STATE OF THE INVESTOR NATION

Understanding New Zealanders’ perceptions of wealth and approaches to wealth creation.

July 2022
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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.

2022 represents the fifth 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.

2,071 responses were collected in 2022 and are presented within the report. Fieldwork was conducted between 1 June 2022 and 15 June 2022.
KEY INSIGHTS

Wealth perceptions

With high inflation being the talking point in the economy over the past few months, findings show that it has had a significant impact on New Zealanders' wealth perceptions and general wellbeing.

• Over a third of Kiwi feel less wealthy in June 2022, with this proportion rising to more than four in ten among our lowest income earners.

• This is strongly related to the cost of living, where half of the population say they are highly concerned with the current level of inflation.

• Economic confidence has also taken a hit on the back of recent volatility in the housing and financial markets.

• Across the board, Kiwi are significantly less confident in New Zealand's property market, economy and financial markets over the next 5 years.

• Retirement confidence is also down in 2022 after spiking 12 months ago.
KEY INSIGHTS

Investor behaviours

After growing in popularity in recent years, Kiwi investors are more likely to be shying away from equity-based asset classes in 2022, opting for more conservative investment options.

This plays out in a number of areas where we see funds being shifted out of asset classes such as shares in companies / managed funds and into savings accounts and term deposits – directly opposing what we observed 12 months prior.

- We also see a significant increase in Kiwi who say they would never invest in asset classes such as cryptocurrency and ETFs.

- Despite this, we continue to see a growing number of Kiwi who are moving their KiwiSavers into growth funds, suggesting that New Zealanders are increasingly taking a longer term view when it comes to their KiwiSaver investments.

Residential and commercial property have been less affected over the last 12 months with New Zealanders still perceiving residential property to be the most effective investment option when it comes to generating wealth for retirement.

When it comes to what is important in the investment decisions of New Zealanders, while returns still trump all else, we have seen a significant increase in the importance placed on company governance and leadership, potentially triggered by recent high profile events.
CONFIDENCE AND PERCEPTIONS ON WEALTH
How wealthy do Kiwi feel?

New Zealanders' wealth perceptions have been significantly impacted in 2022, with more than a third of Kiwi (37%) saying they now feel less wealthy compared to 12 months ago.

- Findings show that while wealth perceptions have been negatively impacted across the board, it is lower and middle income earners who are feeling the squeeze the most.

![Graph showing changes in wealth perceptions from June 2020 to June 2022](image)

Q. Do you feel more or less wealthy now than you did 12 months ago?
Reasons why Kiwi are feeling less wealthy

When exploring reasons why Kiwi are feeling less wealthy, overwhelmingly, the responses centered around the rising cost of living.

- Among those who have money invested in shares, ‘investments / Shares have fallen’ is more prominent (22%), however, the cost of living remains the key reason (43%).

Cost of Living / Inflation

- “Everything costs so much more than it did 12 months ago, but wages have stayed the same.”
- “Prices have skyrocketed and my rent is more.”
- “Due to high inflation in NZ, low income groups are suffering.”
- “Cost of living has gone through the roof. Disposable income has disappeared.”
- “The rising costs have eaten into my personal funds, whilst my income, i.e. pension, has not increased sufficiently to cover this increase.”

Q. Why are you feeling less wealthy now than you did 12 months ago?

Base: Those who are feeling less wealthy / much less wealthy in 2022 (n=769)
Confidence in the economy, domestic property market, domestic financial markets and global financial markets has also declined significantly in June 2022 with only half of New Zealanders saying they have confidence in the economy over the next 5 years.

- The decline in confidence is widespread, existing across a large range of demographic subgroups, including age, household income and home ownership status.

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

- **New Zealand’s property market**: 61% (Jun-22) vs 64% (Jun-21) vs 61% (Jun-20)
- **New Zealand’s economy in general**: 70% (Jun-22) vs 61% (Jun-21) vs 68% (Jun-20)
- **New Zealand’s financial markets**: 68% (Jun-22) vs 58% (Jun-21) vs 53% (Jun-20)
- **Global financial markets**: 53% (Jun-22) vs 53% (Jun-21) vs 55% (Jun-20)

*Represents a significant change compared to the previous period (95% CI)*

Base: All (n=2,071)

*%’s represent those who indicated they are Somewhat or Very confident*
Personal financial stability

While the economic situation has contributed to significant decreases in wealth perceptions and economic confidence, at an overall level, we haven’t seen significant changes in what Kiwi feel they can afford on a day-to-day basis.

However, when we drill into demographic subgroups, we do see some of the effects starting to take hold.

New Zealanders who are more likely to be struggling or only managing to make ends meet in 2022:

- Non-investors/savers (63%) ↑ 16pp vs Jun 2021
- Renters (46%) ↑ 5pp vs Jun 2021

Q. Which of these statements best describes your lifestyle?

- I have enough money to allow me to do all the things I want
- I can’t do all the things I want, but I can afford spending on some luxuries on top of the basics
- I can’t afford spending on luxuries, but I manage to get by
- I’m struggling to make ends meet

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

- I will have enough money to allow me to do all the things I want
- I won’t be able to do all the things I want, but I will be able to afford spending on some luxuries on top of...
- I won’t be able to afford spending on luxuries but will be able to get by
- I will struggle to make ends meet

Represents a significant change compared to the previous period (95% CI)
How concerned are Kiwi?

Around half of New Zealanders say they are highly concerned with the cost of living in New Zealand, again highlighting this as a very important issue.

- Findings again show that it’s younger and middle-aged Kiwi, along with those that don’t have assets or savings, who are the most concerned.
- We also see particularly high levels of concern among families with children living at home and those who identify as Māori or Pasifika.

Q. To what extent are you concerned about the impact of inflation and the cost of living crisis in New Zealand on your household?
Findings show that concern around the cost of living is strongly correlated to wellbeing, where New Zealanders who are highly concerned are also significantly more likely to be unhappy, stressed and have poorer wellbeing.

Q. To what extent are you concerned about the impact of inflation and the cost of living crisis in New Zealand on your household?
Who’s investing and what are their investment goals?

Despite high inflation affecting wealth perceptions among Kiwi, we positively see no change in the proportion who have savings or investments in 2022 (84%).

**Key things investing for**

- Retirement: 48%
- First home: 16%
- *Child’s future: 8%
- *Investment property: 7%
- Spending on hobbies: 5%
- New car / boat: 4%
- Paying school fees: 2%
- A bach: 1%
- Other: 10%

*New options added in June 2021

Q. Do you currently have money invested / saved?
Q. What is the key thing you are investing / saving for?
Which asset classes are most popular?

Savings accounts are the asset class that have seen the biggest increase in funds allocation over the past 12 months as New Zealanders seek to take advantage of rising interest rates.

- While not significant, this appears to be at the expense of having money invested in shares and exchange traded funds, with both asset classes showing slight declines.

* Represents a significant change in 2020 (95% CI)
Asset classes Kiwi wouldn’t invest in

When it comes to asset classes New Zealanders don’t want to touch, both cryptocurrency and shares in exchange traded funds (EFTs) have increased significantly this year after becoming more considered in 2021.

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

- Cryptocurrency
- Peer to peer lending, where you are the lender
- Equity crowdfunding
- Shares in exchange traded funds
- Commercial property
- Government bonds
- Shares in companies
- Unit trust or managed fund
- Residential property – investment
- KiwiSaver
- Term deposit
- Savings account
- I would consider investing in all of the above

Average number of asset classes Kiwi wouldn’t invest in:
- Jun 2022: 2.7
- Jun 2021: 2.6
- Feb 2020: 2.8

Represents a significant change compared to the previous period (95% CI)

Base: Investors (n=1,739)
Primary investment term

While we see a continuation of the trend suggesting that New Zealand investors are planning to keep their primary investments for longer, we also see a significant increase in those who say they are likely to withdraw some funds within that term.

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?

Base: Investors (n=1,739)
Changes to investments

This year, we have seen a continued trend where more Kiwi are making changes to their risk parameters, investment terms and desired rates of return, suggesting growing engagement between New Zealanders and their investments.

Despite market volatility, Kiwi are becoming more aggressive with their KiwiSaver investments.

“Changed my KiwiSaver from a conservative to growth fund after withdrawing to buy a house.”

“I changed the fund my KiwiSaver was part of to one with higher returns – which as a result means higher risk.”

What are the most common changes made in the past 3 months?

- Increased money in investment: 51%
- Withdrawn / reduced money in investment: 29%
- Changes to investment type (different asset classes): 33%
- Changes to risk parameters of the investment: 31%
- Changes to investment term: 21%
- Changes to desired rate of return: 21%
- Other: 6%

Base: Investors (n=1,739)
Drivers behind investment decisions

Returns continue to be the key driver behind investment decisions for Kiwi investors.

However, we have seen a significant increase in the importance of quality organisational governance, which became significantly more important in 2022.

The returns I would get

Whether the company has good governance (management structures) involving things such as bribery/corruption, executive compensation, transparency etc

Whether the company has strong ethics around the way it looks after employees and aims to improve society through the promotion of diversity and inclusion, and ensuring they have positive human and animal rights practices

Whether the company/fund actively avoids products/services which can cause harm to society e.g. tobacco companies, firearm manufacturers etc

Whether it is a brand/company I know well/love

Whether the company/fund acts responsibly towards the environment i.e. takes steps to minimise its impact on climate change etc

Whether the company/fund operates in an industry/area I am interested in

Jun-22

Jun-21

Base: All (n=2,071)

† Represents a significant change compared to the previous period (95% CI)
Organisational leadership

The majority of Kiwi (60%) say that if a company’s leadership was to demonstrate discriminatory behaviour (i.e., racist or sexist), they would expect their fund manager to exit any holdings in that company, regardless of the returns the company may deliver.

- This is particularly high among younger Kiwi, those with children at home, and Māori and Pasifika.

Q. Thinking about any investments in managed funds or KiwiSaver funds that you may hold, please state your level of agreement towards the following statement:

If a company’s leadership was to demonstrate discriminatory behaviour (i.e. racist or sexist), I would expect my fund manager to exit any holdings in that company, regardless of the returns that the company may deliver.

New Zealanders who are the most likely to agree / strongly agree

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Agreement Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger Kiwi (18-34 y/o)</td>
<td>67%</td>
</tr>
<tr>
<td>Have children at home</td>
<td>64%</td>
</tr>
<tr>
<td>Māori / Pasifika</td>
<td>81%</td>
</tr>
</tbody>
</table>

Base: All (n=2,071)

Q. Thinking about any investments in managed funds or KiwiSaver funds that you may hold, please state your level of agreement towards the following statement: If a company’s leadership was to demonstrate discriminatory behaviour (i.e., racist or sexist), I would expect my fund manager to exit any holdings in that company, regardless of the returns that the company may deliver.
CREATING WEALTH FOR RETIREMENT
Retirement confidence

New Zealanders are significantly less likely to be confident in their ability to retire in 2022.

**New Zealanders who are less confident in 2022:**
- 45–54-year-olds (33%)↓11pp vs Jun 2021
- Homeowners (50%)↓9pp vs Jun 2021

<table>
<thead>
<tr>
<th></th>
<th>Stressed (0-3)</th>
<th>Neutral (4-6)</th>
<th>Confident (7-10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-22</td>
<td>17%</td>
<td>40%</td>
<td>42%</td>
</tr>
<tr>
<td>Jun-21</td>
<td>17%</td>
<td>35%</td>
<td>48%</td>
</tr>
<tr>
<td>Jun-20</td>
<td>23%</td>
<td>41%</td>
<td>36%</td>
</tr>
</tbody>
</table>

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

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

Base: All, excluding those who are retired (1,730)

↑↓ Represents a significant change compared to the previous period (95% CI)
Impacts of retirement stress

Stress around retirement continues to affect Kiwi in similar ways, where it has driven more than one in ten Kiwi who are stressed about retirement to visit their GP.

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?

- Spoken to friends/family: 20% (June 2022), 26% (June 2021), 27% (June 2020)
- Visited my GP: 14% (June 2022), 16% (June 2021), 9% (June 2020)
- Sought advice from a finance professional: 7% (June 2022), 6% (June 2021), 6% (June 2020)
- Seen a psychologist: 7% (June 2022), 5% (June 2021), 6% (June 2020)
- Other: 5% (June 2022), 5% (June 2021), 5% (June 2020)
- None of the above: 64% (June 2022), 61% (June 2021), 61% (June 2020)

*Represents a significant change compared to the previous period (95% CI)*

Base: Those who are stressed about their ability to retire
Wealth for retirement by asset class

Property has shown increased popularity when it comes to perceptions of building wealth for retirement.

- This is particularly common among middle-aged Kiwi (residential property up 9pp to 53%) and mid-income earners (residential property up 11pp to 52%).

Q. Which of the following investment areas do you feel would generate you the most wealth when thinking about saving for your retirement?
RISK PROFILE AND DIVERSIFICATION
A significantly higher proportion of Kiwi perceive an investment with higher than average risk to have higher than average return, increasing 3pp in 2022.

- We have also witnessed a continuation of the trend where more people feel they should choose a risk profile that is right for their circumstances and goals.
## Risk allocation – KiwiSaver and managed funds

Despite market volatility over recent times, a growing proportion of Kiwi continue to move their KiwiSaver in to more aggressive funds, reflecting a longer-term view.

- It is a different story for those who have managed funds however, with investors moving away from growth funds in 2022.

### KiwiSaver

<table>
<thead>
<tr>
<th></th>
<th>Jun 2022</th>
<th>Jun 2021</th>
<th>Feb 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>I’m not sure</td>
<td>14%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Conservative</td>
<td>15%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Balanced</td>
<td>28%</td>
<td>29%</td>
<td>27%</td>
</tr>
<tr>
<td>Growth</td>
<td>42%</td>
<td>40%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Base: Those who have money invested in KiwiSaver (n=1,201)

### Managed fund

<table>
<thead>
<tr>
<th></th>
<th>Jun 2022</th>
<th>Jun 2021</th>
<th>Feb 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>I’m not sure</td>
<td>7%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Conservative</td>
<td>11%</td>
<td>7%</td>
<td>16%</td>
</tr>
<tr>
<td>Balanced</td>
<td>46%</td>
<td>40%</td>
<td>43%</td>
</tr>
<tr>
<td>Growth</td>
<td>36%</td>
<td>49%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Base: Those who have money invested in a Trust / Managed fund (n=242)

↑↓ Represents a significant change compared to the previous period (95% CI)

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

Perceptions of different investment scenarios being diversified have remained relatively consistent in June 2022, with ‘investing all your money between two or three fund managers’ being the only one to show a significant change.

Q. For each investment scenario below please indicate whether you think it is diversified or not

- Investing all your money across different investment choices such as shares, property and cash
- Investing all your money among shares in different industries
- Investing all your money among shares in different countries (outside of New Zealand)
- Investing all your money between two or three fund managers
- Investing all your money in a technology company that has recently reported very high returns
- Investing all your money in government bonds

*Those that think each investment scenario is diversified

Represents a significant change compared to the previous period (95% CI)
Changing attitudes over the past 12 months

Banks have shown increased popularity over the past 12 months, suggesting Kiwi are becoming more conservative with their investment approaches after increased market volatility and interest rate rises.

- This trend is particularly noticeable among older investors (55+ year olds), females and homeowners.

Q. Compared to 12 months ago, how has your attitude changed towards the following investment types with regards to whether or not you would consider each as an investment option?

![Graph showing changing attitudes over the past 12 months]
### Psychographic questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Percentage</th>
<th>Category</th>
<th>Change from Previous Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>I think owning a house is a key sign of financial success</td>
<td>50%</td>
<td>Home ownership</td>
<td>50%</td>
</tr>
<tr>
<td>I think it is a good time for people to buy their first house</td>
<td>46%</td>
<td>Buying a first home</td>
<td>54%</td>
</tr>
<tr>
<td>I think it is a good time for people to save for their first home</td>
<td>72%</td>
<td>Saving for a first home</td>
<td>28%</td>
</tr>
<tr>
<td>I am in a position to help my children out financially</td>
<td>54%</td>
<td>Helping children</td>
<td>46%</td>
</tr>
<tr>
<td>I think owning a house is the best way to set me up for the future</td>
<td>44%</td>
<td>Investing</td>
<td>56%</td>
</tr>
<tr>
<td>I carefully plan for my financial future</td>
<td>73%</td>
<td>Finances</td>
<td>5 vs Jun 21, 27%</td>
</tr>
<tr>
<td>You don’t need to own a house to be financially successful</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I don’t think it is a good time for people to buy their first house</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I don’t think it is a good time for people to save for their first house</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My children will need to sort their own finances out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I think having a range of investments is the best way to secure my future and won't rely only on my home</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I let my finances take care of themselves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have the capacity to save some money</td>
<td>68%</td>
<td>Savings</td>
<td>32%</td>
</tr>
<tr>
<td>I review the structure of my mortgage and the repayments regularly</td>
<td></td>
<td>Mortgages</td>
<td>66%</td>
</tr>
<tr>
<td>I have calculated how much money I will need for retirement and have a plan to ensure I have this money</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I think people should leave an inheritance for their children</td>
<td>64%</td>
<td>Inheritance</td>
<td>36%</td>
</tr>
<tr>
<td>In terms of money, I live pay check to pay check</td>
<td></td>
<td>Money</td>
<td>65%</td>
</tr>
<tr>
<td>I think house prices will rise in my city/region</td>
<td>66%</td>
<td>House prices</td>
<td>34%</td>
</tr>
<tr>
<td>I have set up my mortgage and just pay what the bank tells me</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I don’t know how much money I need for retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I think people should spend all their money before they die</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have enough money to cover any speeds bumps along the way</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I don’t think house prices will rise in my city/region</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¶¶ Represents a significant change compared to the previous period (95% CI)
Psychographic questions cont...

- I can pay my credit card in full each month: 72% Credit card, 28%
- I earn more than I spend: 72% Spending, 28%
- I save up money to buy expensive things I really want: 77% Spending habits, 23%
- I have a deep understanding of my financial situation: 81% Financial situation, 19%
- I have financial goals: 66% Goals, 34%
- I have a budget and usually stick to it: 65% Budget, 35%
- I can’t usually pay my credit card in full each month: 72% Credit card, 28%
- I spend more than I earn: 66%
- I use a credit card or get a personal loan to buy expensive things I really want: 77%
- I don’t really know where I am at financially: 65%
- I don’t really have financial goals: 52%
- I don’t really have a budget: 34%
- I can’t usually pay my credit card in full each month: 13% Buy now pay later
- I have set money aside for emergencies or unexpected expenses: 77%
- I own a diverse range of investments: 38%
- I invest my money for long-term goals: 55%
- If in debt, I regularly pay back more than the minimum: 50%
- I pay debts that have the highest interest rates first: 77%
- I set aside money for bills in advance: 77%
- I only use buy now pay later for more expensive and non-essential items: 27%
- I don’t have any money set aside for emergencies or unexpected expenses: 23%
- I don’t own a diverse range of investments: 62%
- I don’t invest money: 45%
- If in debt, I only pay back the minimum: 17%
- I just pay any debt off first: 3%
- I don’t really set aside money for bills in advance: 23%

*Represents a significant change compared to the previous period (95% CI)

*Not applicable option included