

PERCEPTIVE



State of the Investor Nation

Understanding New Zealanders' perceptions of wealth and approaches to wealth creation

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Introduction

Kiwi Wealth's State of the Investor Nation report is a comprehensive analysis of New Zealanders' perceptions of wealth and approaches to wealth creation.

It measures the investment aspirations of all New Zealanders, their portfolio design, and confidence in financial and property markets.

2020 represents the second iteration of the State of the Investor Nation report, which is published on an annual basis.

Methodology

Perceptive conducted an online survey targeted at New Zealanders over the age of 18, using a nationwide sampling framework.

The results were then weighted to Statistics New Zealand census data (including gender, age and location) to achieve a nationally representative sample.

2,105 responses were collected in 2020 and are presented within the report.

Fieldwork was conducted over the 4th – 17th of February, 2020.



Key insights

Overall, Kiwis are growing more confident in the economy and markets in 2020. However, a significant number of people are still struggling financially, which is taking a toll on their wellbeing.

There is a growing disparity between the wealth perceptions of homeowners and renters in New Zealand.

- This is particularly prominent in main centres and follows a strengthening of property prices across the country in recent times.

New Zealanders' confidence in the economy, financial markets and property has increased in 2020.

- This follows relatively strong economic growth in New Zealand as well as strong performance of financial markets.
- We are yet to see any impact of Coronavirus (Covid-19) on economic confidence at the time of the survey.

Almost a third of Kiwis are either only managing to make ends meet or are struggling to get by.

- This continues to be particularly prominent among 35-44 year olds, renters, non-investors, lower income earners and Māori/Pasifika.

4 in 10 New Zealanders consider themselves to be stressed, while 7% consider themselves to be unhappy and 7% have poor levels of overall wellbeing.

- Unhappiness, stress and poor wellbeing is most common among younger New Zealanders, renters, non-investors, and lower income earners.



Key insights cont...

New Zealanders who are struggling to get by are 7x more likely to be unhappy, 2x more likely to be stressed and 6x more likely to have poor levels of overall wellbeing.

Almost a quarter of non-retired New Zealanders are stressed about their ability to create enough wealth for retirement.

- Among these New Zealanders, it has caused 15% to either visit a GP and/or see a psychologist.

This year, 8 in 10 New Zealanders have investments other than owner-occupied housing, consistent with the levels seen in 2019.

- While not significant, there is indication of an increase in the level of younger New Zealanders, renters and Māori/Pasifika who have investments this year.

In 2020 we are seeing a significantly lower proportion of New Zealanders being invested in term deposits.

- We also see a decline in the number of New Zealanders that see savings accounts and term deposits as asset classes that would generate the most wealth for retirement.
- This reflects sustained periods of low interest rates in New Zealand.

In contrast, there has been a trend towards the equities market among investors, with Kiwis being more likely to have investments in equity-based asset classes and more open to the idea of it.

- This indicates New Zealand investors are regaining trust in financial markets, which has traditionally been a key barrier to investing.

In 2020, New Zealand investors were more likely to both increase the amount of money they have in their investment portfolios and change the asset classes they have investments in.





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01

Confidence and
perceptions on wealth

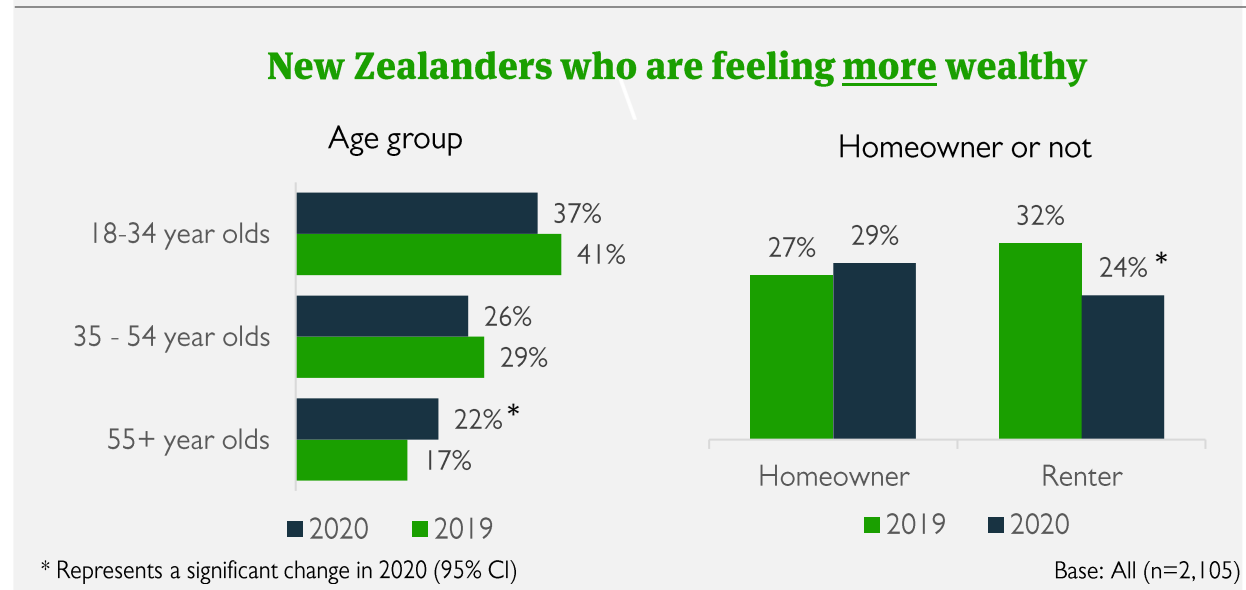
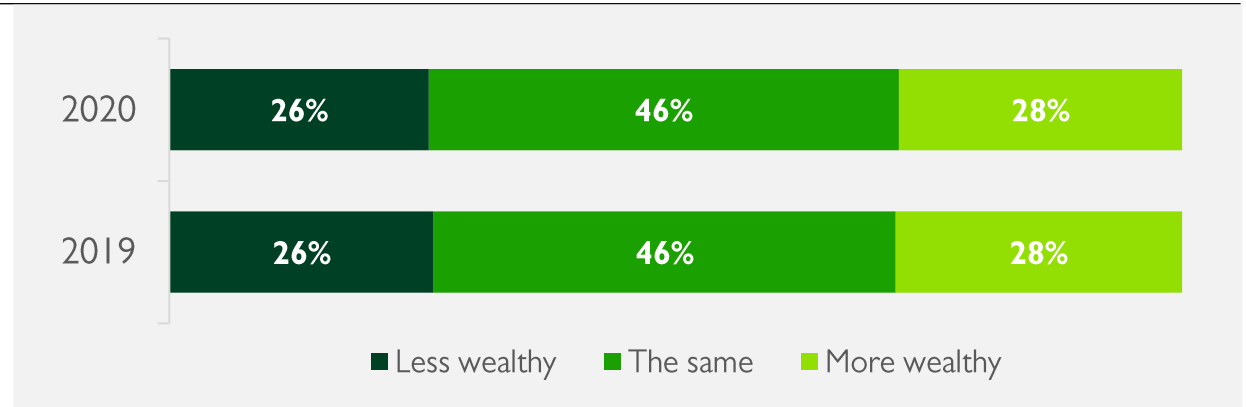
How wealthy do Kiwis feel?

The proportion of New Zealanders who are feeling more wealthy has remained consistent in 2020, with just over a quarter (28%) indicating so.

In 2020, however, we see a growing disparity in the wealth perceptions of homeowners vs renters and younger New Zealanders vs older New Zealanders.

- This dichotomy is particularly evident in the main centres, with the proportion of renters who are feeling more wealthy this year dropping by 26 percentage points in Christchurch, 12 in Wellington and 11 in Auckland.

This indicates wealth perceptions of New Zealanders are strongly tied to the housing market, which has continued its strong growth over recent months, notably picking up again in the main centres.



Q. Do you feel more or less wealthy now than you did 12 months ago?

Confidence in economy, markets and property

New Zealanders' confidence in the economy, financial markets (both domestically and globally) and property has increased in 2020, with a significant increase in confidence surrounding the housing market (up by 6 percentage points compared to 2019).

In addition to the strengthening housing market, economic growth has been relatively strong over recent times, as has the performance of the NZ financial markets, being reflected in New Zealanders' confidence levels.

- The main threat to the economy currently is Coronavirus (Covid-19), which at the time of this survey is yet to be having an effect on New Zealanders' confidence levels.

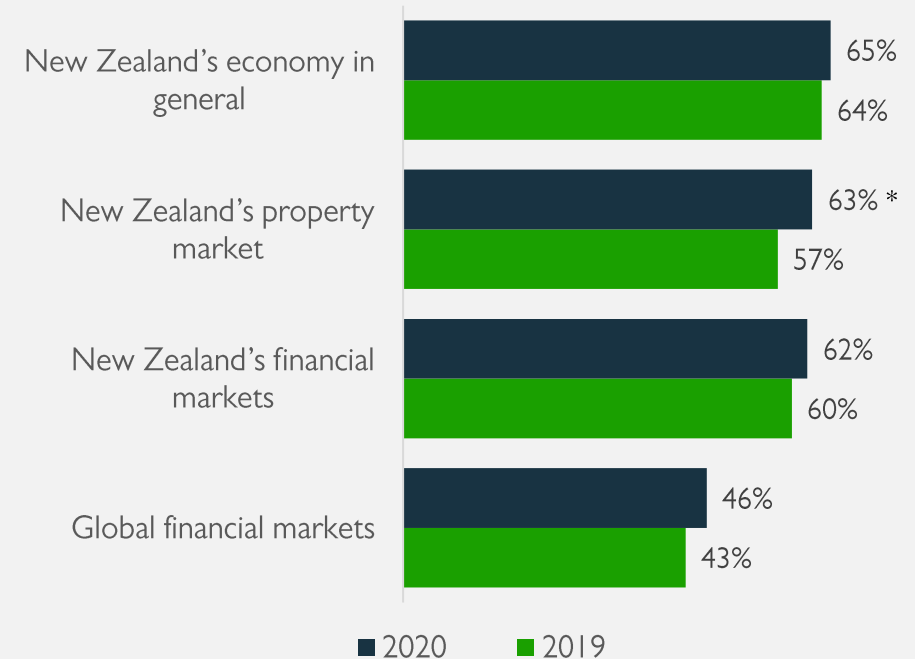
Who is the most confident in the economy?

Confidence in the economy is particularly high among:

- Investors (67%) n/c vs 2019
- Homeowners (70%) ↑ 2 vs 2019
- Households with incomes over \$70,000 (72%) ↑ 2 vs 2019

Q. How confident do you feel in the following over the next 5 years?

Level of confidence**



* Represents a significant change in 2020 (95% CI)

** %'s represent those who indicated they are Somewhat or Very confident

Base: All (n=2,105)

Personal financial stability

A similar proportion of New Zealanders are struggling to make ends meet in 2020 (8%).

Who is most likely to be struggling?

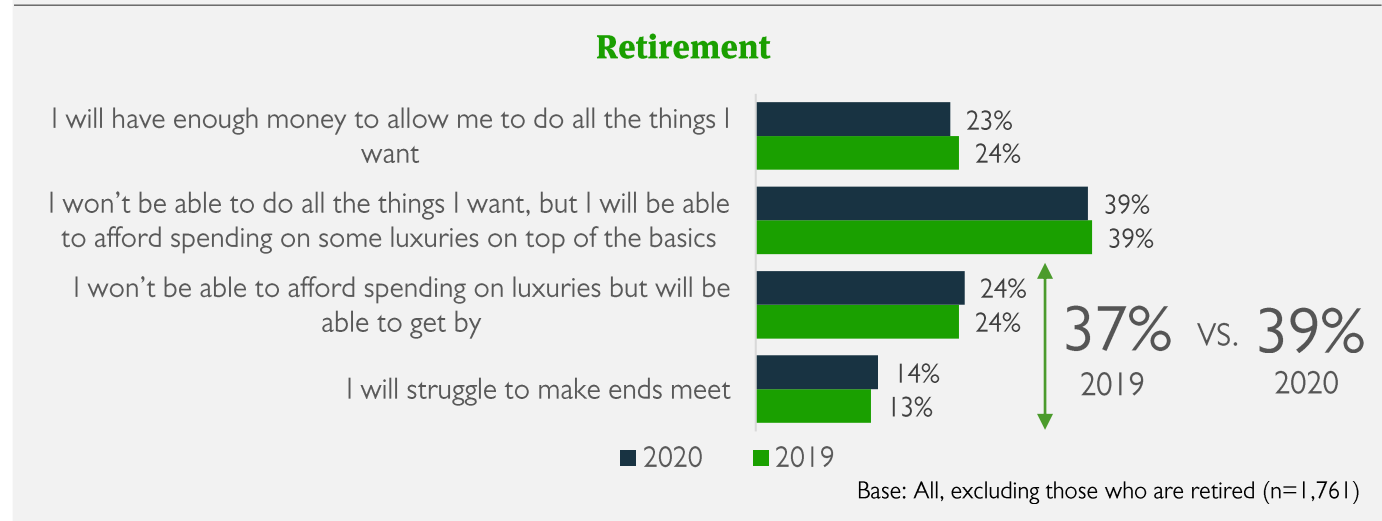
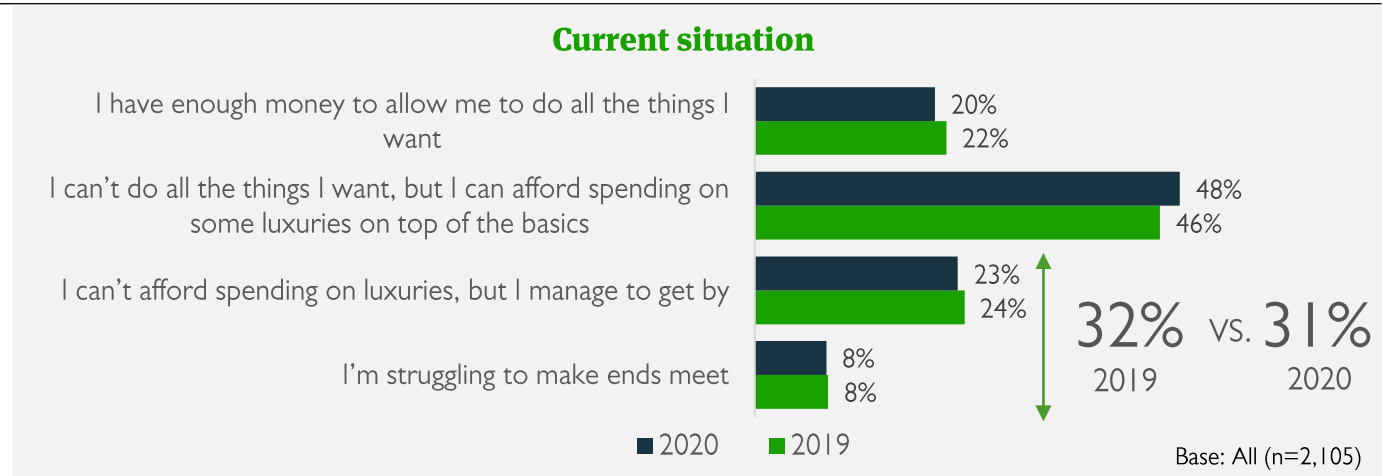
In particular, Kiwis feeling like this over-index among

- 35-54 year olds (10%) ↓ 1 vs 2019
- Renters (13%) ↓ 1 vs 2019
- Non-investors (19%) ↓ 2 vs 2019
- Up to \$70,000 incomes (13%) ↑ 1 vs 2019
- Māori and Pasifika. (15%) ↑ 2 vs 2019

Kiwis continue to be less confident when they think about retirement with around 2 in 5 New Zealanders predicting that they will only be able to make ends meet or will struggle to get by in retirement.

Q. Which of these statements best describes your lifestyle?

Q. Which of these statements best describes the retirement lifestyle you think you are likely to have?





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02

New Zealanders'
wellbeing

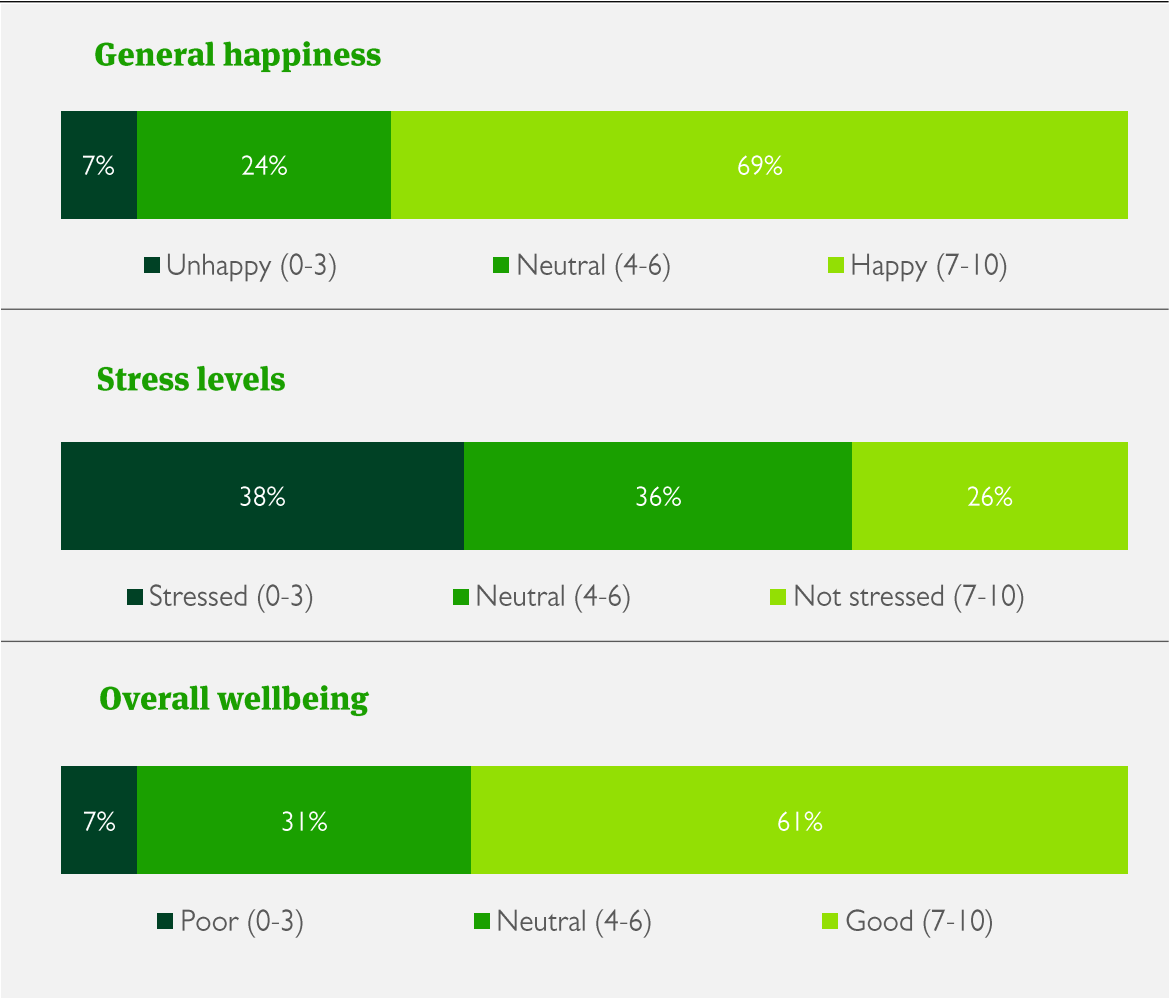
Wellbeing of New Zealanders

New Zealanders' levels of happiness and overall wellbeing are reasonably strong, however, stress is an issue with a higher proportion reporting they are stressed compared to those who aren't.

New Zealanders who are feeling the worst
 (show significantly higher levels of unhappiness, stress and poorer levels of overall wellbeing).

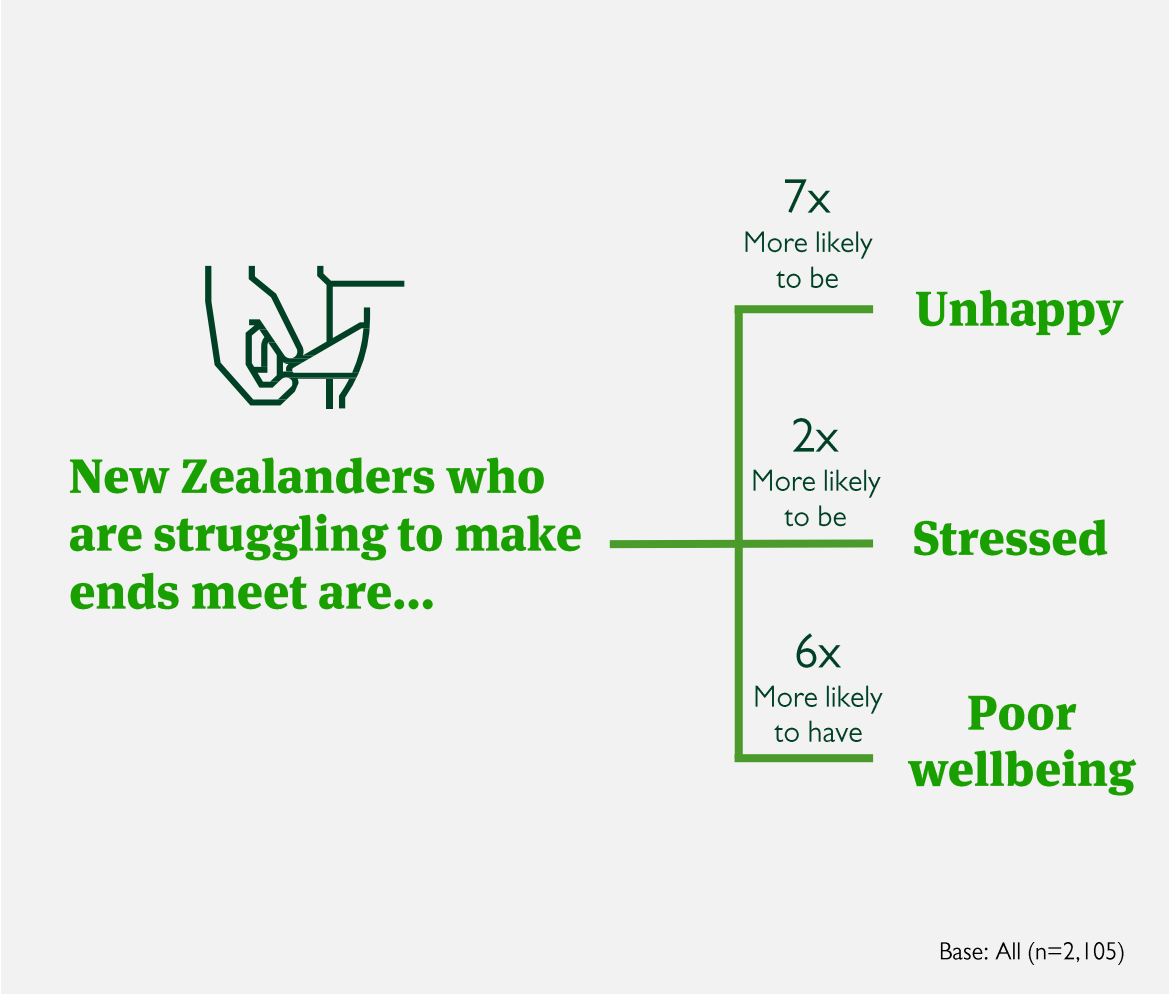
- Younger New Zealanders (18-34 year olds).
- Renters.
- Non-investors.
- Lower income earners (Less than \$70,000).

Q. Thinking generally, how happy are you in your life at the moment?
 Q. How stressed are you at the moment?
 Q. How would you describe your current overall level of well-being?



How financial position effects wellbeing

New Zealanders who are struggling to get by (which includes nearly 1 in 10 Kiwis) are significantly more likely to be stressed, unhappy and have poorer levels of overall wellbeing.



Retirement stress

New Zealanders show similar levels of confidence around their ability to create enough wealth to meet their retirement goals this year, with 2 in 5 New Zealanders who aren't retired saying they are confident.

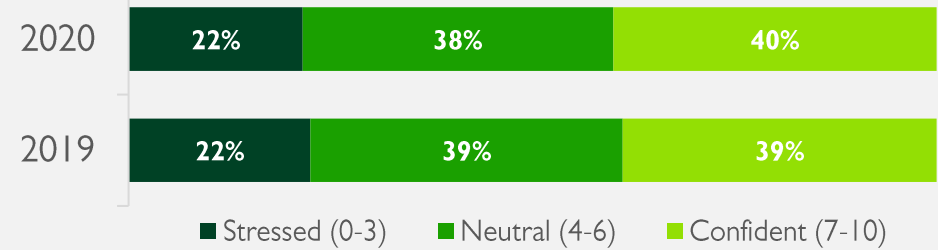
However, almost a quarter of non-retired New Zealanders state that they are stressed about retirement.

Of those who are stressed about their ability to retire, 15% have visited their GP or seen a psychologist in an attempt to reduce this stress.

Q. How do you feel about your ability to create enough wealth to meet your retirement goals?

Q. Which of the following have you done in an attempt to reduce stress stemming from your ability to create enough wealth to meet your retirement goals?

Feelings around New Zealanders' ability to create enough wealth to meet retirement goals



Base: All, excluding those who are retired (n=1,761)

Ways New Zealanders are trying to reduce stress surrounding retirement



Base: Those who are stressed about their ability to retire (n=363)



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03

Investment portfolio
design and management

Who's investing and what are their investment goals?

8 in 10 New Zealanders have investments in 2020 - a similar level to 2019.

Who is investing more in 2020?

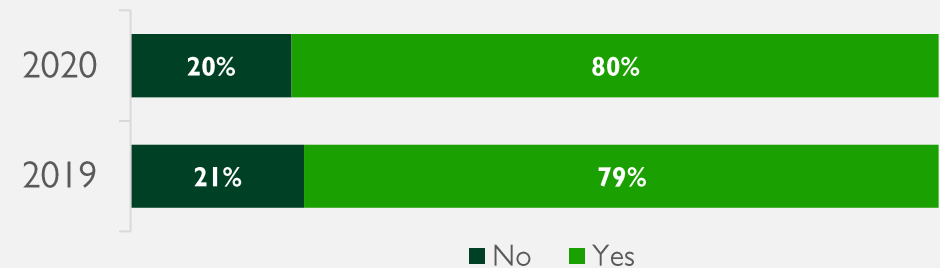
While no significant changes exist, there is an indication that the following groups are more likely to have investments this year compared to 2019:

- 18-34 year olds. (82%) ↑ 3 vs 2019
- Renters. (71%) ↑ 2 vs 2019
- Māori and Pasifika. (77%) ↑ 6 vs 2019

Similar to 2019, the key things New Zealanders are investing for are retirement (particularly strong among older New Zealanders) and a first home (particularly strong among younger New Zealanders).

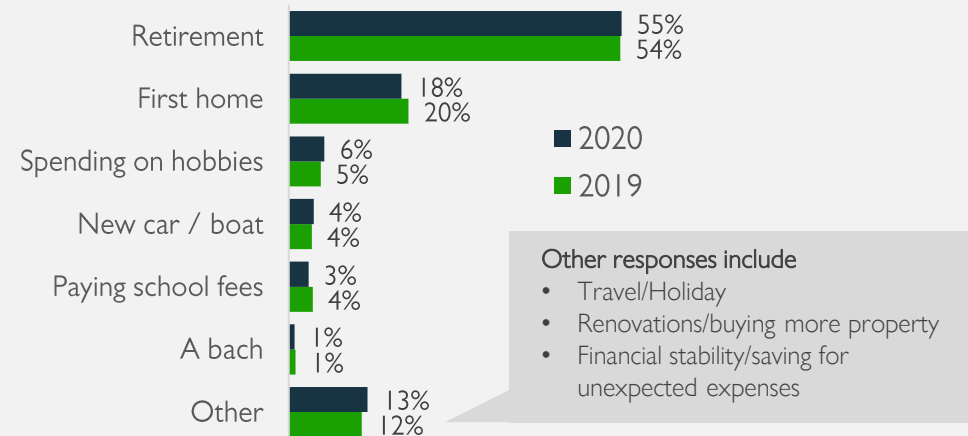
- Q. Do you currently have money invested / saved?
- Q. What is the key thing you are investing / saving for?

New Zealanders who have investments/savings *excluding any owner occupied housing*



Base: All (n=2,105)

Key things investing for



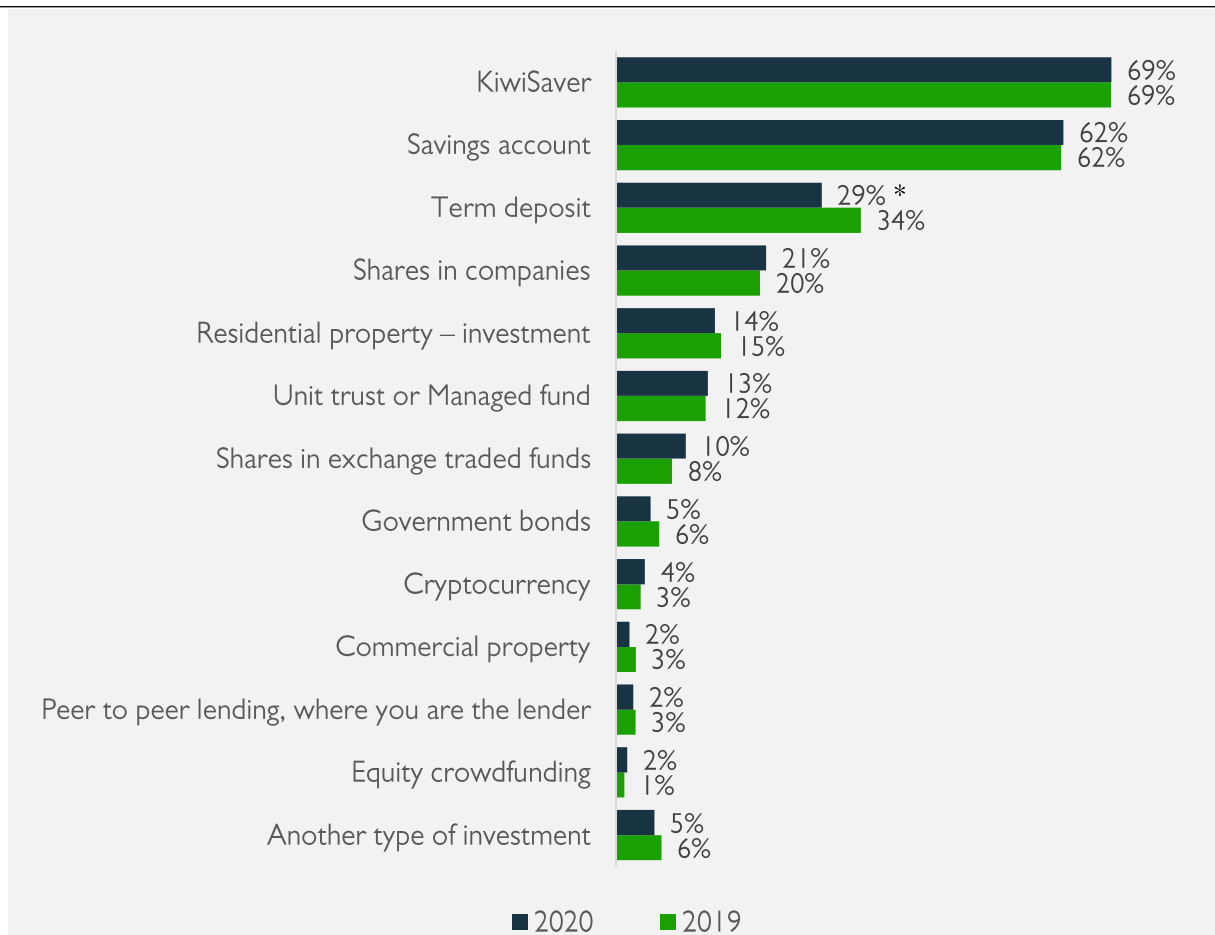
Base: Investors (n=1,687)

Which asset classes are most popular?

KiwiSaver and savings accounts continue to be the most popular asset classes among New Zealanders again in 2020.

Despite still being the 3rd most popular asset class, a significantly lower proportion of New Zealand investors have money in term deposits this year, likely being a reflection of persisting low interest rates.

On the other end of the spectrum, we have seen a slight increase in the popularity of equities this year as Kiwi's seek to chase asset classes that yield higher returns.



* Represents a significant change in 2020 (95% CI)

Base: Investors (n=1,687)

Q. Which of the following do you have money invested / saved in?

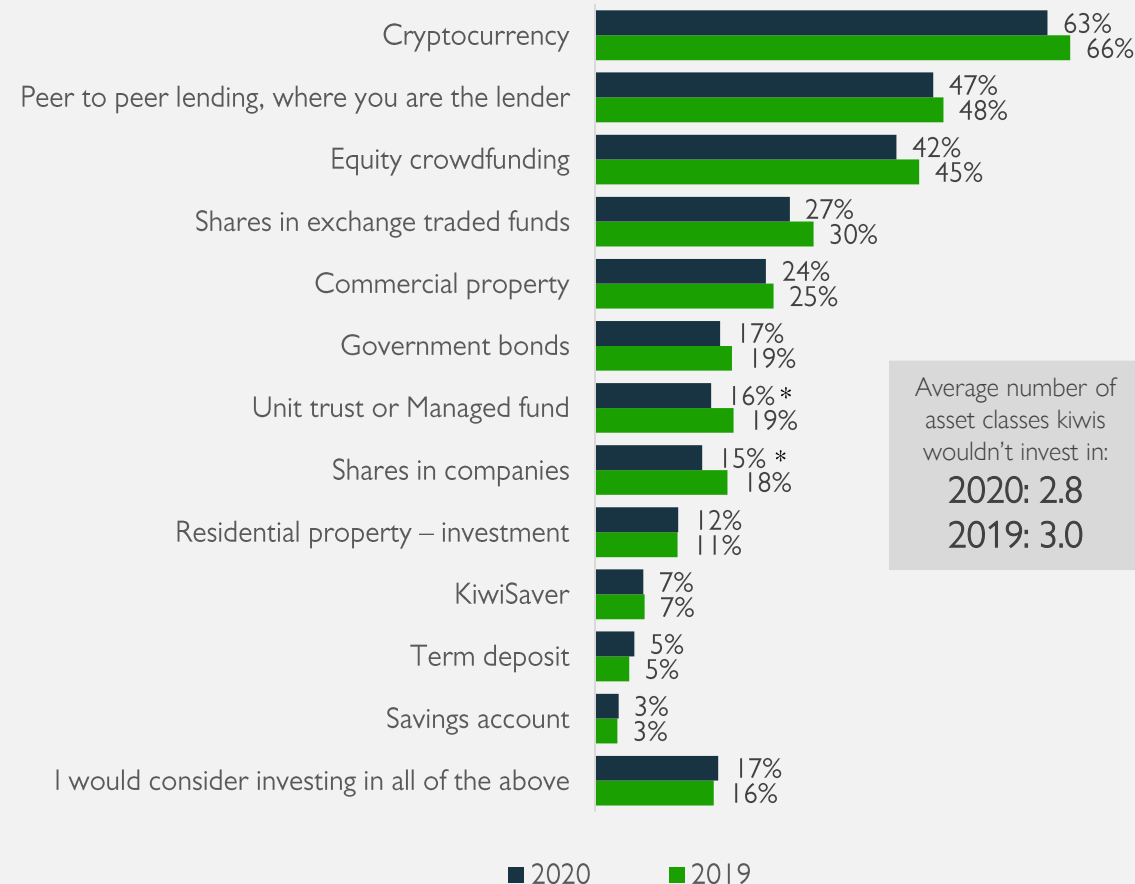
Asset classes Kiwis wouldn't invest in

Across the board New Zealanders are more open to investing in a range of asset classes in 2020.

The biggest changes exist around equities, where a significantly lower proportion of Kiwi investors say they wouldn't consider investing in managed funds and shares in companies.



Reluctance around the share market is most commonly driven by high risk perceptions and a lack of trust. Findings in 2020 indicate that kiwi investors are regaining their trust in the share market, which is contributing to increased investment in this area.



* Represents a significant change in 2020 (95% CI)

Base: Investors (n=1,687)

Q. Which of the following would you never consider investing in?

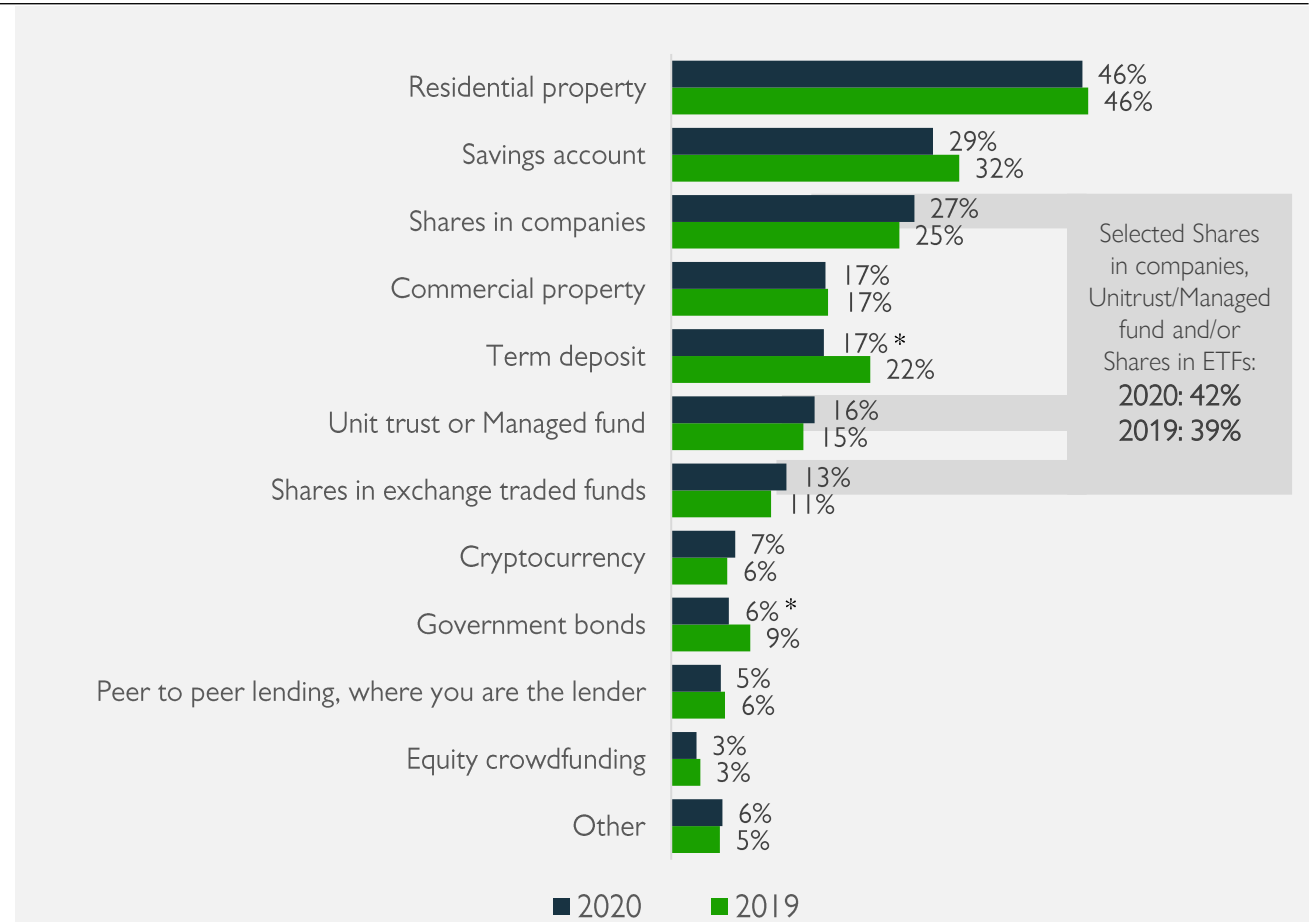
Wealth for retirement by asset class

Perception that banks provide the best investment vehicles for retirement have declined this year, along with perceptions around government bonds.

In contrast, perceptions around equity asset classes have improved with 42% of non-retired New Zealanders identifying these investment types as ones that would generate the most wealth.

- These perceptions are highest among older New Zealanders (55+), higher income earners, investors, NZ Europeans and Indian/Chinese.
- Renters and Aucklanders showed the strongest increase in perceptions around equities, both increasing by 6 percentage points in 2020 (to 40% and 45% respectively).

Q. Which of the following investment areas do you feel would generate you the most wealth when thinking about saving for your retirement?



* Represents a significant change in 2020 (95% CI)

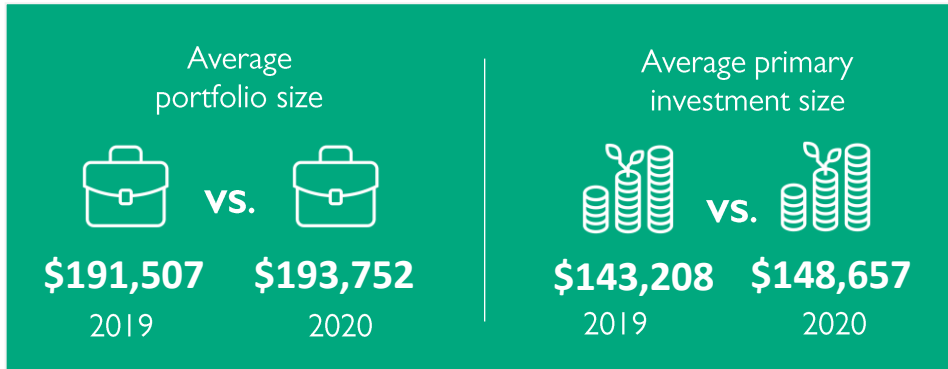
Base: All, excluding those who are retired (n=1,761)

Size of investment portfolio by asset class

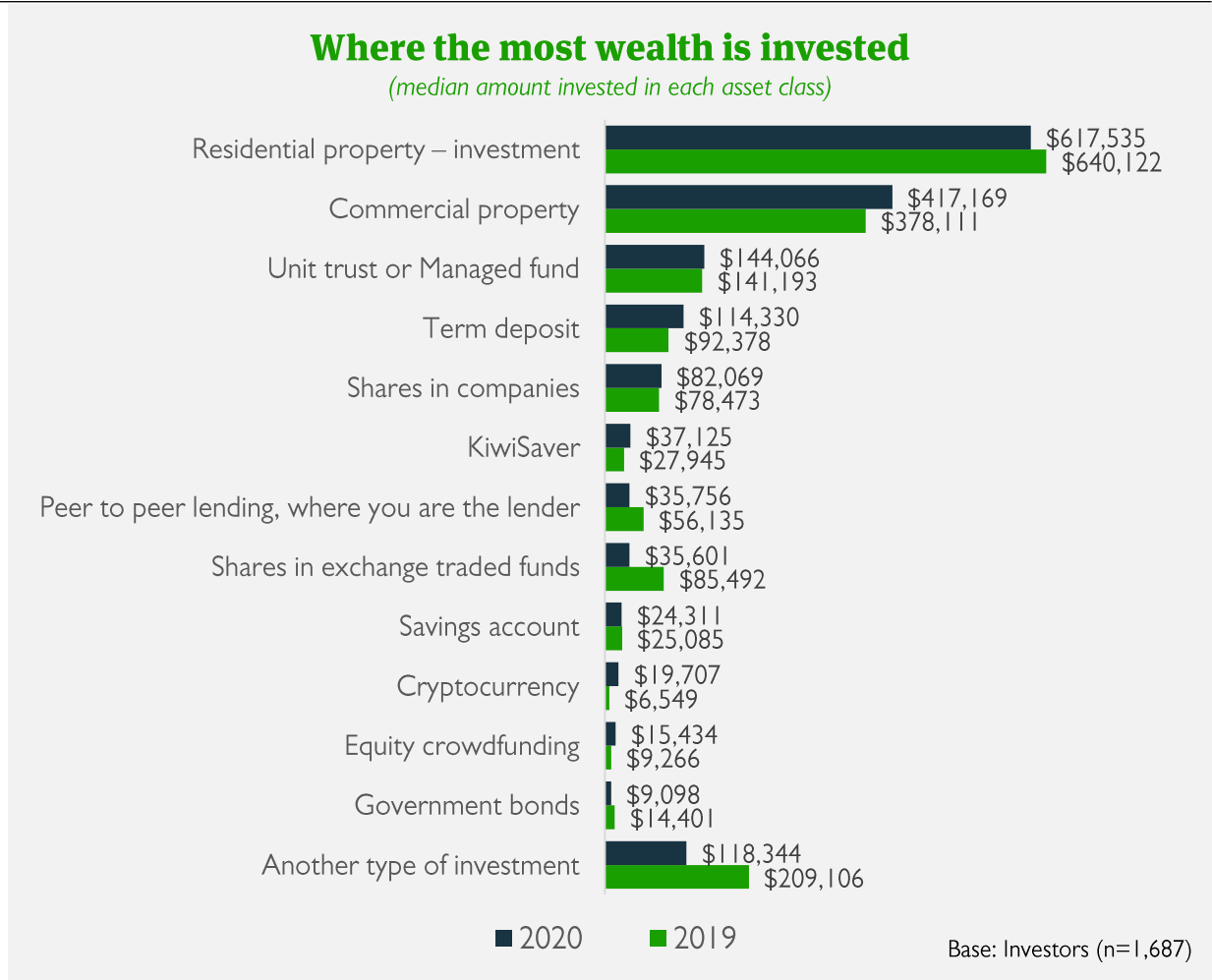
The mean portfolio size of New Zealand investors has increased in 2020 (by \$2,245).

The most notable increases within individual asset classes exist around:

- Commercial property (up by \$39,058).
- Term deposits (up by \$21,953, potentially reflecting investors with smaller sums of money shifting their funds elsewhere).



Q. Approximately how much money (in NZD) do you have invested in the following investment types?



Primary investment term

Kiwis continue to be most likely keep their primary investment for less than 10 years

This is most common among:

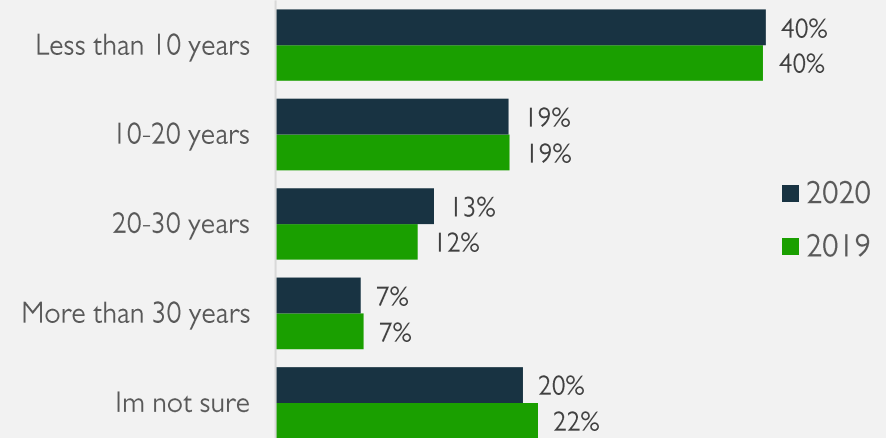
- 18-34 year olds (48%) and 55+ year olds (51%).
- Those with incomes up to \$70,000 (47%).

There is an indication that New Zealanders are more likely to keep their investment for the intended term in 2020, with 26% indicating they are not likely to withdraw (up 2 percentage points compared to 2019).

Q. How long do you expect to keep your PRIMARY investment before you withdraw ALL or reinvest?

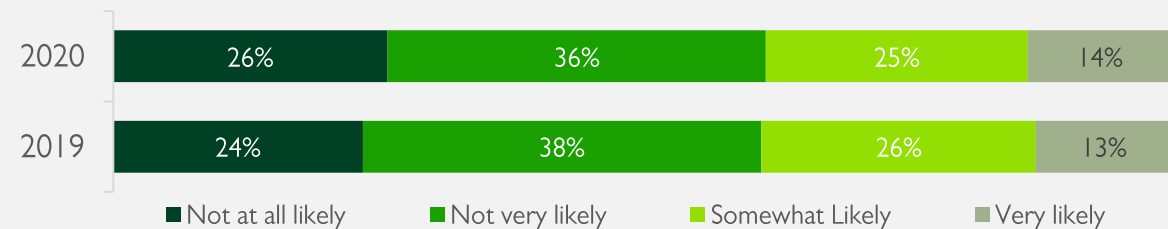
Q. How likely are you to withdraw some money from that investment before you withdraw or reinvest ALL of it?

Primary investment term



Base: Investors (n=1,687)

Likelihood to withdraw some funds within that term



Base: Those who indicated an investment term (n=1,342)

Changes to investments

Three quarters of New Zealand investors have made changes to their investments over the past 12 months, which is consistent with 2019.

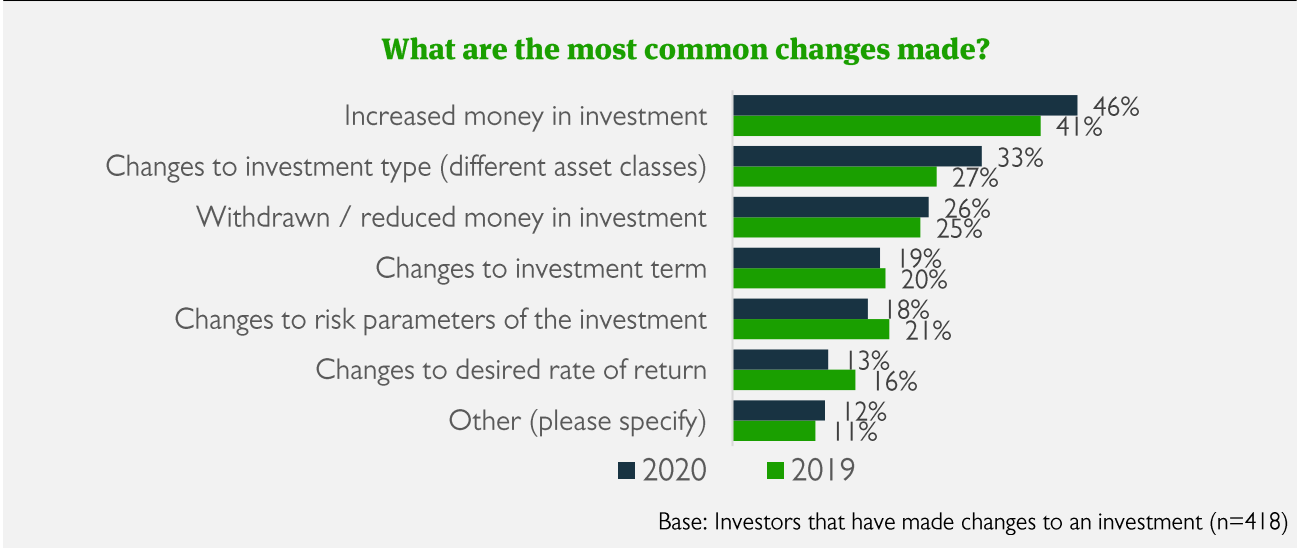
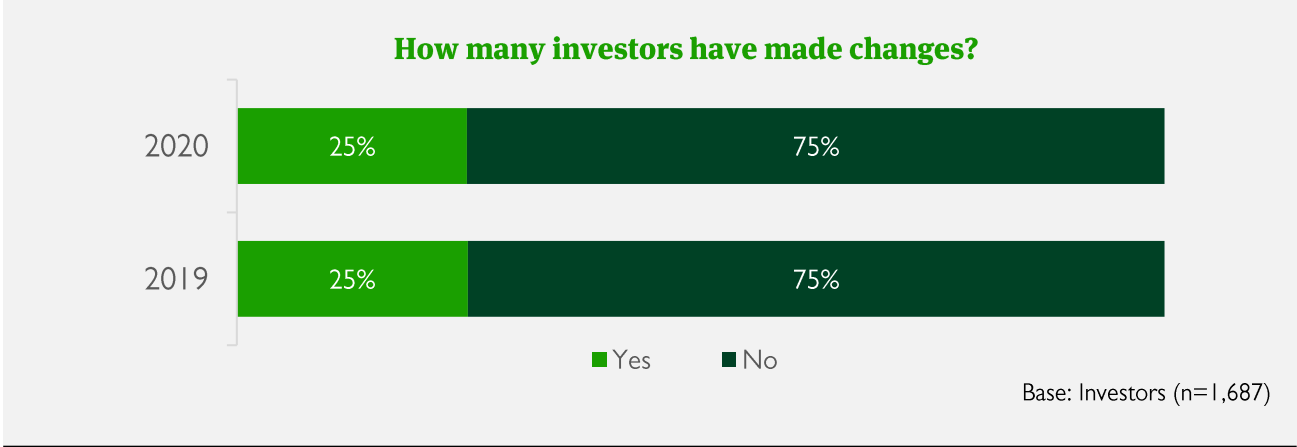
New Zealand investors are more likely to increase the amount of money in their investments this year, along with being more likely to change the investment type.

In contrast, investors are less likely to change their risk parameters and desired return rates this year.

- Homeowners and older Kiwis (55+), in particular, are significantly less likely to have changed the risk parameters on their investments compared to 2019.

Q. In the last 12 months, have you changed anything about any of your investments?

Q. Specifically, what changes have you made? (select all that apply)



A smiling man with a beard and short hair, wearing a light grey t-shirt, is holding a dark glass bottle of beer. He is standing on a balcony with a white railing, looking towards the camera. The background is a blurred outdoor setting with greenery and a building.

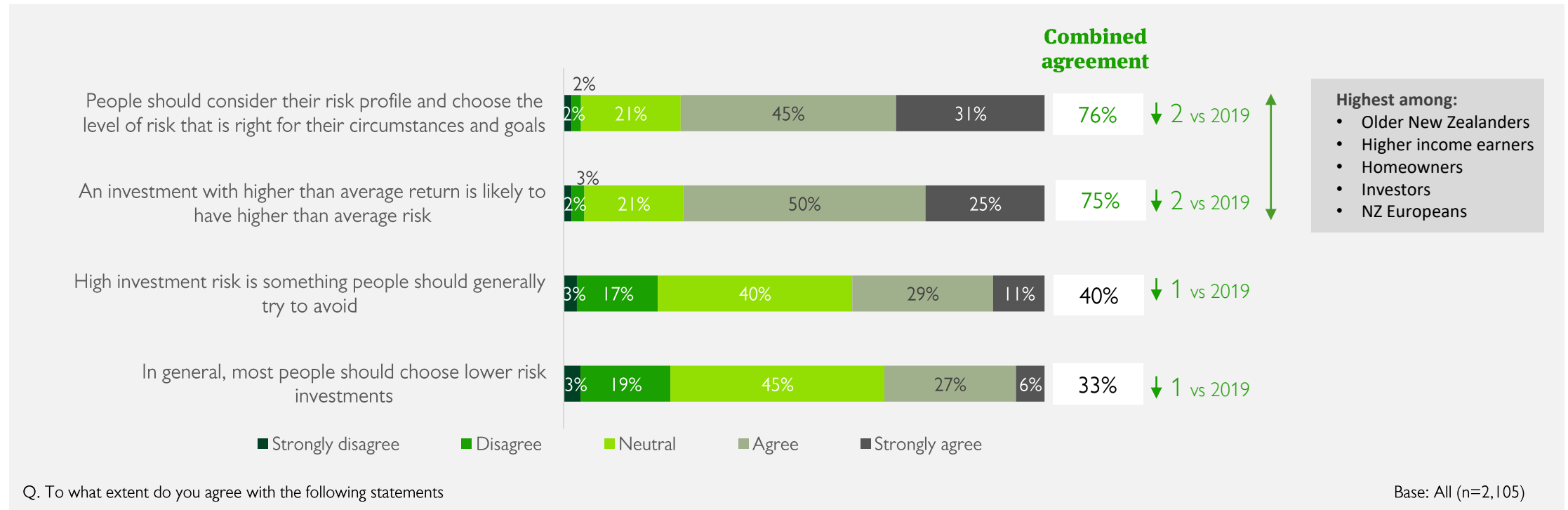
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04

Risk profile and diversification

Perceptions of risk and the risk/return trade-off

New Zealanders continue to be well aware of the need to personalise their risk/return trade-off to their own circumstances, along with understanding the potential risk trade-off that goes along with having a higher yielding investment.



Risk profile of New Zealanders

A similar number of New Zealanders classify themselves as risk averse this year (37%), while a slightly higher proportion have identified themselves as risk seeking (24%, up 2 percentage points compared to 2019).

Who is more likely to be a risk seeker?

- Younger New Zealanders (18-34 year olds).
- Higher income earners (\$130,000+).
- Investors.

No significant changes were observed among any demographics with regards to their risk profile either increasing or decreasing over the past 12 months.



Base: All (n=2,101)

Risk allocation – KiwiSaver and mutual funds

While not significant, the proportion of KiwiSaver investors in New Zealand who are predominantly invested in a growth fund has increased in 2020, to almost 2 in 5.

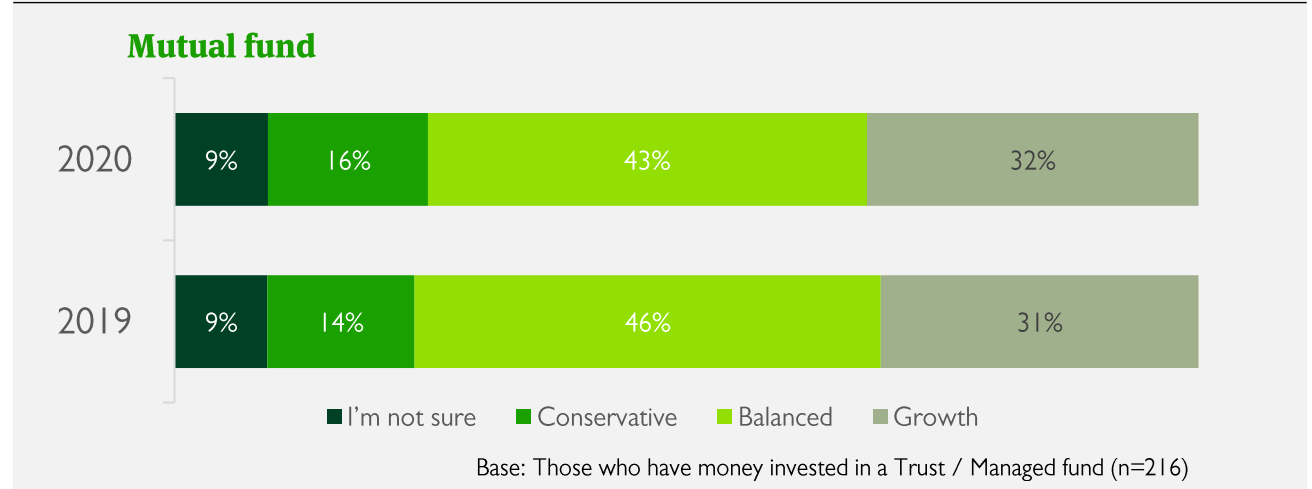
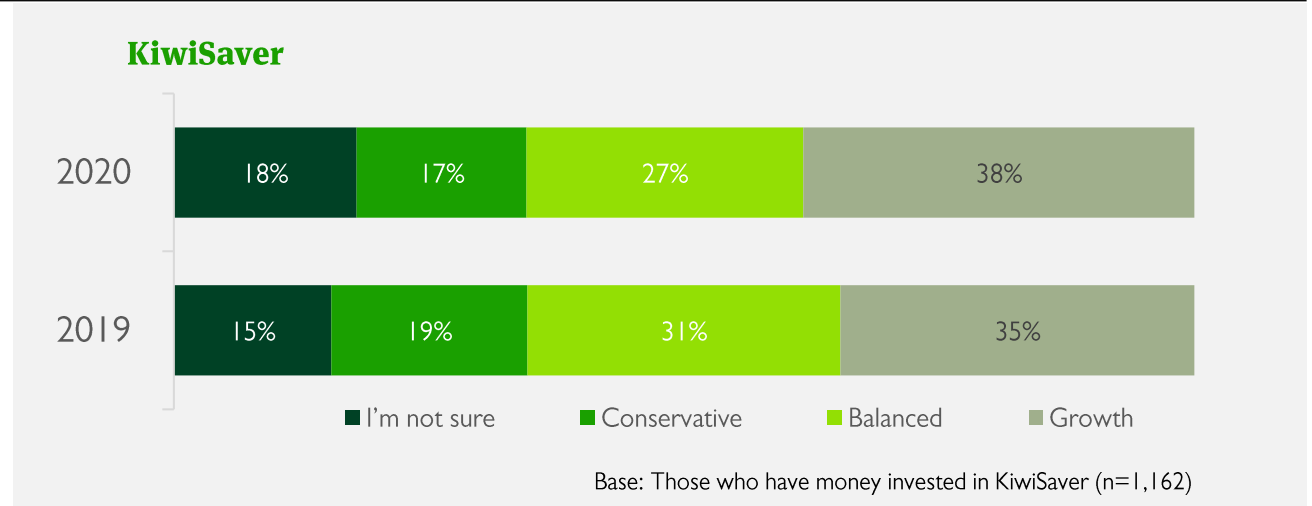
- KiwiSaver fund allocation continues to be linked to risk appetite in 2020 where younger New Zealanders (18-34 year olds) and higher income earners (\$130,000+) are more likely to be invested in a growth fund.

The number of investors who don't know what fund they are in has also increased this year (to almost 1 in 5).

- Lower income earners (up to \$70,000), younger New Zealanders (18-35 year olds), and renters are all less likely to know what KiwiSaver fund they are in.

Q. What type of KiwiSaver fund are you invested in?

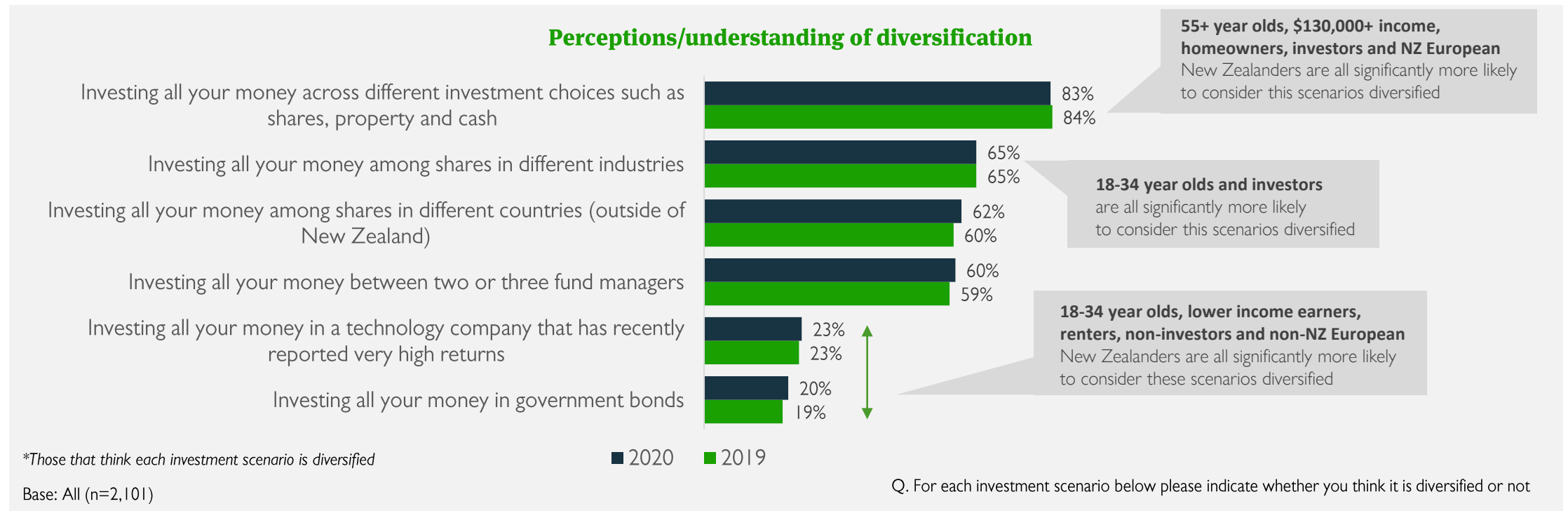
Q. What type of Trust / Managed Fund are you invested in?



Perceptions of investment diversification

Again in 2020, the investment scenario most commonly considered diversified is investing money across different asset classes, such as shares, property and cash. This is particularly strong among older Kiwis and higher income earners.

Younger New Zealanders, renters, non-investors and non-NZ Europeans are more likely to consider being diversified as investing 100% of their funds in a tech company and/or investing 100% in government bonds, indicating lower understanding of diversification among these groups.



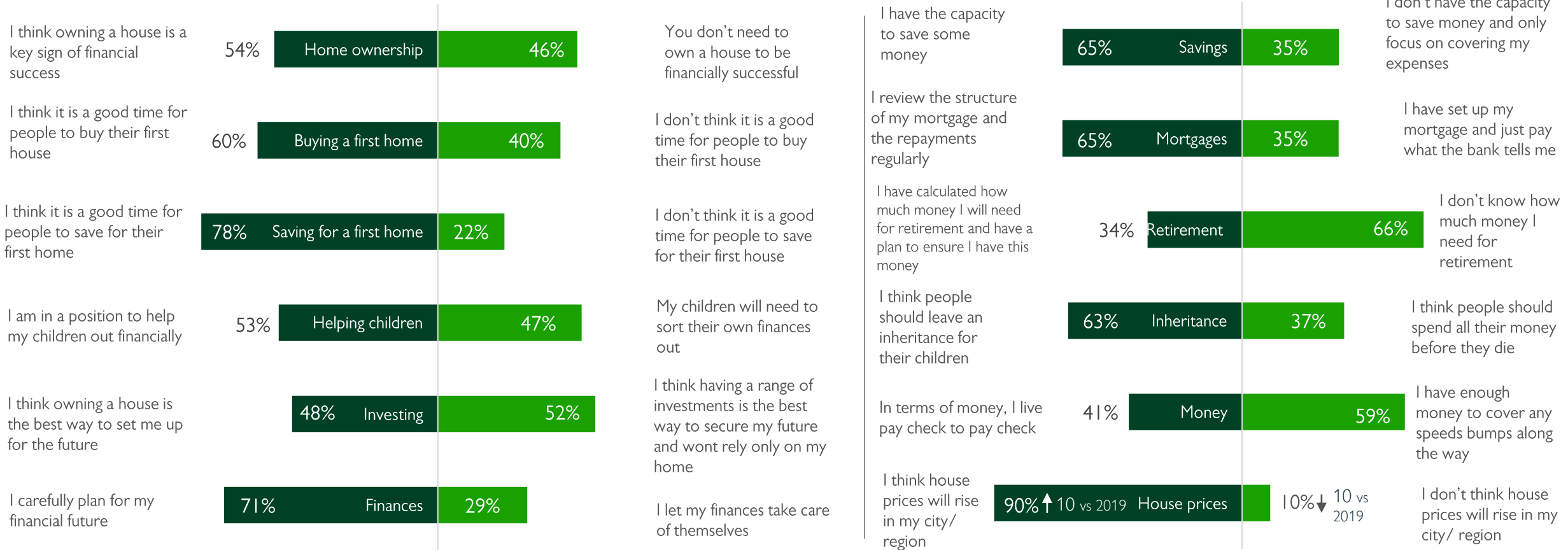
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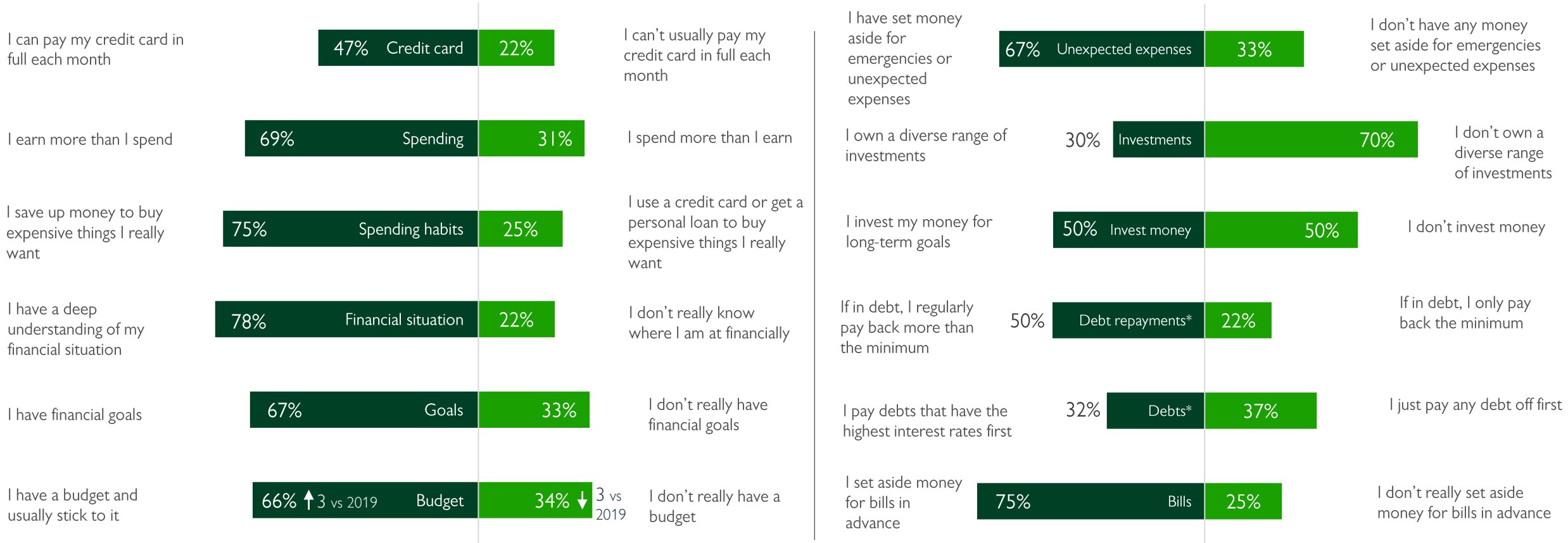
Appendix

Psychographic questions



↑↓ Represents a significant change in 2020 (95% CI)

Psychographic questions cont...



↑↓ Represents a significant change compared to 2019

*Not applicable option included

