

## Sorted Money Week 2020

### Thematic analysis of questions sent to Sorted by the public

*By Dr Celestyna Galicki, CFFC Research Lead*

#### Background and dataset

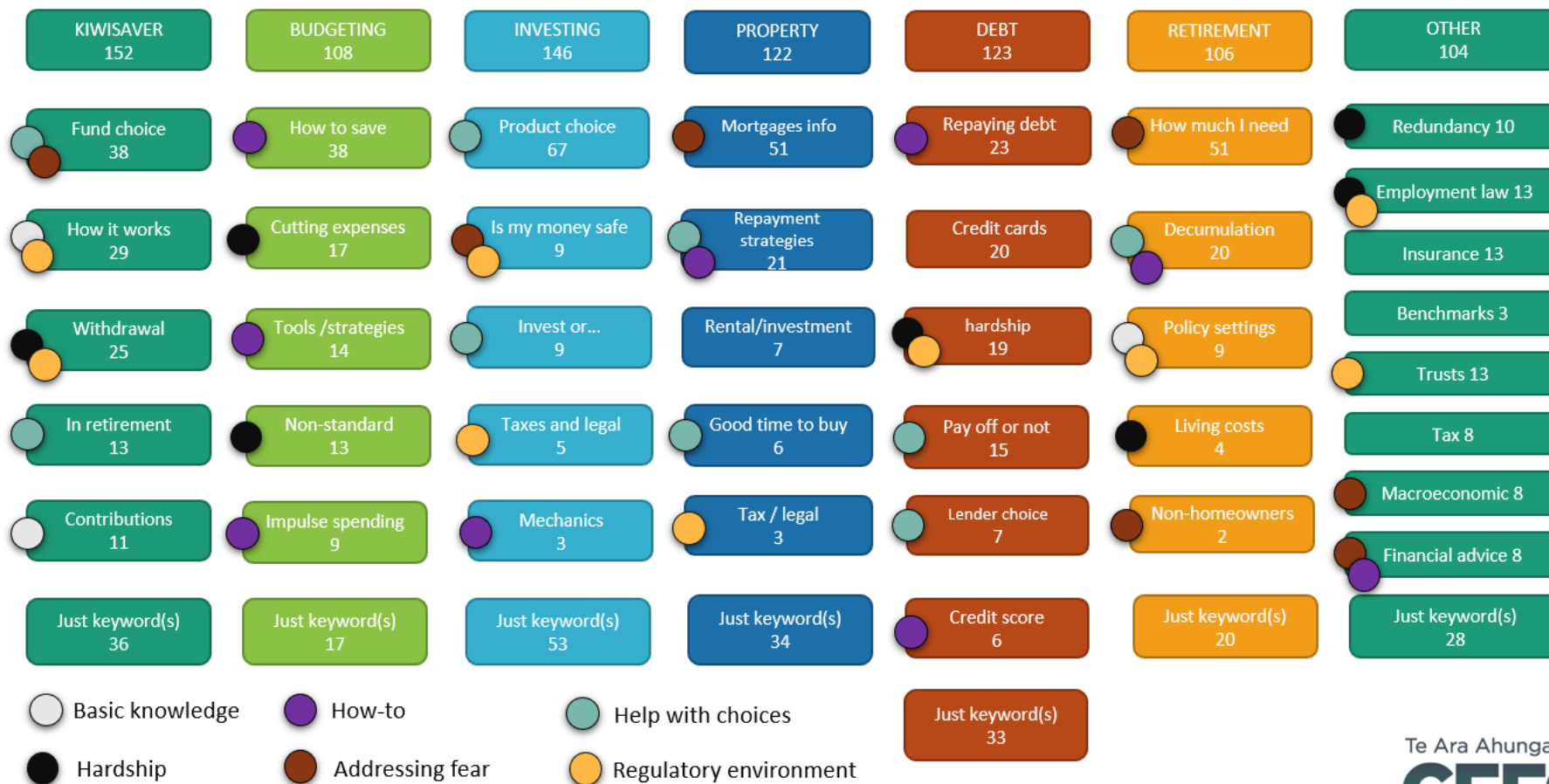
As part of Sorted Money Week 2020, Sorted invited the public to send in their money questions through social media and the sorted.org.nz website.

This report analyses 861 questions. From the original dataset, duplicates and entries not related to the topic of money were removed. We retained 221 single words or phrases because they may not have been questions as such, but were still indications that the person would like some information on the topic, eg, “KiwiSaver”, “student loan”.

The map on the next page illustrates the six main subject areas that emerged, each with more than 100 entries: KiwiSaver, budgeting, investing, property, debt, and retirement. Each subject had a diverse range of sub-topics. The largest single sub-topics were: the choice of investment products, how mortgages work, and how much money is needed to retire. The sub-topics for each subject are discussed below.

Across all topics, there were six distinct audience needs. On the map, the topics where these needs were most prominent are marked with dots. These six strands of need were:

- 1) Basic knowledge about how a product or policy works (mostly in KiwiSaver / retirement subjects).
- 2) Practical and detailed how-to guides and tips, especially on saving and debt repayment, that also address the emotional side of financial behaviour.
- 3) Help with making a choice between two or more options; some people seem to be paralysed by fear of making the wrong choice.
- 4) Help dealing with hardship, especially recent hardship as a result of COVID-19; a lot of these questions touched on laws and regulations (employment law, access to welfare benefits, what a lender is allowed to do when collecting debt).
- 5) Reassurance and explanation that addresses fear (of the future) / distrust (of the banking system, managed funds etc.)
- 6) Help understanding the economic and legal environment – the regulations and macroeconomic processes (especially in relation to COVID-19, eg redundancies and wage subsidies).



## 1. KiwiSaver (152 questions)

KiwiSaver Fund choice (38) – requests for a general or personalised recommendation of the “best” KiwiSaver fund, or requests to provide feedback on fund choice.

*When COVID hit, I shifted my KiwiSaver to 100% conservative. How is the market looking now? Is it time to shift back to balanced or higher risk?*

KiwiSaver: How it works (29) – questions included, among others:

- How to check KiwiSaver balance
- How to find out what provider we're with
- Why does KiwiSaver arrive in the account irregularly, and in different amounts
- Is the pension separate from KiwiSaver
- Can you transfer your KiwiSaver to another person
- Where does the dividend income go
- Can you enrol if you're on a benefit

The diversity of questions shows that many people are still are not familiar with the basics of how KiwiSaver works, and that there is demand for content explaining KiwiSaver in detail.

*What do I have to do with my KiwiSaver? I heard it has gone down and I don't even know how to check it*

The questions in the remaining 3 subcategories support the need for basic KiwiSaver knowledge:

KiwiSaver: Withdrawal (25) – There were some questions about first home withdrawal rules, but the majority of questions were about hardship withdrawals and how to make them. Some people seem to not understand the limitations on hardship withdrawals, asking if they can access KiwiSaver to pay off debt or to renovate.

KiwiSaver in retirement (13) - retirees asking if they can / should to continue contributing to KiwiSaver, or people close to retirement and not in KiwiSaver asking if it is still worth signing up.

KiwiSaver: Contributions (11) - whether it is possible to contribute lump sums or if extra contributions need to be “drip-fed”, the appropriate level of contributions and contributing to someone else's KiwiSaver.

## 2. Budgeting (108 questions)

Budgeting: How to save (38) – Requests for tips and strategies on how to set a budget that leaves space for savings, and how to keep to a budget. Also, how much to save in an emergency fund and for the longer term.

*Tips on saving*

*I want to save but how?*

Budgeting: Cutting expenses (17) – these questions asked how to spend less on specific categories (power was the most common) and what is an acceptable amount to spend on specific products/services.

*How do I spend less at the supermarket*

*Is it better to use smart fuel saver (eg BP ) where fuel savings of 6-10 c for \$40 spend can be accumulated and used in one fill or to fill up car at a service station giving 15c discount on every fill no matter how much is purchased - assuming the base petrol price is the same?*

Budgeting: Tools and strategies (14) – questions about apps, systems (such as multiple bank accounts) and other mechanics of a “workable budget.”

Budgeting: Non-standard situations (13) – questions about how to budget on a low or unpredictable income, after a pay cut, on a benefit.

Impulse spending / overspending (9) – while similar to the “how to save” category, authors of these questions admitted that their own behaviour stands in the way of staying on budget.

*How do I stick to a budget when I'm basically a "shopaholic"? How do I resist the urge?*

*how to stop impulsive buying?*

### 3. Investing (146 questions)

Investing: Product choice (67) - Requests for personalised investment advice, as well as for general advice (are managed funds better than...). Many people mentioned low interest rates on saving accounts - they have money sitting in the bank and are looking for other options but lack of knowledge and confidence is a barrier to investing. In many of these questions there is frustration at the inaccessibility or unavailability of good (unbiased) advice. A lot of people gave detailed information about their financial situation and assets which highlights the perceived dearth of trusted advice.

*As a 69 year old pensioner with 100,000 in savings what is a relatively safe investment which returns more than the bank rates of 1-2%, also taking note of the volatile world economic situation?*

*I am 26 with about 35k in savings and I recently received an inheritance of 45k. I want to buy a home in the next few years in Wellington. What should I invest this inheritance in to get some short-term and some long-term growth?*

Investing: Is my money safe (9) – questions about guarantees (or lack thereof) for money kept in banks or invested in funds.

*What protections are in place to prevent managed fund companies behaving recklessly, illegally or without due care? What happens to money if a fund management company goes out of business?*

*In late 2019 the Cabinet approved a review of the Reserve Bank Act to guarantee deposits to the value of up to \$50k. What is happening with progress, and should the economic situation worsen and banks get in trouble, will the Govt honour this notwithstanding there is no legislation as yet?*

Invest or do something else (9) – these are different variations of “pay off debt or invest”, or “save or invest”.

Investing: Taxes and legal (5) – questions about taxation of investment and the effects of immigration status.

Investing: Mechanics (3) – for example, how to buy/sell shares. The small number of such questions suggests that information about the practical aspects of investing is widely available and accessible, perhaps thanks to the rise of e-platforms like Sharesies.

## 4. Property (122 questions)

Mortgages (51) – questions are focused on how to qualify for a mortgage and how mortgages work. For example, what are the break fees or how the principal and interest get repaid. Many questions are from prospective first home buyers who are trying to figure out how to get on the property ladder quicker.

*what do banks look for when applying for a mortgage*

*can I buy a house on one income*

*with more equity in your house can you ask for lower interest rates*

*calculations for a mortgage holiday*

Repayment strategies (21) – mainly whether to pay off mortgage faster or to save/invest the extra money, but also a few questions on how to handle an unaffordable mortgage.

*I bought a rental property to have extra income when I retire, should I sell and pay off my home mortgage?*

*is it beneficial to pay off your mortgage sooner?*

Rental/investment property (7) – rental property is mentioned several times across other categories, but these questions focus exclusively on investment property questions. Most of the questions are whether to buy or sell an investment property.

Good time to buy (6) – seeking advice on the current state and the future of the housing market.

Tax/legal (3) – divorce and other issues that are outside Sorted's scope.

## 5. Debt (123 questions)

Repaying debt (23) – repayment strategies (what to pay off first), how long it will take to repay debt. A few questions in this category suggest unaffordable debt.

*I have a credit card at 9.95% per annum with a balance of \$4000 and a loan at 12.95% per annum with a balance of \$19,800. I pay \$400 per fortnight to the loan, \$125 above minimum, and \$200 per fortnight to my credit card. Should I concentrate on the credit card or the loan first or carry on as is?*

*I am in debt and do'nt know where or how to start to get out of it. Which debt do I focus on or do I focus on all of them at once?*

Credit cards (20) – many entries admit excessive credit card debt; there are also several entries wondering about the relationship between credit card use and credit score.

*Do I need a credit card to get a good credit rating*

*I have too many credit cards to pay*

Hardship (19) – there were signs of hardship in some of the entries in other debt sub-categories, but these questions directly address the topics of consolidation, deferment and debt collection.

*how to defer loan payments whilst unemployed*

*If I've guaranteed a loan, and the loan has missed a payment, when is the bank legally allowed to contact me to advise of the arrears?*

Pay off or not (15) – pay off debt or save; many of these questions refer to student loans.

Lender choice (7) – who is the best lender, or who lends money in specific situations or for a specific purpose.

Credit score (6) – in addition to questions in the credit card subcategory above, these questions are about how to check one's credit score and how to improve it.

## 6. Retirement (106 questions)

How much do I need (51) – how much is needed to retire (a variation is: “I have x amount of money, is that enough to retire”).

Decumulation (20) – how to live off the accumulated capital and how to manage money in retirement. Many of these questions are from people close to retirement or already retired and include detailed descriptions of financial situation. There is concern about making money last in a low interest rate environment.

*I am 60, working fulltime on a salary of \$130k. My husband age 77 is retired. We have a freehold home of around \$800k. My Kiwisaver stands at \$170k I contribute at 10%. I recently inherited shares, value around 300k. We have a second freehold property, value around \$250k, and a section, also inherited, value round \$200k. Can I organise my assets to retire and have a reasonable income?*

*What are your suggestions for managing KiwiSaver or other superannuation lump sums after retirement? If intent of KiwiSaver is to fund one's retirement, how do you ensure money saved lasts for up to 30 - 40 years required, given today's negligible interest rates & uncertain sharemarket?*

Policy settings (9) – questions about the regulations around NZ Super, some from people who have spent some time overseas which might affect their eligibility.

Living costs (4) – how much to budget for retirement living (including retirement village living and care needs).

Non-homeowners (2) – how to plan for retirement when home ownership is out of reach?



## 7. Other topics

Employment law (13) – what to do when your employer does not pay into KiwiSaver, denies cashing out leave and other similar questions.

Redundancy (10) – questions related to post-redundancy situations – where to go for help, why they can't access NZ Super early, problems with applying for a benefit.

Insurance (13) – most questions are about whether it is needed and whether to cancel it.

Benchmarks (3) – how much should someone have / earn at a specific age or life stage

Trusts (13) and Tax (8) – legal questions

Macro-economic (8) – questions about what negative interest means, where the government is borrowing money from, economic growth and climate change, deflation, quantitative easing and house prices.

Financial advice (8) – where to get financial advice; some queries specify free financial/budgeting advice, others ask for financial advisor recommendation. Several entries express frustration at the difficulty of finding good, unbiased and affordable financial advice.

\*\*\*\*\*

For more information or to arrange a discussion with CFFC Research Lead Dr Celestyna Galicki, please contact:

Estelle Sarney, Director – Communications

[estelle@cffc.govt.nz](mailto:estelle@cffc.govt.nz)

Ph 021 246 4302