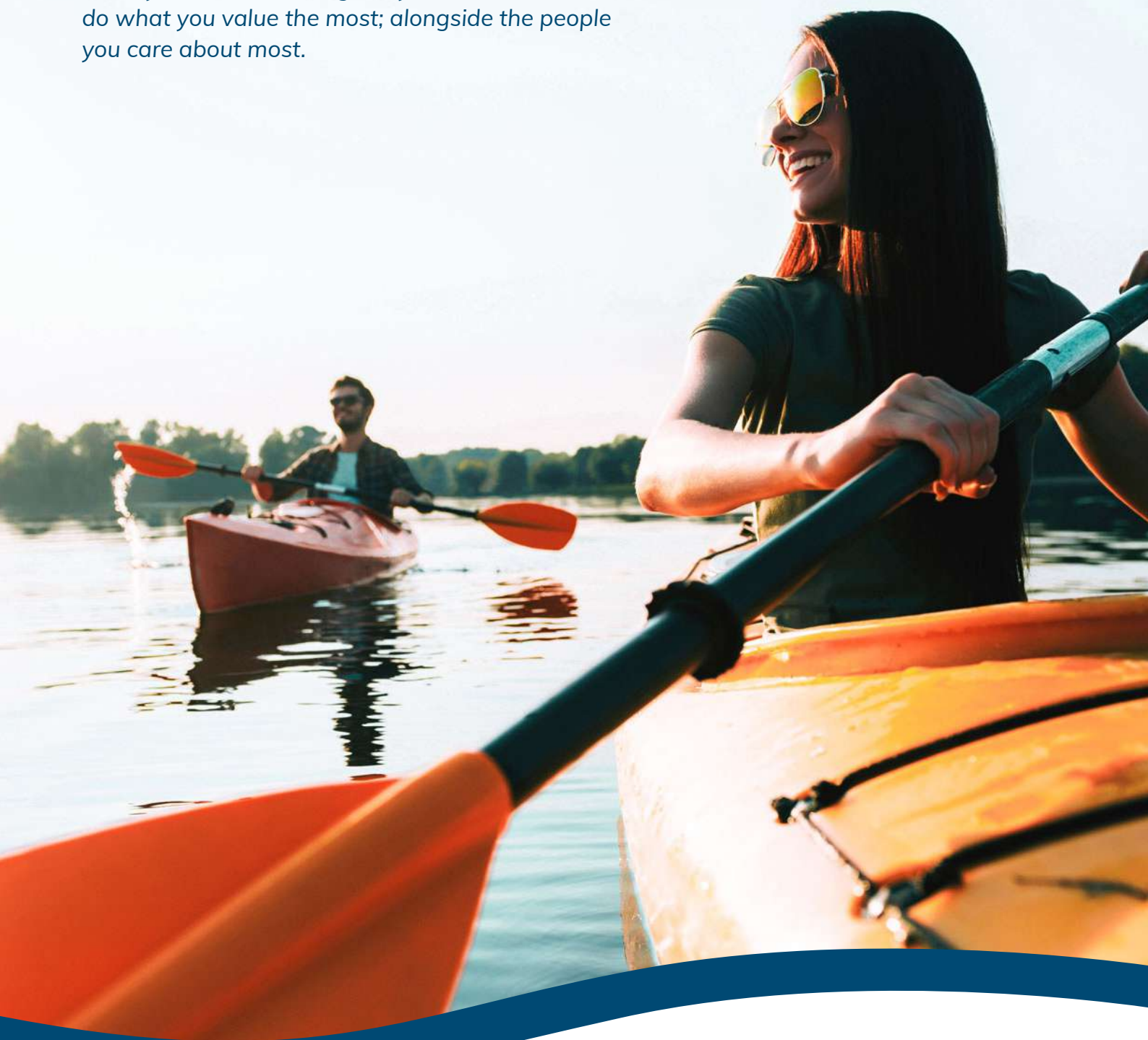


# TRUST IN ADVICE

Research on the Value of Financial Advice

*Quality financial advice gives you the confidence to do what you value the most; alongside the people you care about most.*





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## FOREWORD

Financial Advice New Zealand believes people who access quality financial advisers are better off than those who don't. We also believe that quality financial advice leads to a long-term increase in people's financial health, wealth and wellbeing. But this has been hard to quantify or prove – until now.

Trust in Advice is the result of a comprehensive and independent survey into the value of financial advice. We sought to understand to what extent New Zealand consumers perceive their experience with a financial adviser as valuable, and if those who sought advice have an overall better perception of their financial health, wealth and wellbeing compared to those who haven't.

Thanks to the support of Financial Advice New Zealand's Business Partners and with a generous grant from the PAA Legacy Trust, we engaged CoreData Research, a recognised global specialist in financial services research, to design and manage a 2,000 person survey in July 2020.

The survey asked consumers about their experience with their financial adviser, to determine whether the advice helped them achieve a better outcome compared to purchasing financial products such as mortgages, insurances and investments without independent advice. And we wanted to verify that people are more financially secure after they've seen a financial planner.

To ensure we captured a true picture of how New Zealanders regard advice and their experience with it, we compared outcomes between those who have been advised and those who haven't. Effectively we conducted two surveys – one of 1,400 advised New Zealanders and the other of 600 unadvised.

The surveys were essentially identical, with some unique questions and different wording in each, covering the four main financial advice offerings of mortgage, insurance, investment and financial planning.

Participants in the advised survey were asked about their financial outlook (spending and debt), their experience with financial advice (working with an adviser), how they rated their financial planner/adviser, and advice outcomes and benefits (including product purchases). Those in the unadvised survey were asked about their perceptions of financial advisers, their unmet financial needs and goals, and their perceived benefits of financial advice.

Trust in Advice is a deep dive into the attitudes and perceptions of New Zealand consumers around the position of advice in the financial services ecosystem and its potential. It also recognises the uncertainty of what lies ahead, and looks at how attitudes to money and advice and planning may be shaped under the new normal, and how New Zealanders may plan for future economic hits.

The Trust in Advice results definitively show advice has high value through its trustworthiness, good consumer outcomes, service, and results (both tangible and intangible) for New Zealand consumers across all demographics.

### **Katrina Shanks**

CEO Financial Advice New Zealand



# REPORT HIGHLIGHTS

The Financial Advice New Zealand Trust in Advice report is a deep dive into the attitudes and perceptions of New Zealand consumers around the position of advice in the financial services ecosystem, and its future potential. The true value of financial advice isn't fully understood by some key stakeholders, yet this report clearly shows that advice has deep value through its trustworthiness, good consumer outcomes, service, and results (both tangible and intangible) for New Zealand consumers in all demographics.

## Advisers are seen as trusted professionals

**93.7%** of clients rate their adviser as good or very good with regard to trustworthiness

**72.2%** of people who haven't used an adviser agree financial advisers are trustworthy

**88.3%** of advice clients are satisfied or very satisfied with the help they receive

## Across the financial advice landscape, clients are very satisfied with the service and outcome

### Mortgage advice

**72.9%** of mortgage advisers' clients believe they got a better outcome after arranging a mortgage through their adviser than if they had purchased directly

**89.2%** say they are satisfied with their adviser's service

### Insurance advice

**84.9%** of insurance advisers' clients believed they got a better outcome after arranging insurance through their adviser than if they had purchased directly

**87.8%** say they are satisfied with their adviser's service

### Financial Planning advice

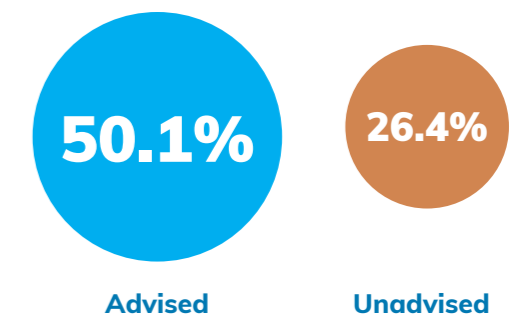
**90.1%** of financial planners' clients believe the financial planning service they receive is meeting their needs

**87.6%** say they are satisfied with their adviser's service



## Advised Kiwis are better prepared for the future

- Advised New Zealanders are twice as likely as unadvised New Zealanders to feel at least reasonably prepared for retirement



- Advised Kiwis are much more likely than unadvised Kiwis to agree or strongly agree that

**55.3%** they feel extremely secure for their future  
VS  
**38.9%**

### Investment advice

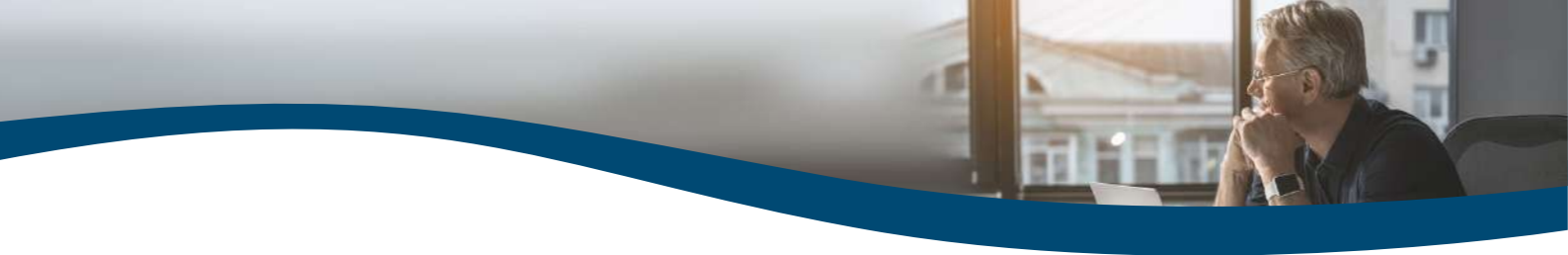
**77.3%** of investment advisers' clients believe they got a better outcome after obtaining advice from their adviser than if they had purchased directly

**87.2%** say they are satisfied with their adviser's service

**69.9%** they have enough money put away for an emergency  
VS  
**52.4%**

**66.1%** that they're happy with their financial situation  
VS  
**47.7%**





# ADVISERS ARE TRUSTED PROFESSIONALS

## ADVICE'S PLACE IN THE NEW ZEALAND FINANCIAL SERVICES ECOSYSTEM

The financial advice market in New Zealand is divided between four main financial advice offerings. Mortgage and insurance advisers are the most utilised advisers, but investment advisers and financial planners are also quite common. Most New Zealanders understand that advice has the potential to provide short- and long-term financial benefits (such as increased savings and better investment decisions), but many aren't aware of the fact that advice can have a much broader positive impact, across all four advice streams.

*'Over 70% of individuals who arrange a product or service through an adviser agree that they achieved a better overall outcome than if they had purchased it directly.'*

## OVERALL SERVICE AND PRODUCT SATISFACTION IS STRONG WHEN ADVICE IS USED

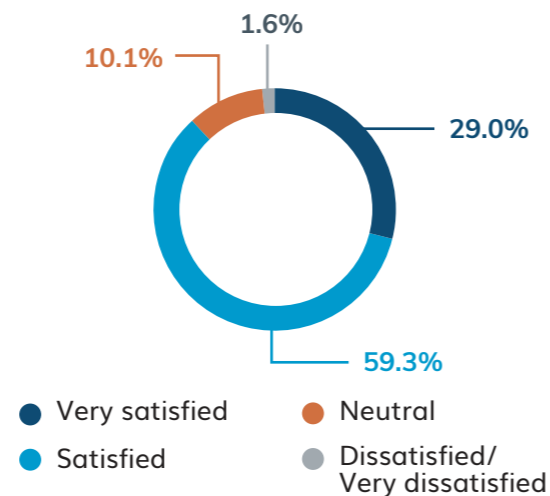
When an adviser determines the client need, then helps a client select and arrange financial products from prospective product providers, client satisfaction tends to be strong. In fact, almost nine in every ten consumers (88.3%) who purchased a financial product after advice say that they're satisfied with the service their

adviser gave – and almost three in ten (29.0%) say they're extremely satisfied. This shows the value that advice adds when compared to purchasing directly.

Regardless of the end product arranged through an adviser, client satisfaction is consistent, and outcomes are consistently strong. Overall, across all advice streams, over 70% of individuals who arrange a product or service through an adviser agree that they achieved a better overall outcome than if they had purchased it directly.

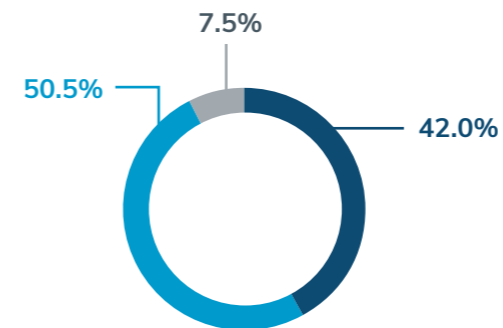
Worse outcomes are extremely rare, to the point where they have a negligible impact on the average outcome. The value of working with a financial adviser clearly leads to better consumer outcomes for those arranging mortgages, insurance, financial planning and investments.

**How satisfied were you with the service provided by the financial planner/financial adviser who assisted you in purchasing the financial product?**



Speaking more generally, in a needs-based profession like advice it's crucial that client needs are consistently met to the best extent. In New Zealand, consumers of advice tend to agree that this is the case. An extremely strong majority (92.5%) agree that their needs are met at least to some extent by their adviser, with about half of those (42.0%) agreeing that this happens to a large extent. Advice in New Zealand consistently contributes to better outcomes and satisfied customers both at the granular service level and when viewed through an overall lens.

**Overall, are the services provided by your financial planner/financial adviser meeting your needs?**



● Yes, to a large extent    ● No, not really/not at all  
● Yes, to some extent

## THE ROLE OF TRUST IS IMPORTANT

The advice profession in New Zealand creates consistently positive outcomes for its clients, and this feeds into positive perceptions of trust and professionalism within the industry. Both advised and unadvised New Zealanders trust the professionalism and outcomes of the industry.

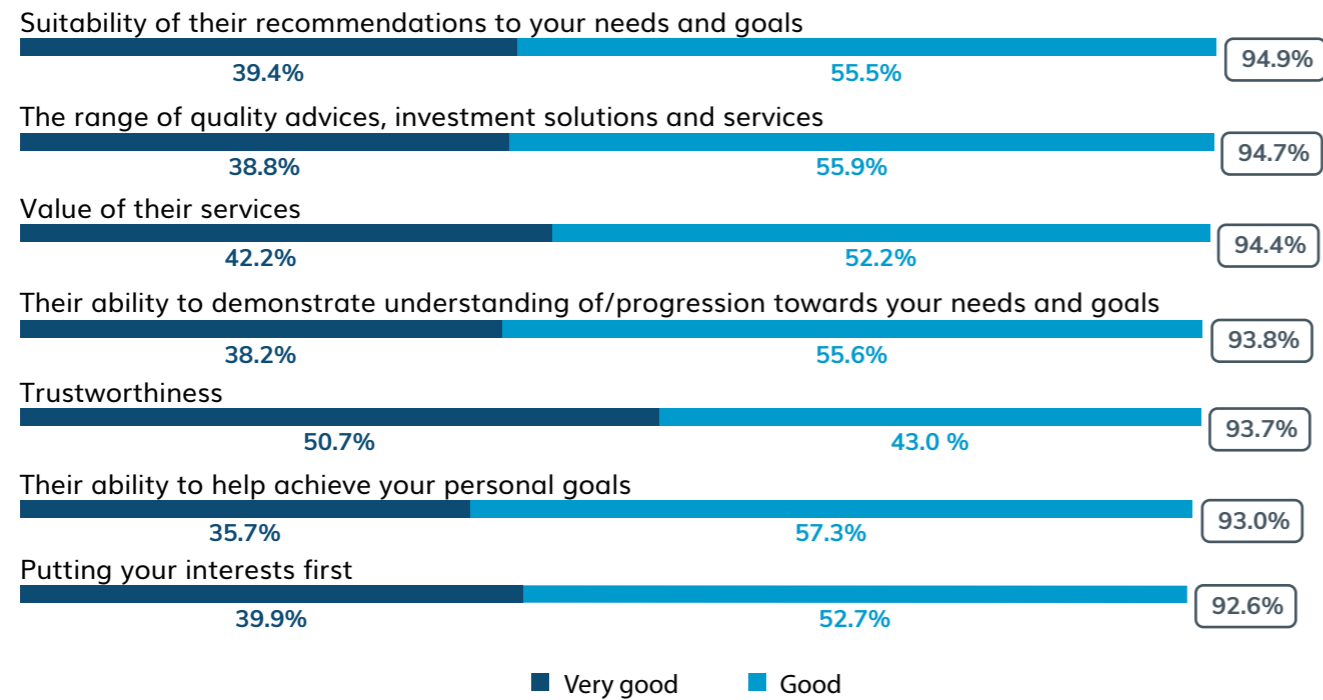
For advised New Zealanders, over 90% of clients rate their adviser as 'good' or better when discussing their trustworthiness and putting client interests first. Further to this, almost 19 in every 20 (94.4%) find 'good' or 'very good' value in the services of their adviser, and the suitability of their recommendations are at a similar level (94.9%). For the advised population, advice is clearly a trusted, professional, industry which leads to consistently good outcomes for client interests.

**93.7%** of clients rate their adviser as good or very good with regard to trustworthiness

**72.2%** of people who haven't used an adviser agree financial advisers are trustworthy



**How would you rate your financial planner/financial adviser in terms of...?**

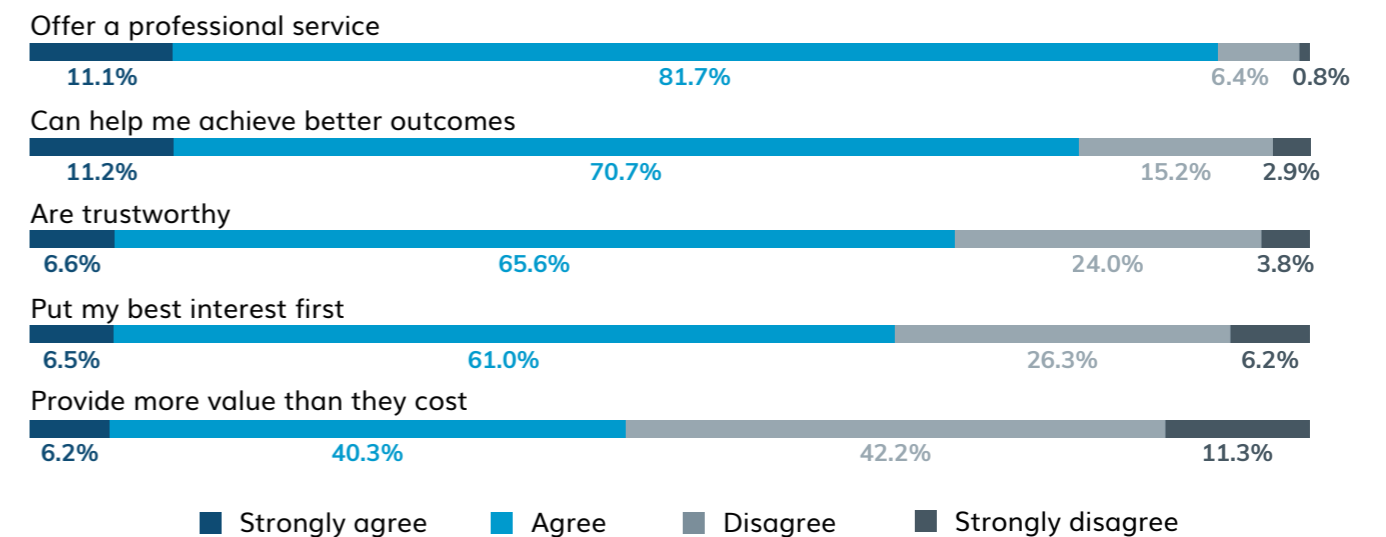


While such results would be somewhat expected of the advised population, unadvised New Zealanders tend to hold the same views. In the below chart it can be seen that, of those who haven't worked with an adviser, an overwhelming majority (91.8%) still agree that financial advisers offer a professional service, and explicitly agree that financial advisers are trustworthy (72.2%). They are aware that advice can help lead to better outcomes (81.9%), and will put their best interests first (67.5%).

Put simply, advice is a profession which is trusted by New Zealand consumers to be professional, and to protect their interests, regardless of whether those consumers have an existing advice relationship.

**How much do you agree or disagree with the following statements about financial planners/advisers?**

\*Asked among unadvised New Zealanders



# HEALTH, WEALTH, AND WELLBEING

## FINANCIAL ISSUES IMPACT ALL FACETS OF LIFE – EVEN BEFORE THE PANDEMIC

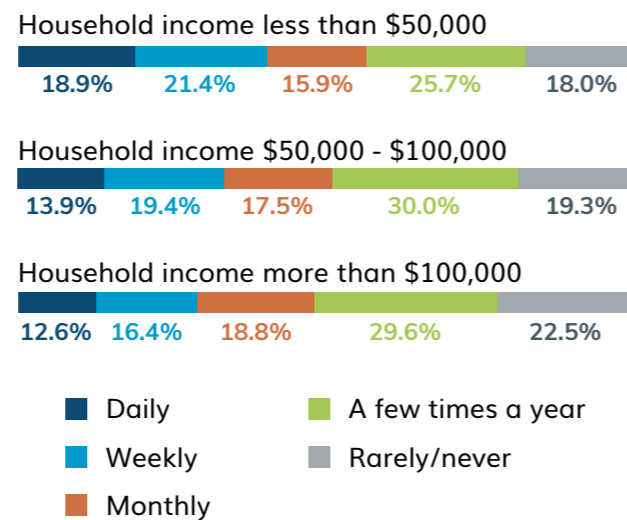
Worrying about money generally feeds feelings of financial insecurity. A minority (41.9%) of New Zealanders agree or strongly agree that they feel financially secure for the future. Having a safety net is an important part of this, but only slightly more than one in two (55.6%) New Zealanders feel like they have enough put aside for a rainy day if needed. A similar proportion (60.1%) would only be financially covered for up to three months if they or their partner were suddenly unable to work. Concerns over family are another big factor in financial worries and feelings of insecurity: almost half (49.5%) of New Zealanders worry about what their family would do if something happened to them.

### New Zealanders worry about:

- ✓ Having enough put away for a rainy day
- ✓ Being covered if unable to work
- ✓ What their family would do without them

New Zealanders tend to worry about money and face this worry regularly, regardless of their earnings. More than half (53.2%) say that they worry about money at least once a month, a number that drops only marginally (47.9%) for New Zealanders with more than \$100,000 in household annual income. Financial comfort has a critical influence on overall health and wellbeing – money issues and worries can have an adverse influence on mental health (44.9%), relationships with family and friends (40.8%), and even physical health (29.4%). These worries have been compounded in the age of COVID-19, and is reflected in the consistency of the data across different incomes.

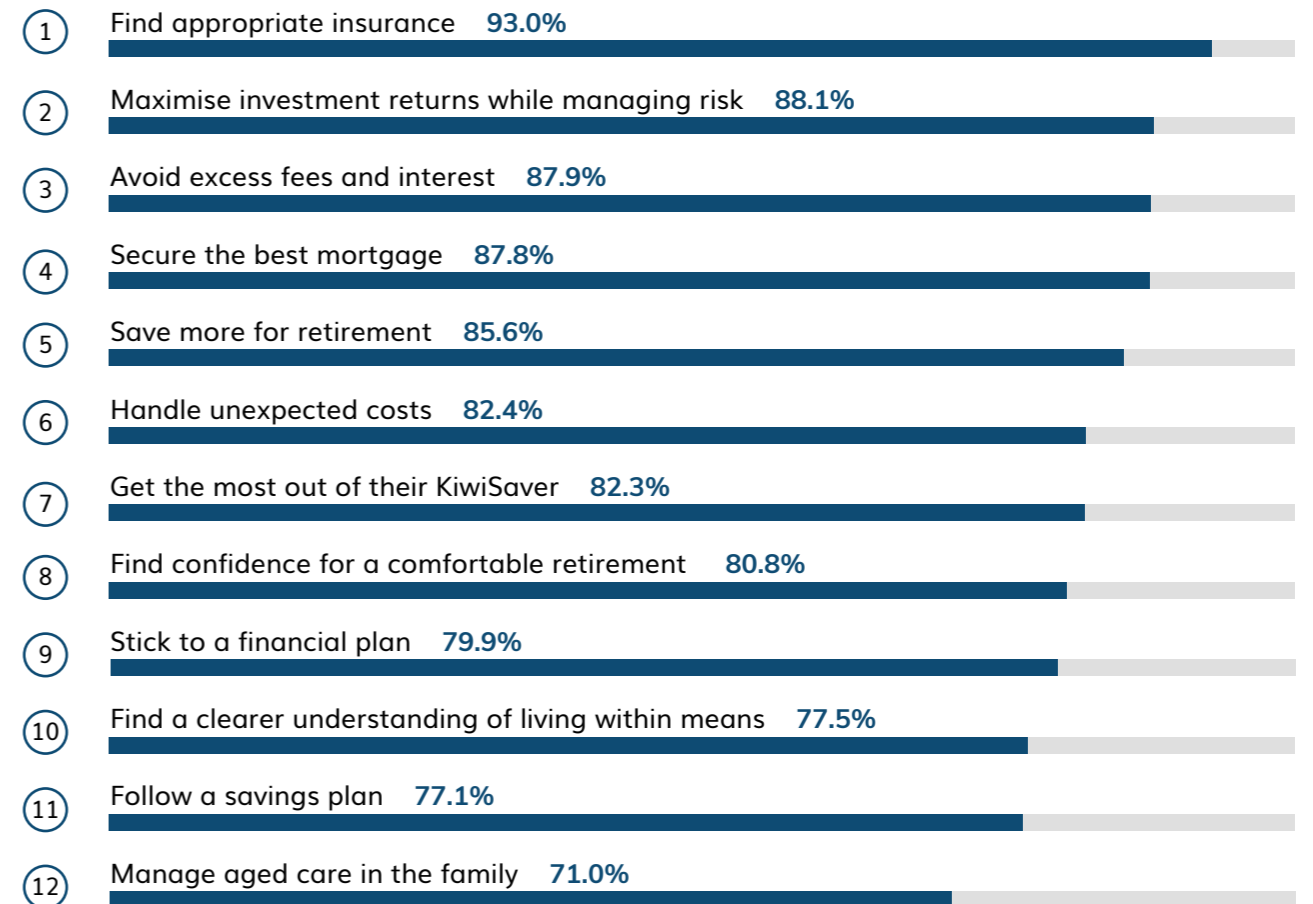
### How often do you worry about money?



## WHERE ADVICE PLAYS ITS PART

There is no denying that advice plays its part in ensuring tangible financial health for New Zealanders. It facilitates better outcomes from insurance, mortgages, planning and investment purchases, as well as providing a plethora of other financial benefits. Advised New Zealanders have a better financial understanding, have contingencies in place to handle unexpected costs, and know how to utilise their KiwiSaver to the best of their ability.

### Kiwis agree overwhelmingly that advice has helped them:

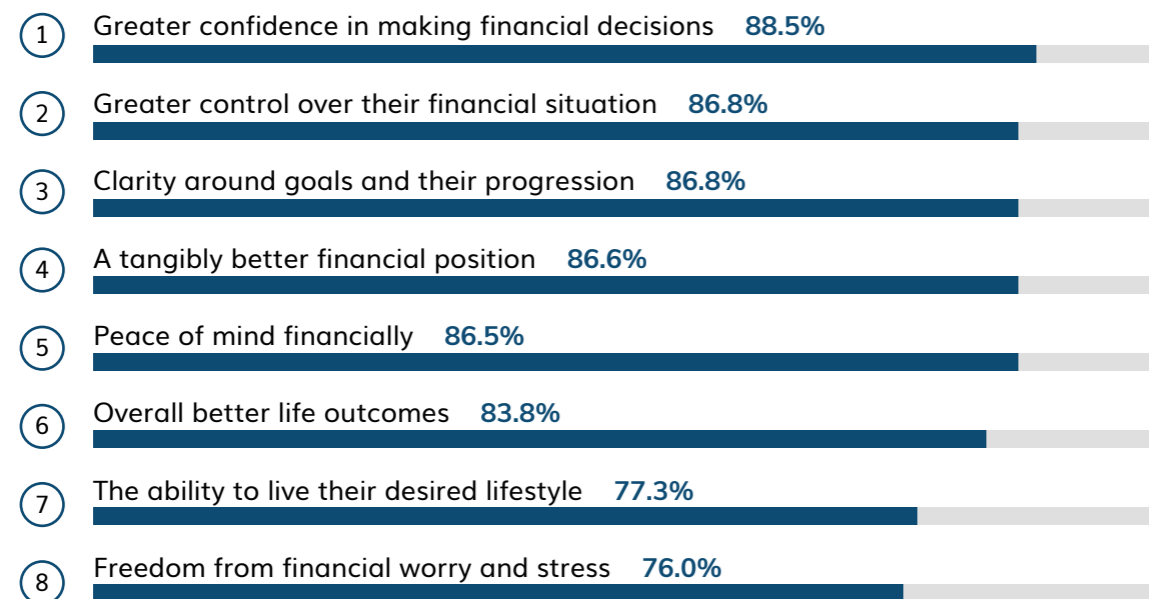




But the second leg of the value of financial advice is less easily noticeable. Intangible improvements to the financial situation of advised New Zealanders serve to add value to advice beyond just the quantifiable financial benefits, and they lead to improvements in wellbeing beyond the financial realm. These improvements are

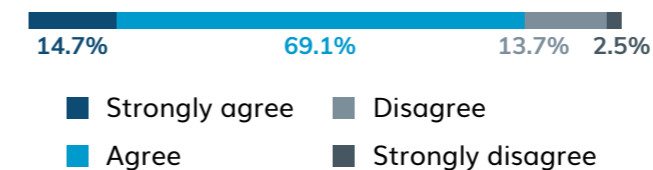
recognisable to customers of advice, who agree that they're more confident, in control, and clearer about their finances. Yet, these improvements are difficult to measure and are therefore being lost in translation when communicating value to the unadvised.

**Kiwis agree that advice has given them:**



When considered holistically, the true value of financial advice in New Zealand is that it facilitates better financial health, wealth, and wellbeing for its customers through tangible and intangible factors. Almost eight in ten (79.2%) advised New Zealanders consider themselves able to afford a comfortable retirement standard of living or better, and roughly the same number attribute these better outcomes to advice directly. It's clear that advice, as a whole, allows Kiwis to live the life they want to live, unencumbered by financial stresses. They get better outcomes, and as a result, have stronger financial health, wealth, and wellbeing than people who do not receive advice.

**Advice helped me achieve better outcomes overall in my life**



Of course, the advice market in New Zealand shouldn't be regarded as homogenous. The four different streams; mortgages, financial planning, insurance, investments each have their key strengths and weaknesses, and a deep dive into these segments and their outcomes (both tangible and intangible) reveals the true value of advice to New Zealand consumers.



**What kind of retirement standard of living can you currently afford?**

**Financially independent**

**16.8%**

I have plenty of money to do everything that I want in life

**Comfortable**

**62.4%**

I have enough money to live very comfortably without being too extravagant

**Modest**

**15.2%**

I have reasonable lifestyle but possibly not as comfortable as I might like

**Adequate**

**4.5%**

I have to make quite a few sacrifices

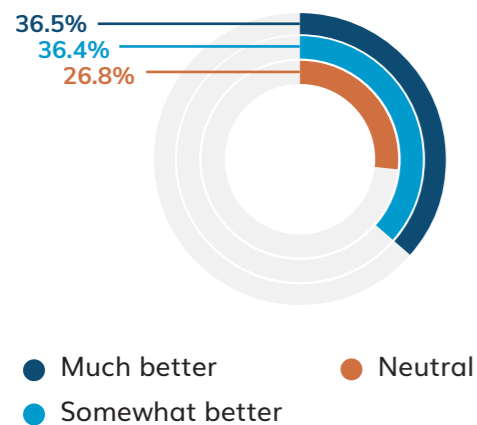
**Make do**

**1.1%**

On the government pension

# DEEP DIVE - MORTGAGE ADVICE

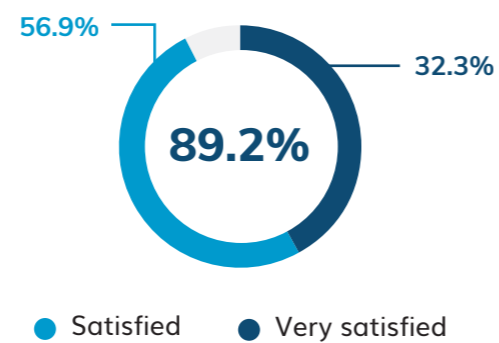
Do you believe you got a better outcome arranging a mortgage through your adviser than if you had purchased directly?



Property ownership is a key financial goal for a majority of New Zealanders and the task of selecting the right mortgage can be a major point of financial stress. However, using a financial adviser to support this decision can alleviate a significant amount of this stress.



How satisfied were you with the service provided by the mortgage adviser who assisted you arranging your mortgage?

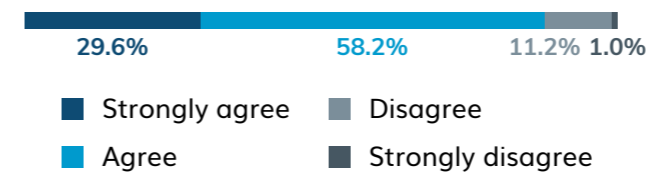


People who arranged a mortgage through a mortgage adviser are far more likely to believe they have achieved a better overall outcome. In fact, 72.9% - a majority of all of those asked - believe their outcome was better than if they hadn't sought advice. Client satisfaction with mortgage advice is also extremely high, showing that utilising the skills of an adviser improves many facets of an individual's financial health by decreasing stress and analysis paralysis.

In fact, the value of this advice is regarded so highly that a majority of New Zealanders are willing to vouch that their financial security is better as a direct result of receiving mortgage advice. As well as this, a strong majority either agree (58.2%) or strongly agree (29.6%) that, at a personal level, advice helped them secure the best mortgage for their specific needs. Once again highlighting the fact that, while it provides high-level value, the value of the personalisation and needs-based approach of advice should not be underestimated.

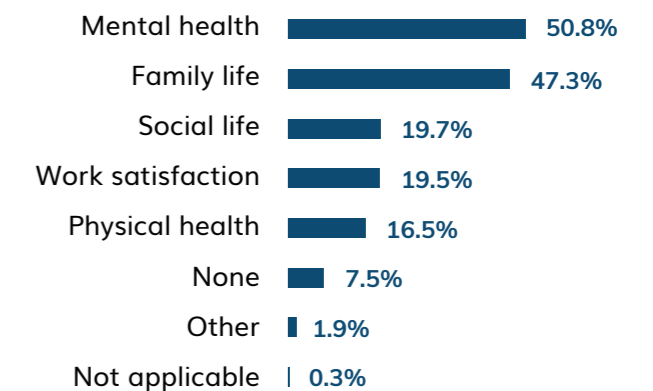


How much do you agree or disagree that receiving mortgage advice has helped you secure the best mortgage for your needs?



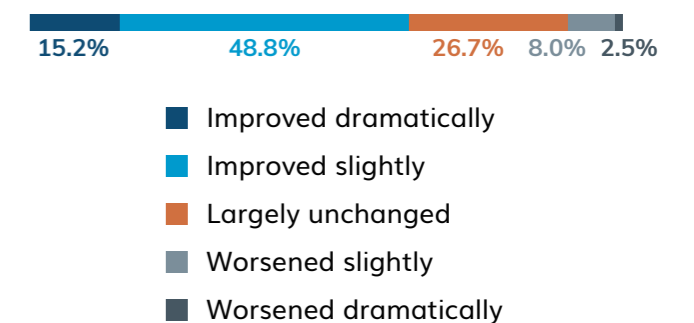
These better outcomes lead to better overall wellbeing for New Zealanders, with improved mental health, family life, and work satisfaction being common benefits of receiving mortgage advice. Almost one in every two customers who purchase a mortgage through an adviser note an improvement in their family life – a strong statistic when considered in the context of buying a home (one of the more stressful impactors on the New Zealand family unit). Over one in two also note improved mental health. The value of advice when arranging a mortgage is clear.

Aside from your finances, which aspects of your life have benefited from receiving advice from your mortgage adviser?



\*Multiple answers allowed

How has your financial security been impacted since you first received mortgage advice?

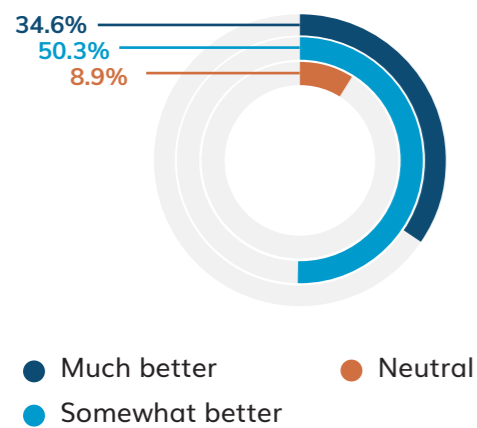






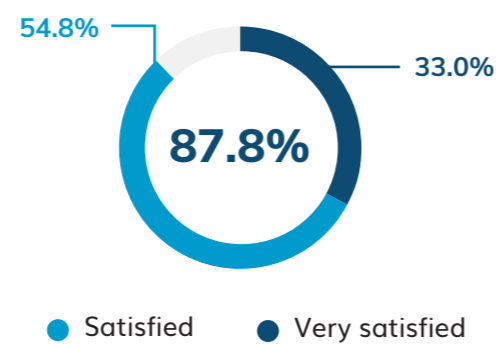
# DEEP DIVE - INSURANCE ADVICE

Do you believe you got a better outcome arranging insurance through your insurance adviser than if you had purchased directly?



When arranging personal insurance, a large proportion of New Zealand consumers (84.9%) genuinely believe that seeking advice lead them to a better outcome, and consumers who do use advice are overwhelmingly satisfied with the service of their adviser. This highlights the consistency of advice in facilitating overwhelmingly positive outcomes for those arranging their insurances.

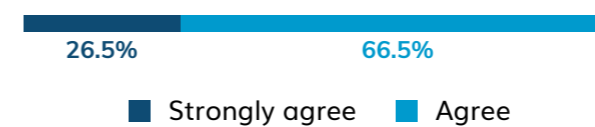
How satisfied were you with the service provided by the insurance adviser who assisted you with arranging your insurance?



The fact that more than 17 in every 20 customers are satisfied with the service of their provider reinforces the idea that, when insurance is arranged through an adviser, advice consistently facilitates better outcomes – proving its value. In fact, one in three customers are very satisfied, an extremely high proportion. Service satisfaction rarely reaches such a high level in any industry. To further reinforce the point, an overwhelming majority of insurance advice customers (93.0%) say advice is directly responsible in helping them secure appropriate insurance cover for their needs.

Further to this, financial security – which directly impacts other financial freedoms – is an area that derives the full benefit of insurance advice. Approximately two-thirds of consumers (64.8%) say that their financial security has improved as a result of receiving insurance advice, highlighting the value of insurance advice on financial security and, in turn, overall wellbeing.

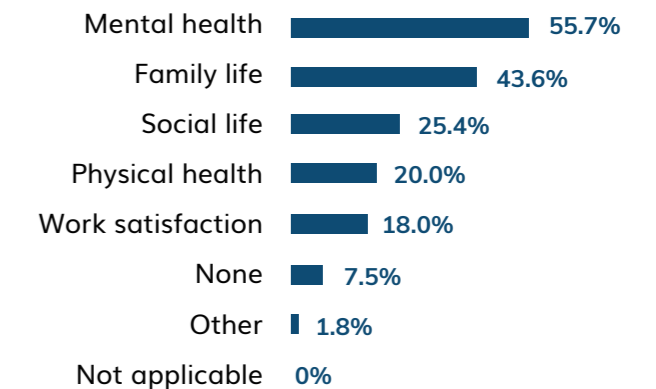
How much do you agree or disagree that receiving financial advice has helped you secure appropriate insurance cover for your needs?



These better outcomes, in turn, fuel perceptions of the intangible benefits of advice. A majority of customers of insurance advisers say that they benefit from improved mental health as a result of financial advice. Their physical health and social lives also clearly benefit directly from receiving insurance advice.

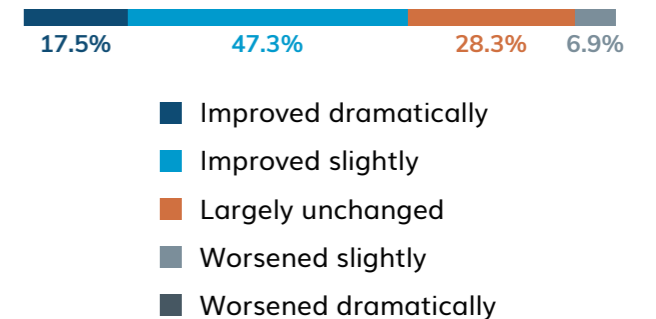
Less than one in ten (7.5%) see no non-financial benefits from their advice relationship, reinforcing the fact that the true value of advice extends far beyond simple financial management.

Aside from your finances, which aspects of your life have benefited from receiving financial advice from your insurance adviser?



\*Multiple answers allowed

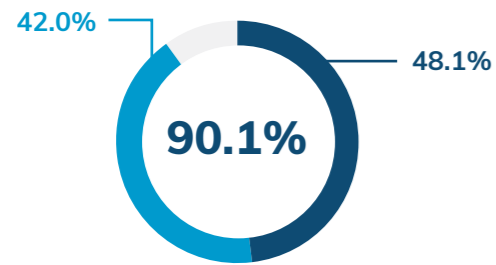
How has your financial security been impacted since you first received financial advice from your insurance adviser?





# DEEP DIVE - FINANCIAL PLANNING

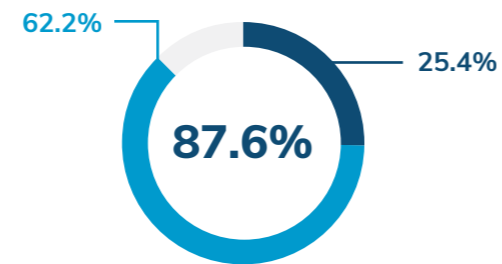
Overall, are the services provided by your financial planner meeting your needs?



- Yes, to a large extent
- Yes, to some extent

Financial planning advice outcomes tend to be just as strong. Customers of financial planning advice overwhelmingly agree (90.1%) that the services provided meet their needs. Further, satisfaction with financial planning advice is extremely positive, with almost nine in ten clients (87.6%) at least somewhat satisfied, and just over a quarter (25.4%) saying that they are very satisfied with the service provided. This level of satisfaction in advice and outcomes is difficult to achieve, and underlines the very strong value financial planning advice can and does deliver to clients in all areas.

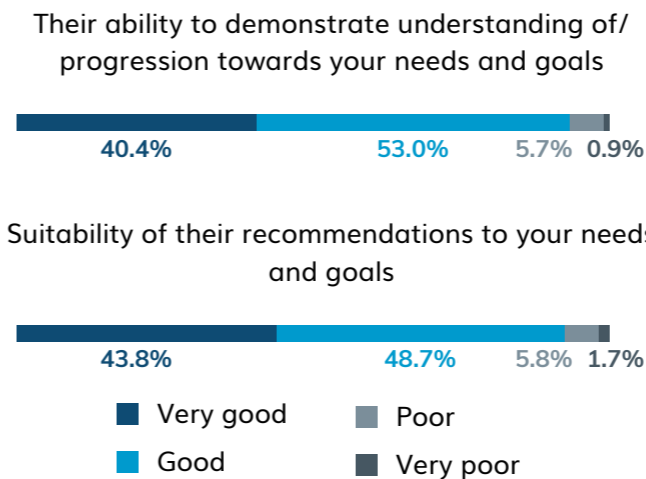
How satisfied were you with the service provided by the financial adviser who assisted you with arranging your financial planning?



- Satisfied
- Very satisfied

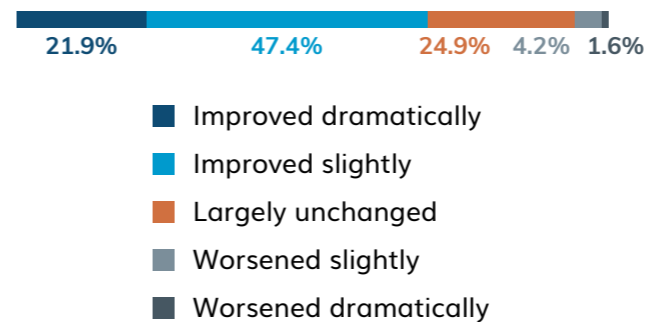
Beyond the higher-level satisfaction, financial planning customers are overwhelmingly positive in their feedback of how advice has helped at a personal level. Most (93.4%) think that their planner's understanding of and progression towards their needs and goals was at least good, and just as many (92.5%) agree that their advice was suitable in the context of those needs and goals. The strength of this personalisation is what adds the extra value to financial planning advice for New Zealand consumers.

How would you rate your financial planner in terms of...?

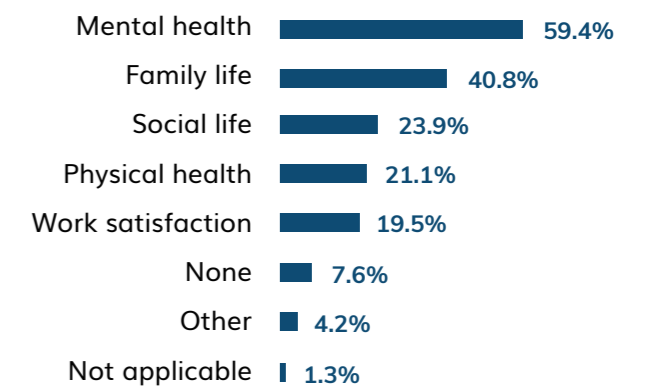


This value is only reinforced by the fact that financial security is shown to improve as a result of financial planning advice in the large majority of cases, with one in five (21.9%) clients noting a dramatic improvement in their sense of financial security as a result of receiving financial planning advice.

How has your financial security been impacted since you first received financial planning advice?



Aside from your finances, which aspects of your life have benefited from receiving financial planning advice?



\*Multiple answers allowed

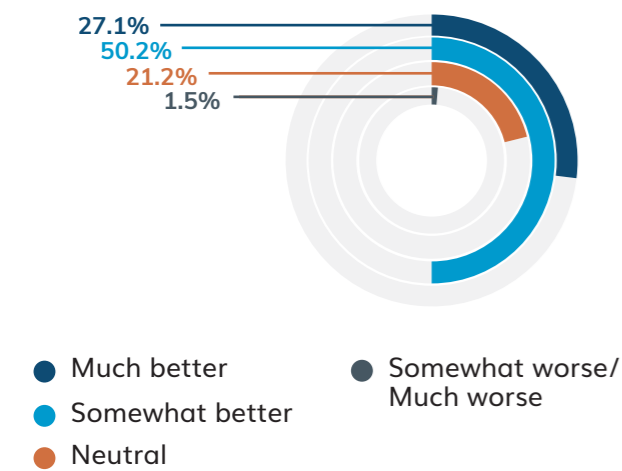
When broken down to advice streams, advice continues to have positive intangible impacts across the board. Clients of financial planning advisers benefit from better quality of family life and improved mental health. By combining the tangible and intangible value by advice stream, the true value of advice to New Zealand consumers becomes even clearer.





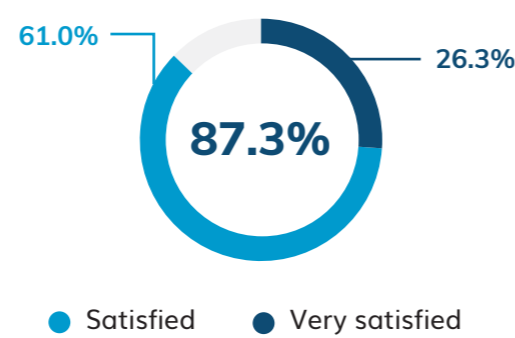
# DEEP DIVE - INVESTMENT ADVICE

**Do you believe you got a better outcome arranging your investments through an investment adviser than if you had purchased directly?**



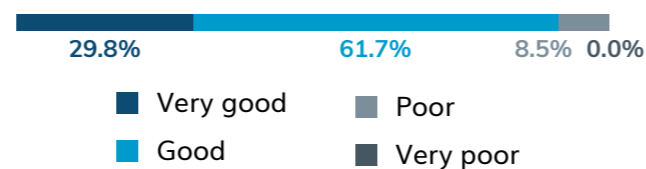
The decision on how much, where and how to invest can be difficult for a lot of New Zealanders. For many, such decisions represent a significant outlay. It's therefore no surprise that the involvement of a financial adviser eases this burden. In fact, over three quarters (77.3%) say it resulted in a better outcome for them, and a quarter (26.3%) of individuals who receive investment advice say that they were very satisfied with the service. Almost nine in ten (87.2%) were satisfied to some degree.

**How satisfied were you with the service provided by the investment adviser who assisted you in arranging your investments?**



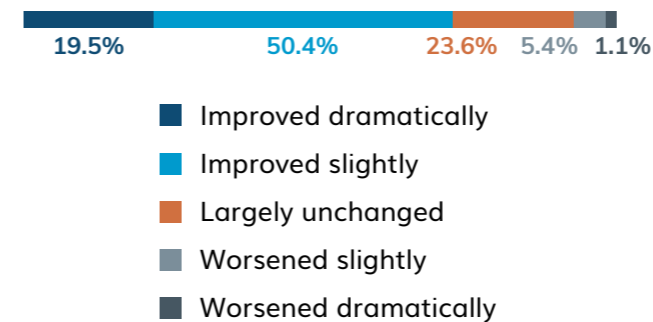
At a more personal level, customers of investment advisers in New Zealand tend to be very impressed with the benefits they perceive from the investment performance. The majority rate their adviser as good (61.7%) or very good (29.8%), highlighting the additional value that personalised advice can add to a consumer's investments.

**How would you rate your investment adviser in terms of the investment performance benefits provided within the last 12 months?**

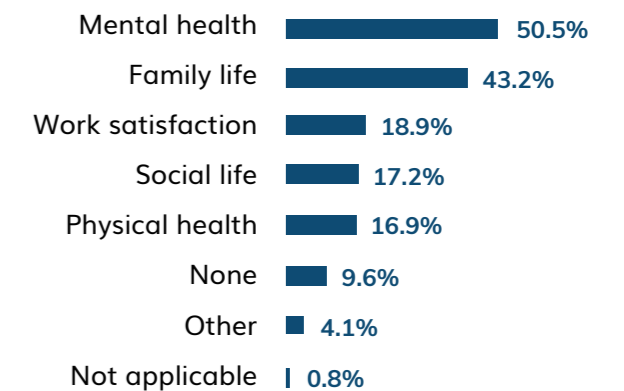


Almost 70% (69.9%) of individuals say the decision to seek investment advice improved their financial security, and the benefits are clear. The data serves to support that fact that the value of financial advice in making the right investment decision should not be underestimated.

**How has your financial security been impacted since you first received investment advice?**

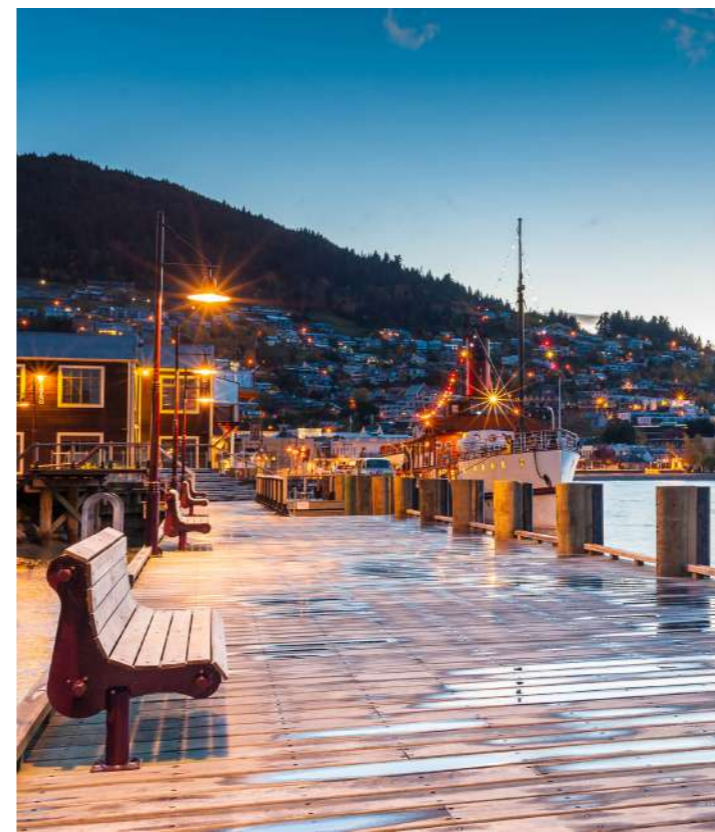


**Aside from your finances, which aspects of your life have benefited from receiving investment advice?**



\*Multiple answers allowed

Investments, when arranged through an adviser, can be a valuable acquisition and positively affect New Zealanders and their wellbeing. Work satisfaction is positively influenced by the advice given in this advice stream, and as always mental health and family life can both be positively affected by the decision to seek advice through an adviser.





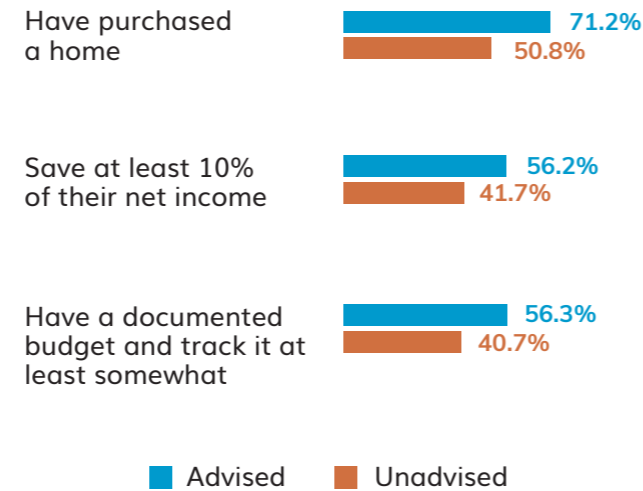
# ADVICE AND THE FUTURE

## THE BIGGER PICTURE

Advice provides tangible financial value to New Zealanders. And this continues into the future. Kiwis who receive financial advice are likely to save more, to own a home more easily, and to be better at sticking to a budget. Customers who receive insurance, financial planning, investment or mortgage advice all report better financial outcomes.

While the positive impact of advice on a New Zealander's future financial wellbeing is clear, focusing on this dimension alone fails to convey the full value that advice provides. There are numerous unquantifiable aspects of a New Zealander's future which can be directly improved by accessing financial advice.

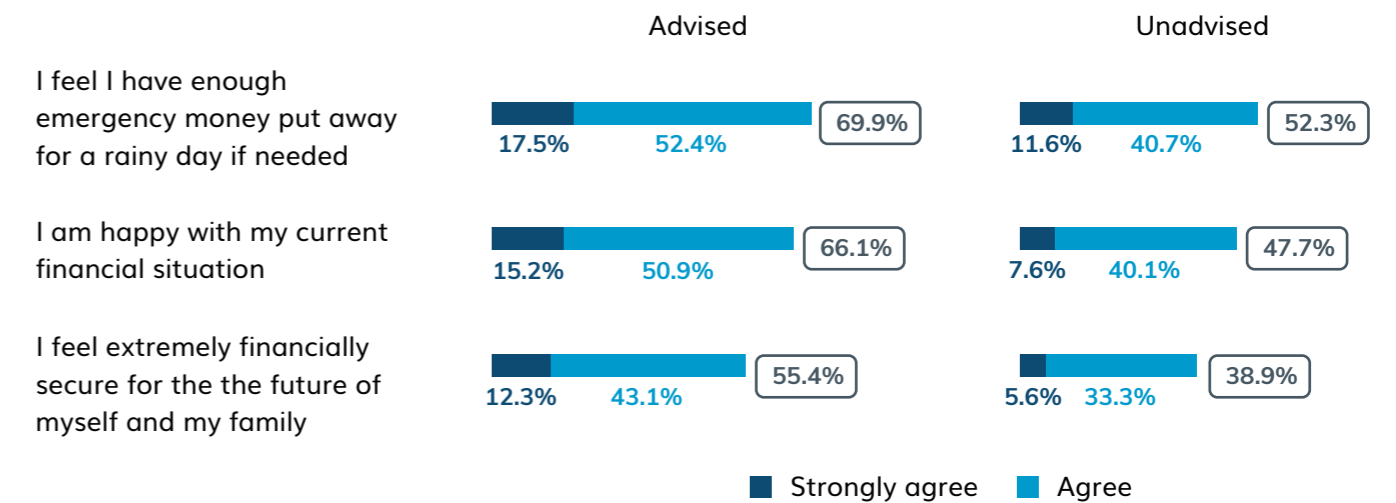
*'... advised New Zealanders are almost twice as likely to feel their future is financially secure.'*



For example, advised New Zealanders are almost twice as likely as unadvised New Zealanders to feel their future is financially secure. Intangible improvements to New Zealanders' financial future like this illustrate the additional value of advice beyond the obvious quantifiable financial aspects, as they lead to improvements in feelings of wellbeing for the future beyond just the financial.



### How much do you agree with the following statements?



The financial wellness and understanding of financial issues of advised New Zealanders is consistent across all advice streams. After insurance, mortgage, investment, and financial planning advice New Zealanders are much more likely to rate their understanding of certain financial management concepts as good or very good. For example, New Zealanders with an investment adviser are more than twice as likely as New Zealanders without an investment adviser to understand risk management for long-

term financial health to a very good level. More than three quarters of New Zealanders with a financial planning adviser say they're good at understanding the relationship between risk, return, and investment timeframe – this number is significant when compared to the fact that only just over half of unadvised New Zealanders feel the same.



**How would you rate your understanding of the following?**

\*Answered good or very good

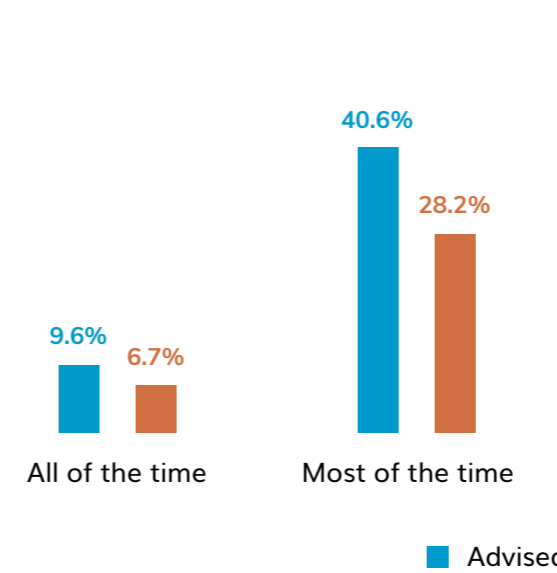
	Unadvised	Insurance adviser	Mortgage adviser	Investment Adviser	Financial Planner
Managing the risks faced in maintaining long-term financial health	54.4%	74.3%	66.1%	82.7%	76.3%
The relationship between risk, return and investment timeframe	52.8%	78.9%	67.0%	85.2%	81.0%
How much investment risk I can afford to take at my age in my circumstances	52.9%	80.5%	70.6%	85.8%	80.7%
The importance of investing in a variety of investments (diversification)	55.8%	80.8%	70.2%	91.8%	84.8%
How much money I will need in retirement	52.0%	74.5%	62.9%	78.6%	72.3%

People with an adviser of any of the four types were more likely than unadvised New Zealanders to have a good or very good understanding of every financial concept canvassed. This shows the undeniable and consistent value of advice across its market segments.

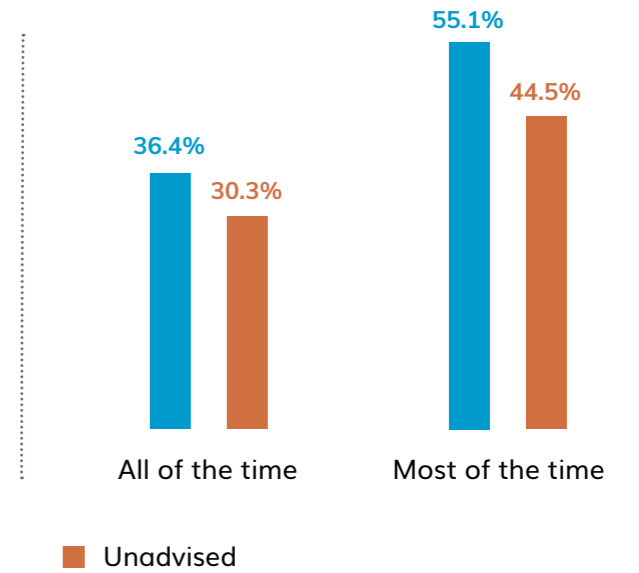
At its core, advice helps New Zealanders achieve financial freedom – an intangible quality, but one with far-reaching benefits. Advised New Zealanders are much more likely than unadvised New Zealanders to feel as though they have the

money to do the things they want in life at least most of the time, and almost every client of an adviser (91.5%) feels at least reasonably involved in taking control of their financial future. Advised individuals are more financially free than unadvised New Zealanders and, in turn, more financially capable of living the life that they want to live, unconstrained by how much money they have in the bank or worries about their financial future.

**Do you feel you have enough money to do the things you want in life?**



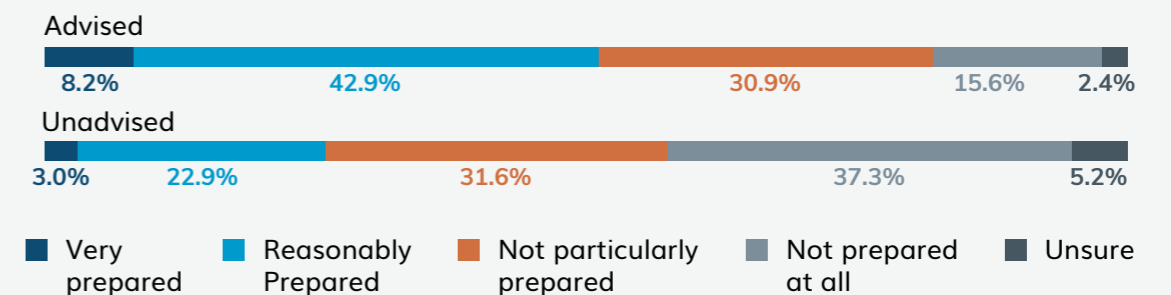
**How involved do you feel with taking control of your long term financial independence?**



**ADVICE AND RETIREMENT**

Regardless of any objective measure, the subjective sense of being unprepared for retirement is a proven point of financial stress for many New Zealanders. As a result, anything that can improve the feeling of retirement preparedness in New Zealanders has value. Advice, whether it be through planning, insurance, mortgages or investment management, seeks to do this, and the outcomes are clear. Advised New Zealanders are twice as likely as their unadvised counterparts to agree that they feel at least reasonably prepared for retirement, leading to reduced financial stress and freeing them to enjoy the lead-up to retirement.

**How financially prepared do you feel you are for retirement?**





# PERCEPTIONS OF THE UNADVISED

## UNADVISED CONSUMERS HAVE GOALS THAT ADVICE CAN HELP THEM ACHIEVE

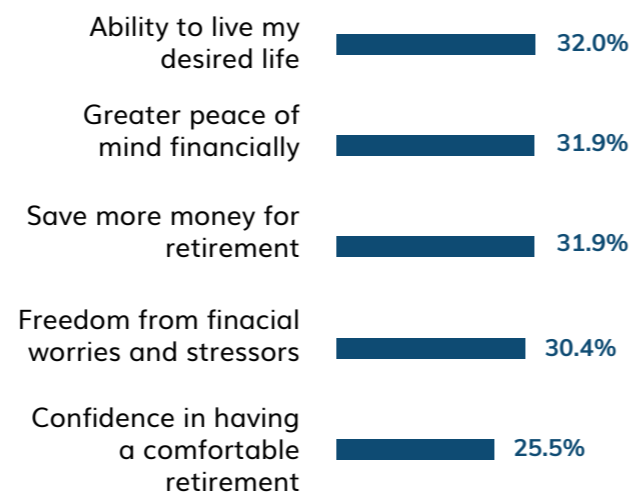
Unadvised New Zealanders have the same financial needs as those who seek financial advice, whether they realise it or not. They want to live their desired lifestyle, unconstrained by financial stresses or concerns; they want to be confident and prepared for retirement; and they want to achieve financial peace of mind.

Advice has been proven to help achieve all of these goals but, despite this, those that haven't experienced the support of a financial adviser remain hesitant to seek financial help unless something happens to trigger it, such as an inheritance, the sale of a property or experiencing financial distress.

Unlike advised Kiwis, unadvised Kiwis don't see the overall value seeking financial advice can give, regardless of current wealth or life stage.



### What are your greatest unmet financial needs and goals?

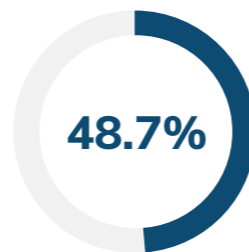


\*Multiple answers allowed

\* Top 5 answers only

### Aside from your finances, which aspects of your life do you think could benefit from receiving advice?

Nothing, I don't see how financial advice could benefit me



## UNADVISED CONSUMERS HAVE GOALS THAT ADVICE CAN HELP THEM ACHIEVE

New Zealanders say their main barriers to seeking advice are not a lack of trust but rather affordability (29.1%), circumstances (37.5%), and an overestimation of their own abilities (37.0%), indicating that while accessibility to advice may be an issue, an opportunity exists for the profession to better communicate the true value of financial advice, increasing uptake in the best interests of everyone.

These are barriers that come up repeatedly in discussions with advice stakeholders and, while all may be valid concerns, many New Zealanders don't consider that advice provides value extending far beyond the prima-facie financial benefits. This directly contradicts the views of those who have experienced financial advice who strongly believe in the wider ranging benefits.

Those who feel their circumstances don't justify advice perhaps may not appreciate that it provides security and stability as well as solutions to complex problems. Those with issues focused on affordability are often not considering that advice provides additional intangible value – value which may tip the scales and convince them it's worth the cost.



It is clear that advised New Zealanders have more financial independence and are more likely to be able to afford to do what they want, and these are both values that transcend the aforementioned barriers. Yet, for many reasons, this value (which advised New Zealanders can see so clearly) simply isn't being recognised by the unadvised population.

This presents a unique opportunity to key stakeholders in the advice profession. Most of the major barriers would be overcome and uptake of advice increased if the true value of advice can be clearly communicated to unadvised New Zealanders. This would serve the best interests of all New Zealanders, enabling them to achieve their goals of financial health, wealth and wellbeing.

*'... their main barriers to seeking advice are not a lack of trust but rather affordability, circumstances, and an overestimation of their own abilities...'*



# ADVICE IN THE TIME OF COVID

## COVID-19 HAS HAD A PROFOUND IMPACT – EVEN IN NEW ZEALAND

The COVID-19 pandemic has thrown the world into chaos. According to Stats NZ, the number of job vacancies filled fell by a record 40,000 in April 2020 at the height of the lockdowns. The Ministry of Social Development reported that the number of one-off financial hardship assistance grants increased by 47,000 between the end of February 2020 and May 2020. To put this into context, this increase was faster and larger than at any other time, beating even the aftermath of the Global Financial Crisis.

While it is too early to quantify the exact long-term impact of COVID-19 on the financial wellbeing of New Zealanders, there is potential for increased financial hardship and stress for some households due to job losses and reduced income, particularly in the short to medium term.

Ultimately, the pandemic has changed the way that many New Zealanders view their finances and financial security, and this is expected to have a profound impact on the market's view of financial advice. With a greater emphasis on financial security and contingency preparation expected going forward, the role that advice plays in providing intangible benefits, like peace of mind, is likely to be prioritised. Advice is in a potentially strong position to help New Zealanders through and out of these unprecedented times.

### April 2020 net fall in job vacancies

**40,000** 

### March/April 2020 net increase in financial hardship assistance grants:

**47,000** 

Over **one in ten** (12.2%) unadvised New Zealanders have been motivated to seek advice as a direct result of the pandemic.

## ADVICE IS KEY IN THE TIME OF COVID-19

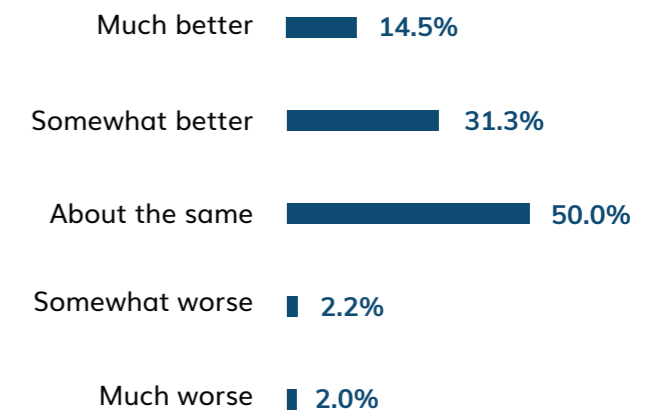
From Financial Advice NZ research findings it is clear that financial advice can mitigate the impact of COVID-19, with almost half (45.8%) of those receiving advice or having recently sought advice believing that they are better prepared to financially cope with the impact of COVID-19 than they would have been without advice.

Despite this, only around one in five (19.9%) New Zealanders who have not received advice also believe that receiving financial advice would have put them in a better position to handle the consequences of the COVID-19 pandemic, demonstrating that the value of advice in unprecedented times like these is perhaps not

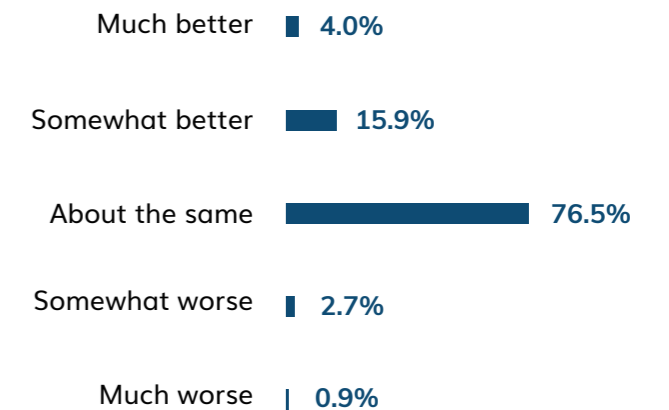
being well communicated. The peace of mind, contingencies and crisis management capability that advice has provided its customers during the pandemic is clearly seen by those who use it, but unadvised New Zealanders still fail to see it. That said, only a small percentage (3.6%) of the unadvised believe they would be worse off in handling COVID-19 if they had received advice, indicating that although the advice industry needs to better communicate the true, far-reaching value of advice, it is already understood as a force for good in the market.

In these unprecedented times, unadvised New Zealanders are starting to see the value of advice. More than one in ten unadvised New Zealanders say that they will actively seek financial advice in the wake of the pandemic. Compared to other motivators, this is quite a considerable number and demonstrates that New Zealanders increasingly recognise that advice can add value and peace of mind in times of crisis.

### Do you believe you are better prepared to cope financially with the impact of the COVID-19 pandemic because you are receiving or have recently received financial advice than if you weren't/hadn't?



### If you were receiving financial advice, do you believe you would be better prepared to cope financially with the impact of the COVID-19 pandemic than if you weren't?





# ADVICE AND WELLBEING

## INTRODUCING: THE FINANCIAL ADVICE NZ WELLBEING INDEX®

### THE COMPONENTS

To standardise the measurement of financial wellbeing, Financial Advice NZ and CoreData have identified the four key measurable components of every New Zealander's financial wellbeing. They gauge an individual's overall financial wellness beyond just the financial aspects and focus on

what is really important to New Zealanders. With the index, we can quantify the unquantifiable, and see clearly the value of advice, both now and over time.



### WHAT DOES THE SCORE MEAN?

The Financial Advice NZ Wellbeing Index produces a score between 0 and 100. This score is an assessment of an individual's subjective and objective financial wellbeing. The scores are normally distributed around a mean of roughly 50 for an average individual, with 100 being perfect financial wellness and 0 being the absolute worst-case scenario. Scores in excess of 50 indicate positive financial wellbeing.

The strength of this index is its capacity to demonstrate the contribution and alignment of the key components for a successful financial life. These tap into critical elements (without considering advice) to create a holistic universal wellbeing index which can be used to directly compare advice outcomes.

## INDEX RESULTS

### ADVISED NEW ZEALANDERS ARE STRONGER ACROSS THE BOARD FOR FINANCIAL WELLBEING

Control, Confidence, and Capability	$\bar{x} = 66$	Advised
	$\bar{x} = 59$	Unadvised

Advised New Zealanders are especially better off on issues of Control, Confidence, and Capability, showing that they understand how to best manage their money, or are at least confident that their adviser has set them on the right path.

Freedom from Stress and Anxiety	$\bar{x} = 57$	Advised
	$\bar{x} = 54$	Unadvised

Meeting Day-to-Day Requirements	$\bar{x} = 73$	Advised
	$\bar{x} = 68$	Unadvised

The ability to meet day-to-day requirements and freedom from stress and anxiety are both subcomponents where there is less of a difference between the advised and unadvised. However, a difference still exists, and serves to reinforce that advice can still provide measurable value, even in areas of wellbeing where its impact isn't necessarily greatest.

Adaptability for the future	$\bar{x} = 52$	Advised
	$\bar{x} = 40$	Unadvised

The strongest component, however, is adaptability for the future. Advised New Zealanders are significantly ahead of their unadvised compatriots in this area, signalling strong confidence in their financial future – with stability and contingencies key factors in this. The value of advice is in giving New Zealanders peace of mind to enjoy life, relatively free from stress about their future financial wellbeing – an especially poignant factor given recent events.

$\bar{x} = 62$	Wellbeing Score	$\bar{x} = 55$
Advised		Unadvised

The results are clear. Advised New Zealanders have a much stronger sense of financial wellbeing. They lead in all four index subcategories, as well as on the overall score.

This index will be used in future years to measure the value of advice on New Zealanders' financial wellbeing and will be able to track its value as we move through this global crisis, and into the new world that awaits on the other side.





# RESEARCH METHODOLOGY AND DEMOGRAPHICS

CORE|DATA

CoreData Research is a global specialist financial services research and strategy consultancy, founded in 2002 and headquartered in Australia, with operations in Sydney, Perth, London, Boston and Manila.

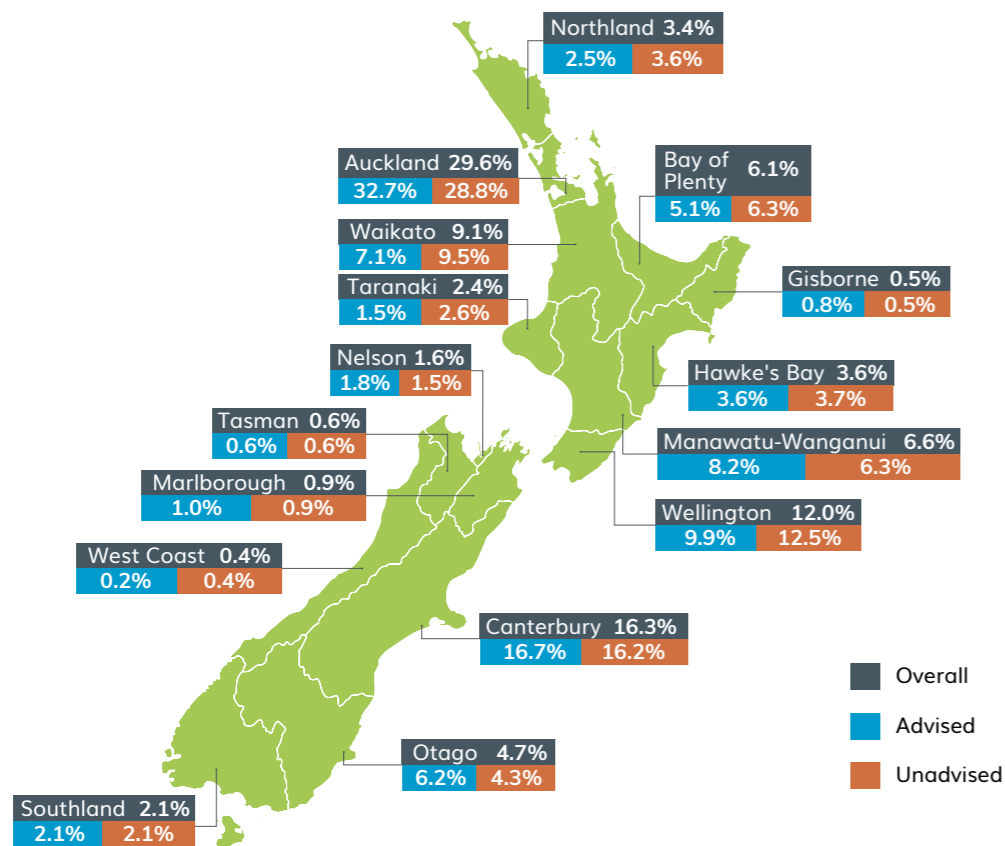
## METHODOLOGY

This research was based on a survey conducted for just under two weeks in July 2020. All insights, charts, and statistics (as well as the index results) were pulled directly from the data gathered in this survey.

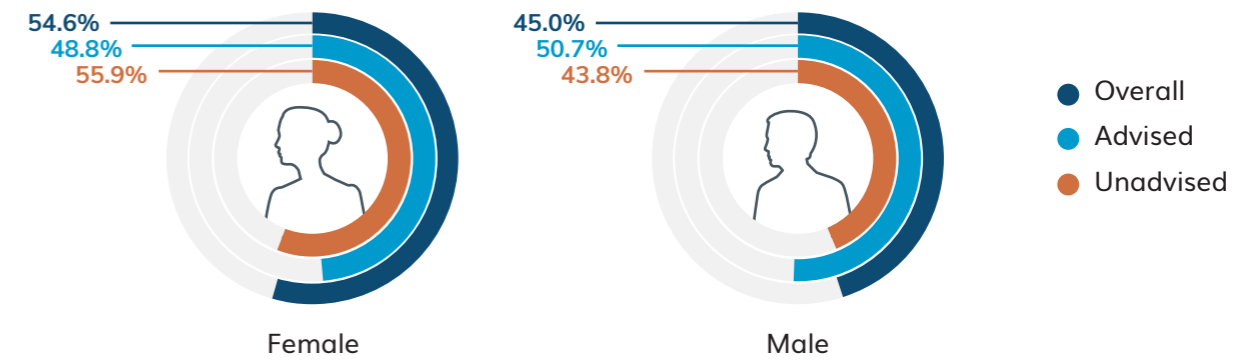
- The survey was in field from 9-17 July 2020
- The survey was answered by over 2000 New Zealanders

## SURVEY DEMOGRAPHICS

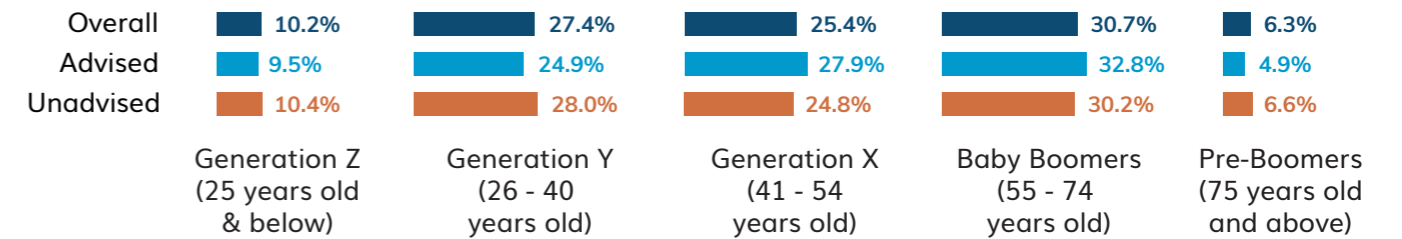
Which region do you live in?



## Gender



## Generation



## Ethnic group

Ethnic group	Overall	Advised	Unadvised
European	75.7%	73.7%	76.1%
Maori	5.7%	6.5%	5.5%
Pacific People	1.6%	2.9%	1.3%
Asian	11.7%	13.6%	11.2%
MELAA (Middle Eastern, Latin American and African)	2.4%	1.3%	2.6%
New Zealander/Kiwi	2.6%	1.5%	2.9%
Other	0.4%	0.5%	0.4%

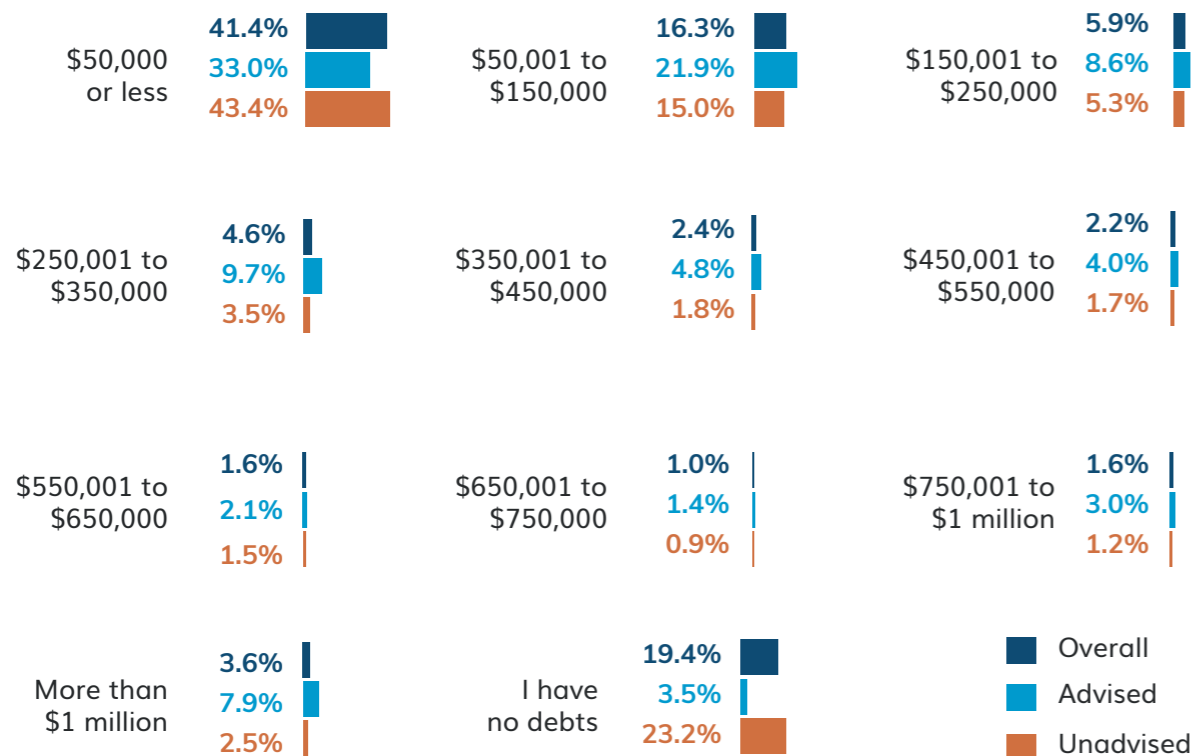
### Living arrangement

	Overall	Advised	Unadvised
Living alone (never had children)	11.8%	13.2%	11.5%
Living with flatmate(s) (never had children)	7.3%	4.6%	7.9%
Living with parents/siblings (never had children)	8.0%	2.3%	9.3%
Living with partner only (never had children)	13.8%	15.8%	13.3%
Living with your children (under 18 years) at home	22.3%	26.3%	21.4%
Living with your children (over 18 years) at home	5.9%	7.4%	5.6%
Living with your children (both over and under 18 years) at home	3.4%	3.7%	3.4%
Children have all left home	24.3%	24.3%	24.3%
Living alone (Separated/Divorced/Widowed)	0.4%	0.3%	0.5%
Living alone (Children have all left home)	0.4%	0.3%	0.4%
Other	2.2%	1.7%	2.4%

### Wealth segment

	Overall	Advised	Unadvised
Mass Market	54.1%	41.9%	56.8%
Mass Affluent	34.2%	36.5%	33.7%
Core Affluent	7.6%	12.4%	6.6%
HNW	4.1%	9.2%	3.0%

### Household's investment portfolio



### THANKS TO FINANCIAL ADVICE NEW ZEALAND'S BUSINESS PARTNERS FOR SUPPORTING THIS RESEARCH;

- AMP Capital
- Asteron Life
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- Chatswood Consulting Ltd
- Fidelity Life
- Generate
- Kepa
- MacKay Financial Advice & Solutions
- Mitre Wealth Management
- Mortgage Link & Insurance Link
- MortgageRates.co.nz
- My Solutions Group
- Partners Life
- Platinum Asset Management
- Plus4 Insurance Solutions
- SHARE NZ Ltd
- And special thanks to the PAA Legacy Trust

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