How Sorted workshop participants experience **aha! moments**, overcome the fear and get financially Sorted

TRIGGERING FINANCIAL BEHAVIOUR CHANGE

Interviews with CFFC's Sorted at Work facilitators and CFFC staff

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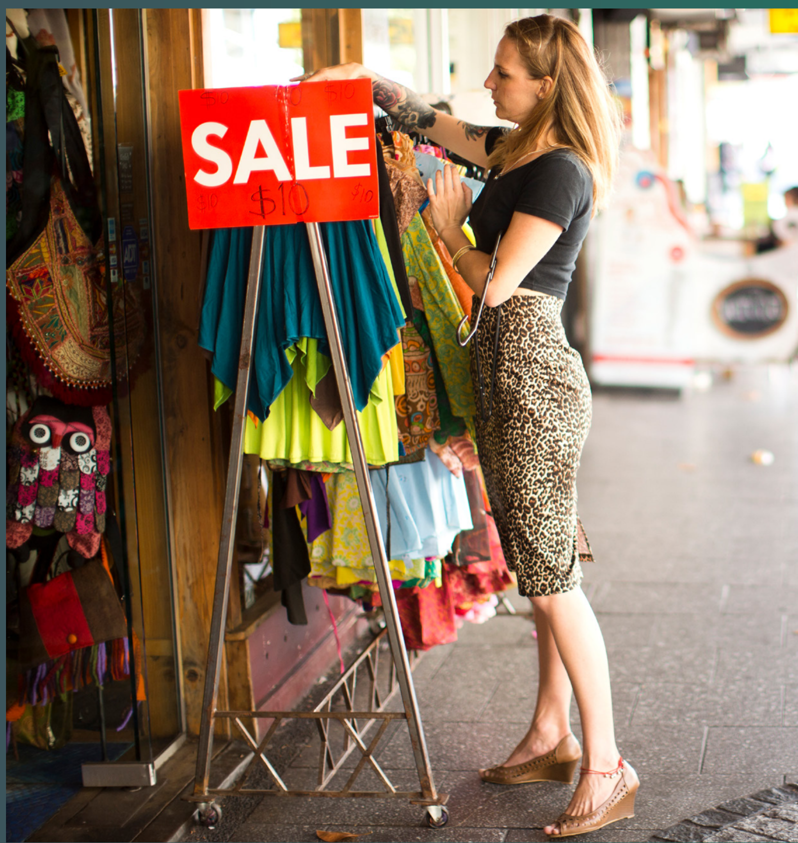

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Te Ara Ahunga Ora
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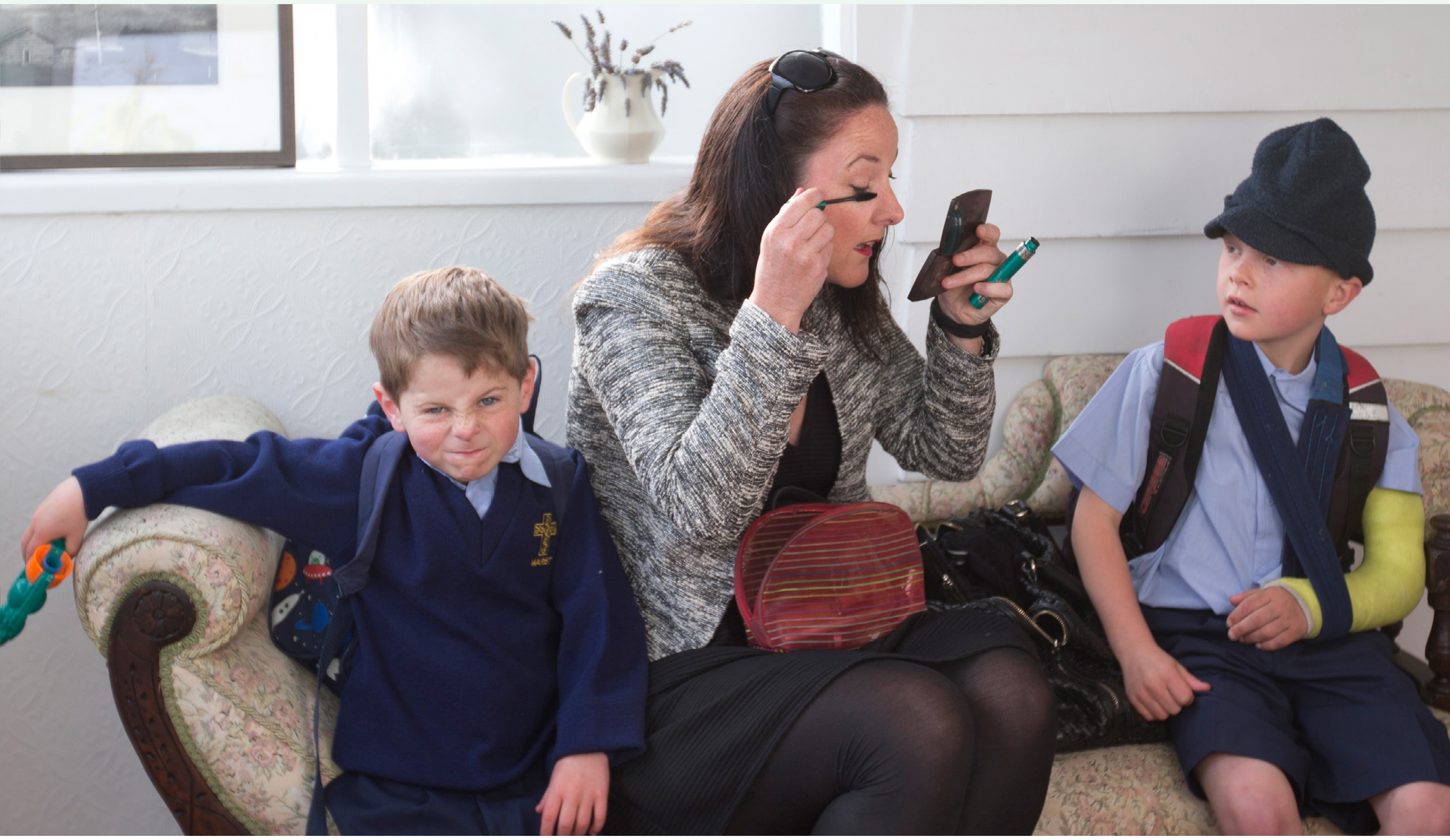
Commission for Financial Capability

Background

The Commission for Financial Capability delivers a range of financial capability seminars and workshops in workplaces and communities under the Sorted brand. These workshops and seminars are developed by the CFFC and delivered by contracted Sorted facilitators trained and accredited by the CFFC. Topics range from financial basics to advanced investing and retirement planning and specialist topics such as moving to a retirement village. Audiences are similarly diverse and include low-income Māori communities in the Far North, staff of large banks and public sector workers.

Evaluations of Sorted programmes show that many participants change their financial behaviour after completion. The aim of this research was to explore how this change happens and what triggers it, to be able to replicate it in other programmes. From July to September 2019, Celestyna Galicki interviewed 14 Sorted facilitators and 4 staff from the CFFC who were involved in direct delivery or design of Sorted programmes.[1] Open-ended questions included: What triggered "aha!" moments for participants of your courses? What mistakes with money, or barriers to financial capability do you encounter among participants? Do you want to comment on any specific populations? What topics in the workshops/seminars bring up the most questions? Facilitators and the CFFC staff were also invited to offer additional comments and information they felt would be useful.

Despite the diversity of facilitators, the programmes they deliver and their audiences, their comments and contributions were consistent and pointed to the same set of barriers, triggers of change and opportunities. However, communicating this knowledge effectively to workshop participants requires understanding the specific audience and speaking a language they find relatable. The result of this research project is this detailed guide to best practice in the delivery of financial capability workshops.



1 Facilitators were offered an opportunity to participate in the interview by an email invitation and were paid $100 for an hour-long interview. The majority of interviews were conducted by Skype or Zoom, because Sorted facilitators are located across the country. Interviews not conducted remotely took place in the CFFC's Auckland office.

Executive summary

A-HA! MOMENTS HAPPEN WHEN:

- People who felt out of control realise they have the power (they have enough money; change is possible and not too overwhelming)
- People realise they can do something small and achieve a big result
- People learn something they absolutely believed to be true is not true
- People get the support to overcome the fear and anxiety and to face their finances
- People link financial decisions to their values
- People see an implementation that works for them
- People realise they are not alone in their situation
- **Good communication:** Visual metaphors (videos); personal narratives; letting people work out answers for themselves; relevancy and avoiding incorrect assumptions (for example, which products people use)
- **Most common money mistakes:** Lack of planning, not paying attention to money at all, short-term perspective; signing up for loans / guaranteeing loans without understanding the full cost; not monitoring spending; overspending due to peer or family pressure
- **Māori and Pacific Peoples:** Community and family obligations need to be incorporated in financial management; need to address the perception that interest in money is 'un-Māori' or 'un-Samoan' by linking money to serving the community; teach money alongside general life skills
- **Talking about money** is difficult for many people, but in the right setting, such as workshops, people are willing to share their stories
- **KiwiSaver, investing beyond KiwiSaver and pathways to homeownership** are topics where people have the most questions and show the most interest
- **Misconceptions about KiwiSaver** are common
- People want to learn how to **discuss money with children**
- **Low literacy levels and the inaccessibility of financial services** can be barriers for some demographics
- Participants identified possible **improvements to how the workplace programme works**

CHAPTER 1
A-HA MOMENTS

I have the power

A-ha! moments happen when people see they can change something they previously thought was out of their control.

A-ha! Moments are about empowerment.

There are many ways this can happen in practice.

A-ha! moments

YOU CAN DO SOMETHING SMALL THAT WILL RESULT IN SOMETHING BIG

A frequently mentioned trigger of a-ha! moments is understanding the power of small amounts of money:

"Making that connection between spending leaks and paying off debt and realising how powerful just that extra $10 a week can be."

Examples need to reflect audience's language and experience

This understanding of the power of small amounts is often linked to understanding how compound interest can accelerate savings and debt.

"Having seen something manifest for you without much conscious effort can be a very powerful behavioural changing thing."

People need to see that they can make a change without it being too overwhelming. Breaking down large financial goals into small actionable steps helps trigger the feelings of empowerment and control.

"People often feel defeated before they started - need to show them that they can... see they can actually achieve this after they do the math."

One facilitator commented that sometimes just giving people "the words they can use around money" empowers them.

Visual and narrative examples

SHARING RELEVANT EXAMPLES

Showing examples is a powerful tool, but the examples need to be tailored to the audience.

For some audiences, using the Sorted calculators is all they need:

"Just playing around with the numbers... we played around with the numbers on the screen about what it would mean if you put X amount away every fortnight and added the 4 percent from the employer to where you'd be at 65, and when they saw those numbers they were kind of gobsmacked."

A-ha! moments

The tool that shows how many paydays are left until retirement is effective in shifting people's perspective to the long term and helping them understand how much money they have.

Other audiences need visual or narrative examples. Several facilitators use a video showing Nigel Latta illustrating compound interest, or examples from Mary Holm's advice columns.

Examples need to be realistic for the audience

"For visual learners you use things that are most relevant and engaging in that space. One of the things I know many of our facilitators use is the Nigel Latta video showing an aquarium filling with water to show how compound interest works. By the time you've got the numbers attached to a long term trajectory that helps... Just making it relevant and real for them."

Storytelling by encouraging participants to share their own experiences can also be a powerful trigger for understanding and change. Storytelling works especially well for participants of Māori and Pacific Peoples descent.

"The aha moments come from really sharing of examples. Many of the communities we work with are Māori/Pacific and have a long history of storytelling."

The choice of examples is important. For lower-income audiences, showing how much buying something with a store card really costs is more relevant than showing KiwiSaver examples. These audiences will also reject examples which they perceive as unrealistic.

"The Nigel Latta video helps a lot but is unrealistic in terms of the young girl - maybe CFFC could use something that is more relatable. The young girl is quite dramatic but not factually correct."

Add more visualisation to the tools

Some facilitators proposed adding more visual support for calculators, to appeal to visual learners:

"Show people in tools: by this date you will have saved that much money, and this is the sort of house you can have for this sort of money... Well I'm going to see a picture of three different types of houses: a state house, and the average house, and a very nice house, not a mansion or a palace but a very nice modern sleek looking house."

Making a connection between financial knowledge and one's life

Retirement needs more visualisation, because for most people it is abstract. One facilitator reported how she asks participants to draw themselves in retirement to make the concept more real.

Another facilitator shared an example of changing a tyre – it will only work out if all the steps are done in the right order; similarly, a good financial outcome requires doing things in the right order, e.g. save before spending.

A-ha! moments

Financial language can be alienating

Full transparency

Demonstrating a system that works is more than math – it's about how to structure your environment and how to work with others

Relatable examples are important because:

"Aha moment happens when people can connect something going on in their lives with something being said."

The language of finance can be alienating. Some people will not engage with what they hear unless it is phrased in their language and framed around their experience.

For people on low incomes, examples that show how people on a low income can save can trigger a change in attitude – from believing that saving is not possible for them, to believing it is possible. Such an example works best if "all is laid bare" and details of income, expenses and lifestyle are fully disclosed, because otherwise participants will suspect there is extra income or help from family.

TEACHING HOW TO IMPLEMENT INTENTIONS

Many participants had tried to do a budget or pay down their debts before and failed. Showing people an implementation that works for them can be an a-ha! moment (e.g. how to set up a system of bank accounts, how to say no to their friends or how to change your environment to nudge good financial decisions).

"She said she tried budgeting before, and it just never worked. It wasn't until we talked about how budgeting is more than numbers, it's about your habits and everything. We divided her budget into everyday spending, bills and savings, and discussed how that would work with a bank account system. And for her that was just ground-breaking. Before she had just tried putting it down on paper, and it hadn't worked."

"It's more than just maths. It's about keeping each other accountable."

"Everybody thinks you have to have willpower to save money, but you actually don't. You can change your environment. For example, don't take the credit card shopping with you, just take a set amount of cash."

LET PEOPLE WORK IT OUT FOR THEMSELVES

It is best practice to let people do their own calculations, to let them work out the cost of a habit on their own. Being told that you need to change is not as effective as people making that decision themselves, and owning it.

"People change their financial behaviour by working with the facts, working out the costs and ramifications for themselves."

A-ha! moments

Discovering your beliefs are incorrect can be an a-ha! moment

Holding on to past experiences is a common source of incorrect beliefs

CORRECTING MISCONCEPTIONS

When people learn they have been wrong about something they believed, it can be an a-ha! moment. For example, when people believe that something is a good deal and then discover this is not the case.

"We read the disclosure statements from lenders and I then asked course participants questions such as how much is the fee to start? How much do they charge you when they need to send you a letter? And so on; people were just shocked."

"We get people to work out the cost of 'interest-free' trade deals. They're interest-free, yes, but they are not cost-free."

Another facilitator shared an example of giving people three scenarios of saving money and asking them which person ends up with the most. Most participants get it wrong, because they do not understand how compound interest works. When they see the results and calculations, their attitudes change.

Many facilitators mentioned KiwiSaver as a topic where many people have misconceptions.

"People can be misinformed and totally convinced they are right, for example, about KiwiSaver."

"Understanding KiwiSaver in some of its benefits usually gets people thinking."

People sometimes hold on to old experiences like the Global Financial Crisis. Explaining to them how the financial advice landscape and regulations have changed since then may result in more trust in financial products. Some people hold on to even older experiences and attitudes that get passed down in families:

"It's not that long ago the bank manager had a huge desk and acted like a gatekeeper. Some people are still stuck in that old mindset - show them that today things have changed and there are choices."

A-ha! moments

OVERCOME FEAR AND THE SENSE OF BEING OVERWHELMED; JUST START

"[A course participant] said that she felt her finances were like one of those cupboards you have in your kitchen where you open the door and shut it really quickly because if you open the door properly so much is going to fall out and you've got to deal with it. The workshop empowered her to open that cupboard."

"People put their finances in the too hard basket. They've always struggled to get started - the challenge is to overcome that inertia."

Giving people the time, tools and vocabulary

Overcoming fear and inertia requires creating a safe space and giving people the time, vocabulary and tools to discuss money and confront their financial concerns. Some facilitators said that short courses do not trigger many a-ha! moments - people need time to think about their own situation.

"You can't just walk into a classroom and say 'create a spending diary, what are your needs and wants, show me your budget'. You've got to have conversations before that."

Some people fear that sorting out their finances will require them to forego all pleasure in life. It's important to correct this misconception.

"Living like monks for the next two decades is not sustainable, and behaviours that are not sustainable long term are of no use."

LINKING FINANCES TO VALUES

While fear can be a trigger, good intentions and the desire to live up to one's values can also be a powerful trigger of an a-ha! moment. According to facilitators, some breakthroughs happen when people talk about family and start understanding what their choices mean for their family. One facilitator summed this up as:

"Ask people what matters most to them, and link saving to this."

It is important not to assume what matters most for someone, but let people articulate their values:

"It's up to you to decide what's most important to you and make decisions that are in the best interest of your own, your family's and your community's goals."

The desire to be a positive role model

The desire to be a positive role model for one's family and community can be a powerful trigger of change for some.

CHAPTER 2
MONEY MISTAKES

Facilitators were asked which money mistakes they see people making.

Money mistakes

Not planning and not paying attention to finances

Short time horizon

Not seeing the big picture

LACK OF PLANNING

People often don't have a plan – not just regarding what to do with their money, but "what to do with their life". Some facilitators expressed surprise at "how little thought people have ever given to their finances".

A short time horizon is often the cause of not planning ahead. People who have a short time horizon only look at the expenses that are within their horizon. For example, people take high interest loans because:

"The weekly payment is all that counts for someone who lives from payday to payday, because that is their timeframe."

"If you live between pay periods, the transactions that matter to you most are the ones that are happening within that pay period, rather than thinking about home ownership and retirement. Those things are well off the radar."

One interviewee emphasised how expanding the time horizon can change decision-making by showing how small or invisible amounts add up:

"It would be great to have a magic wand that [would make] those numbers pop up in somebody's head – when they look at a car with a $10,000 price tag but realise the full cost is more like $17,000 … One of my favourite things to do is put a 10-year view on something. If you look at a light bulb and ask how much does it cost to keep that light on, usually it's tiny amounts [in the short term]. But imagine if people had special glasses [that show the long-term cost] and they'd be able to see the 10-year view. Then you can make decisions a bit better because it comes down to savings of hundreds or thousands of dollars."

Another dimension of lack of planning is ignoring the possibility of a change in circumstances, especially when taking out loans. People do not plan for the financial consequences of having children, emergencies, health issues and fluctuations in income.

"Some believe employment will go on forever."

Setting goals is the foundation of planning, and working out "what you want to get to" is an essential part of the workshop.

"Sit down and work out where you want to get to. … it's probably a little bit scary to people."

"People need to explore what their dream is, what is achievable - there is not enough on this in the programme."

"Many people never think about life - they do not believe that life is that easy, that you can plan and work and get there, but it actually can be [easy]."

Money mistakes

DEBT

Lack of understanding of debt

Many people go into debt without understanding the nature of the commitment, mostly due to not understanding contracts, interest rates and compound interest.

"Percentages do not mean anything to people, interest does not mean anything to people."

"I've seen a lack of understanding about debt and high interest debt. Be it credit cards or debt to a payday lender, they don't understand the complications of the interest they need to pay."

"Especially with consumer debt, people think they have to pay just the minimum, rather than consider another amount."

Unaware they can change the terms of repayment

The same applies to mortgages: some people have limited knowledge about mortgages and how a small difference in repayment amounts or interest rates can cost (or save) them a lot throughout the life of a mortgage. People are also often unaware they can make changes to a mortgage, such as shifting between fixed and floating rates.

People may become guarantors of loans for family members without knowing what being a guarantor means.

Not asking questions

"[We] need to teach people what it means to be a guarantor - once they know, they don't want to do this."

"What people often do is sign things they do not understand - they are too afraid to look stupid by asking."

Paying the loudest creditor first

Credit rating misconceptions

People also tend to pay the loudest creditor first and have misconceptions about how credit rating works. Some incorrectly believe that they need to get a credit card and use it to build credit.

Young people are especially vulnerable to consumer debt – when they get into too much debt too early in life, it can take years to "get back to square one". When people leave school, they are targeted by credit card companies.

"They sign up for things and later regret this."

Money mistakes

LACK OF BUDGETING AND UNCONTROLLED SPENDING

Facilitators identified lack of budgeting as another common money mistake. People who do not budget spend more than they earn and are unaware of their true financial situation.

"People don't know where their money leaks are - someone on a minimum wage may spend thousands of dollars a year on cigarettes and have no idea."

"Less than 20% of class had a budget when they come to the course."

"Many are aware of how much they spend on the basics like food and electricity. Most people know how much they spend on rent or mortgage. That one's easy, but insurances - most of the time people just don't know. That's probably the biggest mistake. So we start looking at actual spending."

Budgeting has negative connotations

The word "budgeting" has negative connotations for many people, especially in low income communities who associate it with WINZ and the need to "prove that you are poor". One facilitator suggested we could get rid of the word "budget" and replace it with "spending plan".

Peer influence

Peer pressure is a common reason for overspending.

"Most people think you need to buy the most expensive, flashest house you can find. You should drive a really nice car, because you look really cool. It's getting quite normal now for incredibly poor people to have the best cell phones."

Using finance companies is also a result of peer influence:

"It's monkey see monkey do. Someone they know went to a finance place and got money and now they have something they did not have before."

Spending too much on children

Another driver of overspending is spending too much on children. Parents want to make children happy, but by spending too much on children does not teach them how to manage money:

"Teach children to be more realistic about money, and to have more realistic expectations about the future."

ATTITUDES, VALUES AND BELIEFS

Many facilitators emphasised the need to discuss values, emotions, wants and needs rather than just providing "technical" financial information.

Subjective poverty

"People don't understand their needs and wants very well. They think their wants are needs."

A popular belief is that "I never have enough", and this includes those who are well paid.

"Some people are so focused on the "I never have enough" that they haven't even looked at their KiwiSaver balance."

"People feel poor when they are not poor; they say they're broke and can't afford anything when the people I work with are actually some of the highest paid [in the organisation]."

Aversion to risk

Another common attitude is aversion to risk.

"We need to promote understanding of risk. Most people get defensive about risk; we could do a better job of promoting how it can be positive."

"As a general observation a lot of Kiwis are distrustful of sharemarkets. The 1987 sharemarket crash always gets mentioned."

CHAPTER 3
MĀORI AND PACIFIC PEOPLES

Māori

Wealth and money per se not valued

In Māori culture, wealth and money in and of themselves aren't valued. It is important to talk about money as an enabler for achieving collective goals and broader wellbeing, not just money for the sake of money or for individual advantage. Talking about money when you are doing well does not show humility, and humility is valued.

"Māori have a collective mindset around money. It's not about accumulating personal wealth; the driver is around having more options to be able to do things with the whānau and contribute to a wider community."

A lot of financial education is centred around "the individual doing things", which does not resonate with Māori communities who have a collective approach.

Using examples and stories that relate to skills and strengths of Māori works well:

"For one person a lightbulb moment was when a story about weaving and saving was used."

When delivering financial education to Māori, best practice is not to "crash straight into numbers" but to talk about other things and get to know each other, preferably around a table with kai, before proceeding to talking about money.

Help Māori reclaim personal finance

One facilitator said personal finance needs to be reclaimed by Māori, because the notion of money and its management has been appropriated by Europeans. As a result of colonisation, money is perceived by many Māori as a "foreign space" full of unfamiliar words and stories.

"Māori did [always] have retirement planning and insurance, but we do not connect these practices with how retirement planning and insurance are done in the Pākehā world, so it is about making these connections."

"Show people that compound interest is not a 21st century invention - it has history, it has been around for a long time."

One facilitator shared an observation that 'living for today' culture is prevalent among Māori and linked it to the victimisation from colonisation and low position of Māori in society which sets low expectations.

The pressure to support family members and to give is less intense in Māori communities than in Pacific communities, and those who have no cash can give koha in kind (for example, by contributing labour or food). However, people commonly get pressured into being guarantors for their families, especially women.

Pacific Peoples

The cultural expectation of sending money back to family in the Islands or gifting money within family and community was mentioned by many facilitators who have experience in the Pacific space. One interviewee explained that the custom of exchanging gifts was beneficial in the traditional setting, where people gave what they could, did not have access to credit and everyone had their turn to receive support. Now, everyone still has their turn to receive - but everyone ends up in debt.

"Fa'alavelave in its traditional form was about a shared burden. It is still an honourable thing and can still contribute to strength, and in a traditional setting where people gave what they could, that was fine. We're talking about food, whatever else they had available to them to contribute. And sometimes money. But I think in New Zealand in a more contemporary setting what has skewed that shared burden is that people have access to credit. And people are borrowing to fulfil what they believe to be their cultural obligations and their borrowing is creating a debt burden. … It's not only a collective debt burden but what has become an intergenerational debt spiral - younger people who can borrow money are expected to borrow to help their family fulfil their obligations."

Not giving may result in being disconnected from the community

"… who are part of your identity, and who are also your safety net."

"One of the insights out of working with Pacific families in South Auckland was a number of families who admitted to not going to church because they couldn't afford to give. They felt shame so their response was rather than borrow so they could keep giving was to stop going to church. And it's created social isolation for some of those families that is for them quite distressing."

Apart from the pressure to give, in some Pacific communities there is pressure to show that one is a good provider. Material goods such as a $10,000 car or the latest phone are "a way to get respect".

"This is a horrible thing to say but I hear again and again how they [Pacific communities] are very judgmental of each other and very, very critical."

At the same time, there is a widespread attitude that wealth and aspiring to create wealth is something bad and selfish.

"Money is bad. It goes against religion. It is cultural."

To overcome this:

"You need to show people how it can help achieve not just selfish goals but also benefit the whole community; that being wealthy and contributing to the collective achievement and collective goals are not mutually exclusive."

Pacific Peoples

Those who are successful are under increased pressure to give; a homeowner may be asked to pay for someone's school fees on the basis that they own a home.

"This is the reason many do not want their success stories published, because this puts them under pressure."

To address these cultural issues, most of those facilitators who discussed this topic said that all we can do is make people aware of options. One of such options is integrating cultural giving into the budget and thus limiting it.

"There's nothing we do that's about making people not do those things. It's about saying these are your options. Those are your goals. This is where we're at right now in terms of income as well as other things in order to achieve your goals you need to. You need to save at a certain rate. You need to review your spending behaviour. But what we don't expect them to do is stop being Samoan and stop being Tongan in order to be able to achieve their goals or whatever else. And if creating a giving account allows them to continue to feel like they're in a position to fulfil their cultural obligations without it undermining their own goals and then then I feel I've taken some control of things."

"For many families, it becomes an important part of being able to say 'Well, we can still give. But we know how much we give because we're providing for it. If we give beyond this we're going to we're going to put ourselves at risk. We're gonna put our goals at risk, we're gonna put our family at risk.'"

Older people

OLDER PEOPLE

Not thinking beyond property

A few facilitators commented that older people can be rigid in their thinking about what they can do with money.

"Property. People 55+ don't think beyond that."

"Most of that segment has a strong understanding of traditional banking and deposits … an interest-bearing deposit-type savings account. But even though rates of return in those areas have been very low because of low interest rates, there is limited understanding of more sophisticated investment options."

"There's a lack of awareness of the range of options. I don't know how much of that is simply because these people are now, you know, in their 70s."

For older people who have limited savings, there are fewer options than for young people. Young people have the time to save and to benefit from compounding interest. One facilitator mentioned that female recent divorcees in their 50s often are in difficult situations.

CHAPTER 4
TALKING ABOUT MONEY

Talking

DISCUSSING MONEY IN COURSES AND AT HOME

People are willing to talk when they see that others have the same issues

Almost all facilitators said that people speak freely about money in the workshops and courses. Even if participants come to the course feeling uncomfortable about the idea of talking about money, once one person shares their story, everyone starts talking (especially if this person is someone of higher status). Some facilitators were amazed at the openness of participants and their willingness to share personal financial details.

"Getting people to share. Everyone's been in the same boat and probably is in the same boat."

"In courses people realise that others have the same issues and then they are comfortable talking, especially when someone of higher status shares their money worries."

Taking conversations home

However, taking this conversation home is a challenge. Printed materials help.

"So the biggest conversation we will have is 'How do I get my partner involved and how do I get my children involved?' But talking in the seminar - no problem. People will share all sorts of shocking things sometimes but bringing it back home - that's the problem."

"Just sharing the booklet. So with the little booklets that we have in each seminar, bring that home and say, 'Look, this is what we did at lunchtime today."

Also, workshop participants frequently say they wish they had known this information when they were younger. This is an opportunity to point out to them they can pass this knowledge on to their children and other children in their families.

Shame

People do not talk about money because they are ashamed they do not know what they think they should know, and because they are ashamed of their past financial decisions. The workshop makes talking about money easier because it offers a non-judgemental environment. The non-judgemental environment is made clear when the facilitator explains the rules at the start.

Talking

TALKING ABOUT MONEY WITH CHILDREN

A few facilitators shared ideas and guidelines for discussing money with children. The common theme was to involve children in day to day money management.

Involving children

"I think the most of one of the most important things would be to involve them in my day to day spending. Going to the supermarket, sometimes purchasing things using cash so children can see that transaction. I give you money, you give me an item, whatever that might be, but involving the kids. A lot of children think money comes from a card. They don't understand why mummy and daddy can't buy them something."

Another theme was teaching children that money is limited and letting them make choices among mutually exclusive options.

"Let children make choices – 'Yes you can have that but this means we are not going to Malaysia in 6 weeks.'"

"And one of the things they talked about was how much less pressure the kids put on Nana for McDonald's every time they pass it. Partly because they all knew that there was a plan, that if they continued to pressure Nana around McDonald's every time they drove past, the family trip to Tonga was at risk. So those kids were making a wants and needs decision as well, because they were part of the family."

Teaching children that money is limited and that they can't spend more than they have sometimes requires a caregiver to refrain from a "bailout", as the following story illustrates:

Teaching children that money is limited

"They went to the supermarket and gave the kids a treat of $10 each which they could spend on what they liked. Kids thought 'we'll be smart; we'll put the two together and have $20', so they went off around the supermarket and came back with a toy. But when they went to go through the checkout it was $29.99. And she thought of my words: 'Just be careful you're not teaching children to spend more than they have.' She cancelled it at the checkout and her husband was really embarrassed. And it is sort of an issue at the checkout. But she said no – the kids had to take it back and find something for $20 because you can't spend more than you've got."

Popular topics

POPULAR TOPICS

There are topics that generate a lot of interest and questions from participants: KiwiSaver, home loans and investing were mentioned most often.

KiwiSaver, home loans and investing

"The biggest thing, the one that they really want to talk about the most, is 'Should I pay off the mortgage or should I put money into KiwiSaver?'"

"Pathways to home ownership, usually around the equity schemes, understanding how to finance a mortgage and come up with a home deposit."

"Probably the next most popular one would be around home loans, especially how to pay your home loans off quicker. ... a lot of people think they've just got to stay in a home loan and make the repayments agreed at the start."

Popular topics

"What was quite interesting and what they wanted a lot more information on was investing - how the sharemarket works, how do index funds work, all that sort of thing."

Money in relationships

Money in relationships is also a topic that comes up often, especially in the context of break-ups or divorce.

The topic that brings up the most questions is KiwiSaver. For example, people want to know what their money is invested in, to the level of individual companies.

"There was quite a lot of interest from people to understand where their money is invested. One of the reasons for that would be in terms of social responsibility investment, and people wanting to be clear about it."

Misconceptions about KiwiSaver

People also have a lot of misconceptions about KiwiSaver. Many people think KiwiSaver has a government guarantee (it doesn't) or they think it's the government's money. People don't know about the annual government contribution; people are not clear about how KiwiSaver can help in purchasing a house.

"Even now on occasion people distrust KiwiSaver because it's a government initiative, or they don't understand that it is actually theirs."

"One of the key areas is around understanding they can get money from the government, that by simply contributing they can receive up to $520. It's usually an 'aha' moment.

"A lot of people are still in default funds. And a lot still think they can only choose one type of fund; not knowing that they can split their money between funds."

"People don't know what their balances are, sometimes they do not know where to go to check it."

"There's a lot of myths around KiwiSaver. People still think the government can take their money."

People also do not know that KiwiSaver is a managed fund.

"People do not know KiwiSaver is a managed fund so being in KiwiSaver does not make them more likely to be in other managed funds, they do not see themselves as investors."

Need for an ongoing education campaign about KiwiSaver

Some facilitators pointed out that an ongoing educational campaign about KiwiSaver would be useful.

"I think when it first came out there was education, but now that it's been around for some time the young ones get signed up and don't even know what it is."

CHAPTER 5
BARRIERS TO FINANCIAL CAPABILITY

Barriers

RESOURCES - INCOME AND SKILLS

Facilitators who work with low-income communities said that in some cases, there is just not enough income, even if the families make all the right financial decisions. The courses focus on managing spending, but not on earning more.

"The elephant in the room that gets acknowledged a little bit and then sent on its way is income. And the fact that there is an income inadequacy - that people's incomes are just not enough. And so you get into that mindset of 'I'll supplement my income by using debt, that's [all] that's available'."

The long-term solution to inadequate income is career planning and increasing one's earning power. Advice such as selling unneeded items on Trade Me or taking an extra part-time job may be useful as a short-term solution to kickstart debt repayment, but are not sustainable as a long-term response to inadequate income.

Some people have limited maths knowledge and are unable to do even simple math, such as adding expenses. Some people lack computer skills or don't know things we take for granted.

"How much at the end of the week? He wasn't really clear about how many days were in a week."

Barriers

FINANCIAL SERVICES

Many facilitators expressed support for banning payday lenders or limiting their activities. Some pointed out the need for alternatives:

"If people need to go to a payday lender, where is another door that is open?"

"They have access to WINZ hardship grants but they feel judged and have to prove how poor they are, whereas third tier lenders treat them with respect."

Low-income people, especially those who are Māori or Pacific, often dislike dealing with banks.

"They're made to feel stupid because they don't understand the language of banking. That's just one of the reasons they're using third tier lenders."

"People don't go to the bank straight away when they are in trouble, I think they feel embarrassed. And a lot of people do not understand what is required when they ask for the mortgage - they have all kinds of debt and they don't understand why the bank rejects them."

Banks are "sterile"

"Banks are a very sterile environment, very non-Māori if you know what I mean. For a lot of people that's quite threatening."

Banks sometimes give bad advice

Banks sometimes give bad advice.

"I find the hardest thing is when people go into a bank and get the wrong advice. One of my people turns 65 next month. Her bank advised her to put all her KiwiSaver into cash."

CHAPTER 6
RECOMMENDATIONS

Based on these interviews, these are the recommendations for the Sorted website and other content:

1. Create more visualisations (graphic, videos) that convey the story of "small action equals big result".
2. Test examples and metaphors with target audiences to ensure the examples are realistic and relevant.
3. Provide case studies that are fully transparent – show all incomings, outgoings and sources of extra help (if any).
4. Identify and address common misconceptions.
5. Provide more detail on "how to", not just "what".
6. Exploring values and goals (not just financial) are an important part of getting sorted financially.
7. Give people tools to deal with peer pressure/pressure from children.