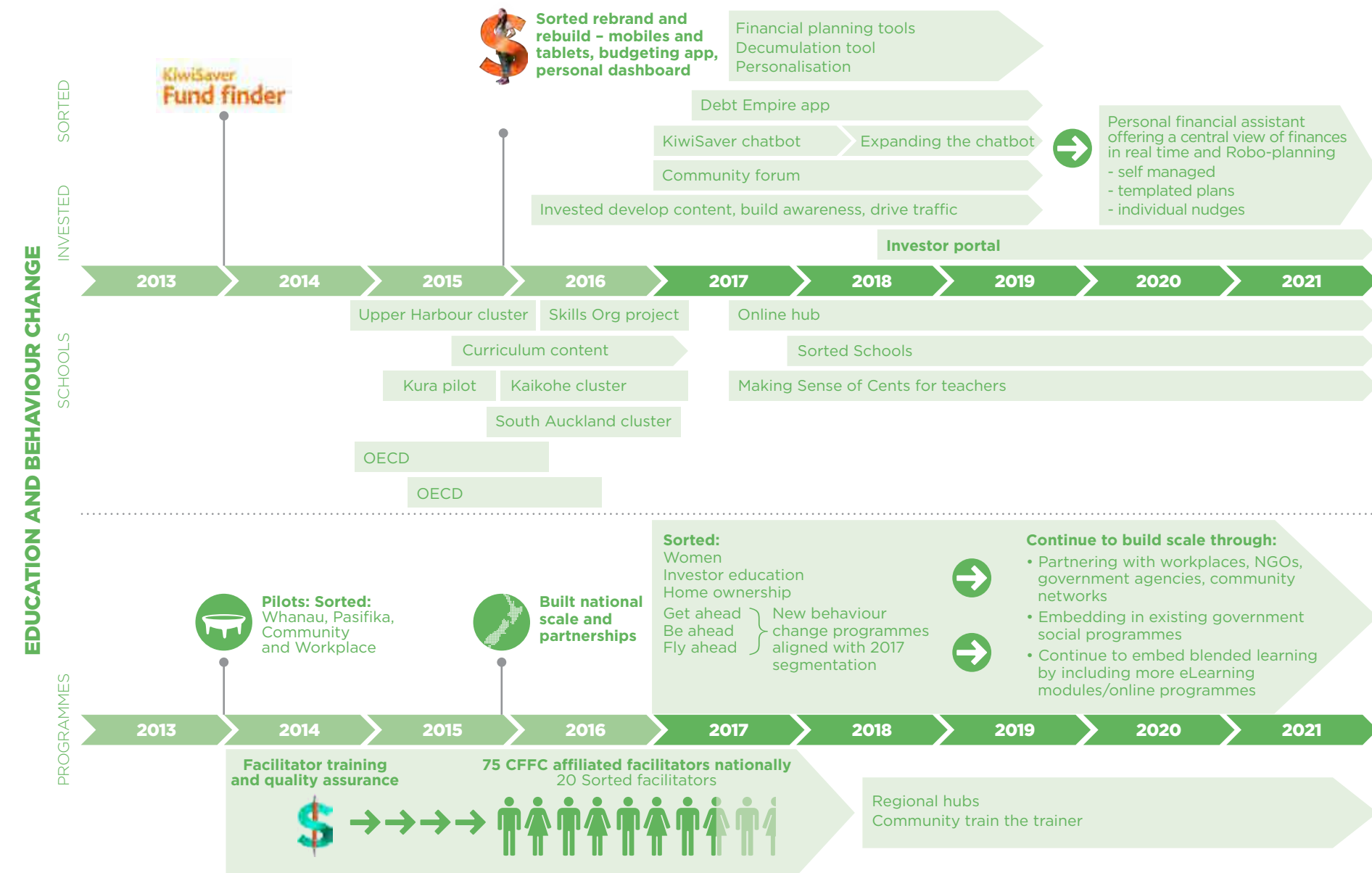
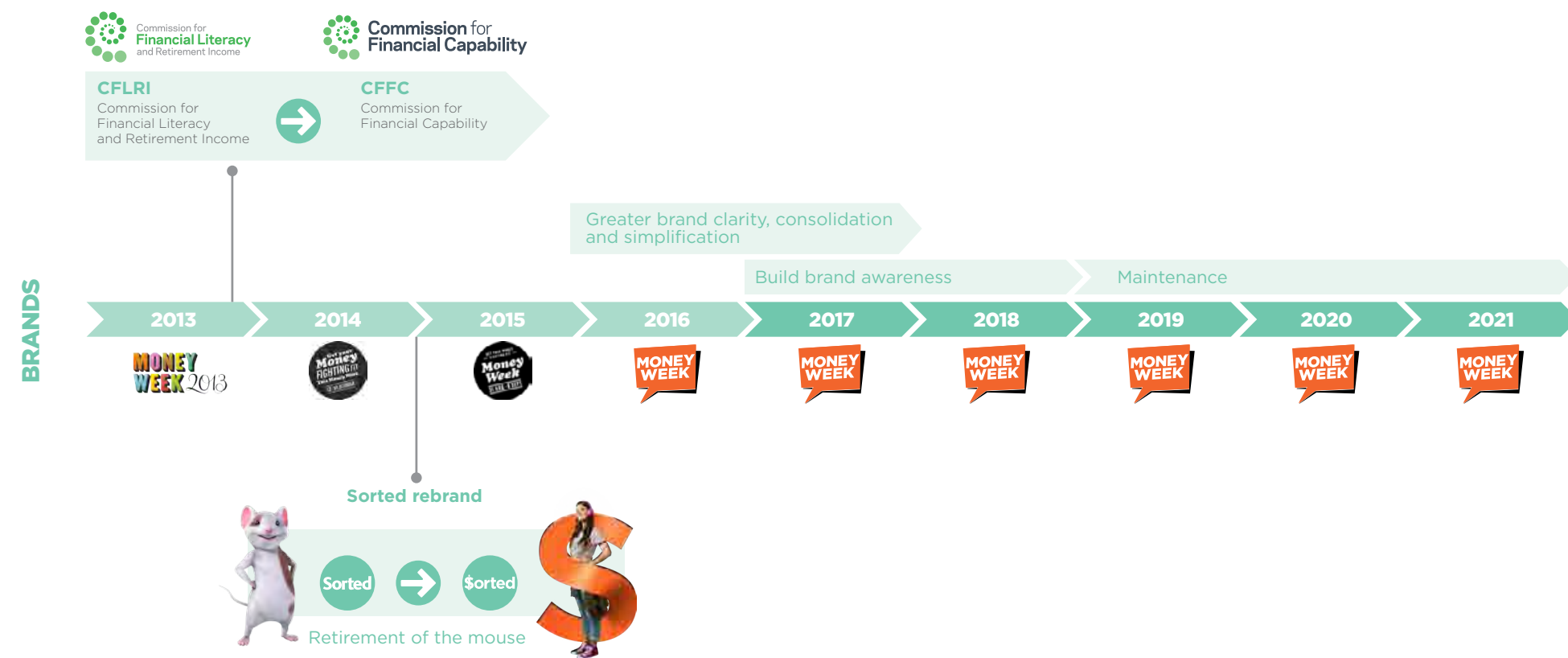
GP visits





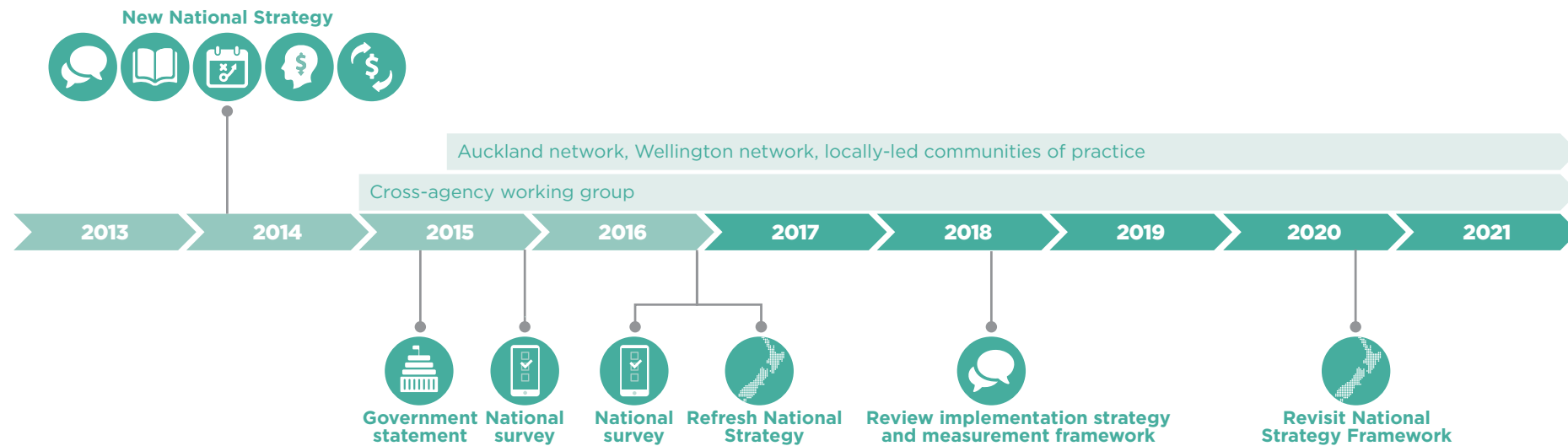
# The plan

## Nine-year snapshot

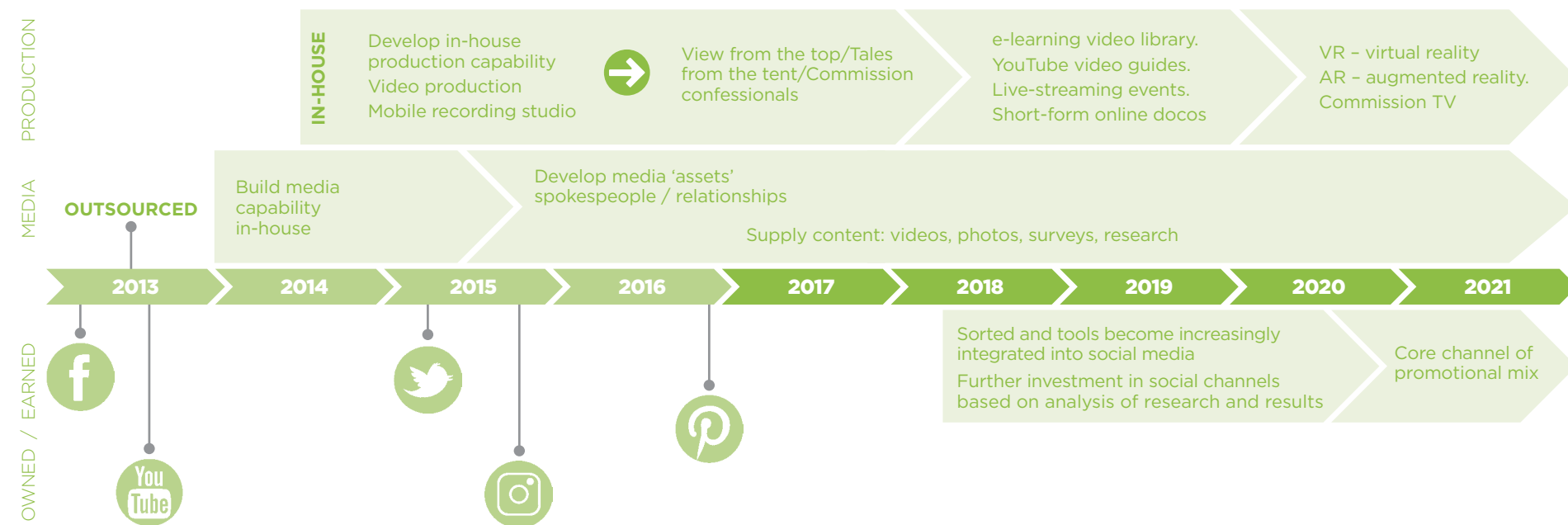




NATIONAL STRATEGY



CONTENT AND MEDIA CHANNELS





# Where we are headed

IN THIS  
OUTPUT CLASS

→

OUR FOCUS  
WILL BE ON

→

TO ACHIEVE  
THESE  
OUTCOMES

→

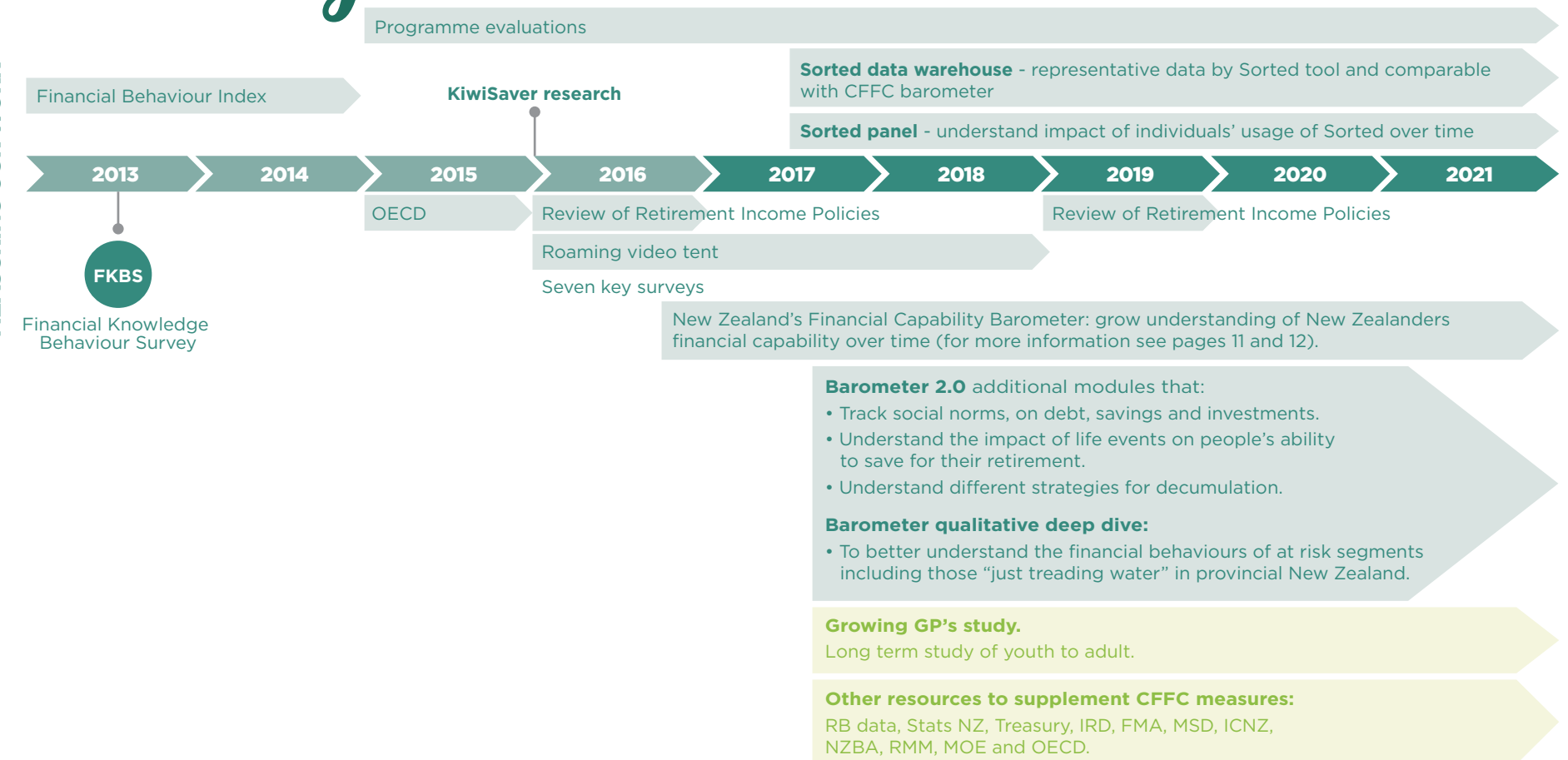
FINANCIAL CAPABILITY				RETIREMENT INCOME POLICY		RETIREMENT VILLAGES		
Grow understanding of the importance of financial capability in economic growth and individual well being	More New Zealanders become financially capable	More New Zealanders actively plan for their reitirement	A wealthier future <i>These are the outcomes that are audacious and challenging but also necessary and will continue to inform our work. They are complex, hard to measure and have many interdependencies but we have challenged ourselves to set clear goals and build the tools that can track progress. They are however, a work in progress.</i>	Increased understanding of retirement income issues	Monitor and report on the effectiveness of retirement income policy	Informing intending and existing residents of retirement villages of their choices, rights and responsibilities	Monitoring of the effects of the Retirement Villages Act	Administering the Retirement Villages Act disputes process
Government agencies actively working together to drive results	Greater penetration of financial capability community and workplace initiatives across all sectors.	More informed, constructive, engaged public debate on retirement income issues including the concept of intergenerational equity	<i>Reduce liabilities for future governments because more people reach retirement in better financial shape / greater rates of home ownership</i>	Greater preparedness for ageing workforce and increasing life expectancy	Retirement income policy framework is fiscally sustainable	Intending and existing residents make an informed choice that suits their evolving needs	Sector trends (e.g key stakeholders such as operators) and environmental trends (e.g. developments in aged care) are understood and recommendations made	The Commission builds a deeper understanding of the wider complaints issues across the sector looking at circumstances leading to, and issues arising from, complaints
National strategy partners work collaboratively and proactively across all regions	<b>More New Zealanders will:</b> Make informed financial decisions Have a financial plan Have a buffer (minimum one-month emergency fund)	People have greater understanding of their long-term trajectory based on home-ownership and other key factors	<i>Changed social norms around debt and savings that lead to better decisions and behaviours</i>	New Zealanders more actively planning retirement outcomes / more future-focussed	Insightful and evidence-based policy recommendations	Intending and existing residents are more informed of their rights and so better-equipped to manage issues as they arise	The Commission facilitates monitoring reports to ensure the retirement village framework is future fit for purpose	Residents are able to navigate a robust disputes process with a fair outcome
National Strategy partners are connected and can access impartial information, tools and resources	Behaviours are enduring and sustained in the face of life events			New Zealanders are more aware of the options available to them in decumulation	Current and timely policy positions reflecting up-to-date information	Extended family are aware and informed where appropriate about the rights of residents and intending residents of retirement villages.	Timely and quality advice to the Minister on broader issues relating to retirement villages which may require regulatory or policy review	
<b>More:</b> <ul style="list-style-type: none"><li>• Conversations about money</li><li>• Financial capability learning outcomes as part of the school curriculum</li><li>• Investment in financial capability</li></ul>	KiwiSaver members have active, informed engagement with their provider and where possible increase contributions			Greater understanding of and support for evolving retirement income policy				
	Parents guiding children / teenagers to become financially capable adults							
	Better risk management (insurance, wills and estate planning)							





# Understanding New Zealand and measuring our work

UNDERSTANDING NZ /  
MEASURING OUR WORK





# How we will manage

## Organisational health and capability

The Commission's own efficiency and effectiveness is central to the achievement of our strategic priorities. Over the past three years the Commission has established and improved its internal systems and processes to ensure that funding is spent where it matters the most: improving the financial capability of all New Zealanders.

### How we will demonstrate our performance

There are two key elements to how the Commission will demonstrate its performance.

The first is to explain how well it is going against what we intend to achieve, as set out in this Statement of Intent. The second element is how well the Commission is delivering against its outputs. How the Commission will assess its performance against its outputs will be set out in the Commission's annual Statement of Performance Expectations.

Both of these elements will be presented in the Commissions' Annual Report, which is published in November each year. Together these three documents, this Statement of Intent, the annual Statement of Performance Expectations and the Annual Report, will provide a comprehensive picture of the Commission's strategic intentions and its performance.

### Recruitment and retention of staff

The Commission is a small entity that relies on our staff being multi-functional and adaptable. To date, the Commission has benefitted from the net-inflow of skilled professionals into Auckland, which has contributed to the recruitment of high-quality candidates and keeping down salary costs. Looking forward, should the balance of supply in the labour markets shift, our key challenge will be the recruitment and retention of staff that have the necessary skills and experience that we need. In addition high commute times can pose challenges for recruitment and retention of staff.

### Ensuring we are a good employer

The Commission is committed to being a good employer and to providing equal employment opportunities (EEO) for all individuals and groups. We maintain a clear focus on leadership, workforce development, people management and engagement with our employees. We do not tolerate harassment or discrimination of any type.

We have also made the most of the diverse talent pool that works at the Commission by promoting the EEO and good employer principles to which the Commission adheres. This includes offering EEO to prospective and existing staff, and recognising the employment aims of Māori, ethnic minorities, women and people with disabilities.

We encourage all staff to participate in the development, implementation and assessment of our EEO policies and use our membership of Diversity Works (formerly the Equal Employment Opportunities Trust) to support our EEO programme, raise awareness and educate our staff about EEO issues.

### Risk management

Our management of risk is strategic and is an essential part of ensuring that we deliver results, provide value for money and avoid duplication.

We have identified our exposure to potential vulnerabilities and what could go wrong, and we have reduced this exposure by ensuring that we have the skills, capability and strategies to manage these risks and maintain our performance.

### Sorted

The Commission will continue to invest every year in its mass-reach financial capability platform Sorted. Sorted has grown from being a website to a well-recognised personal finance brand that is both familiar, independent and trusted.

Sorted is now a multi-channel experience that exists on websites, in social media, in print and face-to-face programmes. In 2017 Sorted expanded in the world of artificial intelligence with the launch of Hey Sorted - a chatbot focused on KiwiSaver.

Our vision for Sorted is to increasingly become a personal finance assistant that is part of every-day navigation of finances. The role of Sorted is to provide both a macro and micro view of personal finances that enables people to see both today and into the future.

As Sorted is free from commercial offers it is uniquely placed to be a trusted resource that is centred on the interests of the individual. Sorted.org.nz is utilised by over a million unique browsers every year reinforcing its reach with New Zealanders.

### Well-researched, robust information and advice

The Commission respects its role as the lead provider of quality information about personal finance and will ensure all resources are peer-reviewed for accuracy and completeness, and tested with users where possible. We will follow best practice regarding content development. We will remain abreast of changes and trends within the sector, and update our resources appropriately. We will monitor resource use and make adjustments as required.

Our advice to the government will be authoritative and based on evidence. We will ensure that we work effectively with other government agencies to inform and assist their retirement-related policy development.

We will initiate and support research and evaluation work, as appropriate, to better inform all aspects of retirement-related financial planning. Where necessary we will ensure that our research is peer-reviewed.

### Privacy and data security

The Commission acknowledges the importance of privacy and data security and will engage an independent security company to conduct periodic risk-based assessment and penetration testing of our public-facing websites, to ensure protection against malicious attacks and to identify any potential weaknesses that may lead to Sorted's data being compromised. All risks identified will be added to an issue register and appropriate controls will be implemented to mitigate the likelihood and impact of privacy and data security breaches.

### Maintaining stakeholder engagement

We will maintain good working relationships with stakeholders. We will respect our stakeholders' views and interests and, as appropriate, will assist their relations with central government. We will look to undertake appropriate joint ventures to better integrate public and private sector initiatives aimed at improving personal financial management.

The Commission's statutory mandate includes the provision of advice and recommendations to the Minister of Building and Construction, as required by the Retirement Villages Act, relating to monitoring and code of practice functions. We will undertake regular monitoring reports on the Retirement Villages Act's efficacy and will support a fair and effective disputes process. We will collect information and analyse complaints received, and will work effectively with stakeholders to ensure we are aware of issues within the sector.

The Commission has no plans to acquire shares, other interests or have substantial influence over any company, joint-venture, trust or partnership. Should this change the Commission shall provide written notice to the responsible Minister outlining the purpose of the proposed change.



# Statement of Responsibility

*This Statement of Intent further develops our strategic direction for the coming four years from 1 July 2017 to 30 June 2021 and has been prepared in accordance with Part 4 of the Crown Entities Act 2004.*

It should be read in conjunction with the Statement of Performance Expectations for each year.

As Retirement Commissioner (operating as the Commission for Financial Capability) I am responsible for the preparation of this Statement of Intent and the Statement of Performance Expectations, which includes the forecast financial statements, the statement of forecast service performance and all judgments used in them.



**Diane Maxwell**  
Retirement Commissioner

Presented to the House of Representatives by the Retirement Commissioner pursuant to section 138 of the Crown Entities Act 2004. The Retirement Commissioner is an Autonomous Crown Entity under the Crown Entities Act 2004, with its role established under the New Zealand Superannuation and Retirement Income Act 2001. The Commission for Financial Capability is the office of the Retirement Commissioner.



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