

Data report for the Review of Retirement Income Policies

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Data sources

This report uses data from:

1) The Financial Capability Barometer 2018, a cross-sectional survey conducted by CFFC on an ongoing basis.¹ The survey is implemented by Dynata using an online panel. A sample from an online panel is a non-probabilistic sample and the margin of error cannot be calculated.² The panel members invited to complete the survey are carefully selected to match the make-up of the adult New Zealand population regarding age, gender, ethnicity and region. The mode (online) excludes those with no internet access and those with low literacy levels, so the groups that are most socioeconomically disadvantaged are likely to be underrepresented in the sample (compared to the New Zealand population). Due to the limitations of this sampling method and mode, the data need to be interpreted with caution and in the context of data of other sources, such as background papers for the Review and data from Statistics New Zealand.

2) A survey of 18-64-year olds on KiwiSaver, separate to the Financial Capability Barometer but using the same methodology, conducted by CFFC in April 2019 to cover questions specific to Terms of Reference of the Review that were not covered by the Financial Capability Barometer.

3) Statistics New Zealand surveys and datasets, as listed in 4.1.

KiwiSaver

Data

This section uses data from two sources:

1) Responses from respondents aged 18-64 (7,482 respondents in total) from the Financial Capability Barometer (see 0.1. Data Sources above). This dataset is referred to as FCB.

2) Data from a survey of 2,046 New Zealanders aged 18-64 conducted in April 2019, focused on KiwiSaver and views on ethical investment and KiwiSaver fees. This dataset is referred to as KS.

¹ Monthly (500 or 1000 respondents) or quarterly (2500 respondents) waves, contain a core questionnaire and add-on modules on specific topics. The survey started in 2017 and has since accumulated more than 20,000 responses.

² For a discussion of online panels and measurement error, see American Association for Public Opinion Research, Report on Online Panels, available from <https://www.aapor.org/Education-Resources/Reports/Report-on-Online-Panels> and Report on Non-Probability Sampling, available from <https://www.aapor.org/Education-Resources/Reports/Non-Probability-Sampling.aspx>.

2.2. Executive summary

- 77.4% of respondents aged 18-64 were KiwiSaver members. KiwiSaver membership was highest in the 18-33 age group (82.9%).
- Men and women had a similar rate of KiwiSaver membership
- Employment was the strongest predictor of being a contributing KiwiSaver member and was more important than age, gender and ethnicity
- 40% of respondents not in KiwiSaver did not enrol due to a lack of, or insufficient, income
- those who are employed, home-owners, work in professional occupations and live in urban areas are more likely to be enrolled to KiwiSaver and making contributions. This leads to the question whether those who need KiwiSaver the most are those who use it.
- Performance was the main criterion for fund selection, selected by over 60% of respondents who selected their own fund. Fees (36%) and risk level (31%) were the other two most important factors when selecting a fund.

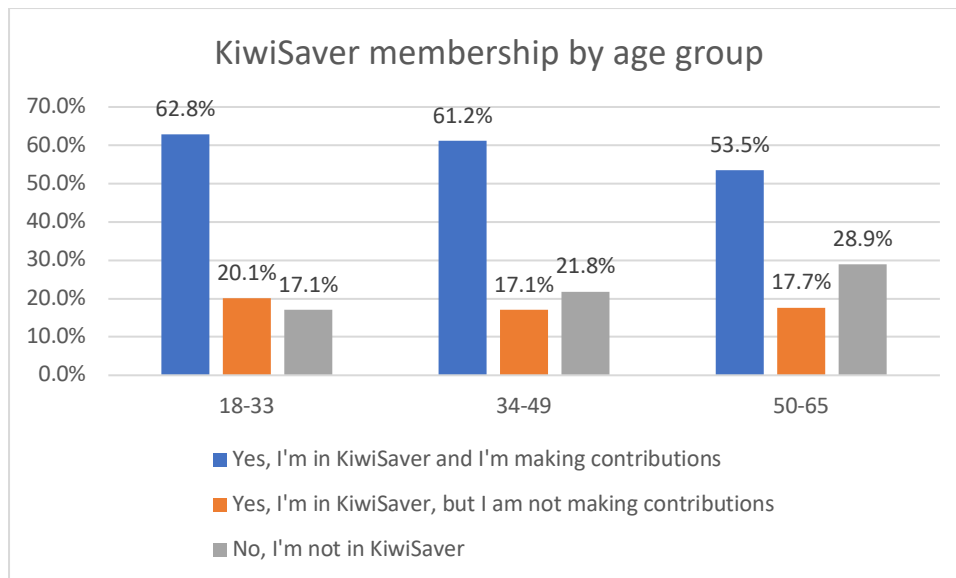
2.3. KiwiSaver membership and contributions

77.4% of respondents aged 18-64 were KiwiSaver members, and 59% of all respondents aged 18-64 (76% of KiwiSaver members) were making contributions (Table 2.1).

Table 2.1. (KS) Are you in KiwiSaver?	Frequency	Percent
Yes, I'm in KiwiSaver and I'm making contributions	1212	59.2
Yes, I'm in KiwiSaver, but I am not making contributions	373	18.2
No, I'm not in KiwiSaver	461	22.5
Total	2046	100.0

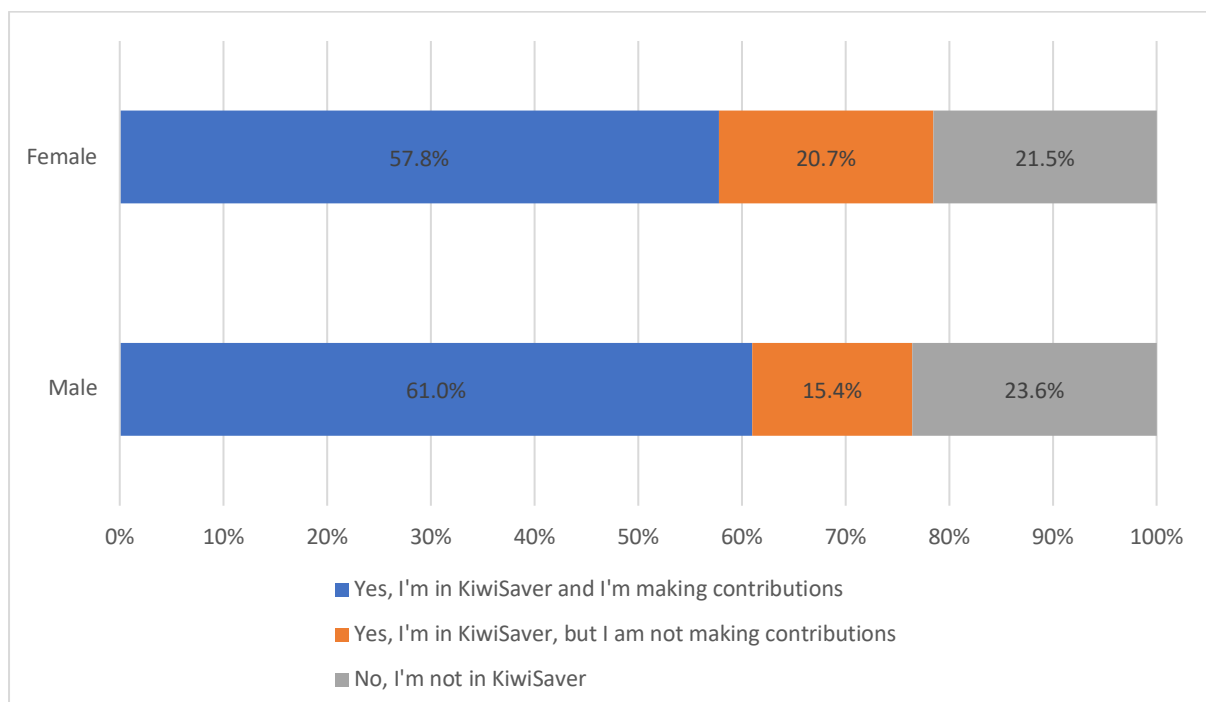
KiwiSaver membership was highest in the 18-33 age group (82.9%). This age group also had the highest percentage of non-contributing members (20.1% of all respondents in this age group and 25% of KiwiSaver members in this age group) (Fig. 2.2.). Within the 18-33 age group, the non-contributors were, on average, younger than contributors. Based on these demographics, we may assume that their non-contributing status was in many cases due to full time study and limited income.

Fig.2.2. KiwiSaver membership by age group (KS).



Men and women had a similar rate of KiwiSaver membership (76.4 % of men and 78.5% of women in the sample were KiwiSaver members), but women were more likely than men to be non-contributing members (20.7% of women and 15.4% of men in the sample were in KiwiSaver but not contributing) (Fig. 2.3.). This difference is probably linked to (1) women taking time off work for childrearing and caregiving at a greater rate than men and (2) women working in low-paid occupations at a higher rate than men.³

Fig. 2.3. KiwiSaver membership by gender (KS).



³ <https://www.stats.govt.nz/news/women-in-paid-work>; <https://teara.govt.nz/en/gender-inequalities/page-4>

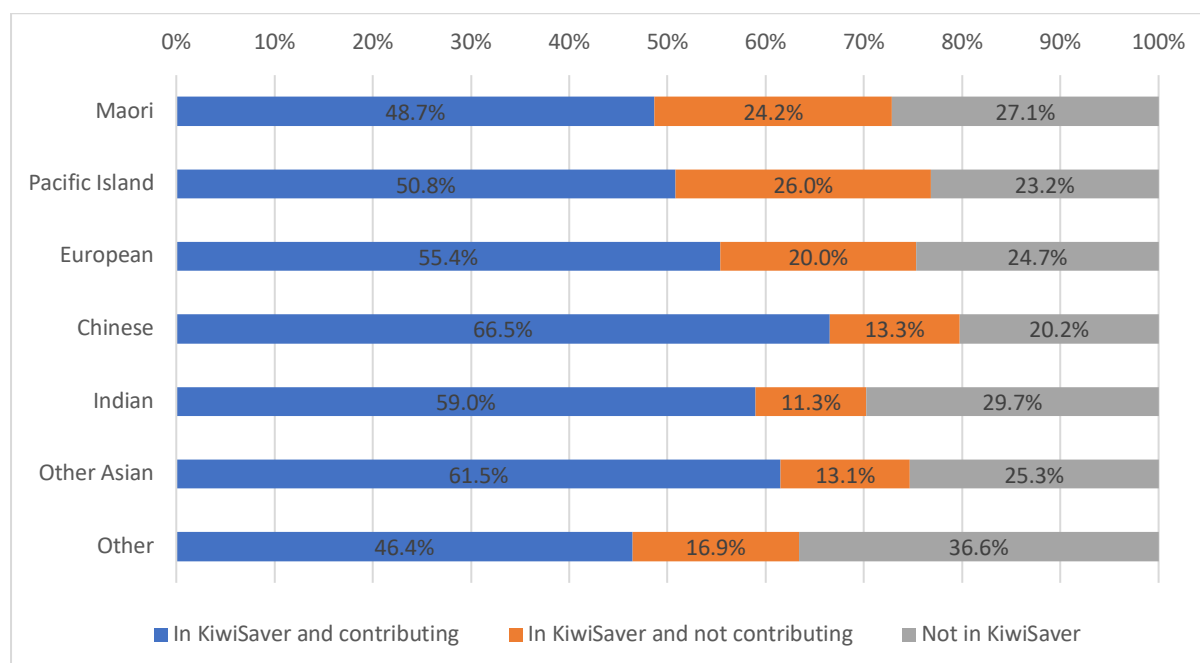
Employment was the strongest predictor of being a contributing KiwiSaver member and was more important than age, gender and ethnicity. Of those employed, 75.3% were in KiwiSaver and making contributions, compared to 29.1% of those not in employment (Table 2.2).⁴

Table 2.4. KiwiSaver membership by employment status (KS)	Not employed (includes contractors, self-employed and business owners)	Employed	Total
Yes, I'm in KiwiSaver and I'm making contributions	29.1%	75.3%	59.2%
Yes, I'm in KiwiSaver, but I am not making contributions	36.3%	8.6%	18.2%
No, I'm not in KiwiSaver	34.6%	16.1%	22.5%
	100.0%	100.0%	100.0%

This link between contributing to KiwiSaver and being employed reflects KiwiSaver's employee-focused design. Auto-enrolment, automatic contributions and employer contributions are available only for those who are employed. Self-employed/contractors, business owners, stay-at-home parents, students and beneficiaries are excluded from these benefits, although they can choose to make their own contributions. Data suggest that many of them do not make their own contributions, due to insufficient income, lack of information or lack of motivation (for employees, the lack of motivation is effectively addressed by the automation of enrolment and contributions).

Data from the Financial Capability Barometer confirms that those who are employed, home-owners, work in professional occupations and live in urban areas are more likely to be enrolled to KiwiSaver and making contributions (Fig. 2.5-2.12). This leads to the question whether those who need KiwiSaver the most are those who use it.

Fig. 2.5. KiwiSaver status within ethnic groups (FCB)



⁴ Employment is defined as full-time or part-time employment and does not include self-employment, contract work or working in own business.

Fig. 2.6. KiwiSaver status within tenure types (FCB)

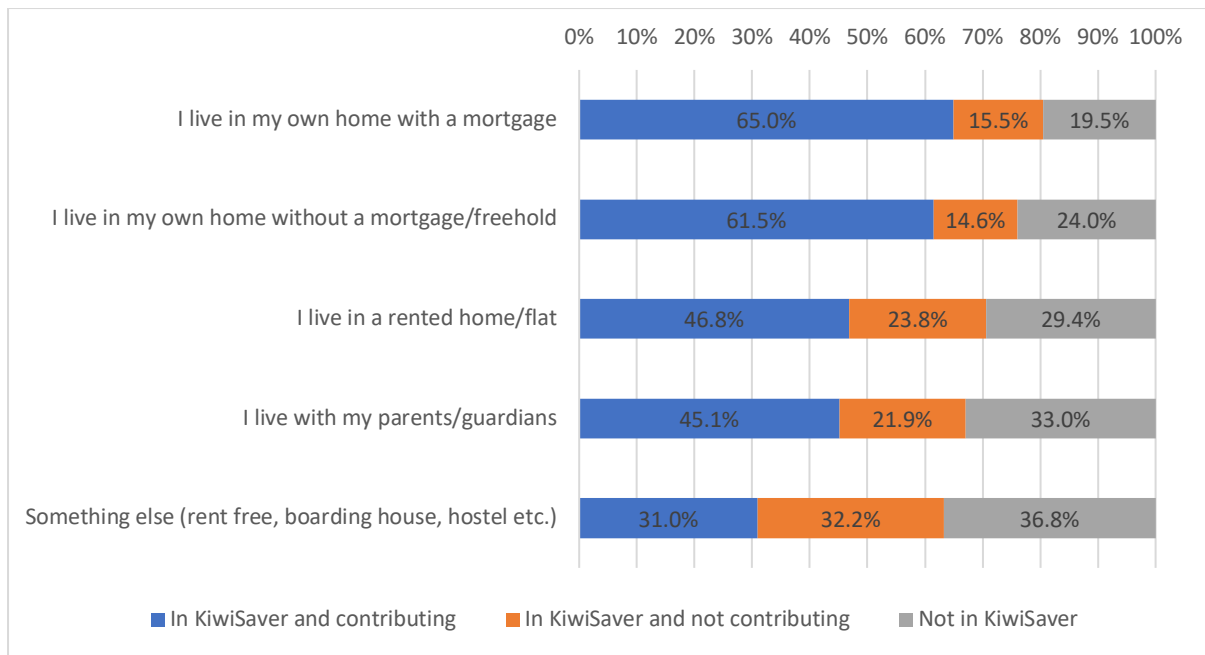


Fig. 2.7. KiwiSaver status within urban/rural locations (FCB)

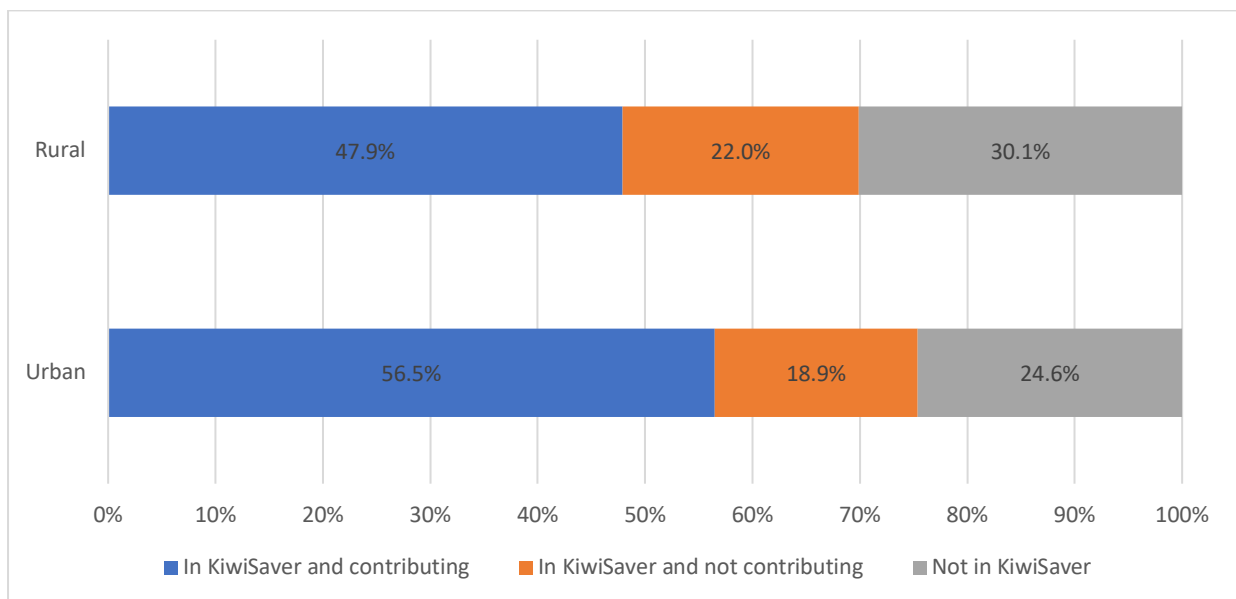


Fig. 2.8. Contributing KiwiSaver members - percentages within occupations (FCB)

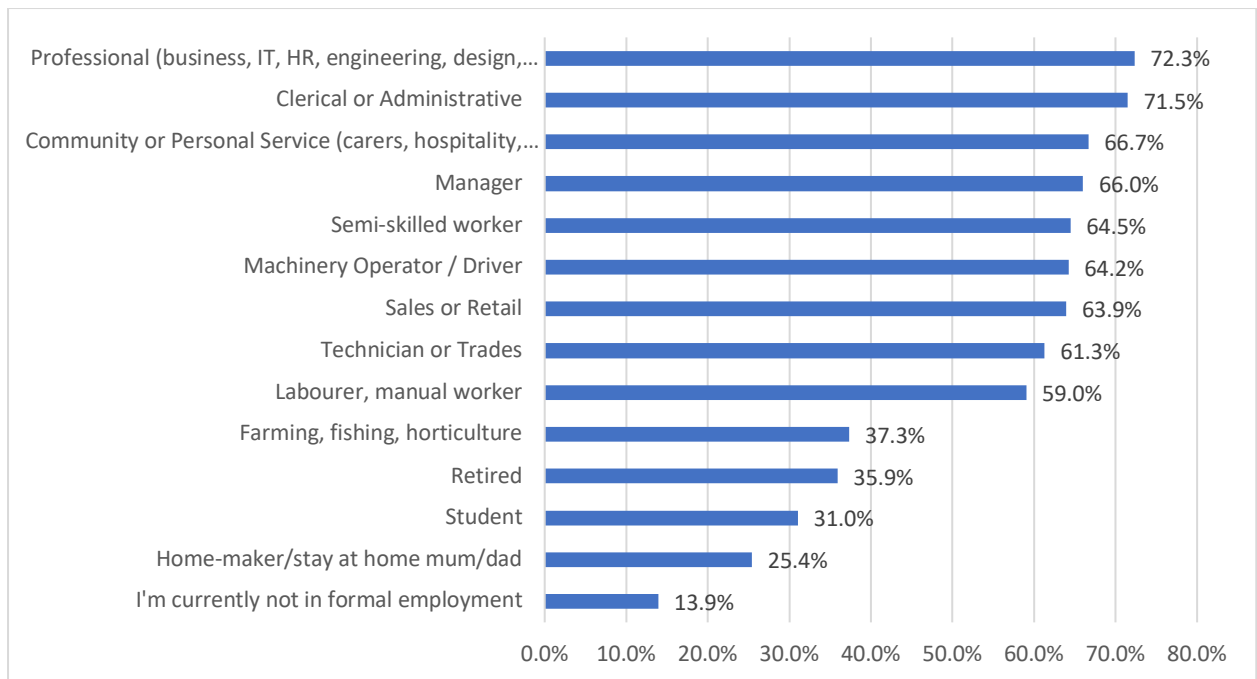


Fig. 2.9. Percentages within occupations who are enrolled in Kiwisaver (contributing or not) (FCB)

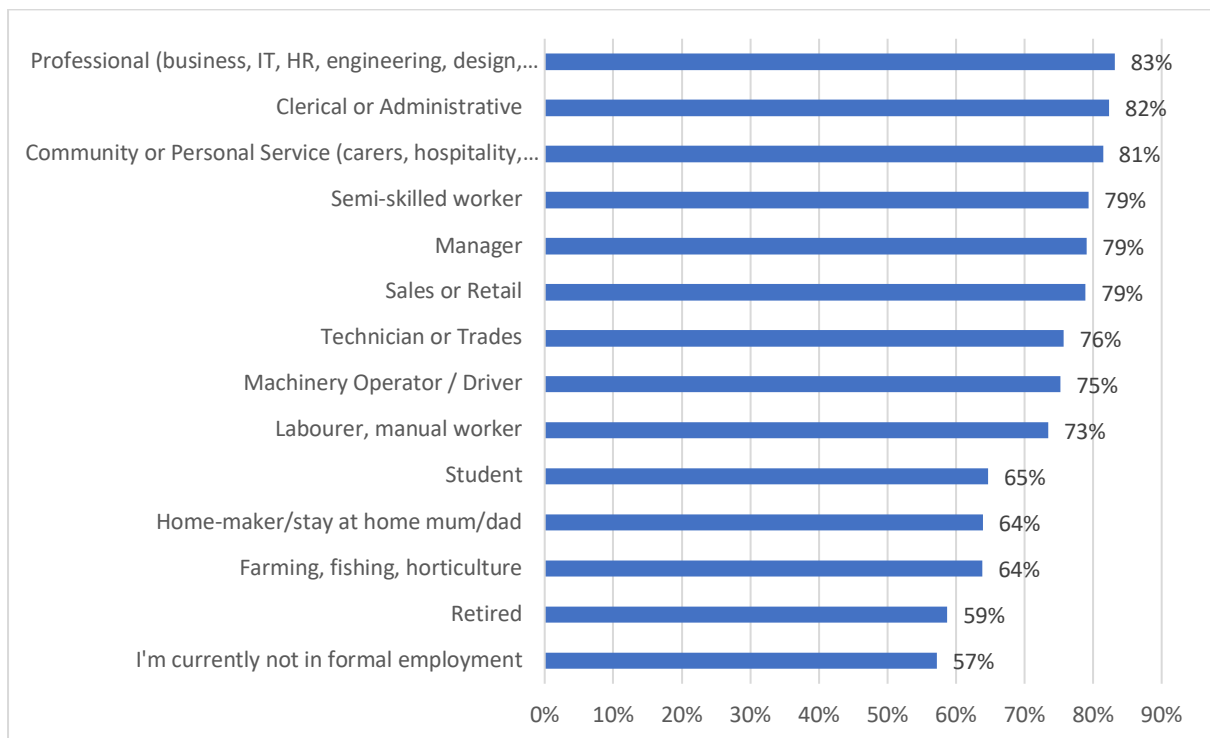


Fig. 2.10. KiwiSaver status by employment status (FCB).

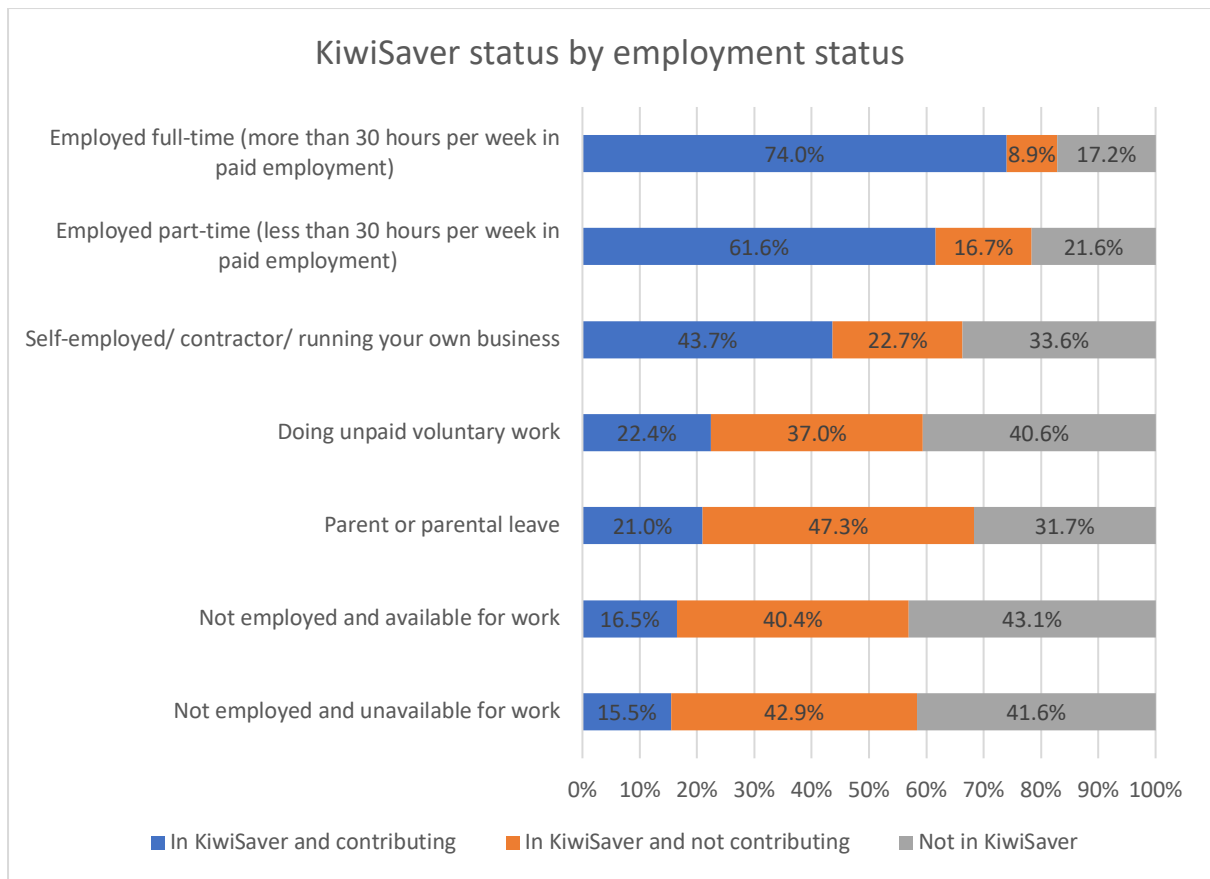


Fig. 2.11. KiwiSaver status by personal income (FCB)

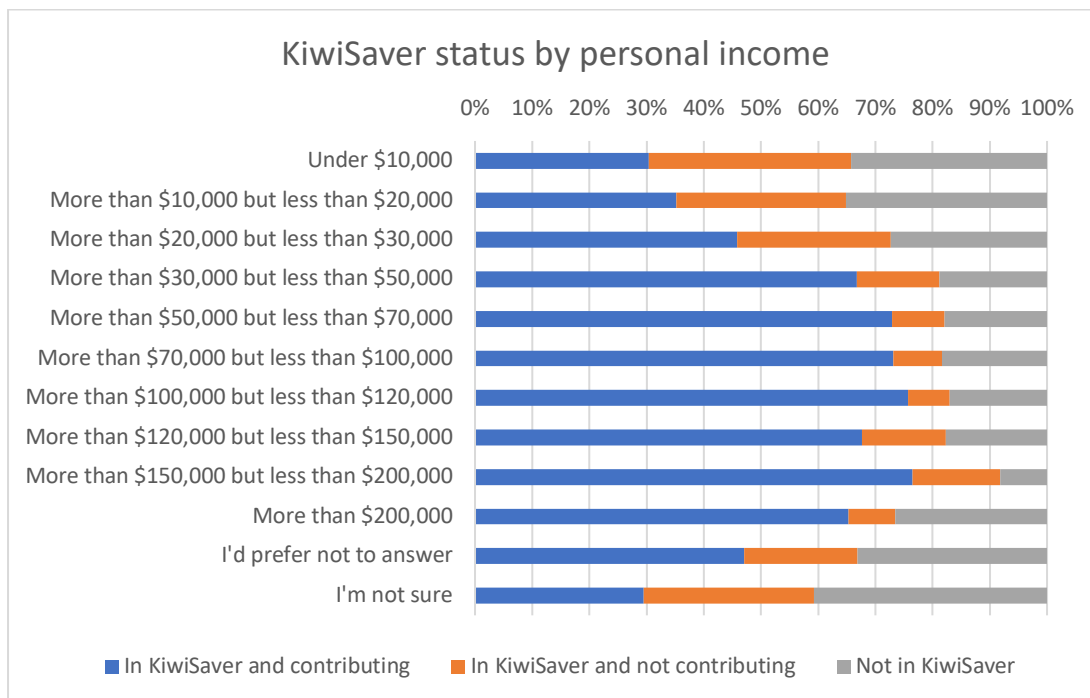
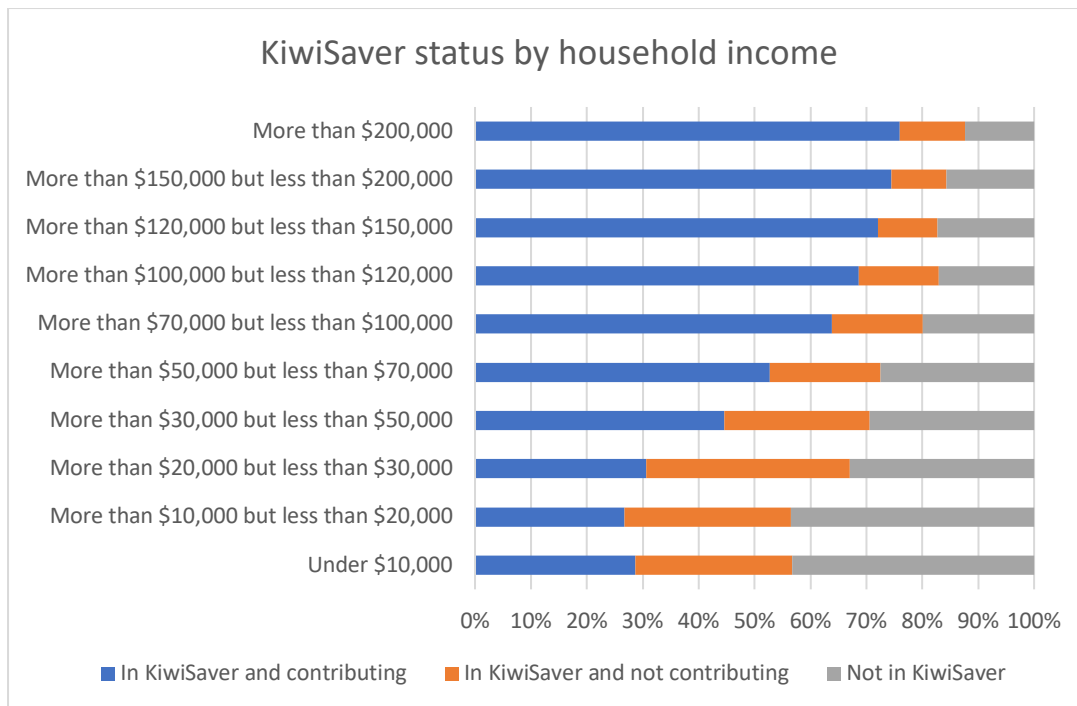


Fig. 2.12. KiwiSaver status by household income (FCB)



Questions related to hardship and income volatility were asked in selected waves of the survey (FCB). The responses suggest that being enrolled in KiwiSaver but not contributing is more correlated with financial hardship and income volatility than not being enrolled at all (Fig. 2.13-2.15). Data from the previous section shows that there may be many reasons for non-enrolment, some of which are not related to hardship; for example, having another superannuation scheme or other investments, or not having entered the workforce yet.

Fig. 2.13. KiwiSaver status by self-assessed employability (FCB)

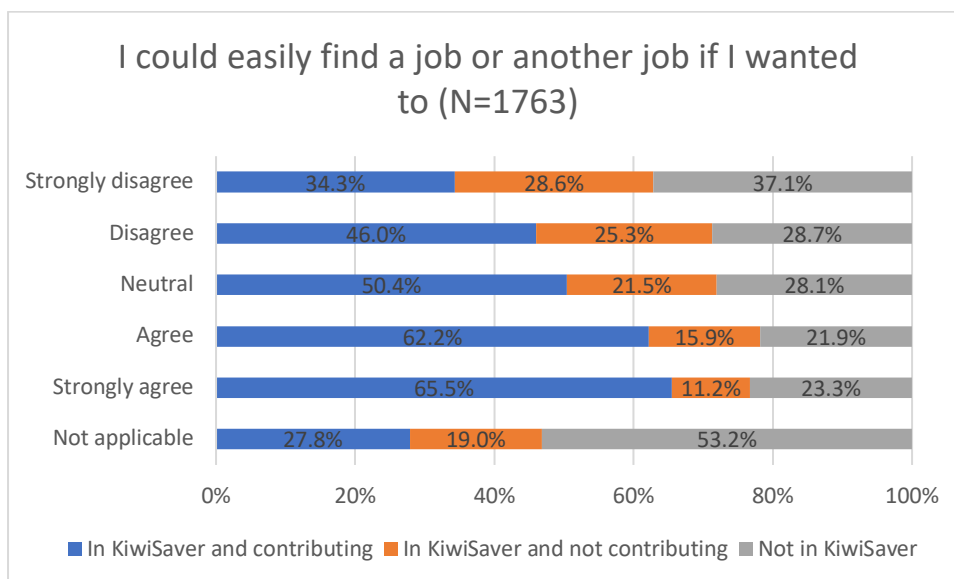


Fig. 2.14. KiwiSaver status by borrowing to meet living costs (FCB)

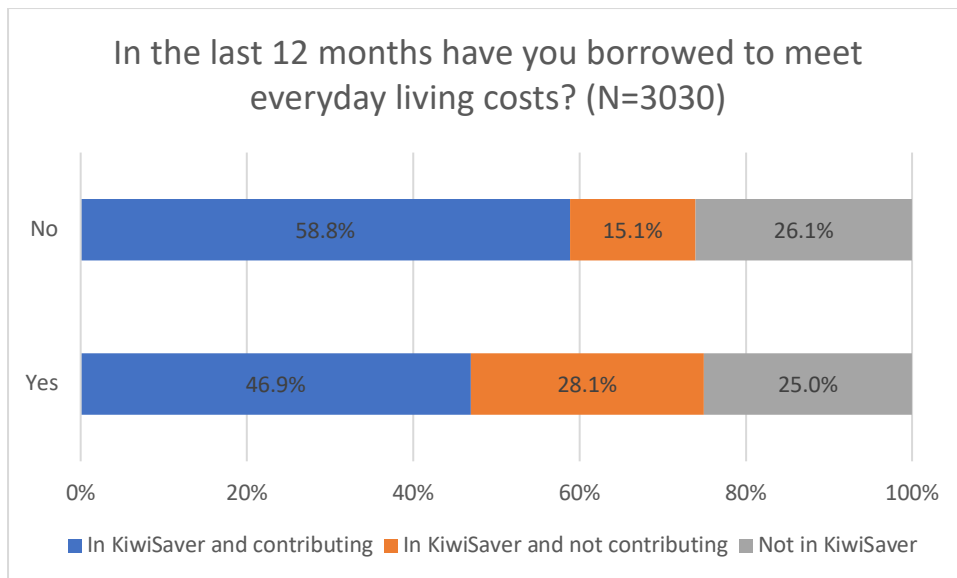
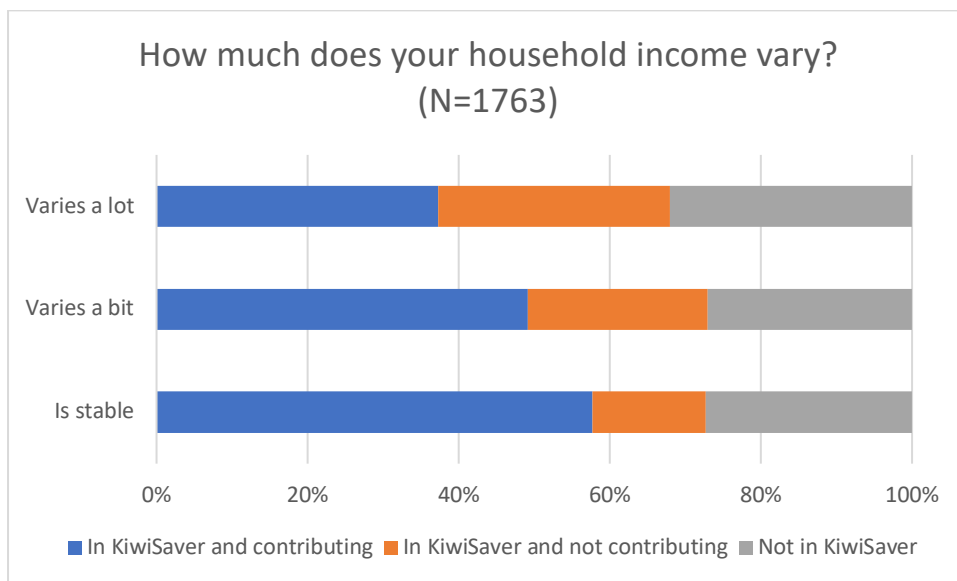


Fig. 2.15. KiwiSaver status by variability of household income (FCB).



2.4. Reasons for not being in KiwiSaver

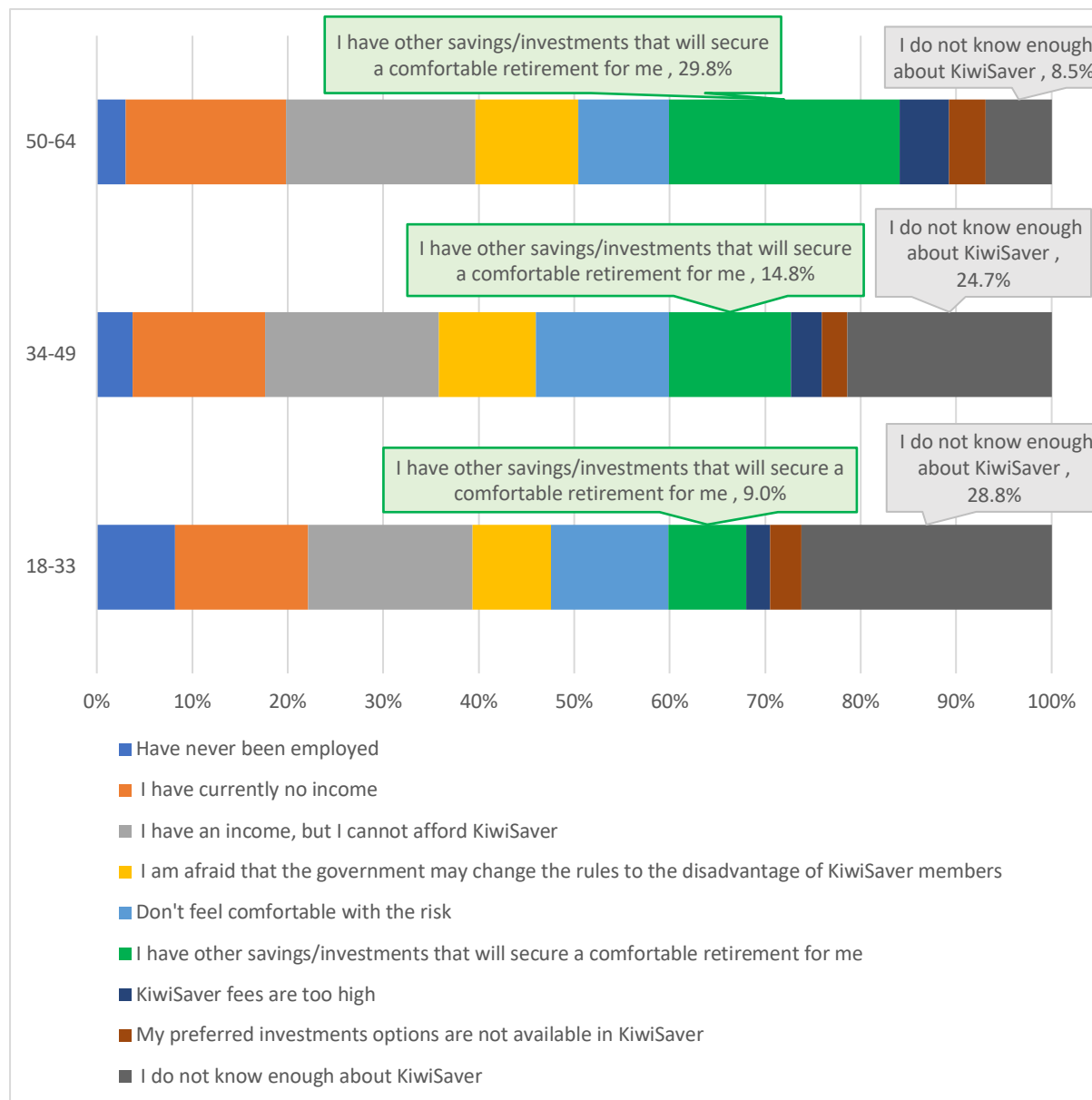
Respondents who were not in KiwiSaver were asked why they are not in KiwiSaver. 40% of the reasons given by respondents were due to a lack of, or insufficient, income. Other common reasons were having other investments (selected mostly by older respondents) and lack of knowledge about KiwiSaver (Table 2.16).

Table 2.16. What are the reasons you are not in KiwiSaver? [Base: respondents who are not in KiwiSaver]; respondents could select more than one answer (KS)	Frequency	Percent
I have an income, but I cannot afford KiwiSaver	101	21.9%
I have other savings/investments that will secure a comfortable retirement for me	90	19.5%
I do not know enough about KiwiSaver	88	19.1%
I have currently no income	82	17.8%
Don't feel comfortable with the risk	63	13.7%
Other (please specify)	61	13.2%
I am afraid that the government may change the rules to the disadvantage of KiwiSaver members	54	11.7%
Have never been employed	24	5.2%
KiwiSaver fees are too high	21	4.6%
My preferred investments options are not available in KiwiSaver	18	3.9%
Total	461	>100.0

Among the 13% of respondents who selected “other” reasons, the most common explanation was that they were not eligible due to non-resident status (the survey did not exclude respondents on temporary visas). Other reasons included advice from accountant or being too close to retirement to benefit from signing up.

Older respondents (50-64 years old) were more likely to select the response “I have other savings/investments” than younger age groups, whereas lack of knowledge was the top reason selected by those aged 18-33 (Fig. 2.17).

Fig. 2.17. Reasons respondent not in KiwiSaver, by age group (KS)



Male respondents were more likely to select “I have other savings/investments...” as a reason for not being in KiwiSaver (24%), compared to women (14.5%).⁵ This is consistent with the ANZ Financial Wellbeing Survey which has found that women are less likely than men to hold investments.

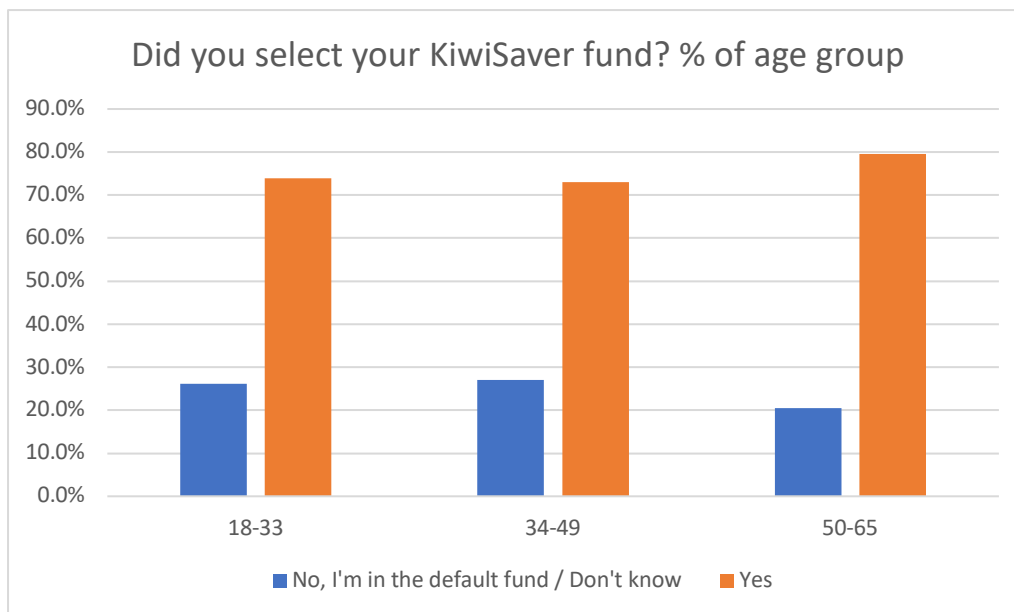
2.5 Selecting a KiwiSaver fund

The majority (75%) of respondents who are in KiwiSaver selected their fund. There is little difference between age groups – those aged 50 and over are slightly more likely to have selected their fund.

⁵ The difference is statistically significant at the 0.05 level.

Table 2.17. Did you select your KiwiSaver fund? [Base: respondents in KiwiSaver] (KS)	Frequency	Percent
No, I'm in the default fund / Don't know	393	24.8%
Yes	1192	75.2%
Total	1585	100.0%

Fig. 2.18. KiwiSaver fund selection by age group (KS).



Performance was the main criterion for fund selection, selected by over 60% of respondents who selected their own fund. Fees (36%) and risk level (31%) were the other two most important factors when selecting a fund (Table 2.19). Fees were more important for the 18-33 age group than for older respondents (Table 2.20).

Table 2.19. What was most important for you when choosing the KiwiSaver fund? [Base: respondents who selected their KiwiSaver fund] Respondents could select up to 3 answers (KS)	Frequency	Percent
Performance (returns)	730	61.2%
Fees	433	36.3%
Risk level	374	31.4%
Confidence in the fund manager	293	24.6%
Ethical investment	132	11.1%
Recommendation from a financial advisor	131	11.0%
Communication	110	9.2%
Recommendation from someone else	82	6.9%
Other	82	6.9%
Advertising	6	0.5%
Total	1192	>100.0%

Table 2.20. What was most important for you when choosing the KiwiSaver fund? [Base: respondents who selected their KiwiSaver fund] Respondents could select up to 3 answers]	18-33 years	34-49 years	50-65 years
Fees	40.9%	37.4%	30.2%
Performance (returns)	59.1%	64.7%	59.5%
Ethical investment	13.8%	10.4%	9.0%
Communication	9.8%	8.9%	9.0%
Confidence in the fund manager	17.3%	22.6%	34.8%
Risk level	31.1%	30.1%	33.2%
Recommendation from a financial advisor	12.5%	9.9%	10.6%
Recommendation from someone else	8.8%	5.2%	6.8%
Advertising	1.0%	0.5%	0.0%
	100.0%	100.0%	100.0%

2.6. Profiles of non-contributing members

- 21% of women are in KS but not contributing, compared to 15% of men
- Non-contributing (while being enrolled in KiwiSaver) is highest in the 18-33 age group (20% of this age groups is enrolled but not contributing)
- 54% of people who fulfil all of the following conditions are enrolled but not contributing:⁶ not employed, living in own home with a mortgage and being a stay at home parent or carer. The majority of such respondents are female. These respondents probably have an employed spouse (the household can afford a mortgage). Being a stay at home parent while not contributing to KiwiSaver disadvantages women because they miss out on the government contribution. One respondent wrote in an open-ended comment field that she counts on her husband's KiwiSaver to get by.
- 47% of people who fulfil all of the following conditions: unemployed, renting and aged 18-34 years are in KiwiSaver but not contributing (non-employed renters 35+ are more likely to not be in KiwiSaver at all - 43% of them are not enrolled). Employment and related income seem to be the biggest factor here; however, much of this group is likely to be between jobs or studying and may restart their contributions when they return to paid employment.
- Out of those who are employed, Maori employed part-time have the highest rate of non-contributing - 28% not contributing (compared to 11% of non-Maori who are employed part time). This may reflect lower wages, fewer hours or having family commitments which make contribution unfeasible.

⁶ CHAID algorithm was used to identify these profiles.

3. Public opinion on Kiwisaver fees and ethical investment in KiwiSaver

3.1. Data

The source of data for this section is the KiwiSaver survey (KS) of 2,046 New Zealanders aged 18-64 conducted by the Commission in April 2019.

3.2. Executive summary

- **Fees matter, especially for younger KiwiSaver members:**
 - For over one third of KiwiSaver members (36%), fees are important when selecting a KiwiSaver fund
 - Fees are important for 41% of 18-33 year olds when selecting a KiwiSaver fund
 - Fees are the second most important consideration when selecting a KiwiSaver fund (after fund performance)
- **A majority support capping KiwiSaver fees**
 - More than half of respondents (55%) support a fee cap for all KiwiSaver funds, and a further 12% support a fee cap for default funds only
- **Fees are important for those already enrolled but are not a barrier to joining**
 - Despite the importance of fees for current KiwiSaver members, less than 5% of KiwiSaver non-members indicated fees as a reason why they are not in KiwiSaver
- **Ethical investment is important**
 - Only 26% overall, and 18% of contributing KiwiSaver members, are NOT interested at all in ethical investment
- **Animal cruelty, worker exploitation, whaling and pornography topped the list of activities that respondents would like to see excluded from what an ethical investment fund invests in**
 - Each of the above activities was expected to be excluded by over 70% of respondents
 - Nuclear power, pornography and fossil fuels were rejected by female respondents at a much higher rate than by male respondents
 - Younger respondents rejected investment in fossil fuels at a higher rate than older respondents.
- **A majority are satisfied with available ethical investment options within KiwiSaver, but women and ethnic minorities are less satisfied**
 - Among those in KiwiSaver and contributing, 70% were satisfied with the range of ethical investment options
 - This high level of satisfaction is a surprise because most ethical investment funds do not meet the expectations reported by survey participants
 - Female respondents show higher levels of dissatisfaction with available ethical investment options compared to sample average. Of those dissatisfied with ethical investment options, 64% are female.

- Maori and Pacific respondents also show higher levels of dissatisfaction with available ethical investment options, but these data need to be interpreted with caution due to small sample sizes

3.3. Opinion on KiwiSaver fees

Table 2.20 shows that fees and ethical investment were more important for 18-33-year olds choosing their KiwiSaver fund than for respondents in older age groups:

However, for those not in KiwiSaver, the main barriers to joining KiwiSaver did not include fees or limited investment options. Instead, unaffordability, having other retirement savings and lack of knowledge were the top three reasons why respondents did not join KiwiSaver (Table 3.1):

Table 3.1. What are the reasons you are not in KiwiSaver? [Base: respondents who are not in KiwiSaver] <i>Respondents could select more than one answer</i>	No. of respondents	Percent
I have an income, but I cannot afford KiwiSaver	101	21.9%
I have other savings/investments that will secure a comfortable retirement for me	90	19.5%
I do not know enough about KiwiSaver	88	19.1%
I have currently no income	82	17.8%
Don't feel comfortable with the risk	63	13.7%
Other	61	13.2%
I am afraid that the government may change the rules to the disadvantage of KiwiSaver members	54	11.7%
Have never been employed	24	5.2%
KiwiSaver fees are too high	21	4.6%
My preferred investments options are not available in KiwiSaver	18	3.9%
Total	461	100%

A flat fee was the most supported fee option among respondents who are enrolled in KiwiSaver. 44% of these respondents preferred it over a percentage fee (13%) or a combination of both (20%) (Table 3.2):

Table 3.2. When selecting a KiwiSaver fund, do you prefer a flat fee, percentage of balance fee or a combination of both? [Base: those in KiwiSaver]	No. of respondents	Percent
A flat fee (everyone pays the same amount)	695	43.8%
A percentage fee (people who have higher KiwiSaver balance pay more)	212	13.4%
A combination of flat and percentage fee	309	19.5%
No opinion	369	23.3%
Total	1585	100%

More than half of respondents (55%) support a fee cap for all KiwiSaver funds, and a further 12% support a fee cap for default funds only (Table 3.3):

Table 3.3. Should there be a KiwiSaver fee cap? [Base: those in KiwiSaver]	No. of respondents	Percent
No - after-fee returns are what matters	353	22.3%
No, fund managers have the right to set their fees	166	10.5%
Yes, but only for default providers	186	11.7%
Yes, for all KiwiSaver funds	880	55.5%
Total	1585	100%

Those aged 50-64 were more likely to support a fee cap on all funds, and those aged 18-33 a fee cap for default providers only. Younger respondents were more likely to be against a fee cap, compared to older respondents. Fees matter to the 18-33 age group more than for older age groups but the 18-33 age group is also more likely to agree to leave fees to the market (Table 3.4.):

Table 3.4. Should there be a KiwiSaver fee cap?	18-33 years	34-49 years	50-65 years	Total
No - after-fee returns are what matters	25.6%	22.0%	18.8%	22.3%
No, fund managers have the right to set their fees	16.3%	8.6%	6.0%	10.5%
Yes, but only for default providers	15.9%	11.0%	7.8%	11.7%
Yes, for all KiwiSaver funds	42.2%	58.4%	67.4%	55.5%
Total	100.0%	100.0%	100.0%	100.0%

3.4. Opinion on ethical investment

Animal cruelty, worker exploitation, whaling, pornography and weapons topped the list of activities that respondents would like to see excluded from an ethical investment fund (Table 3.5). There were differences by age and sex. For example, younger respondents were more likely to want to exclude fossil fuels, compared to older respondents (Table 3.6).

Table 3.5. What do you expect from an ethical investment fund to NOT invest in? Respondents could select any number of answers	No. of respondents	Percent
Animal cruelty	1602	78.3%
Companies that exploit workers / break labour laws	1550	75.8%
Whaling	1499	73.3%
Pornography	1482	72.4%
Any weapons	1310	64.0%
Gambling	1300	63.5%
Military weapons	1297	63.4%
Tobacco	1281	62.6%
Nuclear power	1086	53.1%
Alcohol	877	42.9%
Fossil fuels	833	40.7%
Genetic engineering	755	36.9%
Other	57	2.8%
Total	2046	>100%

Table 3.6. What do you expect from an ethical investment fund to NOT invest in? Respondents could select any number of answers	18-33 yrs	34-49 yrs	50-65 yrs
Military weapons	54.4%	65.2%	70.4%
Any weapons	58.8%	63.6%	69.7%
Tobacco	58.7%	63.0%	66.1%
Alcohol	44.5%	41.7%	42.5%
Gambling	62.5%	62.5%	65.7%
Nuclear power	53.6%	54.7%	50.7%
Animal cruelty	74.0%	78.1%	82.8%
Fossil fuels	45.9%	41.8%	34.3%
Whaling	67.1%	75.7%	76.7%
Pornography	67.0%	70.3%	80.3%
Companies that exploit workers / break labour laws	71.0%	74.3%	82.2%
Genetic engineering	30.0%	39.9%	40.4%

Female respondents were more likely than male respondents to exclude any of the listed activities. In particular, nuclear power, pornography and fossil fuels were rejected by female respondents at a much higher rate than by male respondents (Table 3.7):

Table 3.7. What do you expect from an ethical investment fund to NOT invest in?	Male	Female	Difference (F-M)
Nuclear power	41%	64%	24%
Pornography	63%	81%	18%
Fossil fuels	31%	49%	18%
Gambling	56%	70%	14%
Alcohol	35%	49%	14%
Genetic engineering	30%	43%	13%
Any weapons	57%	70%	13%
Military weapons	58%	68%	10%
Companies that exploit workers / break labour laws	70%	80%	10%
Animal cruelty	73%	83%	9%
Tobacco	58%	66%	8%
Whaling	69%	77%	7%

More than half of respondents were satisfied with the range of ethical investment options available in KiwiSaver. Among those in KiwiSaver and contributing, 70% were satisfied with the range of ethical investment options. This is a surprise in the light of high standards for ethical investment, revealed by the data above: most ethical investment funds do not meet these standards. Of those dissatisfied with ethical investment options available, 64% are female (Table 3.8).

Table 3.8. Are you satisfied with the range of ethical investment options offered by KiwiSaver providers?	Yes, I'm in KiwiSaver and I'm making contributions	Yes, I'm in KiwiSaver, but I am not making contributions	No, I'm not in KiwiSaver	Overall
Yes	69.5%	57.9%	34.1%	59.4%
No	12.1%	19.3%	19.1%	15.0%
Not interested in ethical investment	18.4%	22.8%	46.9%	25.6%
Total	100.0%	100.0%	100.0%	100.0%

Only 26% of all respondents (and 18% of contributing KiwiSaver members), are not interested at all in ethical investment. This suggests that the overwhelming majority of KiwiSaver members are interested in ethical investment. However, only a minority selected ethical investment when asked about the criteria for selecting a fund. A possible explanation is that respondents show social desirability bias (select the “right” answer) when asked about ethical investment directly, but their actual behaviour shows limited consideration of ethical investment in KiwiSaver funds.

