

Changes in financial attitudes during and after the first lockdown

Data from the CFFC Financial Capability Barometer Survey - January to June 2020

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Summary

During and after level 4 lockdown, survey respondents were able to save money more often and were also more informed about their KiwiSaver. Talking about finances has become more socially acceptable, with fewer people saying they were embarrassed about their finances.

The reasons for these positive changes include the perceived need to prepare for the coming recession by saving more and paying more attention to personal finances, the prominence of personal finance discussion in the media and forced saving during level 4 lockdown when access to non-essential purchases was restricted. This forced saving led some people to re-evaluate how much money they need. The percentage of respondents who think NZ Super will not be enough for them to live on has decreased (from 50% in January-February to 42% in May-June) – this may be because people realised they could still lead a contented life while buying only the essentials.

While several of the observed changes remained in force in June, some attitudes and behaviours improved in the March-April period only and then returned to baseline (or close) in May-June. This suggests that the positive changes we see may be short-lived if they are not supported by consistent messaging and positive reinforcement.

These positive changes in attitudes are happening against the background of increasing financial hardship for some. In the May-June period (the only period when this question was asked) 31% of respondents have used money in savings to pay for basics, and 24% have missed at least one bill or loan payment.

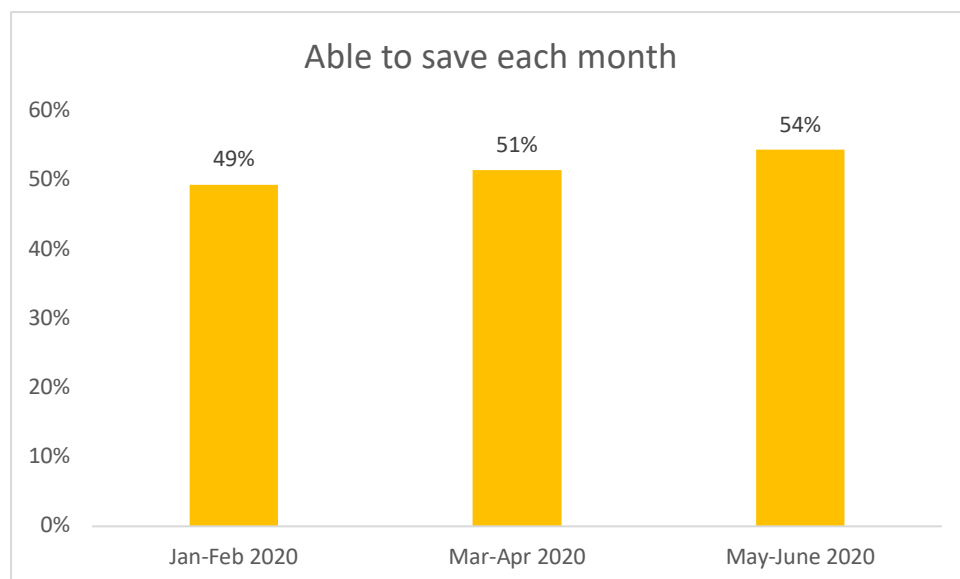
About the survey

Participants in the Financial Capability Barometer are recruited from an online panel with quotas for age, gender, ethnicity and region representative of New Zealand's adult population. In the period January to June 2020, 500 respondent a month were interviewed. We aggregated these monthly samples into three 2-month periods to reflect stages of the covid-19 crisis: January-February 2020 is the time before the crisis; March-April is the time of going into progressively stricter levels of lockdown, and May-June is the relaxation of lockdown and return to the (new) normal.

Period	Number of respondents
Jan-Feb 2020	1,015
Mar-Apr 2020	1,054
May-June 2020	1,063
Total	3,132

Changes in saving behaviour

An increasing percentage of respondents reported that they are able to save money each month.

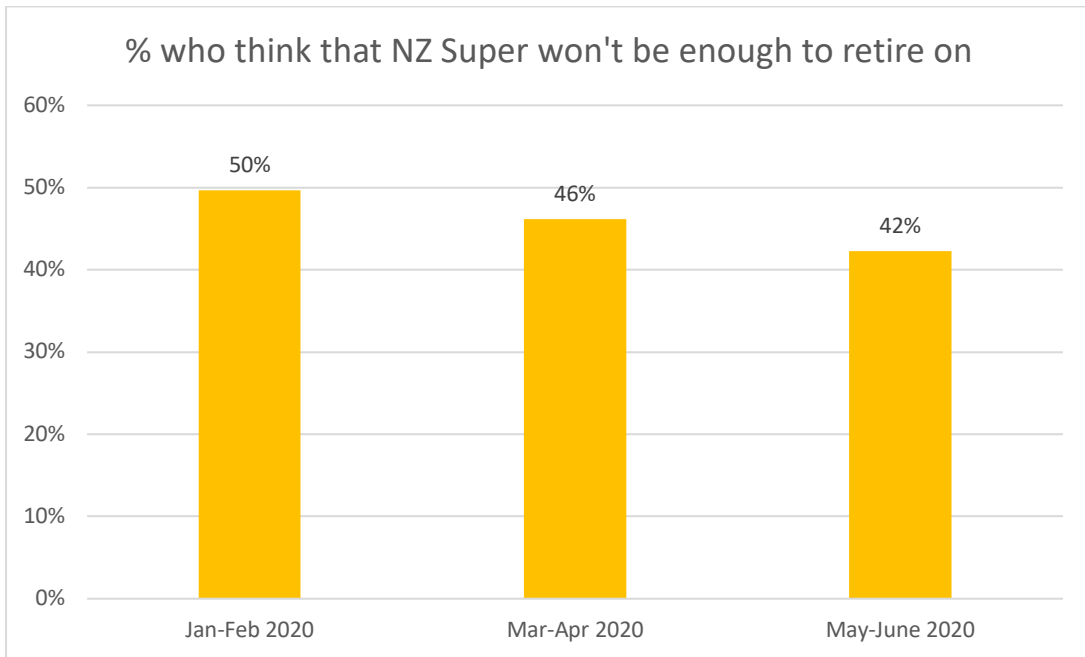
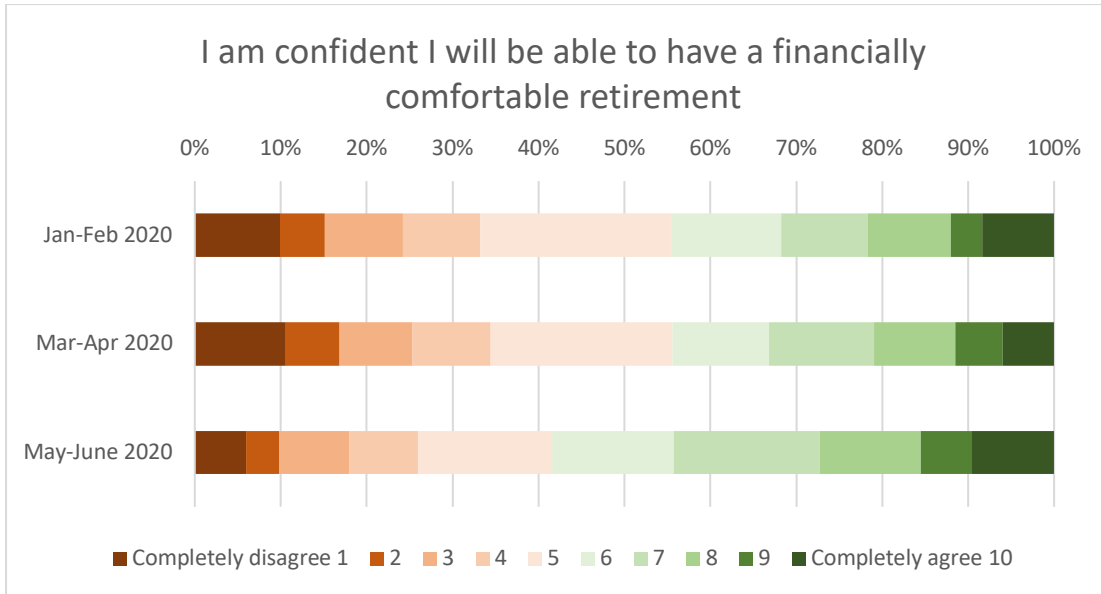


In May-June, more respondents have reported more than 1 months' worth of income in emergency fund. However, still less than 1 in 3 have access to 3 months' worth of income. The improvements in savings behaviour have not lasted long enough to make a substantial change to the level of household savings.

Amount of income respondent could access in an emergency	Jan-Feb 2020	Mar-Apr 2020	May-June 2020
Less than 1 months' worth of income	36%	31%	30%
1 months' worth of income	15%	16%	16%
2 months' worth of income	10%	15%	15%
3 months' worth of income	27%	27%	31%
Unsure	12%	12%	8%
Total	100%	100%	100%

Changes in retirement expectations

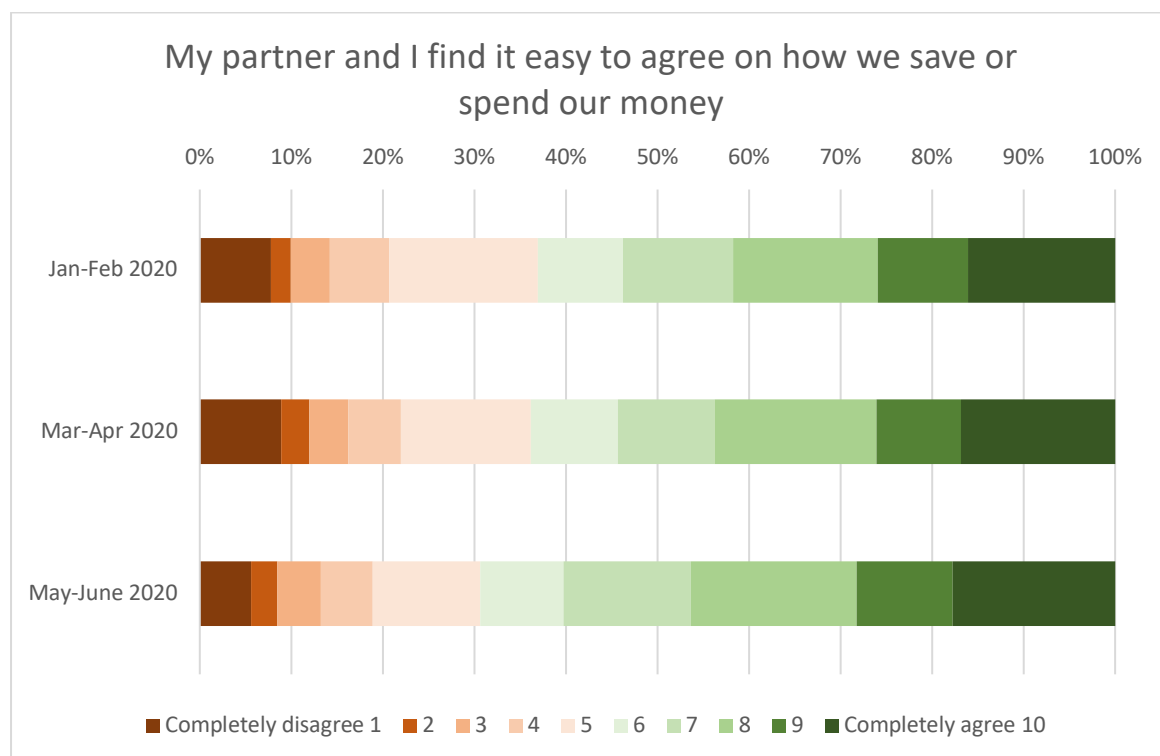
Respondents have become more confident about their retirement, and more convinced that New Zealand super is enough to retire on. This change is likely due to a re-evaluation of needs, not an improved financial situation.



¹ The question was: *Do you think the current rate of NZ Super will be enough to retire on? The current NZ Super for a single – living alone is \$847.66 net per fortnight, and a couple receive \$1,304.08, or \$652.04 net each per fortnight.*

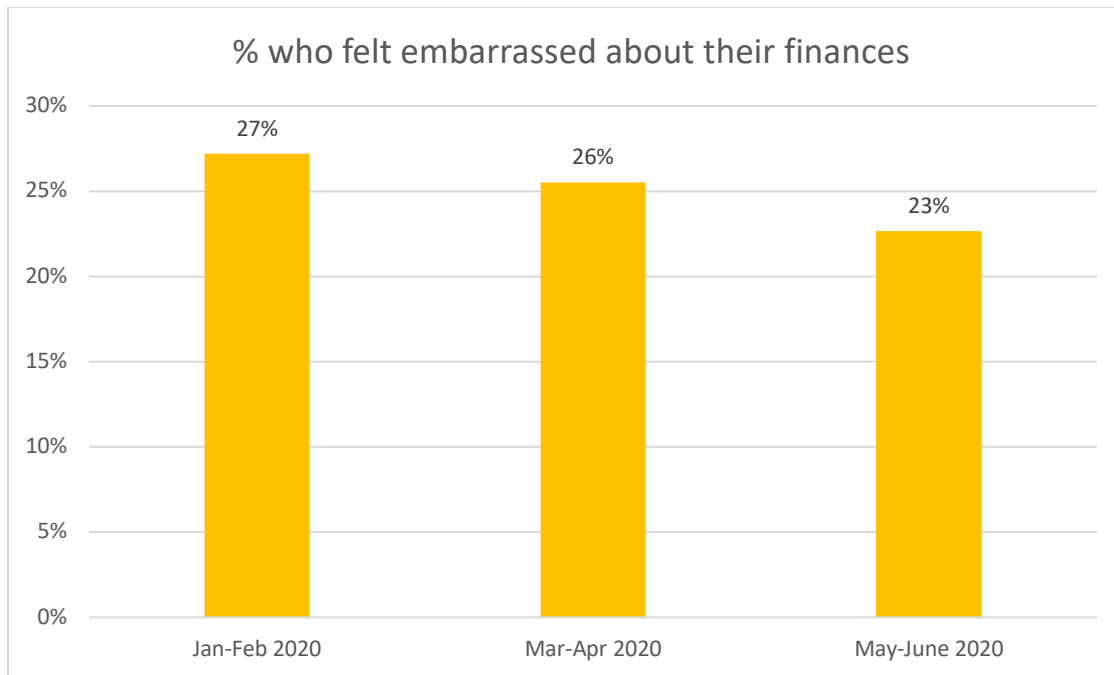
Talking about money

Respondents in relationships² reported more often than they agreed with their partners on how to spend or save money:



Fewer respondents feel embarrassed about their finances. A possible explanation is that being in financial difficulties became de-stigmatised after it was widely reported that many people lost their income due to the pandemic. This could have led to perceiving financial difficulties as the result of bad luck rather than a personal fault.

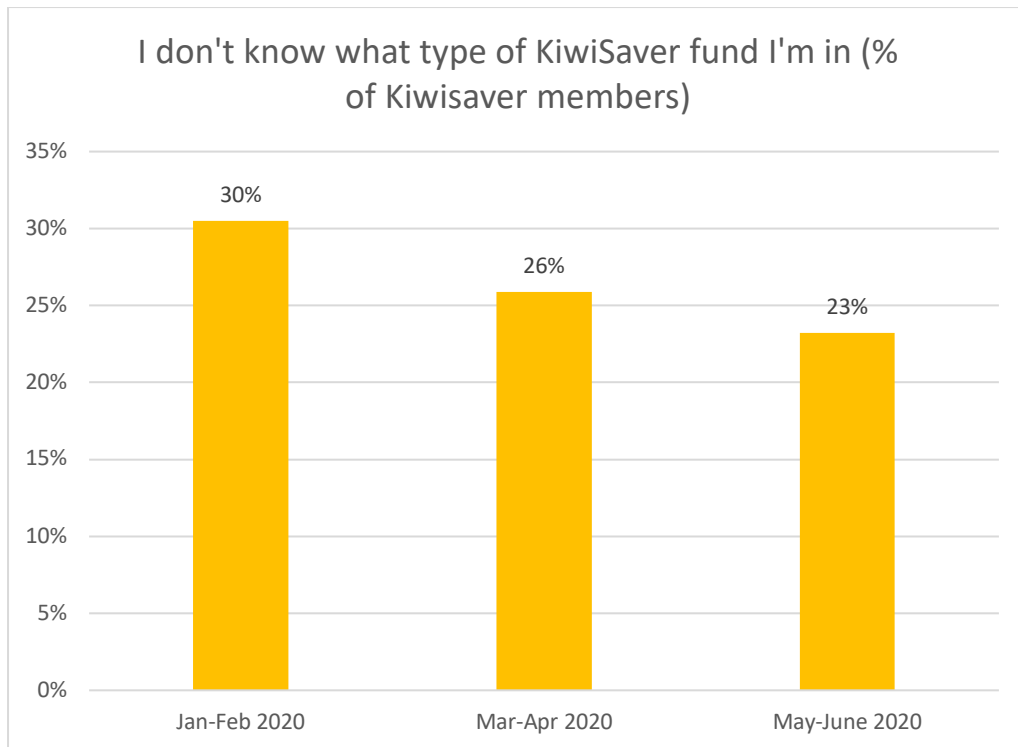
² This question was answered only by respondents who have a partner: n= 783 in Jan-Feb, 843 in Mar-Apr and 800 in May-June.



KiwiSaver knowledge

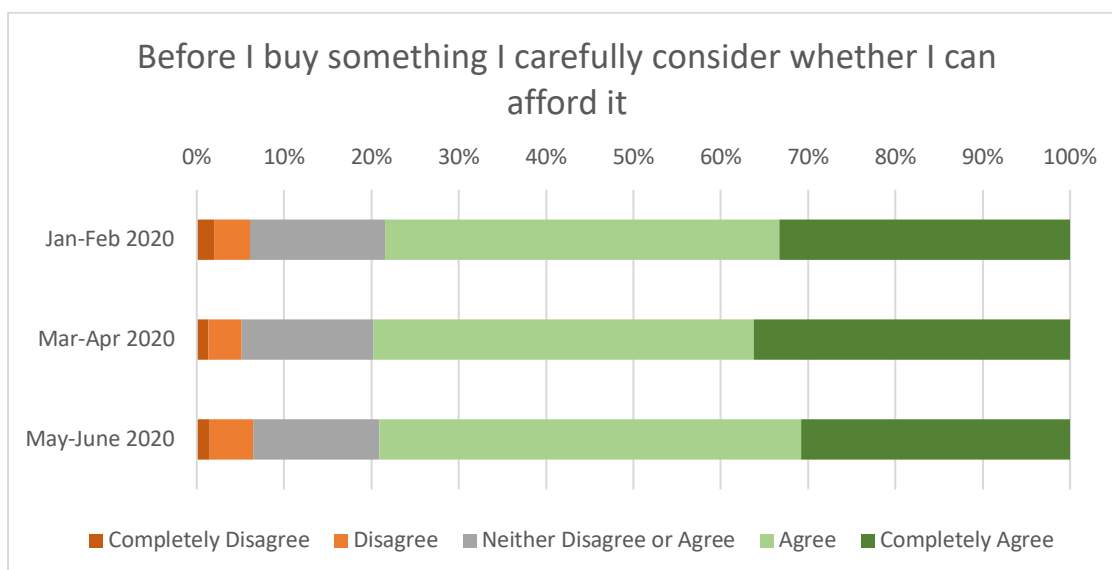
The percentage of surveyed Kiwisaver members who did not know what type of fund they're in (aggressive, growth, balanced, conservative, cash, life stages) has decreased.³ This may be due to the extensive discussion of KiwiSaver in the media after KiwiSaver balances started falling. A substantial percentage of KiwiSaver members are disengaged with their KiwiSaver. Some of these members could have been prompted to check their KiwiSaver fund type and balance for the first time in reaction to news about market volatility.

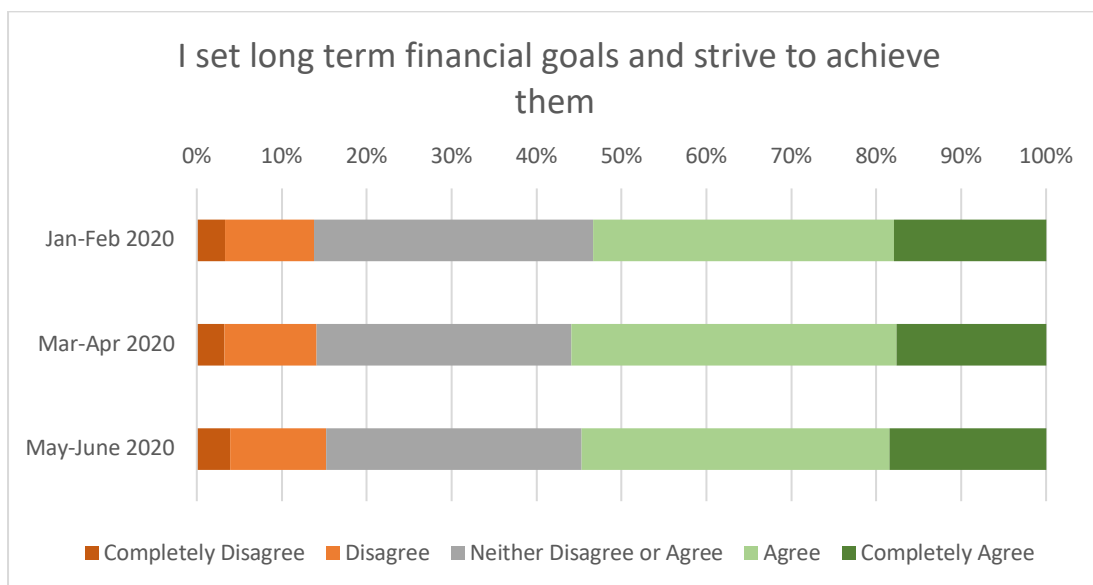
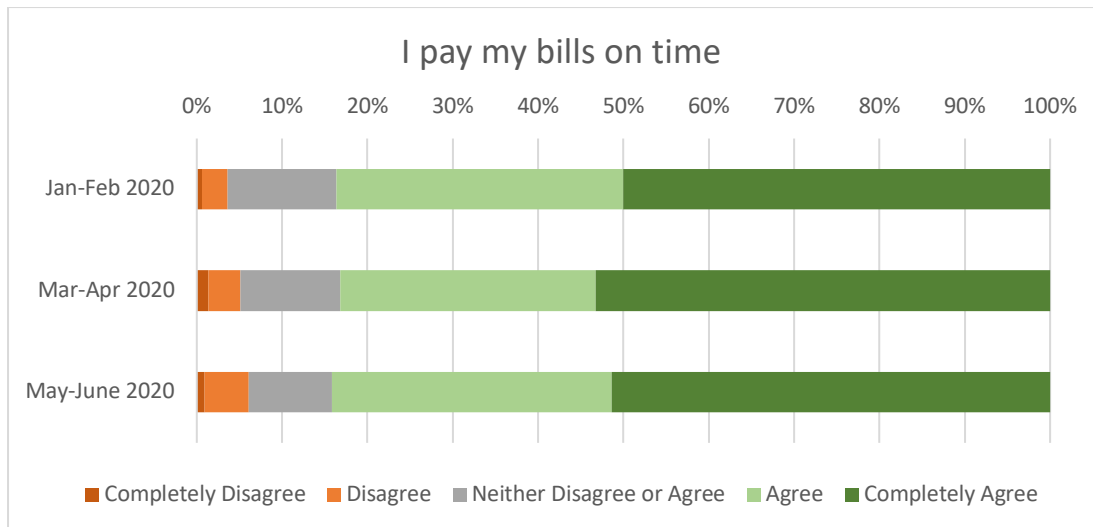
³ This question was answered by respondents who were in KiwiSaver, n=764 in Jan-Feb, 811 in Mar-Apr and 822 in May-June.



Changes in financial attitudes

Several attitude measures registered a positive change in the Mar-Apr period (when lockdown took place) but then the trend was reversed in May-June. While attitudes may be influenced by the environment, long-term attitude change is hard and changes that are reactions to circumstances may not last. Nonetheless, such changes, even if short-lived, are a window of opportunity to engage people in financial capability initiatives at a time when they have increased interest and motivation.





This rebound effect post-lockdown was strongest in the youngest age group (18-30%) who reported more propensity to spend and less monitoring of their finances compared to the lockdown period. It is possible that lockdown, which could have been more difficult for younger people, has sapped the willpower to save, or that the uncertainty about the future contributed to an increase in “live for today” attitudes. This trend is concerning because even before the lockdown, younger people’s financial attitudes and behaviours were worse than population average, and financial mistakes made at a young age can have long-term consequences. In response, CFFC has been focusing more on young audiences in our financial capability messaging.

Age group	18-30		31-50		50-64		65+		Total	
Period	Mar-Apr 2020	May-June 2020	Mar-Apr 2020	May-June 2020	Mar-Apr 2020	May-June 2020	Mar-Apr 2020	May-June 2020	Mar-Apr 2020	May-June 2020
I keep a close personal watch on my financial affairs - % agree and strongly agree	78%	70%	75%	78%	85%	88%	90%	91%	80%	80%

Money is there to be spent - % agree and strongly agree	29%	42%	27%	26%	22%	17%	14%	25%	24%	27%
I tend to live for today and let tomorrow take care of itself - % agree and strongly agree	34%	37%	26%	27%	18%	17%	11%	10%	24%	25%

Hardship

The survey shows a relatively high level of financial hardship as measured by being behind on bills. The data is from May-June only as these questions have not been asked in the survey before. This level of hardship is not a surprise and confirms the findings of CFFC study of the impact of covid-19 on financial wellbeing conducted in April 2020.⁴

During the last four weeks, has your household used a credit card, overdraft or borrowed money to buy food or to pay expenses because you have run short of money?	May-June 2020
Yes	24%
No	74%
Don't know	2%
Total	100%

Does your household currently owe money because you have missed repayments on any of following credit agreements?	May-June 2020
Mortgage loan	5%
Personal loan from a bank or finance company	6%
Credit card or store card	11%
Credit from a retailer/hire purchase	4%
Car finance/car leasing	2%
At least one of these	20%
None of these	80%

Does your household currently owe money because you have missed payments on any of the following bills?	May-June 2020
Rent	5%
Electricity	8%
Gas	3%
Water	4%
Rates	4%
TV/broadband/mobile/telephone	5%
At least one of the bills above	16%
None of these	84%

CFFC will continue to monitor changes in financial attitudes, behaviours and symptoms of hardship over the coming months.

⁴ <https://cffc.govt.nz/reviews-and-reports/research-and-reports/>