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The Sorted Kiwi: The Effect of Identity on the Achievement of Financial Well-Being in New Zealand

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With funding from the sponsors of the
Ian Axford (New Zealand) Fellowships in Public Policy

July 2009

Established by the
New Zealand government in 1995
to facilitate public policy dialogue
between New Zealand and
the United States of America

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Published by Fulbright New Zealand, July 2009

ISBN 978-1-877502-10-1 (print)
ISBN 978-1-877502-11-8 (PDF)

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Sir Ian is recognised as one of the great thinkers and communicators in the world of space science, and is a highly respected and influential administrator. A recipient of numerous science awards, he was knighted and named New Zealander of the Year in 1995.

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We acknowledge and thank the following government and corporate sponsors that support the Ian Axford (New Zealand) Fellowships in Public Policy programme:

- Department of Building and Housing
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- Ministry of Research, Science and Technology
- Ministry of Social Development
- New Zealand Customs Service
- New Zealand Police
- State Services Commission
- Te Puni Kōkiri (Ministry of Māori Development)
- The Treasury

ACKNOWLEDGEMENTS

I cannot express enough gratitude to the wonderful people at the Retirement Commission who welcomed me into their family and supported me during my six months conducting research on financial literacy and financial well-being in New Zealand. In particular, my host mentor, Retirement Commission Executive Director David Feslier, was amazingly supportive and helpful. His knowledge and insights, as well as his enthusiasm and encouragement greatly contributed to the progress of my research and my overall enjoyment of this experience. It was also a tremendous honour to work with Retirement Commissioner Diana Crossan whose depth of knowledge and passion about financial education issues is inspiring. It's easy to see why the Retirement Commission as an organization and Commissioner Crossan personally are global leaders in the financial literacy field.

Much thanks also goes to my New Zealand academic mentor, Dr Ro Parsons of the Ministry of Education, who helped keep me on track and down to Earth! I so enjoyed our meetings and greatly appreciate the time she took to review the many outlines and drafts of my increasingly lengthy work and then the final 'collapsed' version! Her candid and practical advice was always welcome! I would also like to thank my United States academic advisor, Dr Tahira Hira of Iowa State University, a key leader in the financial literacy field and member of the President's Advisory Council on Financial Literacy for her thoughtful contributions and review of this work. I met with Dr. Hira the month prior to interviewing for the fellowship and I'm sure the meeting charmed my chances of being accepted.

Thanks also to a number of others who volunteered to review this work prior to its submission. In addition to policy staff from Te Puni Kōkiri (Ministry of Māori Affairs) and the Ministry of Pacific Island Affairs who reviewed the Māori and Pacific financial attitudes and behaviours 'snapshots', Alison O'Connell and Grant Scobie reviewed the work at one of its most 'lengthy' stages. Their comments were helpful to me in ultimately producing a more 'manageable read'.

The Fulbright New Zealand Board of Directors and staff were all wonderful in helping my family acclimate to New Zealand. Mele Wendt, Martin Boswell, Kari Kameswari and Andy Mitchell were of particular assistance both prior to and during my fellowship experience. A number of Fulbright alumni were very welcoming and helpful including, among others, Graham and Nancy Cochrane who had us to tea and took us to the All Blacks rugby match between New Zealand and France!

One of my family's fondest memories will involve the two other 'Axford fellow families' with whom we lived at Chevening. Paul Goren, Alexandra Bonardi, their spouses and children will all be greatly missed! It has been a great honour to share this fellowship with these two outstanding people and the New Zealand experience with their wonderful families. I look forward to hearing about their future pursuits and successes!

My family was enormously helpful during this fellowship experience. My mother in particular went above and beyond by helping my husband and I care for the children throughout our time in New Zealand. Both Kacey and Truett 'aged a year' here and grew enormously in experience despite their young ages.

Back in Washington I must extend great thanks to prior Ian Axford fellow David Knutson for recommending this experience. Also, much thanks to the Washington House of Representatives and in particular Office of Program Research Director Ken Conte for graciously allowing me a leave of absence to come to New Zealand. I also have to extend gratitude to our wonderful friends back in Gig Harbor, Washington upon which we relied heavily to deal with household responsibilities.

The following people contributed significantly to this research. I am very appreciative of their time and willingness to share their thoughts, opinions and knowledge.

Jessica Batt, Fonterra Focus Group
Martin Boswell, Fulbright New Zealand
Ross Boyd, Department of the Prime Minister and Cabinet
Tracey Bridges, Senate Communications
Phil Briggs, Economics Department, Reserve Bank of New Zealand
Joel Carpenter, Radio Station Manager and Anglican Minister
Johanna Carter, Wellington Women Focus Group
Nadia Chen, Cana Financial Service Ltd.
Peter Conway, New Zealand Council of Trade Unions
Philippa Conway, Wellington Women Focus Group
Diana Crossan, Retirement Commission
Carol Dale, Wellington Citizens Advise Bureau (CAB) Budget Service
Claire Dale, University of Auckland Retirement Policy and Research Center
Stella Daniell, Wellington Women Focus Group
Donna Dentice, Young Enterprise Trust
Sir Roger Douglas, Member of Parliament
David Feslier, Retirement Commission
Kalolo Fihaki, Ministry of Pacific Island Affairs
Craig Foss, Member of Parliament
Raewyn Fox, New Zealand Federation of Family Budgeting Services (Inc)
Heather Garside, Wellington Women Focus Group
Anna Griffiths, Retirement Commission
Jessica Grinstead-Sacroug, Fonterra Focus Group
Kassie Hartendorp, Victoria University Focus Group
Gary Hawke, Emeritus Professor, New Zealand Institute of Economic Research
Mary Holm, Financial Columnist
Peter Johnston, Retirement Commission
Vikas Joneja, Fonterra Focus Group
Shane Jones, Member of Parliament
Penny Kidd, Retirement Commission
David Kneebone, Retirement Commission
Mariya Kupriyenko, Victoria University Focus Group
Lynn Lai, SavY
Sundae Lim, Fonterra Focus Group
Michael Littlewood, University of Auckland Retirement Policy and Research Centre
Debra Marshall, Fonterra Focus Group
Kathryn Maloney, Retirement Commission

Anna McMahon, Retirement Commission
Lyn Morris, Young Enterprise Trust
Alexander Neilson, Victoria University Focus Group
Ngai Tahu Māori Focus Group Participants, organised by Teone Sciascia
Alison O'Connell, Researcher and Consultant
Pacific Peoples Focus Group, organised by Helen Taimarangai and Kalolo Fihaki
Harry Pappafloratos, Colmar Brunton
Lana Perese, Ministry of Pacific Island Affairs
Jock Phillips, Te Ara (The Encyclopaedia of NZ)
Geoff Rashbrooke, Ministry of Social Development
Dipra Ray, SavY
Catriona Robertson, Retirement Commission
Susan Rutherford, Retirement Commission
Teone Sciascia, Te Runanga o Ngai Tahu
Grant Scobie, Principal Advisor, The Treasury
Iain Southall, Ministry of Economic Development
Claire Sherrington, Retirement Commission
Geoff Short, Te Puni Kōkiri
Suzanne Snively, PricewaterhouseCoopers
Louise Sylvan, Australian Productivity Commission
Susan St. John, University of Auckland
Helen Taimarangai, Ministry of Pacific Island Affairs
Mele Wendt, Fulbright New Zealand
Waiwhetu iwi Focus Group Participants, organised by Patsy Puketapu
Anne Yau, Ministry of Economic Development
Financial Attitude Survey Respondents
Other persons interviewed or who participated in focus groups and who preferred not to be identified.

Robyn Dupuis
Wellington, July 2009

EXECUTIVE SUMMARY

A heightened interest in personal financial well-being has emerged in New Zealand during the last few decades, and particularly over the last few years due to global economic volatility. Many people believe that increasing financial knowledge will significantly contribute to increased overall financial well-being, although this has not been unambiguously proven to date.[1] The New Zealand Retirement Commission, whose vision is that New Zealanders are financially sorted[2], has placed New Zealand as a world leader in terms of innovative and effective dissemination of financial education. The Commission's work is grounded in the philosophy that given appropriate financial management information people will act rationally and responsibly to achieve financial well-being. The Commission's financial education programmes are very successful and serve as models for other nations. This report suggests that current Commission initiatives might be further augmented by addressing the influence of identity-salience on financial behaviours and performance to increasingly empower New Zealanders to achieve financial well-being.

The impact of one's 'identity' on behaviour and performance is one of the key emerging areas of interest within the rapidly developing and increasingly influential field of behavioural economics. Behavioural economics suggest that to ultimately achieve financial well-being, traditional financial education strategies should be augmented with techniques that more actively 'guide' people toward making reasonably advantageous financial decisions. Many of the lessons of behavioural economics are fairly straightforward and relatively simple to integrate into financial programme design, implementation and promotion. These techniques, such as 'automating saving', having people 'opt out' instead of 'opting in' to saving programmes, well-designed defaults, and prompting people to commit to saving in the 'future' as opposed to now, have been proven successful at least in terms of short-term decision-making outcomes. Addressing and capitalising on the 'identity' impact on behaviour and performance is a more ambiguous and complicated pursuit. However, it has the potential to effect people's attitudes and beliefs at a more fundamental level and it is suggested that it could therefore lead to more 'normalised' and sustainable behaviours. This research suggests that addressing the effect of identity on behaviour and performance can be an area of great opportunity to improve outcomes in an empowering and fundamentally sustainable way.

The purpose of this study is to explore how, using an identity-based framework, an organisation might identify, highlight and make salient the specific components of a target group's identity most likely to trigger behaviours and attitudes or beliefs supportive of the desired outcome. The end result of a successful identity-component salience approach would be the improved group identity-salience impact on actual behaviour and performance.[3] Based on the Retirement Commission's vision of achieving "Financial Well-Being for New Zealanders"[4], this work uses the folk 'Kiwi' identity as the target group identity in the preliminary development of such an

[1] O'Connell (2007) and Willis (2008) p. 1

[2] Retirement Commission (2009) www.retirement.org.nz

[3] The identity-component salience strategy could logically be applied toward the achievement of any behaviour or performance outcome as long as identity components supportive of the behaviour or ultimate objective exist within the targeted group identity.

[4] Retirement Commission (2009), www.retirement.org.nz

identity-component salience strategy. The paper examines how highlighting ‘Kiwi’ identity characteristics that are supportive of desirable financial behaviours and performance outcomes might contribute to the ‘normalisation’ of such behaviours and might increasingly bring financial well-being within the cognitive reach of more New Zealanders. Ultimately, this paper suggests a fundamental method to make 'being sorted' simply part of 'being Kiwi'.

Research Questions

Three research questions were chosen to structure the development of a ‘Kiwi’ identity-component salience strategy to achieve financial well-being for New Zealanders. The strategy uses the Identity-Component Salience model framework introduced in Chapter 3.

Research Question 1: What does ‘being Kiwi’ say about New Zealander’s abilities and inclinations to ‘get sorted'? What are the most common financial management stereotypes related to the ‘Kiwi’ identity & where did they come from?

Key Findings: Qualitative findings of this study suggest that there are a number of negative stereotypes related to ‘Kiwi’ financial management abilities and aptitudes which appear to have evolved in part through New Zealanders’ experiences with government policies and specific economic events throughout history. Fundamentally, financial management is not considered by New Zealanders to ‘fit’ within the ideal Kiwi lifestyle. On the whole, New Zealanders perceive that financial management is difficult, technical and sometimes impossible given the low wage economy. Money is furthermore simply not a priority for most Kiwis and being engaged in financial management activities is sometimes not even an admired pursuit. Some New Zealanders believe there isn’t much point in worrying about their financial future given the lack of control they feel about their future, as well as given the availability of traditional government supports on which they can rely. Kiwis also, on the whole, consider themselves to be 'bad savers' and indeed New Zealanders have been, and continue to be, inundated with messages that they are financially unsophisticated, risk averse to a fault, and rely incorrectly on housing and property investments. These qualitative findings suggest that there is definitely room for improvement regarding what ‘being Kiwi’ may say to New Zealanders about their ability and inclination to achieve financial well-being.

Research Question 2: The Kiwiana effect. Which components of the ‘Kiwi’ identity suggest associated ‘sorted-supportive’ behavioural norms?

Key Findings: A number of key values, folk ideals and characteristics which comprise the components of the commonly recognized ‘Kiwi’ identity were cited in interviews and focus groups as likely to impact Kiwi financial management behaviours and performance. Potentially sorted-supportive identity components identified include 'a pioneering spirit' and its associated characteristics of practicality, sensibility, determination, tenacious work-ethic, strength of will, and a number of others; the 'Number 8 Wire and DIY' mentality that Kiwis are talented, clever, and make the most of what they have; the tendency for Kiwis to 'Punch above their Weight' and overcome odds, a 'quality of life priority' which might help keep expectations 'grounded' and in line with financial resources, the 'Tall Poppy Syndrome' which frowns upon displays of wealth and conspicuous consumption, and a 'Love of Land' ethos, which highlights how Kiwis have cleverly invested in property at times when that was indeed a very appropriate wealth building strategy. These components of the 'Kiwi' identity among others detailed within this work suggest sorted-supportive norms. The identity-component salience strategy suggests that if such components are made more salient within the overall 'Kiwi' identity, more positive financial management behaviour and performance outcomes might be achieved.

Research Question 3: How can the Retirement Commission highlight and capitalise upon any identified 'sorted supportive' components of the 'Kiwi' identity to promote the vision: New Zealanders are Financially Sorted?

This work suggests that the Retirement Commission might further explore how its financial literacy efforts could be complemented by promoting the concept that 'being sorted' is part of 'being Kiwi' through an identity-component salience approach. The paper puts forth a few thoughts about how to test the actual effects of the salience of the 'Kiwi' identity and its individual components on financial behaviours and performance, then provides a few examples of messages promoting key identity-component salience.

Key Recommendations

Further explore the connection between what it means to 'be Kiwi' and what it means to 'be Sorted'.

- **Identify the core components of the 'Kiwi' identity that if highlighted and capitalised upon are likely to promote an additionally 'sorted-supportive' overall 'Kiwi' group identity.**
- **Determine how such components may be highlighted to promote a positive 'Kiwi' identity-salience which results in optimal behaviour.**[5]

The Identity-Component Salience model diagram provides five suggested strategies by which identity components might be made more salient.[6] Using the 'Kiwi' identity example, within each of the five suggested strategies listed below there are examples of potential Retirement Commission initiatives that might encourage positive financial management behaviours and performance.. Further detail about each of the strategies and implementation examples is provided in Chapter 6.

1. **Highlight and Prove the Identity-Behaviour/Performance Connection**
    - Establish a Definition of 'Saving' that is 'New Zealand, Inc.'[7] and combat the 'Bad Saver' myth with clever 'Sorted Kiwi' messages.

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[5] This identity-behaviour strategy might also, or alternatively, be applied to targeted to specific ethnic, age or income populations in New Zealand. "be Kiwi" or and "Kiwi identity" need only be replaced with "be (ethnic group, age, income group", etc.)

[6] See Appendix A for a detailed model diagram and narrative

'New Zealand Inc.' is a relatively new term described roughly as a plan, programme or initiative that is 'of the country', for example one brought about through cross-national collaborative efforts and therefore one in which all sectors of the nation can feel ownership.

- Use the clever Kiwi sensibility to suggest Kiwis are simply too smart for problematic debt.
- Highlight the perceived 'practical and sensible' financial management strategies – Give the ‘risk averse’ label a sensible spin.
- Use Number 8 Wire to increase 'for the greater good' entrepreneurial interest

2. **Promote Identity-Based Benefits or Threats of Desired Behaviour**
   - Keep specific ‘Kiwi’ identity components in mind when promoting benefits and threats of financial management behaviours. Which threats and benefits will really resonate with New Zealanders?

3. **Lower Perceived Cost of Desired Behaviour**
   - ‘Kiwi-ise’ Financial Management - Show how financial management fits into the 'ideal' Kiwi lifestyle.

4. **Use Identity 'Ideal' Representatives/Representations**
   - Use popular messengers with which Kiwis identify and who exhibit the most appreciated sorted-supportive identity components.

5. **Capitalise on Unique Identity Components that are Empowering and Inspirational**
   - Capitalise on ‘small country pride’ and appreciation of being ‘first in the world’.

Recommendation for Future ‘Ethnic’ Identity Focused Research:

- Recognise and capitalise upon the financial management strengths of different ethnic identities in New Zealand.

Investigate the potential impact on New Zealand’s financial well-being of the increasing population percentages of Asian, Māori and Pacific peoples within New Zealand and identify financial management initiatives which capitalise upon the identity strengths of these groups.

Future Research Question 1:

How can financial opportunities (products and schemes) integrate and capitalise on aspects of community-focused financial behaviours of Māori and Pacific peoples for the benefit of Māori and Pacific peoples as well as New Zealand as a whole?

Future Research Question 2:

How will the growing Asian population impact on New Zealand financial management attitudes and behaviours? Given unique Asian identities and corresponding attitudes and values surrounding finances and business, how will this increasingly significant population effect productivity in New Zealand?

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PREFACE

It is important to point out that this work simply offers a new avenue to be explored in New Zealand's journey to achieve the vision of the Retirement Commission, that 'New Zealanders are Financially Sorted'. The Retirement Commission is clearly at the forefront among nations in the field of financial literacy and has achieved outstanding results to date as demonstrated by the latest ANZ Financial Knowledge Survey.[8] Its educational resources and their promotion through public education and social marketing mediums serve as a model for other countries with similar goals of encouraging and empowering their populations to achieve financial well-being by increasing financial knowledge. The Retirement Commission's efforts in other areas, including promoting a trustworthy financial services industry through appropriate regulations, and promoting effective and stable government retirement income policies, also contribute toward the vision.

This work recognises the Retirement Commission's substantial efforts and asks: In addition to the recognised relationship between people's financial knowledge levels and their state of financial well-being, what other factors upon which we might have some influence could be useful in promoting sustainable financial well-being among New Zealanders? Specifically, this paper asks how what is known about the effect of identity-salience on behaviour and performance might be useful in accomplishing the Retirement Commission's vision: New Zealanders are financially sorted.

A number of studies have demonstrated that identity-salience impacts a person's behaviour and performance. Depending upon which component of a person's identity is triggered, a person's behaviour and achievements can vary dramatically. How identity and its underlying components can be appropriately 'primed' in order to achieve desired behaviours and achievement of goals is however not yet known. This work suggests a possible framework upon which to base an identity-component salience strategy and reports on qualitative research collected during preliminary work toward the development and implementation of such a strategy using the folk 'Kiwi' identity. Qualitative evidence gathered through this study suggests that such an identity based financial well-being initiative is worthy of further investigation.

Given that the focus of the work is the identification and examination of the potential usefulness, in terms of promoting financial well being, of certain components that underlie the commonly recognized 'Kiwi' identity, I have used the words of New Zealanders themselves whenever possible. Direct quotes were chosen, unless otherwise stated, because they reflect the most common view shared by those who participated in the study.

Errors and omissions are the responsibility of the author, who can be contacted at robynndupuis@hotmail.com

A number of sections providing additional background information and analysis were ultimately cut from this work. I am happy to share any of these documents of interest to readers. See the list of documents in Appendix D.

[8] Colmar Brunton (2009)

INTRODUCTION

The Sorted Kiwi.[9]
Research regarding the effect of identity-salience suggests that components of a person's 'identity' and the salience of those components particularly at the point in which people make financial decisions, may affect people's abilities and inclinations to achieve financial well-being.[10] This work suggests that by highlighting certain components of a group's identity that support positive financial behaviours, positive financial well-being outcomes for a population may be more sustainably achieved.

This work uses the commonly recognized folk 'Kiwi' identity for the preliminary development of an identity-based financial well-being strategy which focuses on identity-component salience. Although it is likely that more targeted population group identities would be required for the execution of an identity-based strategy, the qualitative findings of this work suggest that the 'Kiwi' identity and its underlying sorted-supportive components could indeed be useful toward the achievement of the Commission's vision, particularly in terms of a mass-population effort.

When 'being Sorted' is perceived as part of 'being Kiwi', 'sorted' financial management behaviours may be more naturally and sustainably normalised and more positive financial well-being outcomes achieved.

The identity effect is a relatively new area of the behavioural economics field. However, research indicates that identity-salience can have incredibly positive or incredibly negative effects on people's behaviours and performance.[11] The Retirement Commission's work, grounded in a philosophy that given appropriate financial management information New Zealanders will act rationally and responsibly to achieve financial well-being, does allocate great respect to the clever sensibilities of New Zealanders. This work attempts to identify what components of the 'Kiwi' identity may include behavioural norms that are particularly supportive of positive financial management and to suggest how the Retirement Commission might proceed to highlight these key components within its existing initiatives to increasingly advance financial well-being among all New Zealanders.

Setting the Stage: Why are New Zealanders Worrying About Financial Well-Being and What Factors are Known to Affect Financial Well-Being?
Chapter One provides a very brief description of some of the broad environmental factors causing concern in New Zealand[12] about financial well-being. Chapter Two provides a quick overview of the many factors believed to affect peoples' financial well-being[13] and introduces the 'identity' factor discussion.

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[9] 'Sorted' is the term the Retirement Commission (and much of New Zealand generally) uses to mean having achieved financial well-being.
[10] Benjamin, et. al. (2008), p2. Benjamin references Akerlof and Kranton (2000, 2002, 2005), Bison and Verier (200, 2001), Fang and Loury (2005), and Benabou and Tirole (2006) for further analysis of social identity effects.
[11] Shih, Pittinsky, and Ambady (1999), p1 &5, Sylvan (2008), p.22, and Benjamin, et. al. (2009), p.27
[12] New Zealand is in the company of almost every other nation in the world in its concern about securing financial well-being for its people. The great majority of the factors making financial well-being a timely issue for New Zealand are also those shared by many other nations.
[13] A more detailed discussion of these factors is available upon request (see Appendix D).

Exploring the Identity-Salience and Identity-Component Salience Impact on Financial Well-Being and Introducing a Suggested Identity-Based Strategy Framework

Chapter Three examines the research suggesting that a person's identity and the components which comprise different social or group identity categories may be used to promote the normalisation of desired behaviours and the achievement of ultimate outcomes. A framework, entitled the Identity-Component Salience model, is provided for purposes of discussion about how an identity focused strategy might be constructed.

Preliminary Work on the Sorted Supportive 'Kiwi' Identity-Component Strategy

Chapters Four, Five and Six answer qualitatively the three key research questions this report suggests are necessary to construct an identity-component salience strategy using the folk 'Kiwi' group identity. The qualitative evidence suggests that this commonly recognized group identity and some of its core components may indeed be useful for developing a New Zealand mass-population effort to achieve financial well-being.

- Chapter Four identifies common stereotypes Kiwis have about their own abilities and inclinations to 'get sorted' and identifies key policies and economic events that have reportedly contributed to these stereotypes.
- Chapter Five lists a number of commonly expressed components of the common 'Kiwi' identity and discusses their possible and potential impact on financial management attitudes and behaviours in an attempt to identify possible 'sorted-supportive' components.[14]
- Chapter Six suggests that the Retirement Commission further investigate how the folk 'Kiwi' identity and certain underlying components, if made more salient, could contribute to the achievement of their vision. This chapter also provides a few examples of identity strength-based messages that could be included in such an identity-focused approach within the Commission's financial literacy initiatives, and suggests that the Retirement Commission consider more specific targeted population identity based strategies in the future.

[14] This commonly recognized or appreciated 'Kiwi' identity of course will not resonate with some population groups (age, ethnic groups, etc.). A document is available upon request (see Appendix D) that provides a snapshot of a few historic and value-based factors that might influence the financial well-being of Maori, Pacific and Asian peoples.

1 WHAT ARE THE BROAD SYSTEMIC ENVIRONMENTAL FACTORS CAUSING MATES 'TO WORRY', AND HOW WELL ARE KIWIS SORTED?

Key Systemic Issues and Environmental Factors

There is a large body of literature and much ongoing discussion regarding the variety of factors leading to heightened concern about personal financial well-being in general, and in particular about the retirement circumstances of individuals as they age. This section notes a few of the factors.[15]

An Aging, Long Living Population Increases Expenses
By 2039, one in four New Zealanders will be aged 65 or over[16] and due to increasing life expectancies, they will be 'older' for longer. These demographic pressures will challenge New Zealand's universal pension system as currently structured. On a personal level, living longer means Kiwis have to save more for their longer retirements. Caring for aging parents and children may also increase expenses.

The Responsibility Shift from Community to Self
Individuals and immediate family households have taken on increasing responsibilities for their own welfare over time.[17] Among some population groups in New Zealand the extent to which this shift has occurred, and the impacts of the shift, can depend upon cultural traditions and the extent of experience with 'cash-based' economic systems.

Mates on their Own – The Shift to 'Defined Contribution' Schemes
The trend worldwide is for occupational pensions to shift from 'defined benefit' schemes to 'defined contribution' schemes where employees generally have to 'opt in' to the plan and make their own investment decisions.[18]

A More Complicated Financial World and Inadequate Levels of Knowledge
In the not too distant past, the investment options available to most New Zealanders were limited to a bank account, fixed term investments[19] and insurance policies. Today there are innumerable products available from which to choose but the level of financial literacy among some New Zealanders has not kept up.

Increasing Household Debt and Bankruptcies
The Retirement Commission's National Strategy for Financial Literacy cites a study which shows that 30% of households spend more than they earn.[20] In addition to growing debt levels, bankruptcies are becoming more common in New Zealand.[21]

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[15] A more detailed discussion about the impact of these broad environmental factors on New Zealand financial well-being is available upon request (see Appendix D.)
[16] State Services Commission (2009), Guide to Online Participation
[17] Preston (2008), p.5
[18] ibid. p.9
[19] Fixed term investments are roughly equivalent to certificates of deposit in the United States.
[20] Retirement Commission (2008), National Strategy for Financial Literacy, p.2 & 11. The NSFL cites the OECD study (2005), *Improving Financial Literacy: Analysis of Issues and Policies*.
[21] www.Interest.co.nz, 23 March, 2009

Trend Toward Lower Owner-Occupied Home Ownership Rates
New Zealand once had one of the highest home ownership rates in the world. The home ownership rate has declined since 1991 and is now 66.9%.[22] There is concern that if savings in other forms do not increase, those without mortgage-free homes in retirement might find that their expenses greatly exceed their resources.

Wool, Mutton and Highly Educated People – New Zealand Exports
On average Australians are paid 30 percent more than New Zealanders. By the 2000s, one in nine New Zealanders lived in Australia[23] and it is now generally estimated that about 10% of New Zealand's citizens live there.

The Current Economic Crisis 2008/2009
The current economic crisis has greatly increased interest in improving the level of financial well-being. Some believe the crisis may be a 'teachable moment' that could result in more positive financial management behaviours by governments, businesses and individuals.

Other Factors Included in the New Zealand National Strategy for Financial Literacy
The New Zealand National Strategy for Financial Literacy also cited the following critical factors affecting financial well-being:

- Better educated consumers who want to know more.
- The erosion of trust in the financial service industry.
- The ease and availability of credit products to an increasing proportion of the population.
- The KiwiSaver scheme in New Zealand, which has exposed many people to choices around investing and saving for the first time.[24]

How Well Are Kiwis Sorted?

What Does it Mean to Be Sorted?

Being 'financially sorted' or achieving 'financial well-being' is not officially defined in New Zealand. The lack of a definition makes measurement of one's own level of sortedness, and the progress of the Retirement Commission toward its vision, that New Zealanders are financially sorted, a challenge.

In New Zealand, what constitutes being financially 'sorted' typically depends on an analysis of a number of factors including, but not limited to one's age, current and anticipated future income, familial situation, housing situation, lifestyle expectations and personal goals. The determination also allocates a great deal of weight to the individual's own 'sense' of being financially well situated day-to-day and for the future.

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[22] Department of the Prime Minister and Cabinet (2008), House Prices Unit Final Report
[23] Te Ara, Kiwis Overseas, Retrieved 17 April, 2009
[24] Retirement Commission National Strategy for Financial Literacy, (2008), p.2

The Retirement Commission has a fundamental philosophy of promoting 'lifetime financial management'. Its efforts to help New Zealanders achieve financial well-being target different population groups with different educational messages in order to provide the most pertinent information to the people most likely to benefit.[25]

Very generally speaking, for a lower-income and/or lower net-wealth person, key goals and messages of the Commission might include being financially sorted day-to-day by living within a budget and reducing or managing debt. If such a person is likely to improve his or her income over time, for example, in the case of an educated young person with student debt and low entry-level job income but good prospects, 'being sorted' might also include establishing goals for the future with an eye toward a short-term objective such as entering into a saving scheme for a home or even starting to think about retirement by participating in KiwiSaver. For those in the middle and upper income and net-wealth deciles who likely have the current means to save more substantially, after the basic budgeting and debt reduction/elimination goals are achieved the discussion might include a focus on planning for the future and saving for larger longer term goals like paying off a mortgage or building net wealth through investment schemes. The Retirement Commission provides a variety of tools on its sorted.org.nz website by which people are able to consider their own personal situations and ideally come to an informed conclusion about what 'being sorted' should mean for them at that point in their lives.

Are Kiwis Sorted? What Are the Key Indicators?

Given the many considerations involved in determining what 'being sorted' means for different types of people, it is difficult to simply attribute good or bad qualities to broad national statistics. For example, one can't simply say that a high personal savings rate is good without knowing whether or not some of those people who are saving would be better to pay off high interest debt. A high debt rate furthermore isn't always bad. The debt might be associated with large numbers of young people having invested in education to improve their financial future. Generally, of course, high foreclosure rates are bad; consumer credit card 'problematic debt' that people are unable to pay-off is bad; and ample net wealth (assets minus liabilities) is good.[26]

The following figures might be helpful to gain perspective:

Home Ownership Rate

The last four censuses have recorded a decrease in the home ownership rate. In 1991 73.8% of total households owned the home in which they lived. In 1996 the home ownership rate fell to 70.7%. By 2001 the rate was just 67.8% and in 2006 the rate had fallen to 66.9% .[27]

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[25] A detailed discussion of the Commission's philosophy about "lifetime financial management", "saving", and the activities in which it is engaged to achieve the vision: New Zealanders are Financially Sorted is included in Appendix B.

[26] 'good' and 'bad' classifications are of course judgement calls subject to different opinions and economic philosophies.

[27] Department of the Prime Minister and Cabinet (2008), House Prices Unit Final Report

Proportion of Families in Debt
64% of single families and 82% of couple families have some sort of debt in New Zealand. Most of this debt consists of student loans, bank loans, credit cards and other debt, not mortgage debt.[28]

Mortgage Debt
Only 26% of single families and 55% of couple families have mortgage debt, however, this kind of debt makes up the majority of the total value of debt among New Zealanders.[29] Some however assert that the increase in mortgage debt, which has come from increased mortgage size as opposed to more mortgages, may mean that New Zealanders are financing consumption by borrowing against the equity of their homes.[30]

Credit Card Debt
Credit card debt is currently $5.3 billion.[31]

Household Debt
Household debt is $174 billion which is equivalent to 158% of disposable income.[32]

Employment among people over 65
66% of women work part time past age 65 compared to 43% of men. In terms of full time work, 15% of partnered females work past 65 and 26% of partnered males. Only 9% of non partnered females work after 65 and 18% of non partnered males.[33]

Savings Rate
Assessing the New Zealand savings rate is a difficult task. According to Statistics New Zealand, the New Zealand savings rate (saving as a percentage of household disposable income) was -10.7 in 2008. Statistics New Zealand report that the savings rate has been negative since 1994 and peaked at -12.7 in 2007. Statistics New Zealand does note that its figures in this regard are to be regarded as experimental,[34] and OECD has stopped publishing New Zealand's data in its economic outlook. According to economist Grant Scobie, net wealth has increased over time and he asserts that net wealth is the most telling data point.[35] Similarly, according to Trinh Le of the New Zealand Institute of Economic Research, "New Zealanders are getting richer despite, apparently, spending more than they earn."[36] Like Scobie, Le asserts that New Zealanders are saving enough for retirement. In her work Le quotes an independent economic consultancy which says that household saving is positive and has been rising in recent years.[37]

[28] Legge, Jaimie and Anne Heynes (2004), p.5
[29] ibid. p.5
[30] Legge, Jaimie and Anne Heynes (2004), p.3
[31] Reserve Bank of New Zealand (2009)
[32] Reserve Bank of New Zealand (2009)
[33] Statistics New Zealand (2006), Census of Population and Dwellings
[34] Statistics New Zealand (2008), Household Income and Outlay Account
[35] Scobie, Grant, Interview, 15 April, 2009
[36] Le, Trinh (2007) p.1
[37] ibid. p.1-3

Are Kiwis Adequately Sorted for Retirement? What does 'Adequate' mean?

Just as it is difficult to measure whether one is 'financially sorted', defining and measuring what constitutes 'adequate' financial preparation for retirement is also subject to debate. In 2007 the Ministry of Social Development stated its desired outcome related to income for older persons to be that: “Older people have access to adequate incomes that afford security and stability in retirement, provide a reasonable standard of living, and enable them to participate fully in society, exercising choice about how to live their lives.”[38]

The 'consumption smoothing' approach is most favoured by the Retirement Commission as a standard guiding baseline for what is 'adequate'. This approach is based on the life cycle model which, as Scobie describes, “assumes that people will try to smooth consumption over their lifetime and into retirement.”[39] Given a variety of assumptions including an anticipated reduction of expenses in retirement, in New Zealand 70% of one’s pre-retirement income is generally considered to be adequate for a smooth transition into retirement.[40] It is not assumed that the consumption smoothing measure produces an optimal savings rate for all persons because the amount of money one needs is a personal decision based on individual goals, ambitions and also on unexpected life events. One recent analysis which looked specifically at age cohorts close to retirement[41] demonstrated that as an overall group, people in New Zealand are in fact saving adequately for retirement.[42] The study notes that not all individuals however may be saving adequately themselves.

There are a number of variables one could use to group people in order to analyse the degree to which they are likely to be sorted financially for retirement. The most important indicators appear to be income, age, ethnicity and gender.[43]

Using the consumption smoothing measure of 'adequacy', pre-retirement income and pre-retirement net-worth is a strong determinate of whether or not a person is likely to be adequately sorted for retirement. While obviously higher income persons are generally likely to 'be sorted', the effect of New Zealand Superannuation (NZ Super) means that the lowest income groups are actually the most 'easily sorted' given that NZ Super will replace or exceed their traditional earned income.[44] The middle to middle-high income groups are those who appear to struggle most to save adequately. However the Scobie (2005) study asserts that if even half of the people in middle income deciles are not saving at an 'adequate rate', that would mean only about 15% of the population is not adequately saving.[45]

Age matters as well. Not only do older people generally have more net wealth accumulated, but some older people today are benefiting from past government policies encouraging home ownership, generous employer direct benefit

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[38] Ministry of Social Development (2007), Positive Aging Indicators 2007

[39] Scobie, Grant, Interview, 15 April, 2009

[40] By comparison, while the United States generally also uses 70%, Great Britain and some other European nations tend to use a figure closer to 60%.

[41] Average age between 45 and 55.

[42] Scobie, et. al. (2005), pp.xvii

[43] A discussion about the impact of these key factors is available upon request (see Appendix D).

[44] More on the impact of NZ Super on New Zealanders’ retirement savings in Chapter 4.

[45] Scobie, et. al. (2005). pp.xvi-xvii

superannuation schemes, and have more money put away due to greater personal tendencies of frugality and saving attributable to their life experiences of living through the Great Depression and World Wars.

In addition to middle income groups, Māori, Pacific and Asian peoples are reported to be more likely to have inadequate savings for retirement.[46] However, this appears to have less to do with ethnicity per se, and more to do with average income levels, age proportionate to the rest of the population, increased health events in the critical pre-retirement 'saving' years, education levels, number of dependents, and other variables.[47] According to qualitative information from focus groups and interviews, a person's experience with the New Zealand cash-based economic system, and the extent to which a person is engaged in traditional, more community-focused, economic structures may have some impact on their abilities to achieve financial well-being.[48]

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[46] Scobie, et. al. (2005), p.20
[47] ibid. p.108
[48] Documents providing information regarding the likelihood of people of particular ethnicities (Maori, Pacific and Asian peoples) to be 'sorted' for retirement is available upon request (see Appendix D).

2 WHAT FACTORS AFFECT A PERSON'S LIKELIHOOD TO BE SORTED AND WHAT FACTORS CAN BE EFFECTED?

Key Factors Affecting Financial Well-Being

There are a number of factors believed to affect one's ability and inclination to pursue and/or achieve financial well-being. In addition to the most frequently cited income, age, ethnicity and gender factors, other factors mentioned in the literature include net wealth, financial knowledge, confidence in financial abilities, attitudes toward risk, perceived risk, perceived consequences, attitudes toward money and financial management generally, self-efficacy, cultural beliefs and values, the length of ones' planning or time horizon, expectations of future earning power, life expectancy and health, the existence of family support networks, the availability of social welfare benefits, individual lifestyle goals and motivations, the occurrence of life shocks, perceived trust in savings industry, spending habits, normalisation of spending behaviour among family and friends, savings behaviour norms, individual dispositions, other social environment determinants, and a variety of other behavioural tendencies highlighted by the rapidly evolving field of behavioural economics.[49]

Many of the factors believed to influence financial well-being are fairly resistant to change. Even if change is possible, efforts to do so among a significant number of the variable areas are largely outside the jurisdiction of the Retirement Commission. The well recognised psychological principal of the 'availability bias' or 'availability heuristic', first identified by Kahneman and Tversky in the 1970s, basically says that the degree to which people are able to envision the outcome of a particular exemplified activity, the more likely that person is to give credibility to the worth of that activity.[50] This behavioural bias applies to individuals, organizations and governments across the board. As applied to efforts to achieve financial well-being, organizations (including governments) are naturally more inclined to take action on factors depending upon their perceived ability to have a significant impact and achieve an easily envisioned goal. As Josh Fear commented in a recent presentation, financial well-being initiatives would be wise to watch out for the 'availability bias' which he said has led many down the path of approaches that are "readily available" and "seem to work" instead of considering the more difficult options.[51]

Sometimes this 'availability bias' leads to an 'exclusivity bias' as John Neville Keynes wrote in 1891:

> The besting fallacy of writers on economic method has been justly said to be the fallacy of exclusiveness. A single aspect or department of economic study is alone kept in view, and the method appropriate thereto aggrandized, while other methods, of equal importance in their proper place, are neglected or even explicitly rejected.[52]

[49] This list was collected from a variety of sources however it is certainly not comprehensive. There are innumerable internal and external determinants and contributors to financial well-being.
[50] Kahneman and Tversky (1974), pp.1124-1131
[51] Fear (2009), Presentation to Financial Literacy Community of Practice, 29 May 2009
[52] Keynes (1891), p.10

To date, as in most other nations engaged in financial well-being initiatives, New Zealand has focused primarily on achieving financial well-being for New Zealanders with strategies that:

a) promote the availability of trustworthy financial opportunities through the provision of advantageous incentivised programmes such as KiwiSaver;
b) impose safeguarding regulations on the financial services industry to promote consumer trust in taking advantage of financial products[53]; and
c) increase financial knowledge though a variety of financial literacy initiatives[54].

The emphasis of the Retirement Commission is on increasing financial knowledge. The Commission's National Strategy for Financial Literacy mission statement also serves as one of the Commission's four 'big goals': "New Zealanders are well educated in financial matters and can make informed financial decisions throughout their lives."[55]

Although it has not been unambiguously proven[56], increasing financial knowledge is generally assumed to positively impact personal financial outcomes[57] and New Zealand is clearly at the forefront in achieving significant positive results from its financial literacy efforts. When most recently surveyed 28% of New Zealanders had utilised the www.sorted.org.nz financial education website and 89% of users reported taking "some action" after visiting the site.[58] The Commission's efforts to provide information and education have also likely contributed to the success of KiwiSaver, which already boasts a membership of a third of the eligible population. Finally, the Commission is engaged in regulatory efforts designed to promote a more trustworthy financial services industry in which an educated population can more confidently participate.

While increasing financial knowledge and providing incentivised saving programmes and safeguarding regulations are strategy areas with measurable impact, effecting more 'intrinsic' characteristics of people to promote the achievement of financial well-being is perceived to be a much more ambiguous pursuit.

The rapidly developing field of behavioural economics applies cognitive and social psychology to explain the economic decisions people make in real life. As opposed to the 'rational consumer' framework based on the idea that people, as rational beings, will naturally make the right decisions based upon their best interests, the field of behavioural economics is fundamentally based on the idea that people's behaviours are not solely, or even primarily at times, guided by rational thought and analysis, but

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[53] A document noting a few of New Zealand's current efforts to provide advantageous financial opportunities and safeguarding regulations are available upon request (see Appendix D for list of available documents including "KiwiSaver and Whai Rawa" overviews and "New Zealand's Current Regulatory Initiatives")
[54] The Retirement Commissions financial literacy initiatives are described in Appendix B.
[55] Retirement Commission (2009), www.retirement.org.nz
[56] O'Connell (2007) and Willis (2008) p. 1
[57] Literature regarding the 'effect of financial literacy on financial well-being' is discussed further in Appendix B.
[58] Nielsen, Sorted User Survey, (2009) p.2

by a variety of behavioural and psychological considerations and triggers.[59] Louise Sylvan of the Australian Productivity Commission lists six significant areas for consideration: “Defaults, Basic Reasoning Problems, Information (decision conflict and framing), Loss Aversion, Overconfidence and Identity Issues."[60]

Understanding behavioural economic concepts and utilizing lessons learned to promote what is believed to be desirable financial behaviours among ‘real people’ is becoming more and more common within financial services and financial education arenas. The design and implementation of the government supported KiwiSaver savings programme[61] utilised a number of behavioural economic concepts. The clearest example can be found in KiwiSaver’s ‘automation’ of saving whereby every new employee is automatically enrolled and has to consciously ‘opt out'. This has been credited with achieving high participation levels.[62] Understanding the strength of ‘defaults’ is also useful. Studies have found that people perceive the ‘default’ option to be grounded in ‘good financial advice’ when in reality many defaults are more ‘money holders’ than ‘money makers’ and often represent very poor earning potential. Knowing that people tend to choose defaults using this reasoning, behavioural economics might be applied by offering a more specific default triggered by an investor’s age category and other personal or financial characteristics.

How Does Identity Affect Behaviour and Performance?

A number of social categories make up part of every individual’s overall identity[63] and each of those categories has a set of norms with which it is associated. These norms tell people how they should behave by affecting people’s preferences whenever individual social identity categories are evoked or "made salient".[64] Benjamin, et. al. join a number of social scientists who have argued over many decades that “differences in norms tied to social identities help explain such demographic differences in economic outcomes.”[65] Benjamin’s own findings suggest that “social identity matters for fundamental economic preferences.” [66]

The most commonly cited example in recent literature of the role of identity-salience[67] on people’s behaviour performance is an experiment where a group of Asian-American women was asked to take a math test. Prior to the test, some of the

[59] Fear (2008) p.17
[60] Sylvan (2009) ASIC Seminar, p.9
[61] Documents providing an overview of KiwiSaver, along with discussions about challenges and the future of KiwiSaver are available upon request (see Appendix D).
[62] ‘Automating’ KiwiSaver contribution increases, either tied to ‘time periods’ or ‘increased income’, might be a next step for KiwiSaver.
[63] For example “mother”, “professional career person”, “member of a race or ethnicity”, “member of a religious community”…
[64] Benjamin, et. al. (2008), p2 cites Akerlof and Kranton (2000) Economics and Identity, Quarterly Journal of Economics, 115, 3, MIT Press, and also suggests Akerlof and Kranton (2002, 2005), Bisin and Verdier (2000, 2001, Fang and Loury (2005) and Benabou and Tirole (2006) for other theoretical work on social identity effects.
[65] Benjamin, et al. (2008), p.2. Benjamin cites: Sowell, 1975, 1981 and 2005; Murray, 1984; Chiswick, 1983; Barke, Jenkins-Smith, and Slovic, 1997
[66] ibid. p. 26
[67] Identity-salience is defined by Hogg, Terry, & White (1995), p.257 as “the likelihood that the identity will be invoked in diverse situations.” A salient identity is the identity with which a person identifies most at a particular moment over other identities.

women completed a survey that included subjects designed to evoke their Asian ethnicity identity and others completed a survey designed to evoke their female gender identity. Even though no mention was made in the surveys, or otherwise, of the stereotypes that 'Asians are good at math' and that 'females are bad at math', the women who had been prompted to think more about their Asian identity prior to the test scored significantly higher than the female identifying group.[68]

In a synopsis of the identity-salience effect, Eldar Shafir cites a number of other studies performed over the years which have demonstrated a similar effect including: "resistance to persuasion (Kelley 1955); reactions to advertisements (Forehand, Deshpande, and Reed 2002); voting (Berger et al. 2006); the rating of consumer products (Reed 2004); as well as consumer decisions."[69] One study, for example, found that when University students were approached as 'academics' they were more likely to choose academic magazines then their peers to whom their 'socialite' identities were emphasised.[70]

The results of these experiments indicate that identity and identity-salience in particular may have a significant impact on financial behaviour and performance. In the case of a specific targeted population with a number of common shared group identities, such as the aforementioned 'Asian American Women' population, it appears clear that evoking a certain identity category will result in a better outcome than evoking other identity categories. As applied to math performance, the Shih, et. al. experiment suggests that the choice is clear - better outcomes will be achieved by talking to the group as 'Asians' than as 'Women'. However, this strategy may not be so easily employed among larger more diverse populations with fewer shared group identities. Understanding and building upon the identity-salience effect, the following chapter explores how an identity-based financial well-being strategy might be designed for a large diverse population with fewer common group or social[71] identities from which to choose.

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68 Shih, Pittinsky, and Ambady (1999), pp.1-8
69 Shafir (2008), p.16.
70 ibid. p.16
71 The term 'social identity' and 'group identity' are used interchangeably in literature depending upon the preference of the author. The term 'group identity' is used most frequently in this work.

3 HOW CAN ADVANTAGEOUS IDENTITY-SALIENCE AND IDENTITY-COMPONENT SALIENCE FURTHER THE VISION: NEW ZEALANDERS ARE FINANCIALLY SORTED?

A Proactive Approach - Can Identity-Salience Be Used as a Tool to Improve Outcomes?

A review of the literature finds several supportive conclusions.

Shih, et al., the researchers behind the Asian-American identity-salience experiment, summarised their findings as follows:

> We report that implicit activation of a social identity can facilitate as well as impede performance on a quantitative task. By making a particular social identity salient at an implicit level, performance was altered in the direction predicated by the stereotype associated with the identity.[72]
>
> …when the fact that people have multiple identities is addressed, self-stereotyping effects may be approached far more strategically than previously recognized. To date, individuals have been largely cast as victims of self-stereotyping. But the possibility exists that interventions… could be used to strategically impact performance**.**[73]

Sylvan similarly pointed out in a recent financial literacy behavioural economics roundtable discussion, that: "Highlighting certain elements of identity can influence acceptance or rejection of policy programs (and undermine or reinforce their success)."[74]

In a paper entitled 'Social Identity and Preferences' about the effect of social identities on economic outcomes, Benjamin, et. al. wrote that: "Priming effects raise the possibility that a benevolent policymaker could intentionally use identity primes as an instrument for encouraging desirable behaviours in various domains, such as saving and investing…"[75]

While indeed literature supports the concept that identity-salience might be used as a tool to promote desirable outcomes, less is written about that the means by which that might be accomplished.

What if there is only One Group Identity Choice?

An understanding of people's different identity categories, their associated stereotypes or implied assumptions, and the likely effect of the salience of each of the different categories on financial well-being behaviour and performance is clearly important and promises to be critically useful information, depending upon the target population.

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[72] Shih, Pittinsky, and Ambady (1999), p.1 Shih et. al. reference other researchers having come to similar conclusions including Levy, 1996 and Stele & Aronson, 1995
[73]bid. p.5
[74] Sylvan (2008), p.22
[75] Benjamin, et. al. (2009), p.27

If one is approaching a very specific target population which shares a few common group identity categories the best action is clear: the identity that is most likely to result in the most positive behaviour and performance should be evoked. The 'Asian-American Women' experiment cited above for example indicates that for that particular test the results will be better if the group is identified as 'Asian' instead of as 'Women'. Sometimes such a choice between common group identity categories however is not available.

If the target population is a larger more diverse group, as in the case of the population of New Zealand, where there are a number of different ethnicities, genders, ages, income-states, religions, education levels, etc., there may not be an available 'choice' among a number of commonly shared group identities. Even among more targeted populations, such as a single ethnic group, there is great diversity among individuals and an identity-salience approach would have to be careful not to elevate one identity within that ethnic group at the expense of another (say men over women or tertiary educated over non tertiary educated).

Shih, et. al. indicate that it is important to address "the fact that people have multiple identities…" and to strategically use that knowledge to improve outcomes.[76] It also appears to be important to address the fact that diverse populations have a limited number of common group identities with which a majority identify. An initiative that has the objective to improve the performance outcomes of a diverse target population therefore might seek to identify the most common group identity available and investigate its 'usefulness' toward guiding desirable behaviours and outcomes.

Given that there may only be one higher-level common group identity available within a diverse target population, this study suggests that behaviour and performance outcomes may be improved by looking within that one specific group identity and identifying which of its individual components have norms supportive of the desired behaviours and outcomes. Just as it has been suggested that 'priming' particularly 'positive' identity categories over 'less positive' others may result in more desirable outcomes[77], this study suggests that when there is only a single group identity available with which to work, positive outcomes of identity-salience may be encouraged by 'priming' identity components which have norms particularly supportive of the desired behaviours and outcomes over less supportive components.

Sylvan has said that some of the findings of identity-salience studies, such as the Asian-American women experiment, are "disturbing", particularly given that people are regularly approached with programmes and services that "they need" or "that can help them" in ways in which inadvertently highlight negative identity stereotypes associated with their situation.[78] The consequence of highlighting (albeit unintentionally) a person's perceived deficit or their identification with a group of people who 'need help' may be that efforts designed with the best intentions to improve that person's situation are unintentionally weakened. While this phenomena could be considered disturbing, it is never-the-less critical to recognise and address to the extent possible the existence of this identity-effect. Where there is a choice

[76] Shih, Pittinsky, and Ambady (1999), p.5
[77] Shih, Pittinsky, and Ambady (1999), p.5; Sylvan (2008), p.22 & Benjamin, et. al. (2009), p.27
[78] Sylvan (2009), ASIC Seminar presentation, Melbourne, 29 May, 2009

available between an ‘advantageous' identity category and a ‘disadvantageous' category, the choice is clear as to how to proceed. When there is not, the salience effect of the single available common identity could be improved by highlighting underlying identity-component strengths.

Te Puni Kōkiri is an example of an entity which demonstrated an understanding of the importance of taking ‘identity’ into consideration when they developed the 'Māori Potential Framework'.[79] The ‘Māori Potential Framework’ focuses on and celebrates key positive components of the most commonly recognized components of the Māori identity to inspire and promote Māori success.[80]

The target population for Te Puni Kōkiri is people of Māori ethnicity and the most common group identity is therefore ‘Māori’. Within the ‘Māori’ ethnic identity category however, people who associate as ‘Māori’ are otherwise significantly diverse in terms of experience, education, income, gender, religions, etc. The 'Māori Potential Framework' consciously shifts the discussion from a negative approach to a strengths-based approach highlighting Māori achievement. One example is the introduction and promotion of a new term, the 'Māori Edge', which “suggests that Māori, secure in their culture, have traditions, skills, and values that resonate with those looking to purchase New Zealand goods and services.”[81] Te Puni Kōkiri’s strategic goal is "Māori succeeding as Māori through realising Māori Potential".[82] Instead of focusing on messages that Māori need ‘to change’, Te Puni Kōkiri “affirms the capability, initiative and aspiration of Māori” and talks about Māori realizing their inherent potential.[83] These identity-strength based messages highlight the positive inherent underpinnings of the ‘Māori identity’. Ideally, such messages are designed to result in a shifting of the self-stereotypes some Māori may have about themselves to encourage more positive performance outcomes.

The Strength of the Folk ‘Kiwi’ Group Identity

The ‘Kiwi’ identity used for the development of this identity-based strategy came from the common appreciation many New Zealanders reported[84] in relation to the folk images and ideals of what it means to be ‘Kiwi’.

A 2008 article about Kiwi folk images listed the following commonly cited descriptors:

- Number 8 wire

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[79] Ringold (2005), p.37 describes the ‘Maori Potential Framework’ as: “…a multisectoral policy framework which incorporates economic, social and cultural objectives. It responds both to Māori cultural values and interests, and recognises the multisectoral and interlinked determinants of welfare... This approach is consistent with Māori views and values, which define wellness and wellbeing as holistic, linked to spiritual, cultural and physical factors.”

[80] In addition to looking at common ‘Kiwi’ identity components, one of the recommendations of this work is that more research and work be done in conjunction with Te Puni Kōkiri and the Ministry of Pacific Island Affairs to explore potential strength-based initiatives to similarly capitalise upon specific components of Maori and Pacific people’s identities.

[81] Te Puni Kōkiri (2008), p.1

[82] ibid., p.7

[83] bid. pp.8-9

[84] New Zealanders reported on the feature components of the ‘Kiwi’ identity in individual interviews, focus groups and survey responses conducted as part of this research.

- The tall poppy is the first to get cut
- Punching above our weight. Kiwi ingenuity
- Boat, bach and BMW[85]
- She'll be right [86]

The authors noted that:

> If this were just a matter of what we say to each other on the bus and in the pub it wouldn't matter, but there is more at stake. Our folk image of ourselves is tied to deeply held values about work/ life balance and work habits. These, in turn, are tied to our ability to succeed as we become more exposed to the world economy.[87]

The qualitative findings of this study also suggest that the underlying cultural values and folk image components that construct the 'Kiwi' identity may individually have norms that affect financial management attitudes and behaviours as well. The article cited above does not promote changing the Kiwi folk image (or 'identity'), or the underlying values and beliefs in order to achieve more desirable results. As the authors write: "It would be a sad victory if success came at the price of becoming just like America, Japan or Singapore."[88] Rather they argue that New Zealand should capitalise on the positive strengths of its unique sense of self to achieve success in its own way.

This work posits one possible strategy to achieve the vision: [all] New Zealanders are Financially Sorted, by targeting and capitalizing upon the most appreciated 'sorted-supportive' components within a 'Kiwi' identity.[89] The hypothesis is that promoting a heightened identity strength-based association between 'being sorted' and 'being Kiwi' might effect greater financial well-being performance. This may shift the perception among many New Zealanders that financial management is "difficult", "tedious" and someone else's "day job", to being a behaviour naturally and normally associated with being a clever, down to earth, responsible, self-reliant, determined, humble, independent, and ingenious Kiwi. [90]

The Commission has already achieved outstanding results with its social marketing campaigns highlighting the benefits of financial education.[91] They have already given great credit to 'clever Kiwi' capability, so an identity-component salience approach would simply provide guidance for targeted messages that promote the concept that New Zealanders have an inherent capacity and potential to achieve financial well being, in essence that 'being sorted' is very much part of 'being Kiwi'.

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[85] Different iterations of the 'Bs' are commonly mentioned in literature and were also mentioned by persons contributing to this research. James Belich's 'Paradise Reforged', for example, lists: "boat, bach, beach and barbecue". A number of persons interviewed simply listed "bach and a boat" as, in addition to owning a home, being the 'Kiwi dream'.

[86] NeoManagement Group *Business Publications*, 1 June, 2008, p.1

[87] NeoManagement Group, *Business Publications*, 1 June, 2008, p.1

[88] ibid. p. 1

[89] The folk 'Kiwi' identity is used as a group identity example for the development of the identity component salience framework which could be applied to more targeted group identities.

[90] These are just a few of the common Kiwi characteristics expressed in surveys, interviews and focus groups.

[91] Kneebone, Interview, 13 May, 2009

Research suggests that by incorporating considerations of cultural and social contexts into the development process of programmes and initiatives, desired outcomes can be more effectively attained and sustainably improved.[92] In fact, it has been shown that when behaviours deviate from norms which have arisen from one's identity, a person is likely to experience counterproductive or otherwise non-optimal results which push that individual back to operating within their identity-supported norms.[93] This underscores the importance of ensuring that financial management behaviours are not perceived as 'deviating' from identity norms as some of the qualitative evidence discussed in Chapter 4 indicates may be the case among some New Zealanders.

The Identity-Component Salience Model – A Framework

To provide a framework for this study, a simple model was created. The Identity-Component Salience model's ultimate objective, as applied to financial well being among all New Zealanders, is to increase the likelihood that New Zealanders achieve financial well-being by increasing the salience of key components of the common 'Kiwi' identity which support attitudes and behaviours most conducive to achieving the desired outcomes.

There is much literature regarding how behaviours may be influenced. Most social marketing campaigns focus solely on the end product of changing behaviour, not on the underlying contributors to that behaviour.[94] Few models focus on shifting attitudes and fewer (if any) focus on how a person's identity, and the component values and ideals that comprise different categories of a person's identity, impact attitudes, behaviours and ultimate performance. Furthermore, most social marketing models focus on the 'individual' and not on the 'mass-population'. As Lefebve affirms:

> When behaviour change theories are employed, they are used in a context of changing an individual's behaviour. Although this objective is a bottom-line focus for many social marketers, the promise of social marketing over other approaches to social change is its overall focus on influencing population groups to achieve social change objectives. Yet, aside from the diffusion of innovations model, we see no evidence of "population-based" theories and models being reflected in social marketing literature or discourse.[95]

The Identity-Component Salience model is a mass-population social marketing approach to achieve normalisation of desired behaviours by highlighting the strengths of group identity components supportive of the desired behaviours and ultimate performance outcomes. It is intended to be utilised as a method by which group identity considerations can be effectively identified and utilised within the design, implementation and promotion of initiatives intended to result in behavioural change among a population group.

As Chen and Li write, "When we belong to a group we are likely to derive our sense of identity, at least in part, from that group," and further, that "group identity affects

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[92] Rao and Walton (2004)
[93] Akerlof and Kranton (2002) as cited in Benjamin, et. al., p.2
[94] Common social marketing models and theories, and the Retirement Commission's current strategy are discussed in additional documents available upon request (see Appendix D).
[95] Lefebvre (2000) p.19

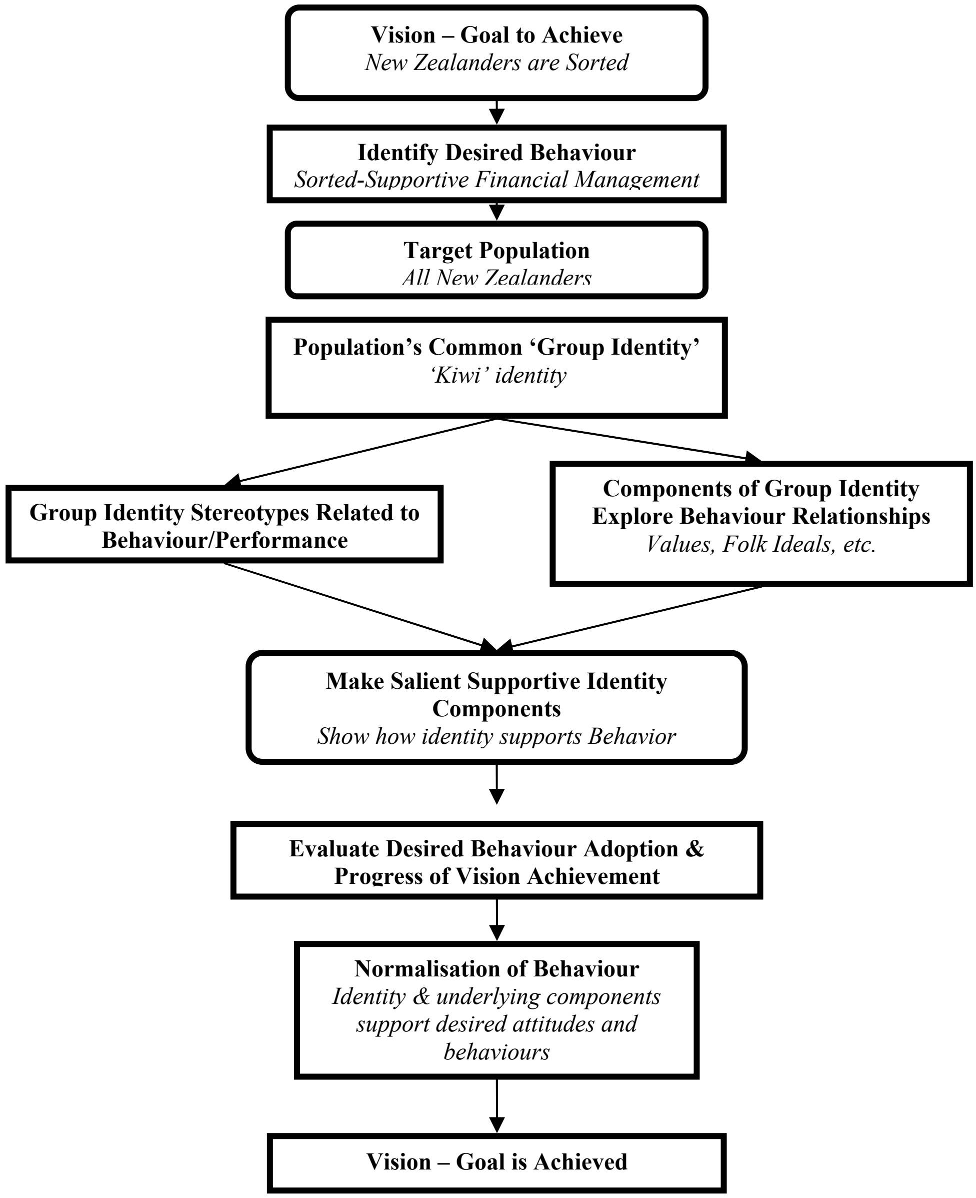
individual behaviour".[96] The Identity-Component Salience model structure relies on the theory that while all behavioural change ultimately occurs at an individual level, an efficient way to effect outcomes in a group may be to highlight how commonly recognized elements of the group's identity are supportive of the desired behaviour and outcome. The Identity-Component Salience model could be applied to the achievement of any desired behaviour or outcome, so long as identity-components exist which support the desired behaviours or outcomes. While group (or sometimes called social) identity theory has been shown in a number of fields to be central to understanding behavioural phenomena, standard economic analysis has largely focused on individual-level concepts to explain decision making.[97]

While appealing to a common group identity, in this case the sense of 'being Kiwi', is intended to capture a good part of the population of New Zealand, the Identity-Component Salience model also relies on social confirmation, sometimes called social proof, theory to more broadly disseminate messages. Social confirmation is described simply as the very powerful tendency of people to do what other people do.[98] It is well understood that the behaviour and performance of individuals is in large part a result of the influence of social groups with which they associate[99] Therefore, even if a specific group identity component, such as a particular value or folk ideal is not one with which an individual person closely associates, that person may still identify with the value or with its associated behavioural norms given the person's association with the larger group.

The Identity-Component Salience model applied here takes a 'New Zealand Inc.' approach. It is based on the most commonly recognized elements of the group 'Kiwi' identity, and focuses on how those elements are or are not 'sorted-supportive.' A basic diagram of the model is included below and a more detailed diagram, including a narrative of steps specifically applied to the New Zealand financial well-being vision is included in Appendix A.

[96] Chen and Li (2006), p.2
[97] Coleman (1961)
[98] Fear, Josh (2009), Presentation to Financial Literacy Community of Practice, 29 May, 2009
[99] Turner, J.C. (1987)

The Identity-Component Salience Model - Basic Diagram



Working the Model

The following three chapters answer three key research questions and are consistent with the Identity Component Salience model. Chapter four examines what 'Kiwi' identity stereotypes may exist related to New Zealander financial management aptitudes and inclinations and how the stereotypes evolved. Chapter five explores how commonly recognised elements of the 'Kiwi' identity may contribute to Kiwi financial management attitudes and behaviours. Chapter six suggests how the Retirement Commission can make more salient certain identity components to improve the overall 'Kiwi' identity-salience effect on financial well-being behaviour and performance.

4 WHAT DOES 'BEING KIWI' SAY NOW ABOUT NEW ZEALANDER'S ABILITIES AND INCLINATIONS TO 'GET SORTED? WHAT ARE THE MOST COMMON FINANCIAL MANAGEMENT STEREOTYPES RELATED TO THE 'KIWI' IDENTITY AND WHERE DID THEY COME FROM?

This chapter explores the current 'Kiwi' identity-salience effect on New Zealander financial management attitudes, behaviours and performance, and highlights a few of the most commonly mentioned economic, political and historical factors that have influenced financial attitudes and behaviours over time. Information for this section was collected through a literature search, interviews, focus group discussions and Financial Attitude Survey responses. Although commonly mentioned values and folk ideal components of the 'Kiwi' identity also contribute to financial attitudes and behaviours, those components are discussed in the subsequent 'Kiwiana' chapter.

The first part of this chapter identifies common stereotypes, or implied assumptions, New Zealanders participating in this study provided about their own abilities and inclinations to 'get sorted'. The second part of the chapter identifies key policies and economic events that were credited with contributing to the development of the stereotypes.

What Are the Most Common 'Kiwi' Financial Management Stereotypes?

Qualitative findings in this study showed that financial management in general is not considered to 'fit' with the ideal Kiwi lifestyle. Study participants felt that financial management is difficult, technical and sometimes impossible given the low wage economy. Being engaged in financial management activities or being concerned with wealth accumulation are often not admired pursuits. Many Kiwis feel they can't affect the future, and anyway 'she'll be right' given government supports. Finally, Kiwis on the whole consider themselves to be 'bad savers' and not so great at financial management generally.[100]

Financial Management Is Not 'Sweet As'

This study[101] found that in New Zealand financial management itself is not only perceived as 'boring', but due to the aversion of many New Zealanders to talking or 'thinking too much' about money, it is on one level also simply perceived as being 'un-Kiwi'. According to some people interviewed, New Zealanders simply aren't supposed to be preoccupied with money and financial matters; it's not a cultural ideal, and in the words of a number of those surveyed and interviewed, "money is just not a priority". Many Kiwis expressed that even financially savvy New Zealander's do not want to spend their weekends going over a budget and certainly not planning their

[100] Some surveys suggest that New Zealanders may judge the broad 'Kiwi group' more harshly than they do themselves specifically. One person commented that although it is widely understood that Kiwis are 'bad savers' and it must be true, she didn't personally know any bad savers.
[101] See Appendix C for the methodology for the qualitative research upon which this paper is based which included interviews, focus groups and surveys.

retirement. New Zealanders, the majority reported, care about quality of life and enjoying the present moment; they want to be out tramping, camping, playing rugby and spending time with their families and friends. Even if individual New Zealanders don't actually take part in those kinds of outdoor recreation activities in 'real life' they still represent the idealised lifestyle. There was a general sense that 'financial management' and 'enjoying life' do not fit together well. One person commented that she particularly admired financially sorted people that were "still able to be flexible and have fun."[102] Among study participants, this combination was generally considered incompatible.

Financial Management is Difficult and Sometimes Impossible

Many New Zealanders participating in this study reported financial management as being "tedious", "requiring expert help", "complicated", "technical", and "someone's day job". A few survey respondents also said the term 'financial management' evoked feelings of "worry" and "nervousness". Terms such as "thrifty" were particularly negative and survey respondents expressed associated feelings of "missing out", "cutting back" or had images of someone who is "hard up" or "not generous".[103] When asked what images come to mind when an individual is described as "financially sorted, keeping a budget, having a financial plan for the future, and being thrifty" focus groups immediately responded with comments like: "a bit boring" and "my grandfather".

Some Financial Attitude Survey respondents did say that they greatly admired people who were 'financially sorted' as they held the perception that it was massively difficult. Respondents described financially sorted people as being "quite focused and very knowledgeable of how their money is allocated… and don't easily let themselves get off track. They are clear on what they want vs. what they need"; "Sensible given that we cannot be sure what superannuation provisions will be in the future"; and, "Stable people that know they have to say 'no' for some situations." A number expressed a desire to be "more like them". One wondered "how they know this stuff and where they learnt it." Another respondent perceived that financially sorted people are "wise".

Although many persons surveyed and interviewed did express that financially sorted behaviour is impressive, many also expressed that not only is financial management difficult and onerous, it is also sometimes futile. As one focus group participant said: "No one knows when they are going to die so sometimes it's better to just live your life!"[104]

Many New Zealanders interviewed blamed the low wage economy on the lack of ability and subsequent lack of interest among some Kiwis of doing anything about their financial future. Comments like "there's not enough to save to make it worthwhile… I might as well enjoy it", and "saving is completely unrealistic and not even part of the discussion" were common.

[102] Dupuis (2009), Financial Attitude Survey Analysis, p6
[103] ibid.
[104] Wellington Women Focus Group, 15 April, 2009

When budget advisor district representatives throughout New Zealand were asked how they think their clients feel when they hear words like 'Financial Management', 'Saving' and 'Being Thrifty', the most common responses are summarised as:

- Clients feel they don’t have enough money to bother with saving anyway; they don’t feel they have the money to budget with;
- Clients feel financial management is simply not possible and certainly not worth the bother;
- Clients are wary and think someone is going to take their money from them and they’ll have to deprive themselves of things they want in the future; and,
- Clients feel confused, depressed, scared or intimidated, stupid and guilty.[105]

The low-wage economy was credited as having created a situation wherein some Kiwis are unable to save. A number of people interviewed however also gave the impression that some Kiwis have received the ‘saving is difficult’ message so often that they are too discouraged to even try. A number of respondents commented that some New Zealanders just seem resigned to live in the moment and, as one person said, “get a nine-to-five job and go fishing.” Alternatively, there are other New Zealanders who move abroad where they feel they can make and save some money. Interestingly the ideal still appears to be to work hard, make money, and return to New Zealand to enjoy life.

Money is Grubby: The Perseverance of Anti-Capital, Anti-Profit Sentiments

Financial columnist Mary Holm asserted that there is a general 'anti-money' feeling among some Kiwis:

> Many New Zealanders think of money as being grubby and generally feel that it’s not good to worry too much about money and acquisitions… this concept that worshiping money is bad often means that people switch off whenever money is discussed at all.[106]

Donna Dentice and Lyn Morris of the Young Enterprise Trust, an organisation which conducts financial literacy education in schools, also expressed the opinion that many New Zealanders of all ages have negative feelings about wealth. They cited a recent survey they conducted which found that many teachers have little understanding of business and may see profit as ‘a dirty word.’[107]

In addition to ‘anti-money’ feelings, there also appear to be significant ‘anti-profit’ and ‘anti-business’ feelings in New Zealand. Economist Suzanne Snively commented that due to economic turmoil and polarization that began during the 1970s and continues in different degrees within today’s New Zealand society and culture today: “to this day, a lot of people still feel that ‘big business’ equals ‘corporate’ equals ‘bad’”.[108]

[105] Dupuis, Robyn (2009), Financial Attitude Survey Analysis, p7
[106] Holm, Mary, Interview, 18 March, 2009
[107] Dentice, Donna and Morris, Lyn, Interview 9 June, 2009 & Holm, Mary, Interview, 18 March, 2009
[108] Snively, Suzanne, Interview, 19 April 2009.

A number of people interviewed reported that often enterprising New Zealanders feel they are suspected of doing ‘something shady’ and that some people perceive their success to likely be at the expense of others. One respondent said that she indeed is often inclined to think of someone who is ‘concerned with financial management’ or who is ‘thrifty’ as demonstrating traits of an “ungenerous person”.

The Government Will Take Care of New Zealanders

A number of people interviewed and surveyed reported a belief that the government will provide for them via NZ Super and other social welfare supports.[109] For some lower income Kiwis, using the consumption smoothing[110] approach, this is generally true. For others, as Holm commented, at least New Zealanders know “they won’t be left bleeding outside of a hospital.”[111] The effect of historic government support is discussed later in this chapter.

Kiwis are Bad Savers - The 'Bad Saver' Myth: A Self-Fulfilling Prophesy?

Almost every person interviewed declared confidently that Kiwis are 'bad savers'. Comments included: “Kiwis are not good savers”; “Our savings are not flash”; “Kiwis don’t have a culture of saving”; “it’s impossible to save in New Zealand”; and “everyone is a bad saver so why bother.”

Most Financial Attitude Survey respondents reported the belief that Kiwis are generally 'spenders' and several people noted that, “according to the news”, this is true. One respondent admitted that she didn’t personally know any 'bad savers', but given the extent to which it is written about in the paper it must be the case. Some respondents had a perception that Kiwis spent to “keep up with other countries’ spending habits”, and that New Zealand has become a more “consumer oriented society where buying gadgets and luxury goods is seen as a way to make a statement about who we are”. People also blamed easy credit and loans for allowing and encouraging people “to live beyond their means as a lifestyle” and for giving people a sense that “it’s okay to use cash we don’t have yet”. People expressed an increasing lack of self-control among the younger generation in particular. One individual observed that newer immigrants to New Zealand appear to be more focused on acquiring properties than Kiwis, who seem more interested in having holidays. Most survey respondents said they thought New Zealand was less 'sorted' than other countries, particularly the UK and Australia with which they were most familiar. Reasons provided included that people overseas have had more experience with retirement schemes through the government and their employers for a longer period of time.[112]

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[109] NZ Super is a universal flat-rate pension scheme completely funded by taxation available to Kiwis at age 65. It is fundamentally designed to prevent elderly New Zealanders from experiencing hardship. A brief overview of NZ Super along with a document which discusses the future of NZ super are available upon request (see Appendix D).

[110] Consumption Smoothing simply means that people will attempt to ‘smooth’ consumption over their lifetime and ideally will have the resources in retirement to continue consuming at a level relatively equal to that of their working life.

[111] Holm, Mary, Interview, 18 March, 2009

[112] Dupuis (2009), Financial Attitude Survey Analysis, p6

While the 'bad saver' self-assessment was strong among those participating in this study, a few other recent surveys point to some different perceptions although the different perceptions may be explained by differences in the question asked. A Nielson Survey which asked about 'spending' found that the majority of Kiwi respondents considered themselves to be at least somewhat careful with money, and 28% considered themselves to be “very careful”. Older people and lower income households were more likely to rate themselves as being careful with money.[113] Another 2008 survey had similar findings when they asked the question “Which of the following best describes how you would rate your own ability to handle money?” 91% said they were 'okay' or 'good' with older people reporting greater confidence in their abilities.[114]

Some of the difference in answers could be attributed to the interpretation of the questions. Low income and older people who reported being most careful with money may have interpreted that as thrifty out of necessity rather than 'good' with managing money in terms of optimal investment and saving activities. Furthermore, the fact that people feel they are good spenders might not mean that they would consider themselves good savers. Finally, behavioural economics theory has shown that people are overconfident about their ability to manage money. In one study, 80% of people said they were well-informed in making financial decisions, but 59% of those same people could not do a simple multiplication task.[115] Perhaps people are more likely to express a more realistic opinion of 'everyone' (e.g. “Kiwis are generally bad savers”) than of themselves.

Despite the prevalent belief that New Zealanders are 'bad savers' there is actually a significant amount of evidence to the contrary. When questions such as “Are Kiwis saving enough for retirement?” and “Are Kiwis good/bad savers” are posed, the answer relies directly on which definition of “saving”[116] and which analytical approach is being applied.[117]

While not saving in the traditional ‘flow’ sense of ‘income minus expenditure equals saving’ is certainly a problem for some, saving in those traditional ‘cash in the bank’ methods may not be appropriate for others considering their income, debt, or age among other factors. Although not saving in traditional ways, people may never-the-less be making very reasonable decisions by paying off their mortgage or investing in education instead. Unfortunately, when Kiwis hear the message that “Kiwis are not good savers”, many consider that they are first, making a 'mistake' by not saving in traditional ways and second, that they are 'bad' at financial management in general. The prevalence of these messages is harmful to New Zealanders’ motivation to engage not only in 'good saving' activities, but also to their inclination to engage in other actions generally considered to be financially advantageous.

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113 Nielson Brand Awareness and Perceptions of Sorted (2009), p. 51-54
114 Sakey and Howell (2008), p.8
115 Sylvan (2009), p.3
116 Using a “flow” model (income minus expenses = saving) Kiwis do not have a lot of cash put aside in traditional saving vehicles. The “stock” model of net wealth (assets minus liabilities) however indicates that Kiwis are saving through investments such as home and property and have increased their net worth over the last few decades.
117 Retirement Commission (2007), 2007 Review of Retirement Income Policy, p.39

When asked what images a person being a “bad saver” conjures, focus group participants responded with the following descriptors: “spends too much”; “money burns a hole in their pocket and they feel they must spend it quick”; “having no concept of saving or why you might want to”; “always living in the deficit, buying things now on credit and paying later”; “getting into debt because they can”; “having the ‘grasshopper mentality’ of living for the day instead of the thrifty and saver ‘ant mentality’ of our ancestors”. Such descriptive characteristics may have nothing to do with a person’s decision not to save in the traditional ‘flow’ sense of the word. Furthermore, interestingly, most of the descriptors had to do with “spending”, not “saving”.

Considering the identity-salience effect on financial behaviour and performance, if New Zealanders associate their group ‘Kiwi’ identity with being 'bad' at saving the group population is more likely to act on behavioural norms associated with 'bad' saving. Some of those norms, as described in the preceding paragraph, may not even have anything to do with ‘saving’ per se. Using the social proof theory (or common sense), a “non saving” Kiwi therefore will likely consider him or herself to be among friends.[118]

What Effect Might Kiwi Identity-Salience Have on New Zealander’s Financial Performance?

The actual effect of ‘Kiwi’ identity-salience on financial management behaviour and performance merits further quantitative testing. The qualitative findings of this study suggest that there is room for improvement in terms of what 'being Kiwi' means with regard to one’s likelihood to be able or inclined to work toward achieving financial well-being. Chapter 5 discusses key value and folk ideal components of the ‘Kiwi’ identity and illuminates a few potentially sorted-supportive ‘Kiwi’ identity components upon which the Retirement Commission might capitalise in order to improve the salience of the ‘Kiwi’ identity.

Key Policies and Economic Events Contributing to Financial Management Attitudes and Behaviours

The Effect of Historic Government Support

The Effect of Retirement Policy Shifts on New Zealander Motivations to Plan and Act toward Securing their Financial Future

New Zealand is unique in its provision of a universal pension, however historically New Zealand’s retirement policy has often been criticised for its instability.[119] It is often referred to as a ‘political foot-ball’ and its history has been referred to as “a never-ending succession of changes.”[120] The fact that none of New Zealand’s

[118] It is also common for New Zealand media, primarily those in the financial services field, to portray Kiwis as financially unsophisticated. Further it is often said that Kiwis need to ‘grow up’ financially and ‘grow out’ of their traditional reliance on property to use ‘smarter’ investment vehicles.
[119] David Preston’s (2008)‘Retirement Income in New Zealand: the historical context’ is a fantastic summary of New Zealand retirement income policy .
[120] Upton, Simon, *The Dominion Post,* 2 June, 2009, p.B5

developed country peers have a universal pension scheme[121] means that New Zealand has not had the opportunity to learn from others. That fact, coupled with the volatility that comes naturally as ideologically different political parties compete for control of the government and the budget, make this instability not at all surprising.

Nevertheless, as financial columnist Mary Holm commented, it is a "pity it isn't more stable. It worries many young people." The number of retirement policy changes over time, and the rapidity with which those changes were implemented and then often reversed,[122] has had an impact on the degree to which New Zealanders are confident in their ability to plan for their financial future. "The policies have changed too often," Holm observed. "Although I believe the fear of NZ Super falling is exaggerated, there will likely be changes and people do not have a secure sense of what the future holds."[123]

Research has shown that people who feel they have the ability to structure and control their own future are more interested in engaging in financial management activities.[124] A feeling of uncertainty about the future may therefore trigger fatalistic attitudes. This may mean that people are more likely to 'live for the moment' due to a perception that regardless of how reasonably and thoughtfully they plan and prepare today, the rules might change tomorrow making all of their planning and sacrifices for nothing. Such attitudes were often expressed during interviews, focus groups and Financial Attitude Surveys as part of this study. A number of people questioned the sense in planning for the future when one never knows what may happen with the economy, politics or even their own health. One of the four big goals of the Retirement Commission is understandably: "The government's retirement income policies are effective and stable."[125]

NZ Super's Impact on Kiwi Attitudes about Saving for Retirement

"We've had NZ Super for so long, even though most of us think there are likely to be changes in the future, people aren't too worried," commented 21-year-old Victoria University Student Alexander Neilson.[126] He attributed this lack of concern partially to his determination that New Zealand generally has a culture of not taking things too seriously, but also to the tradition of the New Zealand government providing for older Kiwis in their retirement which New Zealanders assume will continue into the future. As Susan St. John, Senior Lecturer in the Economics Department of Auckland University wrote in 2005: "Yes, there have been some dark political moments in the New Zealand history of policy for retirement over the past thirty years, but through it all, the principal of a simple, flat-rate, taxable, non-contributory, adequate, universal pension has emerged intact."[127]

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[121] Pacific Island neighbours Samoa and Kiribati have a similar universal pension scheme, but are considered to be developing countries,

[122] For example the raising and lowering of the pension age, means-testing of NZ Super, and different tax policies

[123] Holm, Mary, Interview, 18 March, 2009

[124] Stawski, et. al. (2007)

[125] Retirement Commission (2009), www.retirement.org.nz

[126] Neilson, Alexander, Victoria University Student Focus Group, 23 March 2009

[127] St. John (2005), p.1

When asked how typical clients feel about the future and why, one Bay of Islands Budget Advisor District Representative commented that: “they trust NZ Super to always supply them with their basic needs.”[128]

The Retirement Commission describes this on its website as follows:

> A fundamental assumption for any retirement planning or decision making is that the government will continue to supply a basic income to older people. For some years there has been broad political consensus supporting this approach. If individuals want to receive more than this basic retirement income, then they must take action themselves.[129]

In the data analysis of the Household Savings Survey[130] in answering the question of whether or not New Zealand households are saving adequately for retirement, Scobie and Le found there is no evidence of under-saving. They noted that given NZ Super, many people, namely the lowest 40% of the income distribution, are saving adequately by not saving at all.[131]

The evidence and the modelling of the analysis shows that people in the lowest income groups generally show little accumulation of net-wealth beyond their anticipated NZ Super pension when they reach retirement age, except for ideally the mortgage-free ownership of a home.[132] While one argument is that such low income populations are too poor to save during their working life, the life-cycle view and consumption smoothing approach asserts that even if they could save, not saving is a rational choice. “For a significant percentage of the population, moving from earned income to NZ Super is an increase,” Scobie noted. “It makes no sense for them to reduce their already low lousy standard of living by saving. You wouldn’t expect people to do that; it’s not rational.”[133]

With a flat rate, NZ Super logically encourages higher income people to save more than those on a lower income to fill the relatively larger gap between their pre-retirement income and what they will receive from NZ Super in order to maintain their standard of living. Fortunately, not only should higher income households have the economic capability to save adequately for their retirement, they are also statistically most likely to understand the key financial management concepts necessary to save adequately.[134]

The middle and upper-middle income groups have been identified as the groups most at risk of not adequately saving. They have a gap to fill (which the lowest incomes do not), that generally requires planning and sacrifice.

Many New Zealanders interviewed expressed the belief that NZ Super is unsustainable and that changes are likely in the near future given the aging baby

[128] Dupuis (2009), Financial Attitude Survey Analysis, pp.6-8
[129] Retirement Commission (2009), http://www.retirement.org.nz/publications/statement-intent/statement-intent-2008-11/introduction
[130] Statistics New Zealand (2002), Household Savings Survey
[131] Scobie and Le (2004), p.i
[132] Scobie, et. al. (2005), p.58-61
[133] Scobie, Grant, Interview, 15 April 2009
[134] Colmar Brunton (2006), Financial Knowledge Survey Report

boomer population. Options discussed include increasing the pension age,[135] taxing the residual working population at a higher rate, and a return to means-testing. In addition to contributing to New Zealand's unstable retirement policy history, any one of these changes will impact many New Zealanders' abilities to save adequately for retirement.

The Effect of Other Social Safe-Guards on New Zealander's Attitudes about Financial Management

In New Zealand there are a number of government funded social safeguards and allowances that were credited with promoting a sense of financial security for many Kiwis.

Member of Parliament Craig Foss said that he feels there may be a tendency among New Zealanders to rely on the state due to the historic provision of state health care, state housing and NZ Super. "New Zealanders have historically felt they didn't need to save and they are the lesser for that because their wages have long been consumed."[136] Although there certainly seems to be broad agreement about the importance of a base level of social welfare for New Zealanders, which is far and above that of most other developed nations, there are some who theorise that social welfare programmes are negatively impacting traditional 'pioneering' Kiwi values and diminishing the self-reliant characteristic of New Zealanders.

A few of the social welfare provisions that might affect an individual's sense of security include affordable (or in some cases free) healthcare, including free hospital care, subsidies on drugs, and subsidised visits to the general practitioner for elderly New Zealanders; low cost (or free) early childhood education; unemployment benefits; the Working for Families subsidy which is a stabiliser that underpins household income should one or more of the working adults become unemployed; domestic purposes benefits which provides assistance to single mothers; 'housing accommodation' assistance[137]; subsidised or free long term rest home care; and NZ Super. As Scobie said, "all these are social policies that together are life time 'annuities' in effect and can reduce substantially the incentive for private retirement saving."[138]

"It's too easy to 'opt out' in New Zealand," commented Dentice. "State benefits guarantee a minimum standard of living that is easy to qualify for so people aren't pushed to take action. People aren't forced to respond to adversity which might be for their benefit."[139]

While it appears that social welfare provisions may provide a level of assurance, some interview, focus group and Financial Attitude Survey responses suggested that the self-reliant, pioneering tradition of New Zealanders has never-the-less largely

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[135] The UK and most recently Australia decided to increase their pension age and many theorise that New Zealand is sure to follow. This may have the greatest impact on ethnic populations with shorter life expectancies, and people for whom working later into life is more of a challenge given the physical nature of their employment.
[136] Foss, Craig, Interview, 3 March 2009
[137] This is similar to United States rental voucher programs like Section 8.
[138] Scobie, Grant, Correspondence, 2 June 2009
[139] Dentice, Donna, Interview, 9 June 2009

persevered through the generations. One focus group participant described how, "most people won't go on the dole if they can help it to maintain dignity." The group also reported a belief that most Kiwis consider many people on the dole to be "lazy", however difficult economic times are breeding a greater level compassion and understanding.[140]

The Effect of the Low Wage Economy on Financial Management Attitudes and Behaviours

There is an overwhelming belief that most New Zealanders simply don't make enough money to save.

"Many New Zealanders simply do not have an enormous amount of money to spend", notes Member of Parliament Shane Jones, "and it follows that therefore that they do not have much money left over after expenses to save or put toward asset accumulation." Consumption is also generally encouraged, particularly among those for whom saving would net such a marginal improvement in their retirement standard of living that it wouldn't make much difference.[141]

Peter Conway, Secretary of the New Zealand Council of Trade Unions, said similarly that the biggest contributor to New Zealanders not being 'sorted' is "hard edged economics". "Most people spend a lot more than they earn," Conway said. "This combined with low pay and relatively high debt thanks to high housing costs means that many New Zealanders are financially stretched."[142]

The majority of New Zealanders who participated in this study expressed the belief that low wages make saving difficult, and impossible for some, in New Zealand. The budget advisor district representatives reported in the Financial Attitude Survey universally that many of their clients feel they don't even have enough money to budget with, much less save. Representatives said that clients frequently cite inadequate income and the rising costs of basic goods in New Zealand as the reasons behind their poor financial conditions. When asked about client's hopes for the future, one representative mentioned that clients primarily express just wanting to "have enough money to put food on the table… and get out of debt… Last in the list is to save."[143]

A Few Key Economic Events Affecting Attitudes about Money and Financial Management

One Wellington woman expressed frustration about the "mixed messages about how to save" that New Zealanders have received over the last several decades. "We were told to invest in shares; then came along the share market crash. A lot of Kiwis invested in finance companies; then they all went under. Then we are told the property market is going to crash so we shouldn't put our money in property. On top of all that, the banks put a charge on every little product and service… the mattress starts to seem

140 Victoria University, Student Focus Group, 23 March 2009
141 Jones, Shane, Interview, 18 February 2009
142 Conway, Peter, Interview, 27 April 2009
143 Dupuis, Robyn (2009), Financial Attitude Survey Analysis, pp.6-8

like a slightly okay option!"[144] Carol Dale, a volunteer Budget Advisor at the Wellington Citizens Advise Bureau (CAB) Budget Service,[145] said that her clients simply don't know what to do given the mixed messages. "First we are told to 'save more!' Then we are told to 'spend more' to help the economy… but be frugal because of the economic downturn."[146]

A few of New Zealand's key historic economic events mentioned in interviews as contributing to Kiwi attitudes about financial management are briefly described in this section.

1930s – Great Depression
The Great Depression of the 1930s was the "most shattering economic experience ever recorded" in New Zealand.[147] National income fell by 40% in three years; exports fell by 45% in two years, farm income was calculated at "0" in the period of 1930-1931 and negative in the period of 1931-1932, and unemployment may have exceeded 70,000 people.[148] As elsewhere, New Zealanders describe the Depression Generation as 'savers', being debt-averse and being thrifty.

In an interview, economist Suzanne Snively described how "profit became a dirty word in the 1930s during the Depression." She referred to a number of instances of business behaviour that was seen to be "more about opportunism than earnings. These business strategies re-enforced socialist perspectives that profits were earnings that self-interested businesses generated to take from others."[149]

1950s – Time of Milk and Honey
New Zealand's participation alongside Mother England in World War II resulted in England reciprocating by virtually supporting the New Zealand economy for the next 20 years. "In one sense, New Zealand lucked out after World War II," Snively stated. She explained that New Zealand had a guaranteed market in the UK for its wool, dairy products and meat. "In the 1950s, New Zealand was one of the most prosperous nations in the world. By the end of the 1960s it ranked 4th in its standard of living among nations and when I arrived here in 1972 there were only 212 people unemployed." [150]

The reliance on the English market for its primary products however turned out to be both an opportunity and a threat. It resulted in little to no innovation in New Zealand. As Snively described, "New Zealand was sending whole sheep carcasses to England and all of the added value was happening there." This dependence on England also germinated a "risk averse culture," Snively said, "which persists today."[151]

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[144] Wellington Women Focus Group, 15 April 2009
[145] Dale noted that her comments are personal and do not reflect the opinions of the CAB.
[146] Dale, Carol, CAB Budget Service Budget Advisor, Interview, 10 March 2009
[147] Te Ara, 2009, The Depression of the Thirties, Retrieved 14 May, 2009
[148] ibid.
[149] Snively, Suzanne, Interview, 19 April 2009. Snively said the Great Depression had a greater impact in New Zealand than in the United States.
[150] ibid.
[151] ibid.

The 1970s – Unstable Trade and Corporate Mistrust
In the 1970s the trade with the UK to which New Zealand had become accustomed after World War II became less certain and the simultaneous oil crisis caused dramatic increases in transportation costs for the long range transportation-dependent country. Snively notes that:

> Prior to the 1970s no one had really learned about what real business and economic development was about and the country polarised between the 'capitalists' who understood capital markets on the right and the 'socialists' who were determined to maintain their ideals of equal income and no unemployment on the left. To this day many New Zealanders are uncomfortable with transactions that involve money and negotiation; it's been a very polarizing topic even within close families.[152]

Snively summarised that when the UK markets became unsteady in the 1970s, New Zealand's productivity started a definite decline. Furthermore, she theorised that the effects of the polarising times on Kiwi perceptions about money, wealth, capitalism and business success have persevered into the present.

1970s and 1980s – High Inflation Rates Sets a Precedence
The 1970s and 1980s were characterised as a time of very high interest rates. Craig Foss theorised that some people who lived through that period of time often perceive interest rates in the single digits to be a 'good deal', even when such rates are still substantially higher than those of the rest of the world. "Some will negatively save (borrow) when they see single digits," Foss observed.[153] Because New Zealand is very much part of the global economy Kiwis are paying comparable prices for consumer goods as the rest of the world, however they are they spending a larger percentage of their income given the significantly lower New Zealand wages. If Kiwis also borrow to buy such consumer items, given the high interest rates, Foss commented, they end up paying significantly more for the same goods as everyone else.[154]

1980s - Rogernomic 'TINA' Economic Deregulation Reforms
Up until the 1980s, the New Zealand economy was severely controlled. People saved through bank accounts, insurance policies or by paying off debt; women couldn't get a mortgage without a male co-signer; the exchange controls between nations were so restricted that automobiles were difficult to acquire; and, you could forget about choosing a colour. According to Michael Littlewood of the University of Auckland Retirement Policy and Research Centre, even the amounts to pay for subscriptions to overseas magazines needed the approval of the Reserve Bank of New Zealand.[155]

In 1984 New Zealand found itself, as Littlewood described, "financially up against a wall"[156] and all of these controls were swept away through a series of policies described as "Rogernomics", named after Minister of Finance Sir Roger Douglas. Sir Roger was said to have called these policies "TINA", meaning "There Is No

[152] ibid.
[153] Foss, Craig, Interview 3 March 2009
[154] ibid.
[155] Littlewood, Michael, Interview, 18 March 2009
[156] Littlewood, Michael, Interview, 18 March 2009

Alternative". There was a huge adjustment in the economy which resulted in vast unemployment as most of the state owned enterprises were sold and privatised.[157]

1980s and 1990s - Welfare Reforms

In the 1980s and 1990s "the welfare state also came under attack and supports were taken away… there was lots of pain", described Jock Phillips, General Editor of Te Ara.[158] Many of the New Zealanders interviewed cited these welfare reforms and repeated a similar sentiment that the population of New Zealand has been slow to adapt to the removal of some of their traditional supports and protections.

Littlewood explained that the 1980s were a time of great volatility for the New Zealand pension system in particular. During this time, for example, the pension age was increased from 60 to 65 and a new income test (later reversed) resulted in some 'age eligible' New Zealanders receiving no pension, and others receiving less than the full amount. Tax incentives encouraging private saving for retirement were also withdrawn.[159]

The OECD, in a three year study, revealed in 2009 that income inequality has increased significantly in New Zealand since the 1980s; however, New Zealand retirees have the lowest levels of poverty in the developed world.[160]

Sir Roger Douglas, who played a large role in orchestrating these reforms while Finance Minister, expressed his sense that these reforms have had a positive impact on people's sense of responsibility to save for the future. Thanks to these reforms, he said, "people started to take notice" of the national deficit. "Most Kiwis," Sir Roger stated, "do realise they have to save now". He went on to mention that the Cullen Superannuation Fund, set up to help pre-fund some of the future NZ Super expenses, may have contributed to a new false sense of security among Kiwis regarding the state's provision for their retirement.[161]

1987 and 2002 - Share Market Crashes and Devaluations

"The 1987 share crash was worse in New Zealand than probably anywhere else in the world," explained financial columnist Mary Holm. "It went down then stayed down for longer than anywhere else, around ten years in fact." Holm explained that part of the market disaster could be blamed on the fact that people actually borrowed money and went into debt to get into shares. "Everyone was in share clubs," she described, "then when the market dropped many people were deeply in debt… the crash scared people off and people still remember it. Many still say that because they got burned in the '87 crash, they are never going into shares again."[162]

Economist Suzanne Snively commented that the share market boom that preceded the crash and the activities of a few prominent and especially cash hungry companies

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[157] ibid. Unemployment went from virtually none to more than 11% which was "vast" in the historic New Zealand context but perhaps not in a wider global context.
[158] Phillips, Jock, Presentation to Fulbright Grantees, 10 February 2009
[159] Littlewood, Michael, op.cit.
[160] Hall, Kris, *The Dominion Post*, 8 April 2009, p.5
[161] Douglas, Sir Roger, Interview, 4 March 2009. Contributions to the fund were temporarily ceased in June 2009 due to the economic crisis.
[162] Holm, Mary, Interview, 18 March,2009

contributed to giving profits and investments a bad name among New Zealanders. She described how a number of new listed companies "got too greedy" and news of insider trading and shady deals soured some New Zealanders further toward business.[163]

In a study for the New Zealand Reserve Bank, researchers found through informant interviews that the dramatic drops in the share market in 1987 and 2002 have resulted in perceptions of shares constituting "lower returns and greater risks" and identified generally a reluctance to invest in businesses and shares among New Zealanders.[164] Both Holm and the Reserve Bank report attribute reasons Kiwis hold firm to their reliance on property as a safer investment than shares to memories of these share market crashes.[165]

Mid-Late 2000s – Financial Company Collapses

In the mid-late 2000s, 24 major finance companies[166] collapsed or lost funds affecting 109,000 investors and approximately $1.8 billion dollars.[167]

"The finance company offers came at a time of relatively high interest rates overall in New Zealand," Debra Marshall, a Fonterra focus group participant explained. "People saw the potential returns as relatively normal. Many people did not understand the risks."[168] Marshall's colleague Vikas Joneja added that that many who invested in finance companies had little previous experience in such risky investments:

> Many New Zealanders who invested in finance companies seem to have been trying something new. They tried to use money that had been gained in traditional ways over a long period time through their employment or a business, such as a farm, to make money more quickly through investments. [169]

The belief expressed by a number of focus group participants was that many people didn't realise how quickly money could be lost.

The Effect of Historic Tax Policy that Didn't Promote Saving

"Until KiwiSaver, the New Zealand government signalled to Kiwis that it didn't particularly care that (or how) they saved for retirement," said Michael Littlewood.[170] They did so "by neither forcing saving, nor benefiting saving". The 'tax neutrality' argument signals that a government doesn't care that you save for retirement by favouring one form of saving over another. Under New Zealand's TTE (taxed, taxed, exempt) taxation system, saving by paying off your mortgage is the most financially advantageous thing to do. The interest on the mortgage must be paid from after-tax income as there is no deduction in New Zealand for that. On the other hand,

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[163] Snively, Suzanne, Interview, 19 April 2009
[164] Burns and Dwyer (2007), p.30
[165] Holm, Mary, Interview, 18 March 2009, ibid. p.30
[166] Finance companies, officially called Non-Bank Deposit Takers or NBDTs are companies that make loans which are generally at higher rates than are available from banks or credit unions and in New Zealand most of the investment related to property investments.
[167] Crossan, Diana, Presentation to the 10th Annual Superfunds Conference, 30 March 2009
[168] Fonterra Focus Group, 24 April 2009
[169] ibid.
[170] Littlewood, Michael, Interview, 18 March,2009

investment earnings are taxed so their after-tax return must be higher than the cost of debt before investing is better financially than reducing debt.[171]

1990s Changes in Education Finances: High Student Debt
Prior to the 1990s, University educations were competitive, but free. Now students have to pay fees[172] and there is an ongoing argument about whether education loans are a debt or an investment asset. The average New Zealand student actually has around $30,000 in debt between loans for student fees and credit cards when they leave University.[173] While a number of New Zealanders assert that tertiary education is a good deal in New Zealand, others such as Raewyn Fox, Chief Executive Officer of New Zealand Federation of Family Budgeting Services, say the changes in the education financing policies have pushed student Kiwis into unmanageable levels of debt. Fox explained that for people saddled with that kind of debt, it's easy to continue to rack up more. "After all," she said, "what's another $5,000 for a car?"[174] The student focus group agreed that the "massive education debt" is perhaps most worrisome because it extends far beyond the school years. "There is so much debt, we can't even think about being able to pay it off," said student Kassie Hartendorp.[175] Interestingly, a recent AMP Superwatch research reported that the only area in which people have increased their saving since 2005 is in education. Savings levels for education rose from 19% in February of 2007 to 27% in February of 2009.[176]

2008/2009 Global Economic Crisis
This paper was written in the midst of the global economic crisis of 2008/2009 therefore the ultimate effects on Kiwi financial management attitudes and behaviours are not known. A number of people involved in the study spoke of the current crisis as a teachable moment and point to the possibility it will breed a new generation of savers and frugally-minded people. Indeed the crisis has prompted greater interest in financial literacy, and saving rates among New Zealanders have increased. As a result of the crisis a number of new regulations are being fashioned with hopes of protecting investors in the future. It is assumed however that this crisis will not increase confidence in the financial services industry or increase the generally low risk preferences of New Zealanders.

Increase in Consumption and Comfort with Debt through the Years

New Zealand budget advisor district representatives commented in Financial Attitude Surveys that most budget services clients with 'problem debt' got into trouble because they lived above their means due to feeling pressure to buy things either by family and friends or salespeople in order to keep up with trends. One budget representative mentioned that most clients think "it's okay to get into debt as long as you're able to pay it off." Many representatives however stated that their clients do not generally

[171] ibid.
[172] Students pay 20 – 25% of their education costs.
[173] New Zealand banks offer student bank accounts that come standard with no interest credit cards and no fee overdrafts of up to $2,000 available while the individual is a student and in some cases for the subsequent 3 years.
[174] Fox, Raewyn, Interview, 11 March 2009
[175] Hartendorp, Victoria University Focus Group, 23 March 2009
[176] Parker, Tamsyn, *New Zealand Herald*, 17 April 2009

have enough income to pay off debts and because they put off making regular payments they quickly get behind and are not able to catch up.[177]

Carol Dale commented that "this younger generation has an attitude of 'I'll have the best, brightest and biggest' and they are very label conscious… Their parents gave their children what they didn't have growing up and as a result the younger generation's expectations have been raised."[178] Budget advisor district representatives agreed that, in the words of a few respondents, because younger people "have been brought up in a consumer society" and "everything can be done on borrowed money", "they do not see any reason they should not have everything they want and can not grasp the concept of only buying what they can afford. They really do not get the idea of planning ahead financially."[179]

Donna Dentice and Lyn Morris of the Young Enterprise Trust also affirm this sense among young people of 'I deserve it' and 'I'm worth it', and note that many youth exhibit 'premature affluence' in their teens that raises expectations and starts the cycle of debt.

> Because of increased trading hours [Sundays and 24 hour shops] many youth work and have quite a bit of money to spend on consumer items. Their parents are paying for necessities so they are free to spend their money on entertainment, cosmetics, clothes and the like. They also need transport to get to their job, which leads to a decision to buy a car, and that starts the cycle of debt which grows when they go to University and take out student loans… After school they realise they have to pay for the necessities previously covered by their parents and they do it with credit to maintain the 'affluent' lifestyle to which they have become accustomed.[180]

Raewyn Fox also credits the high credit comfort level to the fact that New Zealand has often been used as a laboratory to test new financial products. [181] Given the country's small size, Fox explained, banks consider that "if you make a mistake here, its 'fixable' so New Zealand is very forward". Methods of electronic fund transactions were trialled early in New Zealand, for example. Fox believes that "New Zealanders lost the touch of money" with the rampant and long-time use of plastic and became very comfortable with credit and debt early on."[182]

Dentice and Morris both expressed quite vehemently that young people have been socialised into debt because of the changes in educational financing in the 1990s. Morris commented, "My generation saw debt as 'undesirable' and something to 'get out of' and we certainly only used it for large items like homes. Today, debt is normal and it's not seen as a bad thing actually." Morris continued to report that "it's even seen as quite 'sexy' and we hear kids comparing what they owe!"[183]

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[177] Dupuis (2009), Financial Attitude Survey Analysis, pp.6-8
[178] Dale, Carol, CAB Budget Service Budget Advisor, Interview, 10 March 2009
[179] Dupuis (2009), Financial Attitude Survey Analysis
[180] Dentice, Donna and Morris, Lyn, Interview, 9 June 2009
[181] Given its small population and relatively small physical size, and the diverse demographics, it is apparently assumed that policies can be "tested" in New Zealand and if the policy fails, given the small population of the country, not much harm is done.
[182] Fox, Raewyn, Interview, 11 March 2009
[183] Denice, Donna and Morris, Lyn op.cit.

A recent survey by credit reporting agency Dun and Bradstreet reported that while higher income households are "seeking to reign in their debt", low income households and young people anticipate growing their debt in the near future. The youngest age cohort surveyed, those between 18-34 years of age, expressed the highest expectations for new credit applications in the near future (26%) and 32% report that they intend to use credit to pay their bills. In addition to using credit for bills, credit clearly continues to be used for consumer goods not considered "basic necessities."[184]

Is there a Plus Side of Increased Comfort with Debt?
While rising consumer debt is cause for concern, some people interviewed perceive a growing interest among young New Zealanders to take more financial risks by starting or investing in businesses or investing generally in ways other than housing and property.

While there is not a great deal of research in the development of this trend, efforts to promote entrepreneurship and investment activity (beyond housing), as well as perhaps the influence of the western media and the influence of immigrants from countries, such as China, Taiwan, India and others with reportedly more pro-business cultures do appear to be having some impact. One focus group expressed that young people, particularly in urban areas, are realising that there are other ways of making money than from property and this seems to be supported by decreasing home ownership rates among younger cohorts. A number of persons interviewed said that "renting is more acceptable among youth who recognise that housing is not the only wealth building mechanism."[185]

Instead of looking at the use of credit and debt as negative, a number of younger New Zealanders reported perceiving credit and debt as simply necessary. Sundae Lim, a young professional who immigrated to New Zealand in 2000 from the Philippines, described how she was told, upon arrival, that "you had to have debt to be credible… to be perceived as financially stable."[186] A number of people also felt that the increasing prevalence of mortgages, student loans and credit cards have lead to an increased understanding of how to use credit and investment as wealth building tools as well.[187]

"We are getting more aware of our need to be more financially savvy," Lim noted. "As a result, we are becoming more globally daring and know we have to be competitive in order to cope with the global economy." She suggested that most young people believe that, "financial knowledge is critical so that we can keep up with the conversation on the global stage."[188]

Kiwis are Told they are 'Bad Savers' - Is it True?

"There is huge debate over the level of household savings in New Zealand stemming from very limited and conflicting sources of information."[189] Economist Grant Scobie

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[184] Consumer Credit Expectations Survey, 19 February 2009, pp.1-2
[185] Fonterra Focus Group, 24 April 2009
[186] ibid.
[187] ibid.
[188] ibid.
[189] Scobie, Grant, Interview, 15 April 2009

explained that typically a figure produced by Statistics New Zealand's "Household Income and Outlay Account" is used to determine the savings rate which deducts total expenses from total income resulting in a residual calculation of savings.[190] The Statistics New Zealand numbers indeed show that for the past thirty plus years, New Zealand has been negatively saving. One recent study commissioned by the Reserve Bank states that the New Zealand savings rate "has been among the lowest, or the lowest, for much of the past 20 years."[191]

The 'bad saver' myth was spread, according to Scobie, when politicians such as former Finance Minister Michael Cullen, in a concerted effort to raise the national household saving rate, advertised the negative saving figures broadly.[192] According to David Feslier, Executive Director of the Retirement Commission, the notion that Kiwis are not good savers was also promoted by the financial services industry which was actually talking about people not saving through their products, such as those that would be counted under a flow savings model.[193]

Calculations of saving rates using a flow model, such as is used by Statistics New Zealand and by much of the financial services industry do not take into consideration traditional Kiwi saving vehicles such as housing and education. The different considerations result in vastly different pictures of Kiwi financial situations.

"This calculation of household savings has been done on an experimental basis for thirty some years," says Scobie frustrated by the Statistics New Zealand figures, "and the resulting numbers are very dubious." Scobie is not alone in his scepticism. The OECD no longer publishes New Zealand savings rates because, as Scobie reported, "they look so unbelievable." [194]

Michael Littlewood also stated his belief that in the tax environment that prevailed during the 15 year period before KiwiSaver, New Zealanders were responding rationally and seemed to be making appropriate decisions about supplementary saving.[195] He pointed to several studies that suggest that policy makers need not be so concerned about citizens behaving rationally when deciding how much to save for retirement.[196] Scobie has found "no significant evidence of gross under-saving for retirement by New Zealanders" and said further that "for the population as a whole the evidence would not appear to support a claim that New Zealanders are systematically under-saving."[197]

In her paper, "Are New Zealanders Bad Savers?" Mary Holm proposes that when the definition of savings is expanded to include all of the activities leading to an increase in overall net wealth which include not only traditionally recognised "savings" activities, but also paying off debt, paying off a home loan, acquiring an education

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[190] ibid.
[191] Burns and Dwyer (2007), p.25
[192] Scobie, Grant, Interview, 15 April 2009
[193] Feslier, David, Interview, 13 March 2009
[194] Scobie, Grant op.cit.
[195] Littlewood, Michael, Interview, 18 March 2009
[196] Littlewood, Michael, Correspondence, 23 May. 2009. Littlewood referred to two studies: Housing in the Household Portfolio and Implications for Retirement Saving: Some Initial Findings from SOFIE by Scobie, et. al. (2007) and Saving for Retirement: New Evidence for New Zealand by Scobie (2004).
[197] Scobie, Grant and Le Thi Van Trinh (2004), p.19

likely to result in higher income, starting a business and even learning about financial management, "New Zealanders are saving for retirement to a greater extent than some surveys suggest."[198] Harry Pappafloratos, CEO of Colmar Brunton, stated that Colmar Brunton research furthermore has actually found that "saving" is quite a strong ideal among Kiwis.[199]

Grant Scobie asserts that: "Logically, if New Zealanders were really negatively saving to that extent for that long our overall household net wealth would be negative as well. However, even taking into account asset price changes, household wealth in New Zealand has been going up for the past thirty years." He provides a telling statistic that around 50% of New Zealand's homes are owned debt free. "Sadly this faulty belief about the poor savings habits of New Zealanders has become the foundation for savings policy."[200] The qualitative results of this research also indicate that this 'poor at saving' belief is also becoming imbedded in the financial management stereotypes associated with the 'Kiwi' identity.

[198] Holm, Mary, 'Are New Zealanders Bad Savers?', (no date)
[199] Pappafloratos, Harry, Interview, 16 March, 2009
[200] Scobie, Grant, Interview, 15 April 2009

5 THE KIWIANA EFFECT: WHAT COMPONENTS OF THE 'KIWI' IDENTITY SUGGEST ASSOCIATED 'SORTED-SUPPORTIVE' BEHAVIOURAL NORMS?

Kiwiana is defined by the New Zealand Tourism Guide as "as all the weird and wonderful quirky things from years gone by that contribute to our sense of nationhood—our 'Kiwi' identity".[201] Kiwiana is arguably more than the Edmonds cookbook, Lemon & Paeroa soft drink, pavlova desert and paua shell ashtrays. It also includes a number of staunchly held and fairly persistent values and folk ideals that New Zealanders have about their group 'Kiwi' identity. Identifying the core elements of the 'Kiwi' identity that are most "sorted-supportive" is a critical step in the development of an identity-component salience strategy supportive of financial well-being.

The NeoManagement group, in an article about productivity and global competitiveness, asked the question: "What is the relationship between our folk image of ourselves and our place in the world economy? Are these qualities a source of competitive advantage or a liability – and do they even represent what we really are?"[202] Asking a similar question about the relationship between the 'Kiwi' identity, and New Zealanders' abilities and inclinations to be financially sorted may be very useful in helping Kiwis achieve financial well-being.

A Note

Some New Zealanders may express recognition of the following components yet may not actually act in a way consistent with the behavioural norms. The very fact that a person recognises a component or uses it to judge others is in itself a strong foundation. As one interview informant aptly stated: "some values may be dormant… we may believe in them even though they do not seem to be part of our actual set of behaviours… down deep, however, those values can be drawn upon."[203] This is consistent with studies that have shown that identities and their underlying components come with sets of behavioural norms which are drawn upon as needed so long as the identity is evoked. Finally, some populations (ethnicities, age groups, etc.) within New Zealand will not associate with this 'Kiwi' identity. This discussion and the framework on which it is based might nevertheless serve as an example for a more specific target population identity-based approach.

The Benefits of a "Short" History

In addition to examining the economic history of New Zealand, it is important to consider the broader history of the nation and its people. The characteristics, values and ideals of the Māori people and their Polynesian ancestors, those of the European colonisers, and the more recent migrants from the Pacific island nations, Asia and other places should be taken into consideration in a mass-population group identity approach as much as possible. It is important to note that given the youth of New Zealand as a nation, many of the present day Kiwis are not far removed from their ancestral pioneers.

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[201] New Zealand Tourism Guide (2009), http://www.tourism.net.nz/new-zealand/about-new-zealand/kiwiana.html

[202] NeoManagement group, *Business Publication*, 1 June 2008

[203] Bridges, Tracey, Interview, 24 March, 2009

Member of Parliament Shane Jones described the European colonising pioneers to New Zealand as people having fled a rigid class structure which did not benefit the lower middle class cohort of which they were part.[204] Immigrants to New Zealand came from a generally humble background. Many were second and third children from agricultural families who in the European primogeniture tradition would not inherit any land for themselves. Other immigrants, a Wellington Women's Focus Group described, included "black sheep" of the family. For example, one commented, "a squire's daughter who married the gardener might be sent to New Zealand."[205] In the new country of New Zealand everyone had to work for what they wanted and pull together to survive. Shane Jones notes that this "pioneering spirit" is a characteristic commonly exalted by New Zealanders.[206]

Due to the socio-economic characteristics of the European pioneers, and the society from which they came, the ideal of the 'classless society' proliferated and formed the basis of some of the other folk ideal 'Kiwi' identity components such as the 'Tall Poppy Syndrome'.[207] A number of people interviewed also credited this philosophy of keeping everyone even as the ideological foundation for New Zealand's social welfare state, including NZ Super.

Although the influence of a number of other ethnic groups is certainly felt in New Zealand, and will be increasingly so as the demographics of the country change, many study participants said that the voyaging and pioneering spirit, and the values and ideals of the Māori and the early European's immigrants, have greatly influenced many of the cultural values, folk ideals and characteristics most commonly recognised as contributing to the Kiwi sense of identity today.

The short time span between New Zealand's pioneering days to the present may be one reason why these pioneering ideals are still strong among many New Zealanders regardless of age, socio-economic status, rural/urban experience and ethnicity. Not all Kiwis exhibit these characteristics but they are said to be staunch ideals and are those by which many Kiwis judge their peers.

Some of the pioneering characteristics mentioned included being sensible, practical, pragmatic, stoic, responsible, grounded, down to earth, self-reliant, humble, capable and having great strength of will. Many of these characteristics are also considered to be supportive of positive financial management. The existence, acknowledgement and appreciation of such components of the 'Kiwi' identity could be an advantage in promoting a more positive identity-salience connection between the 'Kiwi' identity and New Zealanders' assumptions about their likelihood and general 'inclinations' to achieve financial well-being.

The Kiwi 'Quality of Life' Priority: Do Kiwi's have a Sense of 'Enough'?

When asked if she believed that Kiwis really care more about their broader 'quality of life' than about making the most money and having the most stuff, Retirement

[204] Jones, Shane, Interview, 18 February 2009
[205] Wellington Women's Focus Group, 15 April 2009
[206] Jones, Shane, op.cit.
[207] ibid.

Commissioner Diana Crossan noted that although the average income of New Zealanders is at least 25% below that of Australians, most Kiwis will say that low wages are simply “the price you pay for living in paradise”.[208] The 2008 National Quality of Life Survey reports that 92 percent of people in New Zealand rated their quality of life as ‘good’ or better than ‘good’. Furthermore, despite the fact that New Zealand is recognised as having a low-cost economy, 86% of people in the 12 cities surveyed and 88% of those outside those cities reported having enough money for everyday living costs.[209]

26-year-old Radio Station manager and Anglican minister Joel Carpenter said that the 'Kiwi Dream' could be characterised as buying a “bach on the beach” which, he explained, could be nothing more than a tin shack, and spending time outdoors, fishing, camping and kicking the rugby ball.[210] Another woman interviewed said that it is her sense that New Zealanders generally aren’t all that concerned with making a lot of money because, as she said: “life is too good… the beach is right there.” She said further “…People stay here and people come here because they want to be outdoors and enjoy a laid back lifestyle.”[211]

When budget advisor district representatives were asked about the kind of lifestyle their predominantly low income clients aspire to, the representatives responded overwhelmingly that most clients just want to pay off their debts and make ends meet week to week. Although a few mentioned client goals such as overseas holidays and buying two cars, the majority of the responses were related to relatively practical and modest desires like feeding and clothing the family, having a roof over their head, and not having to constantly worry about money.[212]

The mostly middle to middle-high income earner survey respondents cited slightly more costly, yet not outrageously so, ideals of stopping work or working less, buying, paying off or renovating a home (spacious, with view, in the sun) for self and/or their dependents, travelling for leisure and to see family, spending time with family, helping family financially, buying a boat, having a comfortable amount saved for retirement and philanthropy. Younger survey respondents (19-24) desired a challenging but steady job with a decent income, getting married and having children and pets. Only one mentioned a dream to buy a Playstation and Nintendo Wii.[213]

Of course this view is not shared by all. “I don’t buy into that at all”, one economist interviewed, who preferred to remain anonymous, declared, referring to the concept that Kiwis are content with their beautiful island and modest lifestyles. He continued, “We’re not simply happy go lucky to make do with our blue skies and beaches… We may look relaxed, but don’t mistake that laid-back countenance with a lack of desire to be more well-off. If given a chance of being rich or poor, any New Zealander is going to choose rich… if we could just figure out how to do it”.[214]

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[208] Crossan, Diana, Interview, 20 February 2009
[209] Ministry of Social Development (2008), 2008 National Quality of Life Survey
[210] Carpenter, Joel, Interview, 23 February, 2009. A “bach” is the North Island term for a beach property, called a “crib” in the South Island.
[211] Anonymous Interview, February, 2009
[212] Dupuis, Robyn (2009), Financial Attitude Survey Analysis
[213] Dupuis, Robyn (2009), Financial Attitude Survey Analysis
[214] This economist interviewed, who preferred to remain anonymous, was referring to the slumping productivity that has plagued New Zealand in recent decades.

The Effect of 'Enough' on Financial Management Attitudes and Behaviours

Are Kiwi expectations of what makes a good life reasonable and realistic given existing financial resources? If so, can these sensible expectations help New Zealanders get and stay satisfactorily sorted?[215]

The qualitative results of this study showed that the priority of quality of life and the sense of 'enough' are strong expressed values in New Zealand and evidence from this study does indicate that to some degree, many New Zealanders do have a relatively down to earth and reasonable sense of what is “enough”.[216]

This concept might be shifting among younger generations, however the qualitative evidence is that Kiwis generally place a higher value on quality of life. It was suggested by a number of persons interviewed that this value might be a real strength for positive Kiwi financial management aptitudes and inclinations, particularly given the low-wage New Zealand economy. By keeping expectations of what makes a good life in line with values that come with a much lower price tag, New Zealanders might be able to achieve both satisfaction and 'sortedness'. Celebrating the down to earth, reasonable, ‘knowing what is important in life’ Kiwi identity-component trait could support responsible financial management behaviours and thwart increasing consumerist tendencies.

The Tall Poppy Syndrome

The name 'Tall Poppy Syndrome' was drawn from the notion that 'the tallest poppy is the first to get cut' and describes the tendency for Kiwis to put people who they perceive to be 'too big for their boots' in their place. As a result, Shane Jones said, “most people here are reluctant to show a lot of wealth.”[217]

Jones in fact stated outright: “We don’t care for loud, colourful flourishes of wealth in our country.” He credited these feelings to the pioneering philosophy of early immigrants who sought to achieve an egalitarian society in their new home.[218] Others point to 'self-effacing' characteristics of the British, particularly among middle to lower class people, which made up the majority of early immigrants to New Zealand. “It wasn’t their style to skite or brag”, commented focus group participant Stella Daniell. She noted that this characteristic is still very strong among New Zealanders: “Kiwis would never say they’re good at something.”[219] Joel Carpenter hypothesised that elements of the Māori culture have been influential and absorbed by the general Kiwi population.[220] Humility, for example, is understood to be a characteristic generally appreciated by the Māori culture.[221]

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[215] The following percentages of New Zealanders said these characteristics were part of the Kiwi ideal: Grounded 74%; Responsible 65%; Sensible 71%.
[216] What constitutes “enough” is a decision every individual has to make and the boundaries of the imagination may have a lot to do with the individual’s current financial situation and their perceived future prospects.
[217] Jones, Shane, Interview, 18 February, 2009
[218] Jones, Shane, Interview, 18 February 2009
[219] Daniell, Stella, Wellington Women Focus Group, 15 April 2009
[220] Carpenter, Joel, Interview, 23 March 2009
[221] Ngai Tahu Focus Group, 31 March 2009 and Waiwhetu Focus Group, 16 April 2009

Focus group participants suggested that because New Zealand is an understated casual society, wealthy people don't like to 'stick out' very much; they would certainly not announce in any obvious way the fact that they are rich. The escapades of United States tycoons like Donald Trump, for example, are seen as a great contrast to New Zealand millionaires like Steven Tindall,[222] described as very "community minded" and Sam Morgan,[223] who was described as "just having a normal life".

When asked about general perceptions about 'wealth', most New Zealanders did not report negative feelings, but rather that, for most, it's just "not something that applies to me." Students at Victoria University in Wellington for example suggested that most (young) Kiwis do not associate money or wealth in and of itself in a terribly negative way. Instead, they asserted the sense that "things just worked out" for people who "happen" to have money. That being said, one student did emphasise that there is a fine line between someone being considered a "Lucky Bloke" and someone being considered a "Rich Parochial Bastard"; and that line is crossed when the individual gets too "flash".[224] That 'line' is the essence of the Tall Poppy Syndrome.[225]

In addition to financial accomplishments, the Kiwi ideal is to be humble about any accomplishment. "If you talk yourself up too much or come across as egotistical, people will take you down to size," Carpenter said, "this keeps everyone on the same platform." As a result, Carpenter explained that Kiwis will play down their accomplishments whether in academia, entertainment, politics, sports or any other field. The examples provided by interview and focus group participants of every age, socio-economic status and ethnicity of people being 'cut down' were rich and plentiful.

Judging from interview and focus group discussions, the Tall Poppy Syndrome and its associated characteristics, as such humility, is a strong component of the 'Kiwi' identity. Shane Jones held up the example of the extremely popular national rugby team, the All Blacks, as the most powerful and ubiquitous brand in New Zealand and the example of the characteristics Kiwis 'warm to'. Publicly the All Blacks are stoic, resilient, responsible, serious, private, and grounded. "Kiwi's would not want to see them flaunting wealth, exhibiting bad behaviour, or changing wives like underpants… they do not parade themselves as highly affluent." [226]

The Effect of the Tall Poppy Syndrome on Kiwi Financial Management Attitudes and Behaviours

The aversion to showy wealth may be useful in helping New Zealanders resist the adoption, to some extent, of the conspicuous consumption tendencies of other countries according to some interview respondents. Although a number of study participants asserted that New Zealanders have become much more consumption

[222] Tindall is the founder of The Warehouse a national retail chain in New Zealand.
[223] Morgan is the founder of TradeMe, New Zealand's largest online auction website.
[224] Neilson, Alexander, Victoria University Focus Group, 23 March 2009
[225] In addition to financial accomplishments, the Kiwi ideal is to be humble about any accomplishment. As a result Kiwis will play down their accomplishments whether in academia, entertainment, politics, sports or any other field. The examples provided by interview and focus group participants of every age, socio-economic status and ethnicity of people being 'cut down' were rich and plentiful.
[226] Jones, Shane, Interview, 18 February, 2009

oriented over time, almost universally people commented that Kiwis are not as consumption focused as other European and Asian countries.

A number of people said that the Tall Poppy Syndrome may contribute to New Zealanders' aversion to talking about money. One individual interviewed laughed and said: "we talk more about our sex lives than about money!"[227] Dipra Ray, CEO of SavY, a youth targeted financial literacy organization agreed, "People don't like talking about money in New Zealand because fundamentally money is not that important, it's a secondary concern."[228]

"New Zealand doesn't seem to promote financial success or entrepreneurship," says Ray, who believes that people are suspicious of him for his business ventures. "I run three businesses and it doesn't make me a popular person… people actually think I'm somehow stealing money."[229] Another informant said similarly that in New Zealand, there is often the perception that "if you have money you must have done something 'dodgy'."[230] Many interviewed cited the need for New Zealanders to adopt more positive feelings toward entrepreneurism and business, both for their own personal financial advancement and to increase the productivity level of the country.

The 'She'll Be Right!' Attitude

26-year-old interviewee Joel Carpenter said that one of the reasons he believes New Zealanders generally don't have a 'great saving culture'[231] could be what he described as the typically laid back, relaxed attitudes of Kiwis; specifically, the 'she'll be right' attitude that emphasises "not worrying too much", and "having a good time".[232]

When asked about how the 'she'll be right' attitude manifests among young people, Dipra Ray and Lynn Lai of SavY, said that it "is very pervasive among youth."[233] In their experiences with college age students, Ray and Lai have found that many youth do not think very far into the future and simply figure that "things will work out". Students also frequently express fatalistic attitudes that it's not really possible to plan adequately for the future, so why worry.

Although one Victoria University student expressed emphatically that she was "sick of being stereotyped as being all modest, relaxed, laid back and all from a farm…", other young people in the focus group did admit that "yes, we do have a bit of that". Fellow student Alexander Neilson in fact said that personally he feels sometimes that "I'll get along better if I don't worry… sometimes I think worrying is a waste of

[227] Grinstead-Sacroug, Jessica, Fonterra Focus Group, 23 April 2009
[228] Ray, Dipra, Interview, 24 April 2009
[229] ibid.
[230] Retirement Commission Focus Group, 22 April 2009
[231] This point is debated by some economists and financial commentators who argue that Kiwis act quite reasonably with their finances.
[232] Carpenter, Joel, Interview, 23 February,2009
[233] Ray, Dipra and Lynn Lai, SavY Interview, 24 April, 2009. SavY is a youth-oriented financial literacy organization.

time.” He did go on to say however that the 'She’ll be right' attitude “might be more for those who are more cotton-wooled.”[234]

Part of this attitude may be attributed to the state social safeguards that guarantee some level provision for general well-being. Holm mentioned that “New Zealanders generally believe that the state will bail them out if things get too bad.”[235]

Impact of 'She’ll be Right' on Financial Management Attitudes and Behaviour

A number of people interviewed noted that the 'She’ll Be Right' attitude, in relation to finances, may come from a position of practicality. Many New Zealanders asserted that the low-wage economy makes saving for the future so financially difficult that the level of any savings actually accumulated is perceived to be inconsequential.

Joel Carpenter, as an example of a young professional Kiwi, believes that “it is wise” to plan for the future, but also believes that a person shouldn’t let money dictate major life decisions. In addition to the state, as a Christian, Carpenter also believes that God will provide. Carpenter affirmed that he couldn’t fathom deciding not to pursue his goal of becoming a minister because of the low wage and a “fear” for his financial future. As he said, “there are no guarantees and nothing is ever completely safe or foolproof anyway.”[236]

Raewyn Fox of the Federation of Family Budgeting Services suggests that the 'She’ll be right' attitude has led some Kiwis to gamble. “Historically,” she said, “many New Zealand families bought their weekly Golden Kiwi.”[237] In the early 1990s casinos and, particularly, pub-based poker machines became established, the latter in more abundance in lower income communities like South Auckland. “New Zealanders are very comfortable with gambling,” Fox asserted, “just as we are with credit and debt.”[238]

For some, the ‘She’ll Be Right’ attitude may serve as a ‘rule of thumb’ when the individual lacks confidence in their ability to affect their own financial future. A number of people suggested that perhaps connecting the 'She’ll be right' positive future outlook with other components of the ‘Kiwi’ identity likely to have more responsible action oriented behavioural norms, such as 'Number 8 wire' and 'Punching above your Weight', might give New Zealanders greater confidence and a sense that yes, 'She’ll be Right' because Kiwis have the capabilities and characteristics to make it right.

The Good Generous Kiwi Bloke

In New Zealand, the wish to appear generous and ‘able to give’ appears to be a driver for some Kiwis to spend or give beyond their means. This component of the ‘Kiwi’ identity was strongly reflected in comments of New Zealanders of every ethnicity. Some Māori and Pacific peoples reported particularly significant desires and

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[234] Hartendorp and Neilson, Victoria University, Student Focus Group, 23 March 2009; Being “cotton wooled” means being overprotected.
[235] Holm, Mary Interview, 18 March 2009
[236] Carpenter, Joel, Interview, 23 January 2009
[237] ‘Golden Kiwi’ was the New Zealand national lottery, now Lotto.
[238] Fox, Raewyn, Interview, 10 March 2009

expectations to financially contribute to family, friends and to cultural events or institutions. The Pacific peoples focus group mentioned that the difficulty some Pacific people face in maintaining a budget can be attributed to a strong cultural sense of responsibility to help family and friends experiencing hardship both in New Zealand and on the island with which they identify ethnically. Māori interviewed noted a similar tradition of "sharing out" what one has to others in need as part of "who we are."[239] New Zealanders, regardless of ethnicity, said the value of generosity to friends and families is an admirable characteristic part of the 'Good Kiwi Bloke' ideal. 53% of Financial Attitude Survey respondents cited this characteristic as a common Kiwi ideal. 74% cited that being committed to helping others was a key ideal.[240]

The Number 8 Fencing Wire Mentality

Number 8 wire is fencing wire that has traditionally been used on many New Zealand farms. Number 8 wire is used to fix or make pretty much anything, and has become a symbol for Kiwi ingenuity, self-sufficiency and adaptability. As the New Zealand Tourism website says, "It is said that Kiwis can create amazing things—all they need is "a piece of Number 8 wire".[241]

In a similar vein David Feslier of the Retirement Commission notes that, "Kiwis have what is called a DIY culture, and value fixing or building things themselves."[242] Kiwis see themselves as handy, 'can do' people who are self-reliant and can make things come out right for themselves.[243]

A Financial Attitude Survey question asking New Zealanders to identify characteristics and personality traits admired in 'great Kiwis' resulted in the mention of a number of terms consistent with these values. These terms included: "Give it a go; Ingenuity; Adaptable; Resourcefulness; Entrepreneurship; Ingenious; Overcomes obstacles and Intelligent." Another question asked survey respondents to identify Kiwis admired broadly across the population and resulted in the naming of people who exhibit these ideals, including Ray Hammond, a self-taught artist and environmental activist who "overcame odds to find an individual voice"; and John Britton, a backyard-engineer who made how own motorcycle and raced it at Daytona in the 1990s.[244] Focus groups also mentioned a number of individuals representing the Number 8 fencing wire and DIY value. Film director Peter Jackson was cited by one group: "He ran all three Lord of the Rings productions at the same time," said one

[239] Pacific Peoples Focus Group, 23 April 2009; Ngai Tahu Focus Group, 31 March 2009; and Waiwhetu Focus Group, 16 April 2009

[240] Dupuis (2009), Financial Attitude Survey Analysis, pp.2

[241] New Zealand Tourism Guide (2009), http://www.tourism.net.nz/new-zealand/about-new-zealand/kiwiana.html

[242] Feslier, David, Interview, 6 April 2009

[243] 'Kiwi Ingenuity' is a widely recognized component of the Kiwi Identity. During World War II, New Zealanders were stationed in the most remote places in recognition of their skills of being able to fix their own vehicles and machinery simply with what they had on hand. Judith Collins, New Zealand Minister of Veterans Affairs remarked in a recent speech, "From the start it was thought that Australians and New Zealanders, who came from mostly rural backgrounds, would be more suited to the long periods of isolation, harsh weather conditions and danger than their British counterparts. Far behind enemy lines, away from supplies and reinforcement, the Kiwis proved to be incredibly adaptable, self-reliant and resourceful." Collins, Judith, *Address*, 12 December, 2008

[244] Dupuis, Robyn (2009), Financial Attitude Survey Analysis, pp.2-4

woman in admiration, "on a relatively small budget… this ability to 'make do' is a very New Zealand characteristic."[245]

"There is a great sense among New Zealanders of self-belief that we'll make do," said one focus group participant, "a feeling that we'll 'put it together in the back shed and it will come out alright'." Phillipa Conway explained that, in part, "this grew out of New Zealand's great physical and market isolation. Prior to the Lange government of the 1980s, New Zealand was really a different place and New Zealanders had to 'make do' because consumer products were not readily available." [246] Others attribute the perseverance of the number 8 wire and DIY ideal to New Zealand's agricultural heritage and relatively slow and concentrated urbanization. [247]

A number of budget advisor district representatives noted a trend among younger New Zealanders to being less inclined to do things themselves. One representative mentioned that "Younger Kiwis don't know how to cook, clean, etc. Takeaways in our area play a big part in their lives." Instead of making do with what one has, other representatives relayed comments like: "Youngers just expect to have things handed to them any time."[248] A 28-year-old Auckland survey respondent said: "My grandparents are likely to keep old things and fix them, whereas my generation will throw out the broken item and buy a new one."[249]

Effect of the Number 8 Fencing Wire Mentality on Financial Management Attitudes and Behaviours

Annuitisation of private wealth does not have a strong tradition in New Zealand and although there are a number of reasons for this, including the fact that annuities are not very profitable for financial service entities in New Zealand, David Feslier suggests that there is a sense among Kiwis that they can and should manage their own money instead of having it doled out to them in reasonable and calculated payments like an allowance.[250]

According to some informants, this idea of Kiwi "ingenuity, self-sufficiency and adaptability" that comes from the Number 8 fencing wire mentality and the related "handy, capable, self-reliant" characteristics of the DIY culture may give New Zealanders a heightened sense of confidence that even considering their finances, they'll ultimately be all right working it out on their own. The characteristics of being able to make something practical out of meagre resources and to do it on their own, could indeed contribute to a 'she'll be right' attitude among New Zealanders about their future financial situations.

A talent to "make do" and adapt as needed, and an inherent pioneering tendency to be self-sufficient and self-reliant could indeed be beneficial to sustaining Kiwis in good and bad financial times. As Feslier notes, "Perhaps this DIY attitude which is

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[245] Carter, Johanna, Wellington Women Focus Group, 15 April 2009
[246] Conway, Phillipa, Wellington Women Focus Group, 15 April, 2009. In the 1980s and 1990s New Zealand was greatly de-regulated resulting in de-isolation and the availability of many more consumer products.
[247] Victoria University Student Focus Group, 23 March 2009
[248] Dupuis (2009), Financial Attitude Survey Analysis, pp.6-8
[249] ibid.
[250] Feslier, David, Interview, 6 April 2009

typically applied to doing things like plumbing or repairing the roof by oneself, could also be applied to fixing one's financial future as well."[251] The idea that New Zealanders like to do things themselves and have the confidence to do so is also supportive of the potential of the Commission's financial education strategy.

A number of people commented that it's unfortunate that Kiwi Ingenuity does not translate into Kiwi commercialisation. Lynn Lai of SavY said, "Kiwis are ingenious! They come up with amazing ideas!"[252] But Dipra Ray, also of SavY, continued that:

> …Kiwis just aren't that interested in making money out of their ideas. Being creative and innovative and the commercialisation of ideas are two completely different issues in New Zealand. We need to help New Zealanders think more entrepreneurially about making money here in New Zealand instead of going abroad to do it."[253]

Punching Above Your Weight

Kiwis love underdogs and a good come-from-behind 'David and Goliath' story. The ideal that Kiwis 'punch above their weight' means that Kiwis fight at a level above what is expected and that they particularly excel at coming from behind, battling to the top, and overcoming great odds.

One commonly cited example of a New Zealander punching above his weight spoken of during focus groups and interviews was former Prime Minister David Lange who was famously recalled for his stand against the United States position on nuclear weapons and ships when at a 1985 Oxford Union debate he declared: "I can smell the uranium on it [your breath]...!"[254] Helen Clark's staunch position in not joining the United States and others in Iraq was a more recent example.

When Financial Attitude Survey respondents were asked to identify characteristics and personality traits admired in "great Kiwis" many of the terms were connected to the value of 'punching above your weight'. "Resilient; Never give up; Perseverance; Will fight on; Overcomes obstacles; Tenacity; Integrity – being true to self; Strength of will; Stands up for causes; Capacity to challenge status quo and take risks; and Challenging traditional attitudes and expectations."[255]

Ray and Lai suggest that the idea of 'punching above your weight' may be under threat among the younger generation of Kiwis. It is their impression from working with college aged kids that many young Kiwis feel discouraged with the messages heard through the media about limited economic opportunities in New Zealand. Furthermore, there is a sense that if you are going to do something "you'll do it overseas, not here". Finally, instead of seeing opportunities for success in entrepreneurial ventures, they notes that many young New Zealanders seem to just see the work and think it will be easier to "get a nine-to-five job and go fishing".[256]

[251] Feslier, David, Interview, 6 April 2009
[252] Lai, Lynn, Interview, 24 April 2009
[253] Ray, Dipra, Interview, 24 April 2009
[254] Wikiquote, http://en.wikiquote.org/wiki/David_Lange
[255] Dupuis (2009), Financial Attitude Survey Analysis, pp.4-5
[256] Ray, Dipra and Lai Lynn, Interview, 24 April, 2009

The Effect of Punching Above Your Weight on Financial Management Attitudes and Behaviours

Given the low-wage economy, which defines in great part the financial reality of many New Zealanders, a number of Kiwis expressed that they see themselves in some ways as a small but strong country that despite the odds will succeed among more powerful nations in the global economy. As the NeoManagement Group asserts and asks, "…national economies excel at things which are core values in that culture… What core cultural values do we have and how can be build on them to create a defensible niche in the global economy?"[257] One Financial Attitude Survey respondent commented that 'punching above your weight' was supportive of positive financial management and noted that: "If Kiwis understood risk better, they would be tenacious with their financial plans."[258]

On a more individual level, it could be that Kiwis have a greater comfort level with finding themselves disadvantaged and a bit late in the game regarding their financial planning. Perhaps this Kiwi value of punching above your weight makes overcoming such a disadvantage not a completely unwelcome challenge. One survey respondent, a 30-year-old Aucklander, said that "there is a mentality that Kiwis are 'go getters' and even if we don't plan well, we'll get by and we'll get there eventually."[259]

Don't Tell Me What to Do, Mate!

Research by marketing firm FCB New Zealand, entitled Legends and Tensions classified New Zealand as being in a period of adolescence by analysis of common New Zealand behavioural traits. [260] Such behaviours identified as being part of the New Zealand cultural make-up included valuing irreverence, challenging authority, elevating independence and a tendency for New Zealanders to 'act out', particularly by challenging restrictions both at home and on the global stage.[261]

The term 'adolescent' brings to mind another aspect of the 'Kiwi' identity mentioned in interviews and focus groups: New Zealanders don't like being told what to do. This identity component of standing up for one's own beliefs and being true to oneself is associated with many of the same people said to 'punch above their weight'. The common values and ideals expressed by the focus groups, in relation to these individuals, clearly include the importance given to characteristics of "individualism", "resistance to being pushed around" (particularly by larger countries), "independence" and "strength of principles". David Feslier for example provided the example that, regardless how New Zealanders feel now about the economic reforms of the 1980s and 1990s, at the time of the massive deregulation many Kiwis were proud of being the most unregulated country in the world.[262]

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[257] NeoManagement Group, *Business Publications*, 1 June 2008
[258] Dupuis (2009), Financial Attitude Survey Analysis, pp.2-5
[259] ibid.
[260] FCB New Zealand (2004)
[261] ibid.
[262] Feslier, David, Interview, 6 April, 2009

How "Don't Tell Me What to Do, Mate" Affects Financial Management Attitudes and Behaviour

A number of people mentioned that this identity trait might cause New Zealanders to avoid seeking financial assistance. Donna Dentice of the Young Enterprise Trust said that in terms of financial advisors in particular, "New Zealanders are inclined to distrust someone who tells them what to do. The perception of financial advisors is very bad."[263] She added that New Zealanders can hardly be blamed for distrusting advisors given what has happened in recent years with the collapse of finance companies in particular. [264] Whether or not this reluctance to seek financial assistance from advisors can be credited to the "Don't Tell Me What to do, Mate" attitude, or if it is due to past economic events is unknown. The qualitative evidence gathered through this study suggested that a hesitancy to seek financial help in addressing financial hardship issues was due primarily to other factors, particularly not wanting to be perceived as not being able to be generous.

Rather, this identity component can be considered a potential financial well-being strength. If Kiwis, particularly young Kiwis, perceive themselves as independent thinkers, while also being practical, resilient, responsible, self-reliant and grounded, they might then be able to resist the global consumer marketing direction to accumulate debt by spending. Consumer marketing is based on the idea that people will follow the trends. If Kiwis are able to buck the trends by making their own determinations about what is valuable and what their unique priorities are as New Zealanders, they might be able to maintain their sense of practicality, their sense of what is important for a good life and preserve their status of being self-sufficient and self-reliant. Self-esteem and self-confidence are often cited as traits associated with people who manage their finances according to reason and not emotion therefore the self-confidence associated with a strong sense of 'not wanting to be told what to do' may serve Kiwis well as they make their own financial decisions.

Go Outside and Play

As part of the Legends and Tensions research project to identify key Kiwi images, people were asked to provide pictures of what it means to be New Zealander. Many respondents brought in pictures of the beach and, specifically, of people with their bare feet in the water. 'Bare feet' was reported to be a cultural icon that is shared by both Māori and Pākehā.[265]

The research showed that an important related cultural ideal in New Zealand is the 'Go Outside and Play' attitude which essentially means that being outside and interacting with the environment is an important part of the group 'Kiwi' identity. One of the key Kiwi characteristics mentioned in the Financial Attitude Surveys was "commitment to the environment" and several of the "true" Kiwis mentioned as exemplifying New Zealand ideals were known for their pro-environmental stands.[266] Tracey Bridges, founding partner of Senate Communications, a Wellington marketing firm, explained that this connection to the outdoors and love of the land are dominant cultural images that go back to New Zealand pre-European and pioneering times.

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[263] Dentice, Donna, Interview, 9 June 2009
[264] ibid.
[265] FCB New Zealand (2004)
[266] Dupuis (2009), Financial Attitude Survey Analysis, pp.2-3

> The first settlers came to New Zealand looking for a new home, and for land to call their own. And for Māori, a very important cultural concept is 'turangawaewae', literally the place you put your feet, or your homeland. So although Pākehā and Māori have very different cultural concepts about ownership of the land, the connection, nonetheless, is strongly alike… People who migrate to New Zealand with cultures that easily integrate this ideal of the great outdoors and who like to run, bike, etc… do well here. Often people coming here actually are more active outdoors than we are, but it's still our strong cultural ideal.[267]

Other focus group participants reflected Bridges understanding that this love of the land is a commonality among Māori and Pākehā. There is also a belief by some that the sense of loving the great outdoors is in part attributable to how people experienced early Māori culture and values. Focus group participant Philippa Conway suggests:

> When early colonists arrived in New Zealand, their children were dressed in heaps of heavy clothing as was the style in Britain. These children saw Māori children dressed much more freely, running around with bare feet and with freedom to play and explore. Naturally enough they wanted this freedom too. This has had an impact on how we view our children today as you can see in the Playcentre[268] movement with its belief in the importance of child initiated play and creativity. But I think our love of the land comes from the land itself - we have such an amazingly beautiful place to explore and the freedom not to be worried by dangerous animals or insects.[269]

When asked about perceived changes in this value among younger more urban populations, many interviewed said that technology and computers have largely replaced the great outdoors as popular recreation activities. However, others affirmed, along with Lynn Lai: "we still go to the beach to have a chat, we cling to that."[270]

Associated with the 'go outside and play' value, is the preoccupation of many Kiwis with sports. Bridges referred to the FCB Legends and Tensions research that noted that sports in New Zealand is a "currency" that has real value.[271] Almost every individual interviewed or who participated in focus groups, and almost every survey respondent listed a sports figure as a person exhibiting key Kiwi ideals. Sports and the love of sports is a very common value among New Zealanders of all ages, incomes and most ethnicities.[272]

One young person interviewed who was not a native born New Zealander, commented that if New Zealanders elevated business figures like they elevated sporting figures New Zealand would be more entrepreneurial focused. The Young Enterprise Trust has in fact launched a Business Hall of Fame programme in eight schools throughout New Zealand. "Young people's knowledge about business is pretty scanty," says Donna Dentice. Prior to the Business Hall of Fame project, she asked students to name

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[267] Bridges, Tracey, Interview, 24 March, 2009

[268] Playcentre is a parent-operated pre-school program unique to New Zealand

[269] Conway, Philippa, Wellington Women Focus Group, 15 April, 2009

[270] Lai, Lynn, Interview, 24 April, 2009

[271] FCB New Zealand (2004) cited by Bridges, Tracey, Interview, 28 April, 2009

[272] Some interviewed did comment that some of the newer immigrant groups from countries outside of the Pacific nations do not appear to value the sporting culture quite so highly. It remains to be seen whether those immigrants will adopt the sporting culture in the process of assimilation over time.

successful New Zealanders and they consistently named Sir Edmund Hilary and other sports figures. When she asked them to name a successful business person, 50% could not, and those who could typically named ‘my dad’. When she asked them about businesses they admired, they cited those that impacted their lives like Vodafone and McDonalds.[273] This research found similar results among adults interviewed and surveyed. A few business leaders were mentioned as illustrative of those exhibiting true ‘ideal Kiwi’ values, however, the grand majority were either outdoors/sports figures, or public figures who had exhibited great strength of will in face of adversity or bigger rivals.

Effect of the 'Go Outside and Play Culture' on Financial Management Attitudes and Behaviours

What does the Kiwi ideological love of land, sports and outdoor adventure have to do with financial management? It is summed up in the tongue in cheek statement which plays upon the common stereotype about New Zealanders going bare foot: 'Accountants Wear Shoes'.

Typical Kiwi perceptions about what it means to engage in financial management activities hardly mesh with the 'Go outside and play' ideal. While Kiwis perceive financial management as boring, tedious, and “someone’s day job”,[274] the Kiwi ideal is to be outside in the fresh air, having fun with their mates and enjoying life in the moment. Recognising and breaking down this perception and helping financial management to fit into the Kiwi lifestyle, may be critical to the success of any efforts to promote financial management behaviour.

The Love Affair with Housing and the Value of 'Saving Through a Home'

As Harry Pappafloratos, Chief Executive Officer of Colmar Brunton said, “the reasons people migrate to a country contribute to that country’s national set of values.” While convicts from Britain were delivered to Australia against their will to serve sentences and pilgrims came to the United States seeking religious and economic freedoms, New Zealand was populated by people from Eastern Polynesia looking for “space – social, mental as well as physical” who later became known as Māori,[275] and then by English, Scottish and other Anglo-Saxons who were the second and third children of farm families and who also deliberately came looking for land.[276]

Although in more recent history people from Pacific island nations and elsewhere migrate to New Zealand looking for better employment opportunities and a better quality of life rather than for agricultural land, the 'land' ideal reportedly remains a cornerstone of the Kiwi culture.

This love of land has generated an equally strong Kiwi value of saving through one’s home. “Part of the Kiwi culture is for people to retire with a debt free home,” Grant Scobie explains.

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[273] Dentice, Donna, Interview, 9 June 2009
[274] Dupuis (2009), Financial Attitude Survey Analysis, pp.2-3
[275] Dr. Teaiwa, Teresia, Fulbright Orientation Workshop, 10 February, 2009 & Email correspondence 15 April, 2009
[276] Pappafloratos, Harry, Interview, 19 March, 2009

> We have always been taught to buy a house as soon as you can afford it; buy the most expensive house you can; and, pay it off as fast as you can. Home ownership has always been regarded as a good thing generally as well as a major form of retirement saving.[277]

Shane Jones asserts that property and home ownership in particular is a key symbol of "having a settled existence."[278] While New Zealand's tax policies certainly have had an impact on the investment choices of the people of New Zealand, the culture of highly valuing land arguably has also had an enormous impact on the tendency of Kiwis to use housing and property as their primary forms of investment and net wealth accumulation.

Some people interviewed described purchasing and selling homes in New Zealand as "easy and fun" and that as a result many people see the management of a few rental properties as a good source of income. When asked about how he might be considering getting 'sorted' for the future, 26-year-old Joel Carpenter brightened as he talked about plans to get into the property market by buying a house with some "handy mates", fixing it up and renting it out.[279] Policy Advisor to the Department of the Prime Minister and Cabinet, Ross Boyd, confirmed that in fact most rental landlords are small operators, who use their properties as income.[280] 15% of all households in New Zealand own an investment property.[281]

Falling Home ownership Rates – Are Kiwis Falling Out of Love with Housing?

Grant Scobie believes part of the lower home ownership trend is indicative of a shift in values away from the traditional housing ethos. "Home ownership has always been really critical," he explains, "but this next generation doesn't seem as keen on housing." He described how some young people have expressed the preference to live close to the city centre and prefer to rent in their desired urban locations than to purchase a home in what they perceive to be less desirable areas outside town.[282]

Financial columnist Mary Holm also expressed the belief that greater numbers of "young people are choosing not to own a home and would rather rent and go to the beach on the weekend instead of taking care of a property." She described educated, savvy young people who are taking the difference between their rent and what they would have paid on a mortgage, insurance, maintenance and rates and investing that money in shares or other investments instead. "It's a discipline thing of course," she admits, "but as long as these young people are saving as much as they would have paid on a home, they may end up with greater net wealth in retirement, even allowing for having to pay rent, than those who end up with mortgage-free homes."[283]

Is Home ownership Financially Out of Reach?

Grant Scobie suggests that not purchasing a home may also be a practical consideration due to the fact that homes, as a proportion of income, are much more

[277] Scobie, Grant, Interview, 15 April 2009
[278] Jones, Shane, Interview, 18 February 2009
[279] Carpenter, Joel, Interview, 23 February 2009
[280] Boyd, Ross, Interview, 26 February 2009
[281] Department of the Prime Minister (2008)
[282] Scobie, Grant, Interview, 15 April 2009
[283] Holm, Mary, Interview, 18 March 2009

expensive today and many young people may believe housing is out of reach.[284] Indeed, between 2003/04 and 2007, average house prices increased over 40% in New Zealand. Interest rates also increased.[285] Expressing a similar view, focus group participant Philippa Conway said, “We used to be told: ‘get a house; get a mortgage; and pay it off’. After the property boom came, many people couldn’t afford to buy homes.”[286]

In addition to the high housing prices, other contributors to lower home ownership rates mentioned included high interest rates and tight credit standards. Students at Victoria University also credited education-related debt post-graduation as a reason for getting married and starting families later in life[287] as well as for delaying home ownership due to credit issues or simply due to a lack of excess funds. Those with student loans are 6% less likely to have a mortgage.[288]

Finally, the Senior Fellow at the New Zealand Institute of Economic Research, Gary Hawke, posits that social trends resulting in the weakening of traditional family structures, including increased divorce rates, increased numbers of partners, and mixed families may be contributing to a decrease in home ownership. He cited the fact that a home requires a large investment, and circumstances like divorces tend to decrease the net wealth of both participants. People getting married at older ages can have an effect since there are fewer years for the couple to save together and accumulate wealth for that purpose.[289]

While the government support of the 1930s and 1970s which helped many of the current retirees purchase their homes is no longer available, the government is encouraging home ownership through KiwiSaver home ownership incentives.[290] A number of people interviewed suggested that falling housing prices (due to the economic crisis 2008/2009) may enable some younger people to access a housing market for whom it may have seemed unrealistic just a few years ago.

Is There a Property Problem?

While some people are concerned about falling home ownership rates, others continue to be concerned about the tendency of New Zealanders to rely on housing and property investments as their primary form of saving. The Reserve Bank has indeed expressed concern that too much of New Zealanders investment is tied up in housing leaving them vulnerable to economic shocks.[291]

In addition to historical factors associated with the largely agrarian lifestyle, emotional 'love of land' factors, and a preference for lower risk among Kiwis, the

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[284] Scobie, Grant, Interview, 15 April 2009
[285] Retirement Commission, 2007 Review of Retirement Income Policies, p.44
[286] Conway, Philippa, Wellington Women Focus Group, 15 April 2009
[287] The median age of first marriage increased from 23 in 1970 to 29 in 2000. The age at which women are having children has increased as well. In 2004 the age was 30.3 years. Families Commission (2004)
[288] Scobie, et. al. (2005), p.108
[289] Hawke, Gary, Interview, 2 March, 2009
[290] Generally, eligible KiwiSaver participants are provided up to $5,000 toward the deposit on a first home and are allowed a one–off withdrawal of all their retirement contributions and earnings for that purpose (Retirement Commission “Kiwi Saver” (2009) p.2)
[291] Retirement Commission (2007), 2007 Review of Retirement Income Policy – Submission from Reserve Bank of New Zealand

value of housing assets in New Zealand has risen faster than other financial investments which are considered more risky.[292] Retirement Commissioner Diana Crossan highlighted the general distrust of the financial services industry as one of the primary reasons Kiwis hesitate to invest in their products,[293] and David Feslier pointed out that the cost of many financial services products is prohibitive to many Kiwis.[294] Finally, some people blame the complexity of financial products for the concentration of wealth in housing. One paper prepared for the Reserve Bank of New Zealand argues that higher levels of financial literacy would help people understand the risks associated with concentrating their wealth in property to the exclusion of other asset categories.[295]

Mary Holm is adamant that New Zealanders need to be aware that there is risk in owning property. "People think shares are scarier than property but people borrow to invest in property and they leverage their property. This is risky as well."[296] She also suggests that the economic downturn may provide Kiwis with a greater appreciation of the risks associated with property investments in the future.

Although many New Zealanders continue to rely on housing and property as their primary saving vehicles, the incentives provided by KiwiSaver have managed to lure some Kiwis to invest in other forms of savings, at least enough to take advantage of the scheme's generous incentives.[297] A study by AMP New Zealand showed that for the first time in history, when asked about retirement saving plans, New Zealanders placed KiwiSaver above paying off their mortgage and bank deposits.[298]

A Shifting Younger 'Kiwi' identity?

When asked whether young Kiwis are generally 'savers' or 'spenders' the answer was emphatically the latter. When asked why, the 21-year-old respondent said "we are Western we like entertainment, we need stimulation…"[299] She describes the urban inclination to shop as related to the café culture prevalent in urban New Zealand. "We meet up for coffee, walk around a bit… day by day you see the same products and eventually it seems like a good idea to buy."[300]

Jock Phillips, editor of Te Ara Encyclopedia of New Zealand, believes the "expectations of people have changed" regarding what constitutes a good quality of life. While his parents and grandparents for example did not go out to dinner often or feel the need to travel great distances on holiday, they subsequently didn't need as much money to pay for what they felt was a good quality of life. Younger generations, by contrast, seem to have more expensive lifestyle desires and goals.[301]

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[292] Burns and Dwyer (2007), p.28
[293] Crossan, Diana, Presentation to National Members of Parliament, 4 March 2009
[294] Feslier, David, Interview, 6 April 2009
[295] Widdowson and Hailwood (2007)
[296] Holm, Mary Interview, 18 March 2009
[297] ibid.
[298] Parker, Tamsyn, *New Zealand Herald*, 17 April, 2009, p. 3
[299] Neilson, Alexander and other student participants, Victoria University Student Focus Group, 23 March 2009
[300] Neilson, Alexander, Victoria University Student Focus Group, 23 March 2009
[301] Phillips, Jock, Interview, 26 February 2009

Other research supports the idea that New Zealanders are becoming more consumerist. Commissioner Crossan points to changes in technology, material products becoming cheaper, and simply “the huge amount of goods” now available in New Zealand as some of the causes of increased consumerism. “Commissioner Diana Crossan has said that for the Retirement Commission, the increase in consumerism is one of the biggest challenges in helping New Zealanders get and stay sorted.[302]

Indeed, those who work with college aged youth affirm that the younger generation has moved away from the traditional New Zealand focus on nature and enjoying the outdoors and toward consumerism. Dipra Ray commented, “Kids want the consumer goods, the iPods, the iPhone, the cell phones, these are all necessities now, but they haven’t thought about how to pay for these things so they go into debt.”[303]

The majority of respondents to the Financial Attitude Survey felt that younger generations were more materialistic and concerned with instant gratification. According to the majority of people interviewed, although the younger generation may not place acquiring money as a high priority, they still want everything money can buy.

The Effects of the OE on Attitudes about Financial Management

Lincoln University researcher Jude Wilson has said that the great New Zealand OE, or overseas experience is “…too long to be tourism and too short for migration and has its own distinct characteristics.” She believes that ‘Kiwi’ identity is at the heart of the experience and feels young Kiwis use the time to explore how they are different from the rest of the world.[304]

Craig Foss described how young people see their peers enjoying greater material wealth in Australia or Europe and when they return home they expect that since New Zealand is a first world country as well, they should be able to enjoy the same wealth and comforts here.[305]

Less Independent Youth?

> When I was in college I worked part-time and I paid my own way… my peers and I were proud of that, it was part of the challenge. Now it seems kids are content to stay at home and get money from their parents. [306]

Mary Holm suggests that the tendency toward smaller families in recent decades has meant that parents have been able to concentrate more time and money on their fewer children. “We tolerate a lot more than our parents ever did,” Holm said. “We make it too nice and they don’t ever feel the need to leave!”[307]

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[302] Crossan, Diana, Retirement Commission Focus Group, 22 April 2009
[303] Ray, Dipra, Interview, 24 April 2009
[304] Lincoln University Press (2009)
[305] Foss, Craig, Interview 3 March 2009
[306] Holm, Mary, Interview, 18 March 2009
[307] ibid.

Although a number of parents who participated in this study did say that one of their primary jobs was to raise 'independent' adults, perhaps the 'ease of life' within families as manifested by more liberal, casual and relaxed parent-child relationships has made it easier for the younger generation to worry less about their future and arguably to work less intensely to achieve independence and self-sufficiency as well.

Hawke described how British immigrants to New Zealand, having escaped "class ridden" Britain, lent a great deal of importance to being "self-made". He described that a Kiwi ideal was that a person's "standing in the community depended on what you did, not who your parents were". From this philosophy grew a sense that inheritance wasn't very important.[308] As years passed and families accumulated more wealth and had fewer offspring children did begin receiving more substantial bequests. Hawke suggests that there is a greater tendency today among younger people to count on some sort of bequest from their parents than in the past. There is a subsequent concern that they may not feel the need to save for retirement on their own.[309]

The greatest bequest to children in New Zealand continues to be the family home. However, the pattern of a household paying off a mortgage prior to, or early in, retirement is often interrupted by parents refinancing their home to advance monies to their children so they can purchase their own home. This is considered an advance on the child's inheritance.[310]

Collecting on one's anticipated inheritance early does appear to fit within the life cycle model of people 'borrowing' when they are young to set themselves up for the future and in the days of high housing costs, tighter credit and delayed inheritances given longer life expectancies, among other factors, it may indeed make financial and practical sense for some children to borrow on their inheritance so they have greater security and net wealth for the future.

Coming Full Circle? A 4th Generation or a new 1st

There is an old Chinese proverb that says "wealth cannot be passed beyond three generations".[311] This proverb is based on a common folk belief about how wealth accumulates and dissolves among generations. It is said that the first generation creates the wealth out of adversity, hardship and an entrepreneurial spirit. The second generation then maintains the wealth having learned some of the operational skills of their parents but being relatively more comfortable, did not develop the toughness and ingenuity of spirit to build more. The third generation loses the wealth due to the fact that they grew up accustomed to affluence and didn't learn how to struggle, to deal with failure, to skimp and save and to persevere.

[308] Hawke, Gary, Interview, 2 March 2009. Hawke also noted that pioneering families in New Zealand didn't have a great deal of wealth to pass along to their children and what wealth there was, typically in the form of land, was divided among all the children, in direct contrast to the tradition of primogeniture in Britain where the eldest son inherited all the property.
[309] Hawke, Gary, Interview, 2 March 2009
[310] ibid.
[311] Lee and Li (2008), pp.3-20

If for many families in New Zealand, economically speaking, the Depression generation could be considered first, characterised as frugal savers with modest lifestyle expectations; the second generation might be the baby boomers who have worked hard while enjoying greater material comfort and having elevated expectations for quality of life. The third generation would then be comprised roughly of today's 20 and 30-year-old people who have expectations of a lifestyle that far exceed their monetary resources. This is demonstrated by a tendency among younger cohorts to use debt to finance their lifestyle desires. What then does the future hold?

Many of those interviewed expressed the belief that this current significant economic downturn is a teachable moment. It could be that the economy itself will do much of the teaching. However, the Retirement Commission's financial education resources have received significant attention during this tumultuous time. Time, and likely the length of the economic downturn, will determine whether people who experience these economic conditions will adopt characteristics similar to that of the 1930s Depression. Most people interviewed expressed the belief that the current economic crisis has at least delivered a "dose of reality" and will "re-ground" the developed world. Indeed, like people in other countries,[312] people in New Zealand are increasingly saving.[313]

Summary of Commonly Cited 'Kiwi' Identity Characteristics/ Personality Traits Supportive of Financial Management

Financial Attitude Survey Findings

The Financial Attitude Survey results pointed to a number of characteristics considered to be associated with the 'ideal' Kiwi identity that might be supportive of financial well-being. The survey also asked respondents to indicate whether or not they felt each characteristic was supportive of positive financial management.

The chart below shows the survey findings of the question regarding characteristics of the 'ideal' Kiwi.[314] The values or ideals that were considered to be most strongly 'sorted-supportive' include Practical/Pragmatic, Sensible, Responsible, Grounded, Resilient and Self-Reliant. Many of these characteristics could be associated with 'pioneering values', 'Number 8 wire/DIY mentality', 'Punching above your weight', and the 'Tall Poppy Syndrome.

312 Americans and Australians have reported higher saving rates and are also demonstrating increased interest in living more frugally.

313 OECD (2009) Economic Survey of New Zealand

314 The author urges caution in the use of these figures in other work. The survey sample was small and it was apparent that the question was confusing to some respondents. Some of the characteristics which were clearly expressed by those interviewed or participating in focus groups to be core components of the generally appreciated sense of 'Kiwi' identity did not rank highly at all in the survey.

Value/ Folk Ideal	Kiwi Ideal	Supportive
Sensible	71%	68%
Practical/Pragmatic	82%	74%
Stoic/Reserved	41%	38%
Responsible	65%	62%
Grounded	74%	53%
Self-Reliant	74%	50%
Strong	59%	29%
Private	62%	9%
Not Showy/Modest	74%	26%
Attitude of 'She'll be Right'	44%	6%
Serious	32%	29%
Clever, but played down	53%	15%
Down to Earth	50%	44%
Relaxed – 'No Worries'	68%	12%
Generous w/ friends & family	53%	18%
Quiet confidence	56%	29%
Humble	59%	18%
Capable	47%	74%
Resilient	62%	53%
Committed to helping others	74%	32%
Determination	68%	29%
'Punches above weight'	35%	44%
Ingenuity (Number 8 Wire)	65%	24%
Tall Poppy Syndrome value		

Key 'Kiwi' identity Component Comments Inspired by "Great Kiwis"

The Financial Attitude Survey also asked respondents to identify a few great New Zealanders of which Kiwis are generally proud, then to simply jot down a few personality traits or attitudes that came to mind that make these people 'great Kiwis'. Some of the terms are the same as in the list provided, but a few new characteristics emerged as well. Given the more candid nature of the responses, it is important to consider the strength of this list as well.

- Give it a Go
- Self-Reliant
- Motivated
- Stoic
- Brave
- Adventurous
- Explorer
- Leader
- Resilient
- Never give up
- Perseverance
- Will fight on
- Overcomes obstacles
- Tenacity
- Stubbornness
- Integrity
- True to self
- Strength of will
- Stands up for causes
- Capacity to challenge status quo and take risks
- Challenges traditional attitudes and expectations
- Hard Working
- Ingenuity
- Adaptable
- Resourcefulness
- Entrepreneurship
- Ingenious
- Intelligent
- Pure Talent
- World Class Talent

- Capable
- Goal Oriented
- "Having a vision"
- High achieving
- Practical
- Pragmatic
- Down to Earth
- Relaxed
- Humble/Humility
- Noble

- Honesty
- Helping One Another
- Mateship
- Friendly
- Generous
- Helpful / Helping others in need
- Humanitarianism

- Proud and Supportive of New Zealand "Proud to be Kiwi made"
- Love for their People
- Working for a better life for 'Māoridom'
- Commitment to environment

Budget Advisor District Representative Opinions about 'Sorted' Characteristics

The comments of Budget Advisor District Representatives, from throughout New Zealand, are included in the above list. However, given their experience working with New Zealanders who it can be largely assumed are 'not sorted', it is important to emphasise the personality traits or attitudes these experts in the field most commonly identified as those likely to result in more positive financial management behaviours. Those commonly mentioned include:

- A sense of responsibility;
- A planning/organising personality;
- A willingness to take advice and work on improving their situation;
- Being prepared to work or 'stick to it'; and
- Having a strong sense of self-esteem.[315]

For Those with Different Identity Components

Given the diversity of New Zealanders, including variables such as ethnicity, age, rural/urban experience and others, a message focusing on a 'Kiwi' identity, integrating even the most common values, images and folk ideal components will not resonate with every person or every population group.

The qualitative findings of this work suggest that among many New Zealanders there are some key components of a common sense of 'being Kiwi', even if those components are considered almost 'folk' or 'mythological'. Furthermore, as Chen and Li write, "When we belong to a group we are likely to derive our sense of identity, at least in part, from that group."[316] They also note that "group identity affects individual behaviour".[317] It can be argued therefore that a successful identity connection with the greatest percentage of the population, and the adoption by that majority of the desired behaviours as norms, may have substantial disseminative influence on other population groups.

Ultimately however, similar identity focused efforts are likely to be required that are targeted to specific population group identities. The findings of this research suggest

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[315] Dupuis, Robyn (2009) Financial Attitude Survey, pp.6-8
[316] Chen, Yan and X. Li (2006) p.2
[317] ibid.p.2

that young urban New Zealanders and more traditional ethnic communities might require targeted identity based research.

A Note about Specific Ethnic Identity Considerations – Māori, Pacific and Asian Peoples

In addition to a growth in the Māori population in the late 20th century, immigration from Pacific nations is strong and the Asian population has the largest relative population growth of all New Zealand ethnic groups.

Although this work was designed to look at the broad New Zealand population and not any particular ethnic group, given the increasing diversity of New Zealand,[318] it is important to highlight a few of the most commonly cited factors which might influence specific financial management attitudes and behaviours of individuals who identify with certain demographically significant ethnic populations. Toward this end, a number of interviews and focus groups were conducted with Māori, Pacific and Asian peoples.[319] The detailed results, which illuminate a variety of factors suggested to effect the financial well-being of Māori, Pacific and Asian peoples is available upon request (see Appendix D).

In brief summary, by and large, ethnicity in and of itself does not appear to be as great of a factor in 'being sorted' as are the variables which effect all New Zealanders regardless of ethnicity including income, net wealth, age, education and financial knowledge. However, two variables related to a person's ethnicity emerged as potentially having an impact on a person's ability to achieve financial well-being, particularly depending upon a person's length of time in New Zealand and their participation in broader New Zealand educational, social and vocational pursuits, among other factors.

One was the belief that Māori and Pacific peoples overall have a limited history with the European-introduced predominantly cash-based economy. Both groups expressed that some Māori and Pacific peoples are not as money-savvy as a result and are uncomfortable with what might be considered more sophisticated financial transactions. As Teone Sciascia, Ngai Tahu, commented, "We are still coming to terms with the fact that 'money' is something valuable to have."[320] Likewise, participants in the Pacific Peoples focus group indicated that one of the most critical messages for people of Pacific ethnicity is the 'importance of money' and the fundamentals of how to 'spend' and 'save' appropriately.

The other related impact of "ethnicity" was the persistence of particular cultural values which are supportive of and consistent with a more community/household based economy. A communal sense of resources; a high value of generosity and 'sharing out' to friends and families; and an economic system based on revolving reciprocity, are a few characteristics which persevere to different degrees among some Māori and Pacific peoples.

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[318] By 2026 17% of the population will be Maori, 17% Asian and 10% Pacific peoples (after 2026 the Asian population is expected to exceed the Maori population (Statistics New Zealand).

[319] Pacific Peoples Focus Group, 23 April 2009, Manukau City, Auckland; Ngai Tahu Focus Group, 31 March 2009, Christchurch; and, Waiwhetu Marae Focus Group, 16 April 2009.

[320] Sciascia, Teone, Interview, 31 March 2009

Both Māori and Pacific peoples interviewed emphasised having a strong sense of extended family and community within which a system of reciprocation exists that continues to form the basis for some social and economic relationships today. In *The Common Purse* a collaborative group of researchers illustrated that many Māori and Pacific peoples households in New Zealand are comprised of extended families which are intertwined within the economy of the wider community to preserve cultural values and traditions.[321] It was clear through this research that being closely 'intertwined' also preserved economic traditions. One Tongan focus group participant stated that "there is no such word as 'I' within our culture. Everything is 'we'." "If you've got money, you give it away," Ngai Tahu Teone Sciascia described bluntly, "then one day you will get it back."[322] For example:

> When you attend a tangi [funeral] you give the grieving family money to assist with the costs. When someone in your family passes away there is an opportunity for the other family to reciprocate, Whakautu to repay or to pay back.[323]

Similar explanations of financial customs were provided by Pacific peoples. Clearly there are positive financial strengths associated with working together to accomplish goals. Some study participants however highlighted challenges associated with trying to fulfil New Zealand financial obligations as well as fulfilling responsibilities to family and community.

The research conducted regarding Asian financial management attitudes and behaviours as part of this work was more limited. Among some Asian populations there is a very strong 'saving' and 'risk and debt averse' culture although informants mentioned that many Asian people in New Zealand are increasingly learning to 'make money from money' and are participating in more credit-based transactions. Others noted a strong entrepreneurial spirit among some Asian cultures that might positively impact future New Zealand productivity. Given the fact that 'Asian peoples' are projected to be the largest ethnic group in New Zealand after 2026, the potential impact of the Asian financial identity on New Zealand's financial 'sortedness' is likely to be increasingly significant. This potential impact is one of the two suggested areas of future research.

[321] Fleming, R., et. al. (1997), pp.xix-xx and 123-124
[322] Sciascia, Teone, Ngai Tahu Focus Group, 31 March 2009
[323] ibid.

6 HOW CAN THE RETIREMENT COMMISSION HIGHLIGHT AND CAPITALISE ON 'SORTED SUPPORTIVE' ELEMENTS OF THE 'KIWI' IDENTITY TO PROMOTE THE VISION: NEW ZEALANDERS ARE FINANCIALLY SORTED?

The qualitative findings of this study suggest that there may indeed be a number of 'Kiwi' identity components that have associated sorted-supportive norms upon which the Retirement Commission could capitalise within its current and future initiatives to promote a more positive 'Kiwi' identity-salience impact on financial management behaviour and performance.

The primary recommendation is therefore that the Commission consider investigating the 'Kiwi' – 'Sorted' identity connection through careful testing of the actual effect of the evoked 'Kiwi' identity on behaviour and performance, and by testing which specific 'Kiwi' identity components when made more salient appear to support behaviours and performance conducive to financial well-being. Pending results of this testing, the Commission might integrate messages that highlight identified sorted-supportive identity components within its financial education initiatives.

This work is designed to be a starting point in formulating an effective identity and identity-component salience focused strategy for achieving financial well being in New Zealand. However, beyond suggesting that further testing might be considered, a number of examples of how identity-strength messages might be incorporated into Commission initiatives are provided below.

Key Recommendation

Further explore the connection between what it means to 'be Kiwi' and what it means to 'be Sorted'.

- Identify the core components of the 'Kiwi' identity that if highlighted and capitalised upon are likely to promote an additionally 'sorted-supportive' overall Kiwi group identity.
- Determine how such components may be highlighted to promote a positive identity-salience which results in optimal behaviour.

This identity-focused strategy, described utilizing the folk 'Kiwi' identity, be employed in similar initiatives targeted to specific ethnic, age or income populations.

Identity and Identity Component Testing Recommendations

1. Test the 'Kiwi' Identity Salience Effect on Behaviour and Performance

What are the stereotypes or assumptions of the 'Kiwi' identity related to financial management aptitudes and inclinations? What behaviours and performance does the 'Kiwi' identity provoke?

This research provides some qualitative findings from interviews, focus groups and surveys. A series of experiments similar to the Asian-American Women[324] experiment to observe actual behaviour and performance would be recommended. This information is critical to determine an identity-impact 'baseline' in order to test the impact of making salient particular components of that identity. The baseline will also be useful for the future evaluation of efforts to promote a more positive identity-salience impact. Experiments might compare behaviours and outcomes of 'Kiwi' identity-salience to the salience of other group identities including different genders, specific ethnicities, and education levels.

2. Test the Potential Impact of 'Sorted Supportive' Identity Components

Which components, when made more salient within the 'Kiwi' identity, improve financial management behavioural and performance outcomes?

This research provides qualitative findings as to which 'Kiwi' identity components might be most sorted supportive. Experiments similar to the general 'Kiwi' identity test suggested above could be conducted wherein one group of 'Kiwis' are approached as 'Kiwis generally' and other groups are approached as 'Kiwis' but are also primed with messages evoking specific identity components (Number 8 Wire, Tall Poppy, Pioneering Values, She'll be Right etc.) to see which components result in the most optimal behaviour/performance. One idea might be to show a movie that highlights Kiwi folk images with the objective that people leave the theatre having their sense of 'being Kiwi' strongly evoked. Movie goers could then be split into groups. One group, to represent the overall 'Kiwi identity' would immediately complete a questionnaire designed to judge their financial management interests and aptitudes. Other groups could each partake in surveys or discussions about specific identity components in order to make those components most salient (one specific identity component per group). After being 'primed', these groups would then complete the questionnaire. Ideally, results will show which identity-components, when primed, are likely to result in the most positive financial management attitudes and behaviours.

<u>Making Salient 'the Sorted Kiwi' – Strategy and Implementation Examples</u>

The identity-component salience model diagram provides five suggested strategies by which identity components might be made more salient.[325] Using the 'Kiwi' identity example, within each of the five suggested strategies listed below are included an example or two of potential Retirement Commission initiatives that might encourage positive financial management behaviours and performance by highlighting appropriate components of 'the Sorted Kiwi' identity.

1. 'Highlight' and 'Prove' the Identity-Behaviour/Performance Connection

Sorted-supportive components include 'a pioneering spirit' and its associated characteristics of practicality, sensibility, determination, resilience, humility, etc.; the 'Number 8 Wire' and DIY mentality that Kiwis are talented, clever, and make the most of what they have; the tendency for Kiwis to 'Punch above their weight' and be

[324] Shih, et. al. (1999), p.1
[325] See Appendix A for a detailed model diagram and narrative

determined, tenacious and hard working; 'a quality of life priority' which keeps expectations ‘grounded’ and in line with resources; the 'Tall Poppy Syndrome' which frowns upon conspicuous consumption; and a 'Love of Land' ethos which highlights how Kiwis have cleverly invested in property at times when that was a very appropriate wealth building strategy. These as well as other identified ‘Kiwi’ identity components with sorted-supportive connections could be subtly made more salient to the ‘Kiwi’ identity when financial education and well-being generally is being encouraged. Use of statistics that ‘prove’ the inclination of New Zealanders to be ‘sorted’ is also advised whenever appropriate. Four specific examples of messages are provided below.

Establish a Definition of 'Saving' that is ‘New Zealand, Inc.’[326] and Combat the 'Bad Saver' Myth with Clever ‘Sorted Kiwi’ Messages

If 'being Kiwi' is associated with being 'a bad Saver', the Retirement Commission is faced with an uphill battle. While the impression among New Zealanders that Kiwis are generally 'bad savers' was found to be prevalent, a number of other studies point to Kiwis not thinking of themselves individually in that way. Furthermore, an alternative though equally prevalent view was expressed that “Kiwis save through their homes”.[327] The existence of this significant “saving through home” component of the ‘Kiwi’ identity might prove to be a significant weapon to combat the bad saver myth and demonstrate Kiwis are actually very clever at saving and at financial management generally.

There is much material for the ‘clever Kiwi’ financial management argument. Prior to KiwiSaver, a number of economists pointed out that New Zealanders were responding very rationally and making appropriate decisions about supplementary savings by investing in housing and property. Once an advantageous saving opportunity came along in KiwiSaver, within the first two years over a quarter of the eligible population had signed on and now KiwiSaver is the retirement saving mechanism of choice. In addition to these apparently very clever financial decisions, close to 30% of New Zealanders have utilised the Sorted website. This information does not appear to support the idea that Kiwis don’t care about their financial future, nor that they make poor financial decisions.

A new definition of saving that reflects the way Kiwis reasonably and cleverly build wealth in New Zealand, and the promotion of the message that Kiwis on the whole make remarkably reasonable financial decisions is perhaps the most critically empowering ‘Kiwi’ identity component to highlight to New Zealanders.

Use the Clever Kiwi Sensibility to Suggest Kiwis are Simply Too Smart for Problematic Debt

From what New Zealanders have expressed about not liking to be told what to do, and what is known of behavioural economics generally, messages that show Kiwis as

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[327] Often these two seemingly opposite views were expressed by the very same people. This can be explained by messages that have been relayed through the years that saving through a home was not enough, or that it was not even classified as ‘saving’. There are people on both sides of this issue. Some argue for greater traditional saving and investment and others assert that the amount of housing on New Zealander’s balance sheets is not a cause for concern and is, furthermore, generally a reasonable wealth accumulation strategy.

being too 'clever' and sensible to buy 'McMansions on McDonald salaries', etc. gives New Zealanders a sense of empowerment that Kiwis are too simply too 'practical' and aware of what is truly important in life to and fall into debt chasing consumerist dreams. Preaching an ethos of 'thrift' and 'sacrifice', (terms this study found to be negative among New Zealanders), should be avoided as well as disheartening messages that tell people they simply don't make enough money to have the things the rest of the world. Messages that show Kiwi strengths may provide New Zealanders with a greater pride in their natural inclination to behave in financially responsible and sensible ways.

Highlight the Perceived 'Practical and Sensible' Financial Management Strategies – Give the 'Risk Averse' Label a Sensible Spin

A number of people interviewed referred to a risk averse culture in New Zealand. While being 'risk averse' is not a characteristic supportive of building big business, for the everyday person in their everyday life, such a trait is not necessarily a bad thing. Understanding that many Kiwis are considered fairly risk averse is important for the design of educational programmes that introduce wealth building mechanisms that might appear to be risky. While younger generations may be more accepting of such concepts, New Zealanders overall may be more receptive to learning about more conservative ways of protecting and building their net asset base. Dropping the negative sounding 'risk averse' label and suggesting that Kiwis are simply more inclined to pursue sensible and conservative financial investments relays to New Zealanders that it is okay not to chase promises of high returns which appear too good to be true and to invest in ways that make sense to them.

Use Number 8 Wire to Increase Entrepreneurial Interest

This study found qualitative evidence that many New Zealanders perceive profits and big business ventures in a very negative light; namely as being greedy, self-interested and opportunistic. New Zealand needs corporations and corporate leaders that look to the interest of the community and help to give New Zealanders a more positive and balanced view of business.

Financial educational messages supportive of entrepreneurism might focus less on the benefits of making money associated with commercial enterprises, and more on how given Kiwi ingenuity, New Zealanders are naturally inclined and therefore have a responsibility to make New Zealand and the world a better place to live by putting their ideas into practice. Language that sounds too capitalist or materialistic such as 'how to be a millionaire' should be avoided. Rather, a focus on how Kiwi ingenuity can serve the community may be perceived as empowering, positive and even philanthropic and therefore may be more likely to resonate.

2. Promote Identity-Based Benefits or Threats of Desired Behaviour

Tie benefits and threats messages directly to the strongest held values.

Keep 'Kiwi' Identity Components in Mind when Highlighting Threats and Benefits

Showing benefits in line with 'Kiwi' identity components of financial management behaviour might include that being financially sorted enables a person to be generous with friends and families; have the freedom now and in the future to engage in recreational activities, travel, and spend time on the beach; own a home; and educate children, among many others. Strong feelings of nationality or liking to be 'first' in the world to achieve feats may be useful as well in showing benefits. What won't work are images of lavish ostentatious lifestyles as a 'benefit', given an aversion to such displays of 'over-the-top' wealth, and trying to 'scare' New Zealanders with threats of financial ruin, given the traditional understanding that the government will provide at least for basic needs.

3. Lower Perceived Cost of Desired Behaviour

Kiwi-ise Financial Management - Show How Financial Management Fits into the "Idealised" Kiwi Lifestyle

The perception of 'financial management' among New Zealanders is that it is complicated, tedious and time-consuming. If New Zealanders are going to be expected to engage in financial management activities, they need to be shown how financial management fits into their lives or, perhaps more important, their idealised lives, by fitting within the broader sense of their group identity.

Financial management activities, or at least the perception of such activities, have heretofore never fit into the 'quality of life' Kiwi ideal. The Retirement Commission might engage in additional targeted efforts to change the perception Kiwis have about what financial management means and might communicate that for most New Zealanders, financial management doesn't have to be complex, technical or difficult. It is critical to show that to 'be sorted' doesn't mean that one has to make financial management or money a priority. Making financial management simple and providing tips, tricks and strategies for how to fit managing money into the everyday New Zealander's life may resonate well among Kiwis who report having strong 'pioneering' characteristics of being responsible, grounded and self-reliant.

4. Use Identity 'Ideal' Representatives/Representations

Show how a person who epitomises the Kiwi 'ideal' incorporates 'sorted' behaviours and accomplishments in their 'regular Kiwi life'.

Use Popular Messengers with which Kiwis Identify and Who Exhibit the Most Appreciated Sorted-Supportive Identity Components (Key Values and Ideals)

The best person to spread the word that financial management corresponds with 'real' Kiwi values and ideals and can fit into the ideal Kiwi life is someone who exhibits those values and ideals him or herself and who is living that life.

When asked to name New Zealanders of whom they were most proud, while the late Sir Edmond Hilary was mentioned far more often than any, many people named members of the All Blacks as examples of the Kiwi character and the Kiwi ideal. New Zealand marketing professionals recognise and have capitalised upon the broad appeal of the All Blacks, as well as other Kiwi sports figures. Despite the resistance some interviewed reported having to the frequent use of sporty Kiwi stereotypes, it is clear that in New Zealand, sports and in particular rugby, sells.

The fact that the popularity of rugby spans the generations, genders, and ethnic divides makes rugby players particularly enticing and effective messengers directed toward the population as a whole. Furthermore, while business people and politicians are likely perceived to be more 'money-focused' (and possibly not in a good way) anyway, a rugby player could better combat the negative, 'non-Kiwi' image of money management.

5. Capitalise on Unique Identity Components that are Empowering and Inspirational

Capitalise on 'small country pride' and appreciation of being 'first in the world'
One example of a unique 'Kiwi' identity component is the great appreciation New Zealanders have of punching above their weight on the world stage and being 'first in the world'. Suggesting that New Zealand, because of its social and economic policies as well as the unique characteristics related to 'being Kiwi' can be 'first in the world to be financially sorted', might be an inspiring and empowering message.

Recommendation for Future Identity Focused Research

Recognise and Capitalise Upon the Strengths of Different Ethnic Identities in New Zealand
Although this work suggests that a 'Kiwi' identity focused strategy may reach a significant percentage of the broad New Zealand population through the population's 'direct' association with identity components as well as through the very powerful social confirmation dissemination, some population groups in New Zealand may require a more targeted identity-focused message. In particular, focus groups and people interviewed suggested that perhaps some of the more close-knit communities of Māori or Pacific peoples with strong ethnic identities that supersede their identity as New Zealand 'Kiwis' might benefit from specifically tailored initiatives. One Māori man interviewed for example said, "outside of New Zealand we may refer to ourselves as Kiwi, but here we are 'Māori'. A Tonga-born man said similarly that although he heard his son refer to himself as a "New Zealand Tongan," he said "I can't be anything but a Tongan." Clearly the extent to which the 'Kiwi' identity will resonate with individuals associating with different ethnic groups within New Zealand is dependent on a number of factors including time spent in New Zealand, the community in which the person lives and associates, the engagement of the person in the broad socio-economic New Zealand environment, age, education, inter-marriage and innumerable other variables.

The Retirement Commission is already engaged with Te Puni Kōkiri and the Ministry of Pacific Island Affairs to design and provide appropriate and effective financial education materials to Māori and Pacific peoples. Identifying and highlighting the strengths of the specific Māori and Pacific identities within such efforts might be fortuitous as well. Demonstrating that Māori and Pacific peoples have a history of being sorted and highlighting the identity related strengths such as the ability to work together toward the achievement of goals might be particularly empowering. In addition to Māori and Pacific peoples, the identity of other ethnic groups such as Asian peoples should be considered.

Two Key Future Research Questions

1. How can financial opportunities (products and schemes) integrate and capitalise on enduring aspects of community-focused financial behaviours of

Māori and Pacific peoples for the benefit of Māori and Pacific peoples as well as New Zealand as a whole?[328]

Given that Māori and Pacific peoples are projected to make up increasing percentages of the total New Zealand population over the next few decades, it would be interesting and advantageous to:

a) Gauge which cultural aspects, as related to financial management behaviour, of these two ethnic groups appear to be enduring over time; and
b) Work with the Māori and Pacific peoples communities to design products and schemes that capitalise on these cultural aspects.[329]

2. How will the growing Asian population impact New Zealand financial management attitudes and behaviours? Given unique Asian identities and corresponding attitudes and values surrounding finances and business, how will this increasingly significant population effect productivity in New Zealand?[330]

Research in this area could consider factors including:

a) What behavioural norms does the 'Asian' identity, and its corresponding values and attitudes encourage related to money, financial management and business?
b) How do these components of the 'Asian' identity endure over time in New Zealand?
c) Why do Asian people come to New Zealand? If Asians are coming to New Zealand to retire, or simply for a better quality of life, their impact on the productivity of the nation may be different than those looking for economic, and specifically, entrepreneurial opportunities.

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[328] Snapshots of a few identified factors that might impact financial well-being of Maori and Pacific peoples, including their history with cash economic systems and specific cultural values, were created as part of this research and are available upon request (see Appendix D).
[329] Te Puni Kōkiri is already studying and piloting some initiatives within Maori communities. According to policy staff, their initiatives are "whanau-focused" and designed to gauge how a family and community strength approach may result in increased financial well-being for Maori individuals, families and communities. The Ministry of Pacific Island Affairs is also engaged with financial literacy initiatives.
[330] "Asian" is a very diverse category and the term is merely used for convenience here. Clearly the questions of this research should be asked of people from the variety of Asian countries who call New Zealand home and weighed according to their proportion of the population, among other considerations.

CONCLUSIONS

This study suggests that highlighting and making salient the most 'sorted supportive' components of the 'Kiwi' identity could improve the overall 'Kiwi' identity-salience impact on New Zealanders financial management behaviours and ultimate performance toward achieving financial well-being.

The effect of identity-salience on financial behaviour and performance is an emerging area in the behavioural economics arena. Although some have described the identity effect on behaviour and performance to be disturbing, it can and arguably must be an area of great opportunity.

Given the understanding that each category within a person's overall identity comes with a set of behavioural norms that guide a person's actions when made salient,[331] efforts to evoke, or make salient, the components of that person's identity with norms most supportive of positive financial management should result in that person being increasingly apt to adopt and normalise 'sorted' behaviours leading to greater financial well-being. Researchers suggest that 'fighting' a person's identity and the components within that identity by promoting behaviours that do not conform to recognised identity norms, will not result in sustainable outcomes given the strength of the norms.[332] Working 'with', and celebrating, the components of the 'Kiwi' identity that do suggest that sorted behaviours are included in their sets of norms could however result in a more natural, identity based, and sustainable sense that 'being sorted' is simply part of 'being Kiwi'.

This work constitutes a preliminary effort at identifying what commonly recognized components of the general 'Kiwi' identity might be sorted-supportive and how these components might be made more salient within the overall 'Kiwi' identity to promote more positive implied assumptions, or stereotypes, about New Zealanders inclinations and abilities to achieve financial well-being. It should be noted that such an identity-component salience strategy is not limited in its effectiveness to financial well-being initiatives. The effects of identity-salience on other behaviours and performance including voting activity, resistance to persuasion, demonstration of math skills, and consumer choice have also been demonstrated.[333] Clearly, the application of identity-salience and identity-component salience could be useful in the education field, within employment situations, and in social and human service programmes to help persons achieve self-sufficiency and other goals.

The qualitative findings of this work suggest that there are a number of components, particularly those based on the 'pioneering' qualities of New Zealanders that are likely to have associated norms conducive to positive financial management behaviour and achievement. A few of these components include the common 'ideal Kiwi' characteristics of being responsible, sensible, practical/pragmatic, grounded, clever, able to make do, determined, strong of will, independence and tenacious, among many others. Values and ideals such as the 'Tall Poppy Syndrome' and

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[331] Benjamin, et. al. (2008), p2 cites Akerlof and Kranton (2000) Economics and Identity, Quarterly Journal of Economics, 115, 3, MIT Press

[332] Benjamin, et. al. refers to work by Akerlof and Kranton (2002, 2005), Bisin and Verdier (2000, 2001), Fang and Loury (2005) and Benabou and Tirole (2006) in regards to social identity effects.

[333] Shafir, Eldar (2008), p.16;\. Eldar cites a number of other studies.

emphasis on ‘Quality of Life’ over ostentatious living; the 'Number 8 Fencing Wire’ mentality; a positive ‘She’ll be Right’ future outlook; the ‘Punching Above their Weight’ tendency; a staunch ‘Don’t Tell Me What to Do' independent will coupled with high self esteem; a ‘Love of Land’ appreciation of property and the great outdoors; and a great and generous community spirit all have associated behavioural norms which could be considered very supportive of achieving financial well-being if highlighted and evoked within an identity-component salience initiative.

Thinking carefully about how to show that financial management ‘fits’ within the ideal New Zealand lifestyle is important given the qualitative findings that many Kiwis do not feel the two are congruous. Showing New Zealanders how easy financial management can be and how it can be done without great sacrifice and effort, while ‘still having fun’, appears to be a critical message.

The Retirement Commission already expresses great confidence that New Zealanders have the personal wherewithal to achieve financial well-being and that in itself is an empowering identity-based message. The Commission’s overarching philosophy that given appropriate financial management information, people will act rationally and responsibly to achieve financial well-being is a powerful statement of confidence in New Zealanders’ inclinations and aptitudes to actively pursue financial well-being. This philosophy is based on an understanding and celebration of the common ‘Kiwi’ group identity and its underlying components, perhaps including values, ideals and characteristics such as being down to earth, sensible, practical, responsible, grounded, resilient, determined, clever, and others.

The National Strategy for Financial Literacy says: “It is financial literacy that really *empowers* people to make smart decisions about their money that fit the circumstances of their own lives.”[334] A number of interview and survey respondents echoed this sentiment. One respondent wrote: "If Kiwis knew more, they would be tenacious with their financial plans.” Research has suggested however that the provision of financial education alone is not always enough to prompt people to act. It has been suggested that financial literacy practitioners adopt a more realistic real world view that recognises the limitations of financial literacy on ultimately prompting desirable financial behaviour and the achievement of financial well-being.

In recognition of this theoretical limitation, some suggest changing the environment by making saving compulsory. Others suggest utilising various components of behavioural economic theory to help ‘guide’ people toward advantageous saving behaviours. A number of these techniques have shown great promise, and certainly some are integrated into New Zealand financial schemes such as KiwiSaver. While many of these strategies are effective in pushing people to ‘act’ within the specific scenarios in which they are applied, there is no evidence that these strategies actually alter a person’s underlying behavioural norms and attitudes about their own abilities and inclinations to be financially sorted. Without constant ‘nudging’ or ‘obligation’ such behaviours are unlikely to be sustained. Furthermore, some argue that if people are ‘pushed’ or ‘required’ to save then a consideration of fairness necessitates that they also be equipped with either the financial knowledge or trusted financial advice necessary to make the most optimal decisions with their money.

[334] Retirement Commission (2008), National Strategy for Financial Literacy, p.3

This work suggests that an identity-based approach which augments financial literacy and other financial well-being initiatives can indeed promote more normalised and sustainable financial well-being behaviours and positive outcomes because it is fundamentally based and builds upon the values, ideals and characteristics that comprise a person's existing recognised identity. An identity-based approach that creates a positive association between 'who people are' and their abilities and inclinations to achieve financial well-being, when coupled with appropriate financial education and well designed financial opportunities, could result in increased normalisation of financial well-being behavioural norms and the natural inclination to succeed that in turn encourages positive performance.

The Retirement Commission is making great strides toward the achievement of each of its goals and toward its overall vision: New Zealanders are financially sorted. The second ANZ/Retirement Commission Financial Knowledge survey shows that financial knowledge levels have increased. 43% of New Zealanders now score in the 'High' knowledge group, an increase of 10 points, and the 'Advanced' knowledge group has grown from 15% to 20% since the first survey was conducted in 2006.[335] Financial literacy education is slated to be integrated within the core New Zealand school curriculum in 2010; more and more workplaces are signing on to distribute Sorted materials (almost 40,000 resources are distributed each month); and, almost 30% of New Zealand's population has accessed the Commission's Sorted website.[336]

The Commission is also engaged with other stakeholders to achieve another of its big goals: "The financial services sector is trusted," by working to promote balanced protective regulations of the financial industry. They continue to analyse and provide recommendations to the New Zealand government to achieve the goal: "The government's retirement income policies are effective and stable."

The findings of this work suggest that the Commission's efforts might be augmented by highlighting and making more salient the core appreciated sorted-supportive components of the 'Kiwi' identity.[337] In line with the Commission's empowering underlying philosophy that New Zealanders will make rational decisions if provided with the appropriate information, further highlighting inherent 'Kiwi' identity strengths related to financial behaviours and performance will arguably increase confidence and shift perceptions among New Zealanders to a greater appreciation of how 'being sorted' is a natural part of 'being Kiwi'. By encouraging a positive 'Kiwi' identity salience effect on financial management behaviours and performance, this work suggests that New Zealanders could be more resolutely and sustainably empowered to normalise basic 'sorted' behaviours in order to achieve the Commission's ultimate vision: New Zealanders are financially sorted.

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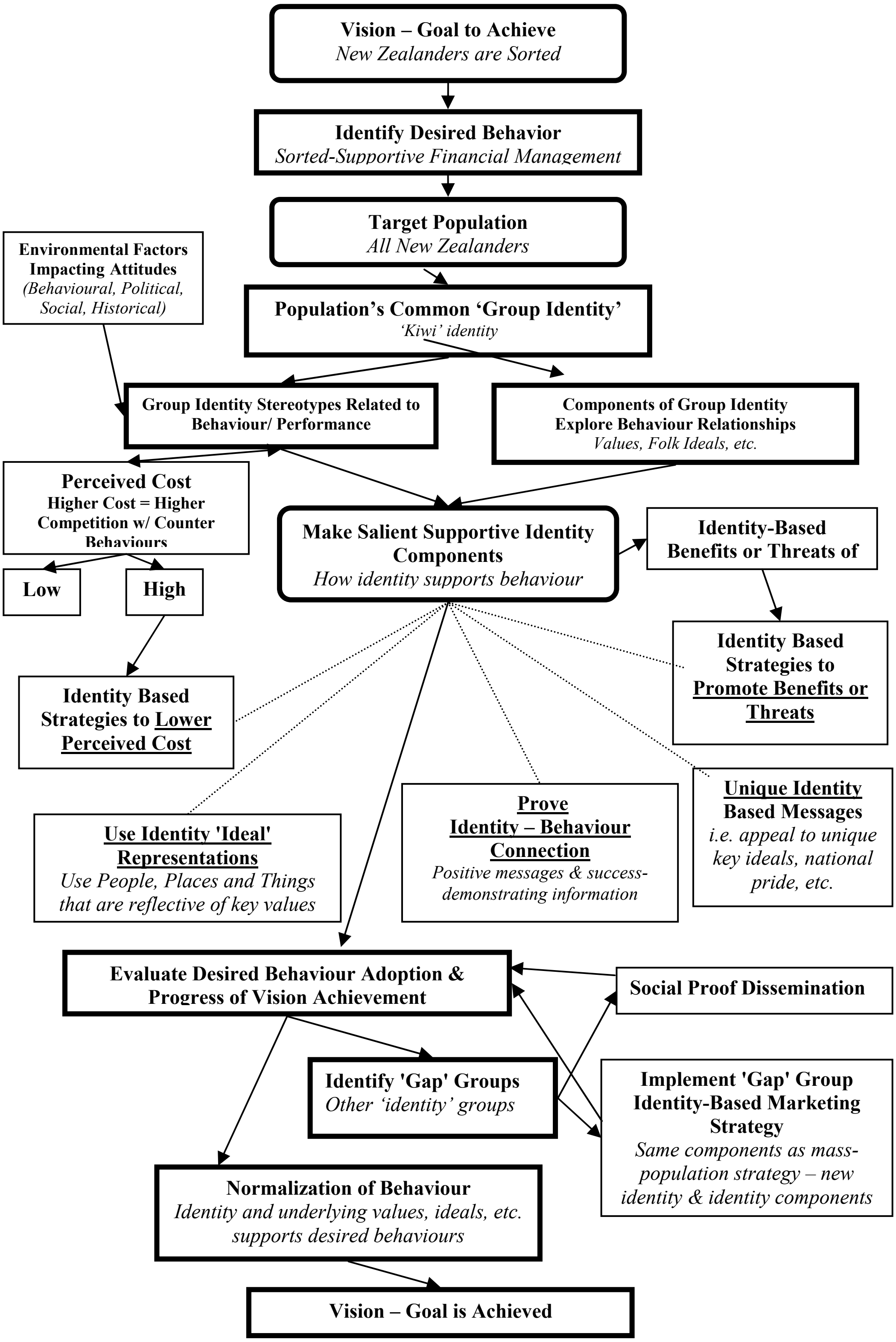
[335] Colmar Brunton (2009) pp.1-2

[336] It is assumed that the 'Sorted' website is suitable for 40% of the population.

[337] In addition to the 'Kiwi' identity, a similar approach might be taken to highlight the sorted-supportive identity components of other individual target population groups in New Zealand.

APPENDIX A: THE IDENTITY-COMPONENT SALIENCE MODEL DIAGRAM (DETAILED), NARRATIVE STEPS AND POTENTIAL IDENTIFIED CHALLENGES



The Identity-Component Salience Model Step Detail Narrative
As applied to the Retirement Commission's vision: New Zealanders are financially sorted.

1. Identify the Vision
What is the ultimate vision the organization is looking to achieve?

The vision is: New Zealanders are Financially Sorted.

2. Identify the Desired Behaviour/Performance Outcome
What behaviours will support the achievement of the vision?

The desired performance outcome is Kiwis being 'sorted'. The desired behaviours are 'sorted-supportive' behaviours such as goal setting, living within ones means, budgeting, saving for assets and retirement, etc. The actual 'optimal' behaviours may vary by individual depending upon circumstances, however, the desired behaviours are those most likely to enable the person to achieve financial well-being.

3. Identify the Target Population
The Identity-Component Salience model is designed as to be a mass-population model. That being said, a more specific target population is likely to be the people within the mass-population who are most in need of a behavioural shift. This 'group' so much as it is identifiable, should be a particular focus while progressing through the subsequent few steps.

The target population is 'all' New Zealanders. However, particular emphasis might be given to specific groups believed to be less likely to be sorted.

4. Identify the Target Population's most Common 'Group Identity'
What common group identities does the target population share? In a diverse population there may only be one 'higher level' identity such as a national or regional identity.

In this example, the folk 'Kiwi' identity was used.

5. Identify Current Identity Stereotypes related to the Desired Behaviours/Performance and the Most Commonly Recognised Group Identity Components
This two component step may be done separately or concurrently. Key identity components (i.e. values, ideals, etc.) often contribute to attitudes and stereotypes about the desired behaviour/performance outcomes; however, they are also important in and of themselves in terms of being potentially supportive of desired behaviours and performance outcomes. Historical, political, economic and other factors impact stereotypes (and resulting attitudes and behaviours) and can also be part of the group identity. It is critical to establish what the current stereotypes are, and where they came from in order to strategise how best to address the negative stereotypes and build on the positive ones in an identity-based effort to promote the desired behaviour.

This work is a preliminary attempt to identify the general stereotypes Kiwis have about themselves and their abilities and inclinations to achieve financial well-being and to identify a few key appreciated components of the ‘Kiwi’ identity that might be useful in promoting a more positive set of stereotypes with resulting more positive behavioural norms and performance outcomes.

6. Identify the Group Identity Components with Norms Supportive of the Desired Behaviour and Performance Outcomes

The overall effect of the salience of the group’s identity on desired behaviour and performance should be tested. Subsequently, the identity’s components and their associated sets of norms which may be supportive of the desired behaviour and performance should be tested to be sure that evoking these identity components actually results in tendencies to act and achieve successfully in the desired ways.

Through this work, a number of key components of the ‘Kiwi’ identity were identified as being, or potentially being, 'sorted-supportive'. If key characteristics of Kiwis include being practical, down to earth, sensible, responsible, self-reliant, grounded, independent, determined, able to make do, ingenious, and humble, among others, then evoking such identity components, or the overarching values categories they represent might result in improved financial management behaviours .

7. Make Salient the Identity Components Supporting Desired Behaviour and Performance

The most important component of the implementation of the Identity-Component Salience model is to capitalise on the strengths of the common components of the overarching group identity. The idea is not to “change” people, but to capitalise upon key components of their identity at appropriate decision-making times to encourage desired behaviours and achievement of goals. Five suggested strategies to make identity components salient include:

Prove the Identity-Behaviour/Performance Connection

Communicate to the target population how their commonly recognised values and ideals (or other underlying identity components) support the desired behaviour. Whenever possible, provide positive statistics, etc. that prove that the desirable behaviour fits with who they are and therefore fits within their set of behavioural norms.

In addition to telling people why 'being Kiwi' is supportive of financially sorted behaviours, use positive statistics such as the number of people who access the Sorted website and take advantage of KiwiSaver as proof that Kiwis are sensible, clever and overall naturally inclined to make good financial decisions.

Promote Identity-Based Benefits or Threats of Desired Behaviour

Tie benefits/threats messages directly to the strongest held values.

Showing the benefits in line with ‘Kiwi’ identity components of financial management behaviour might include that being financially sorted enables a person to be generous with friends and families; have the freedom now and in the future to engage in recreational activities, travel, and spend time on the beach; own a home; and, educate children, among many others. Strong feelings of nationality or liking to be ‘first’ in the world to achieve feats may be useful as well in showing benefits.

Lower Perceived Cost of Desired Behaviour
If the desired behaviour is perceived to have a high cost (comparative to the non-desired behaviour), implement strategies to either actually lower the cost, or to lower the perceived cost (in some instances the cost is not actually very high, but it is believed to be so).

Financial management is perceived to have a high cost. It is associated with being difficult, technical, requiring sacrifice and work. In addition to thinking about ways to actually make financial management easier (including current Commission efforts like the simple Sorted website), it's important to show how people can be 'Simply Sorted' by relaying messages that financial management can be easy, quick and not require great sacrifice, i.e. it fits within the lifestyle of a Kiwi.

Use Identity 'Ideal' Representatives/Representations
To communicate the connection between key components of a group's identity and desired behaviour, it is advisable to use a highly revered person who epitomises people's ideal vision of that identity. By showing how such a person fits the desired behaviours into his/her life, people who revere that person may understand that those behaviours indeed fit within their ideal sense of themselves and their ideal concept of their lives.

This study found that New Zealanders revere sports people (All Blacks rugby players ranked consistently high) as well as public figures exhibiting great strength of will. Given the 'current' attitudes about financial management, a sports person might be particularly influential. An ideal outdoor/sporty Kiwi could present the idea that financial management can fit within an ideal Kiwi life.

Capitalise Upon Unique Identity Components that are Empowering and Inspirational
Identify specific identity components which might be capitalised upon to promote the achievement of the vision.

For example, although 'independence' is a key value in New Zealand, national pride in being 'first in the world' is also a highly valued component. Suggesting that New Zealand, given the recognised strengths of the 'Kiwi' identity, could be 'first in the world' to be sorted might be an effective inspirational message.

Evaluate Desired Behaviour Adoption and Progress of Vision Achievement
Suggestions for the Retirement Commission:

a) **Test 'chatter'** – In a mass-population based model relying somewhat on social confirmation for dissemination of messages and normalisation of behaviours, it is important to continually gauge indications that 'being sorted' or activities related to 'being sorted' increasingly appear in social, every-day contexts. Such monitoring can also help identify gaps where more promotional efforts might be required (gaps could include geographic locations, or could include age, income or ethnic groups for whom the message is not connecting).
b) **Test financial management activity** – Although it's difficult to measure whether people are making the right choices or even whether or not they actually are 'sorted' at any one time, simply gauging whether there is more

activity related to financial management is a good indication that people are at least taking action in the attempt to 'sort' themselves. Measuring their feelings of confidence in their ability to achieve financial well-being and their interest in doing so may also be telling.

c) **Identify and Address Identity 'Gap' Groups** – If certain populations are identified as not being receptive to the initial identity based efforts, it may be that their unique identity components do not sufficiently match with the broader population's group identity. In that event there are two strategies that may be advisable:

   - **Social Proof (Social Confirmation) Dissemination** - So long as the identity-based messages are resonating with the majority of the population, the organization may be advised (for a time) to 'wait and see' and rely on social proof theory to impact the behaviour of others. The association that smaller populations have with the larger population, for whom the identity messages do resonate, may result in accommodating behaviour shifts none-the-less.

   - **'Gap' Group Targeting** – At some point in time, "gap" groups could be targeted through smaller value-based campaigns.

Normalization of Behaviour

If behaviours are consistent with the set of norms associated with components of a person's identity, those behaviours are more likely to be normalised and sustained.[338]

'Being Sorted' is part of 'being Kiwi'.

8. Achievement of Vision – Ultimate Goal

When the desired behaviours are normalised and people understand and can visualize their ability and likelihood to be 'sorted', the achievement of the vision is, quite literally and figuratively in sight. Of course, the achievement of any vision can and will be effected by other variables which must also be subsequently addressed. The identity-based strategy is clearly important, but is not an exclusive 'fix' to any social ill.

In addition to normalising sorted-supported behaviours, people must have the financial knowledge to make the right decisions, the financial services industry must be trustworthy so that people take advantages of opportunities to achieve financial well-being, the New Zealand economy must be strong enough to provide adequate wages, and government retirement income policies should be sufficiently stable.

Challenges of the Identity Connection Approach

In addition to the challenges of social marketing initiatives generally,[339] there are a number of specific challenges in pursuing an identity based approach including that it is a more subjective subject area; it is challenging to identify true identity

[338] Benjamin, et. al. (2008), p2 cites Akerlof and Kranton (2000) 'Economics and Identity', *Quarterly Journal of Economics*, 115, 3, MIT Press, and also suggests Akerlof and Kranton (2002, 2005), Bisin and Verdier (2000, 2001, Fang and Loury (2005) and Benabou and Tirole (2006) for other theoretical work on social identity effects.

[339] A document regarding social marketing generally and its challenges is available upon request (see Appendix D).

components, such as close-held values and ideals which are significantly common within a diverse population without being accused of 'stereotyping' (although utilising stereotypes is indeed a common and effective tool of commercial marketers); some people may think that convincing people that ‘financially sorted behaviours are in line with their sense of self is at best an overwhelming challenge and at worst completely unrealistic; and some, while preoccupied with concerted efforts under other more accessible strategy areas may have not given a more ambiguous area much thought.
Finally, measuring the degree to which people feel getting sorted is in line with their ‘identity’ is admittedly likely to be difficult. After all, in all the years nations have engaged in financial literacy efforts, the world still has not adequately solved the evaluation question of how to measure the impact of financial education on actual well-being.

APPENDIX B: THE RETIREMENT COMMISSION ACCOMPLISHING THE VISION: FINANCIAL WELL-BEING FOR NEW ZEALANDERS

History, Purpose, and Philosophy of the Retirement Commission

The Retirement Commission was established as an autonomous crown entity in 1993 and its vision is: New Zealanders are Financially Sorted.

One of the Retirement Commission's statutory roles is "the promotion of education about retirement issues and the publication of information about those issues".[340] The core purpose of the Commission is to "help New Zealanders prepare financially for retirement through education, information and promotion," and it accomplishes this purpose by working on three elements considered essential "so that all New Zealanders have the confidence and ability to make informed and lasting decisions about their personal finances throughout their lives." These three elements, also called the "big goals" are:

- Maintaining stable effective government policy.
- Developing a more trusted financial services sector.
- Creating a financially educated population.[341]

In its efforts to achieve the vision: New Zealanders are financially sorted, the Commission's strategy focuses primarily on financial education.[342] In its educational resources, the Commission is careful not to place judgment on the decisions or activities of individuals, nor to promote any particular behaviour or product. Recommendation 9 of the Commission's National Strategy for Financial Literacy (NSFL), in fact, reads: "That financial education be delivered in a manner which is impartial, judgment-free and seeks to empower people to best manage the reality of their financial resources."[343] One of the marketing pieces that best describes the philosophy of the Commission's financial education efforts is a series of two images. The first reads: "Economics 101". The second reads: "No Lectures".

A Focus on Lifetime Financial Management - In New Zealand, for Everything, Including Saving, Spending, and even Debt, there is a Season

In an introductory meeting with the Retirement Commission's Executive Director David Feslier, he emphasised that the Commission promotes 'Lifetime Financial Management', rather than specific financial management behaviours like saving, being frugal and avoiding problematic debt.[344] The Commission's website states

[340] New Zealand Superannuation and Retirement Income Amendment Act 2005, Part 4, Section 83
[341] Retirement Commission (2008), http://www.retirement.org.nz/publications/statement-intent/statement-intent-2008-11/introduction
[342] A document discussing the justification for the financial education strategy and the evidence connecting increased financial knowledge to improved financial outcomes is available (see Appendix D)
[343] Retirement Commission (2008), National Strategy for Financial Literacy, p.23
[344] Feslier, David, Interview, 3 February 2009

outright that "The Commission takes a lifetime view to educating and informing the public about managing personal finances."[345]
The concept of 'Lifetime Financial Management', simply stated, recognises that there are times in one's life, depending on one's age and situation, to consume, including incurring debt (although ideally asset investment-related debt); and other times to save. Instead of defining saving using the residual flow model which consists of setting aside the difference between ones income and ones expenditures,[346] the Retirement Commission prefers to define saving using the net wealth calculating stock model. The Commission therefore more broadly includes in its definition of saving, the consideration of any financial activities that result, or are intended to result, in overall net wealth over time by increasing net assets over net liabilities.

The Commission's 2008-2011 Statement of Intent Introduction says:

> Simply saving some money for retirement may not be possible nor indeed the best financial choice for some individuals and families at certain stages of life. The traditional message that 'you must save for your retirement' is now of less practical use to people functioning in an advanced modern economy and a changing society.
>
> Financial decisions involve increasingly complex and subtle considerations about the sources and uses of personal funds throughout life.[347]

In a presentation to some Members of Parliament, Commissioner Diana Crossan asserted that "we never have encouraged people to save for retirement. We tell people to do the sums, look at their own situations and make the best, most educated decision for themselves. First and foremost, we tell them to make a budget."[348] Using the stock model approach which considers 'net wealth' most highly the Retirement Commission believes that simply 'putting money away' is not always the optimal financial management activity depending upon one's circumstances.

The current Retirement Commission media campaign to promote interest in financial management education is called "Sorted Journeys".[349] Lifetime financial management, the Retirement Commission asserts, is a journey and along the road individuals and households are justified in acting in different ways: sometimes spending, sometimes saving. As Feslier stated, "being sorted means different things for different people at different life stages."[350] The "Sorted Journeys" campaigns therefore profile four individuals/families in different life stages and situations in order to illustrate what being sorted typically might mean for Kiwis in similar situations.[351]

A Time to Budget and Plan for the Future – Carl and Jess
Carl and Jess, a young professional couple who own a home together and are preparing to be married complete a budget and realise that they are living way above

[345] Retirement Commission (2008), http://www.retirement.org.nz/publications/statement-intent/statement-intent-2008-11/introduction
[346] Wikipedia, "Saving", Retrieved 8 April, 2009 from: www.wikipedia.com
[347] Retirement Commission (2009), 2008-2011 Statement of Intent Introduction
[348] Crossan, Diana, Presentation to Labour and Green Members of Parliament, 11 March 2009
[349] Retirement Commission (2009), http://www.sorted.org.nz/journeys
[350] Feslier, David, Interview, 3 February, 2009
[351] Retirement Commission (2009), Sorted Journeys Webpage

their means. The message for people like Carl and Jess is to budget, live within their means and avoid debt. Secondary messages for Carl and Jess, include setting and planning for goals such as saving for their upcoming wedding, making the right decision about refinancing their home mortgage, and starting to think about retirement likely by at least dabbling minimally in KiwiSaver as a start.

A Time to Spend… Smart - Rochelle and Junior
In the process of investigating a mortgage for their first home purchase, young couple Rochelle and Junior learn that debt shouldn't be entered into lightly. They also learn, given the effect of interest, how important it is to use debt in intelligent, asset-building ways, and to pay it off as quickly as possible by actively budgeting toward that goal. Junior, makes a final point that gift giving is an important part of his Samoan culture, but that he hopes other Pacific people realise the consequences of borrowing to meet familial obligations.

A Time to Pay off Debt and Save for the Future - Raeanna
Raeanna learns that by the time she pays off her credit cards she will have paid almost as much interest as the original charge. She considers that with a better understanding and appreciation of interest charges she might have been more thoughtful about purchases. Furthermore, she reflects that instead of paying interest, her money would be better saved for retirement.

A Time to Save – Liz
Liz is a middle-high income, 40-something woman who realises that although life is good now, it's high time she took a look at what she needs to save to maintain her desired lifestyle in retirement. She is surprised at how much she needs to start saving, but appreciates knowing the amount and having a plan. The message for people like Liz, who appear to have the ability to save, is to educate themselves on what is required and get started.

Another Time to Spend – People In Retirement
One of the Members of Parliament asked Commissioner Crossan what the Retirement Commission was doing to help elderly persons either very close to, or already in retirement. Crossan detailed Commission activities educating older New Zealanders on financial issues and pointed the Member to the Sorted resources for 60 plus aged Kiwis.[352] Crossan also assured the Member that the Commission is working to develop this information area in order to help seniors manage and protect their financial resources.[353]

Commissioner Crossan asserted in an interview that "depravity" is at the root of the concern at outliving one's savings. Crossan said, "Some elderly people worry so much about running out of money that they may scrimp to the point of not caring for themselves adequately. They may deprive their home of adequate heat, may not eat properly and may put off maintenance of their home to the extent that it becomes unsafe."[354]

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[352] Retirement Commission, http://www.sorted.org.nz/life-stages/60plus
[353] Crossan, Diana, Presentation to National Members of Parliament, 4 March 2009
[354] Crossan, Diana, Interview, 20 February 2009

Although the Sorted website does include a calculator to help older New Zealanders manage their resources, a major difficulty for elders in planning how to manage their resources in retirement is that no one can say exactly how long a person might live. There is currently research underway by researcher and consultant Alison O'Connell, in which the Retirement Commission is a collaborative partner, to study how people make determinations about their anticipated life expectancy and to determine how those individual expectations measure up against reality. Such information may prove to be helpful to older people in making projections of their financial needs through the years.[355]

Status of Financial Literacy in New Zealand

The first New Zealand Financial Knowledge Survey found that financial knowledge was fairly good though it varied widely across the country and that the population could be split into three groups according to their knowledge level (low, medium and high). Overall, the 2009 Financial Knowledge Survey found improved knowledge levels. The 2009 survey found that knowledge levels overall have increased. 43% of New Zealanders now score in the High knowledge group, an increase of 10 points, and the Advanced knowledge group has grown from 15 to 20% since the first survey was conducted in 2006.[356]

In 2006, 83% of respondents reported being confident about managing their financial affairs. 80% said they had financial goals and over 50% saved regularly. There have not been significant changes in the money management confidence or saving behaviour results since 2006.[357]

Both the 2006 and 2009 surveys found that higher levels of knowledge corresponded to higher levels of education, income and home ownership. Similar to results from other countries including Australia and Great Britain, in 2006 the poorest performing groups were young adults (18-24), older people (75+), lower income persons, persons with lower levels of education, income and net wealth, renters and females. Māori and Pacific people also reported lower scores.[358] In 2009, Pacific peoples[359] and females demonstrated substantial knowledge level increases. Women's knowledge increase puts them on more equal parity with male results. 40% of women ranked in the high knowledge group in 2009, compared with 46% of men. The Māori demographic also showed improvement. In 2009, 56% of Māori ranked in the low knowledge group compared with 67% in 2006. 31% of Māori ranked in the medium knowledge group, compared to 22% in 2006. A slight increase of 2 points (11 to 13) occurred in the high knowledge group.[360]

The first ANZ-Retirement Commission Financial Knowledge Survey in 2006 has been helpful in identifying specific populations of people who might benefit from specific kinds of education. For example, the survey showed that more education

[355] O'Connell, Alison, Correspondence, 17 May, 2009
[356] Colmar Brunton (2009), pp.1-2
[357] Colmar Brunton (2009), p.22
[358] Retirement Commission Press Release, 6 March 2009; and Colmar Brunton (2006) & Colmar Brunton (2009)
[359] Colmar Brunton (2009), p.12 suggests caution given the small Pacific peoples sample size.
[360] Colmar Brunton (2009), p.14

might benefit Pacific peoples by to helping them understand the ramifications of borrowing from 'loan sharks' in their communities; particularly in South Auckland where 67% of Pacific Peoples live.[361] Such information was helpful to the Commission for planning. For example, responses to such information might include collaborating with a community organisation in South Auckland to disseminate information about different kinds of lenders. The general low financial literacy among Pacific peoples might furthermore highlight the need for additional education programmes, perhaps even one tailored for recent migrants to New Zealand. The 2009 survey reported significant improvement in Pacific peoples' financial knowledge, however the report caution given the small sample size of Pacific respondents.[362]

While there is little comparative data regarding the financial literacy levels of New Zealanders compared to people from other similar developed countries[363], in at least one New Zealand study for the Reserve Bank of New Zealand most Kiwis questioned thought that New Zealand financial literacy was likely to be lower than in comparable countries. These same people credited low financial literacy to the relatively small share market and the 'simple financial' world of their parents' generation. These informants stressed the importance of financial literacy and the likelihood that improved literacy would increase the financial situations of Kiwis. In particular, KiwiSaver, the Sorted website, and education in the schools were listed as being important initiatives.[364] A similar question was posed in the Financial Attitude Survey with similar results.[365]

Financial Education in New Zealand

The Retirement Commission's National Strategy for Financial Literacy (NSFL) has the following mission: "New Zealanders are financially well-educated and can make informed financial decisions throughout their lives".[366]

There appears to be increasing support for a return to the fundamentals and indeed, the Retirement Commission does focus primarily on the fundamentals of financial literacy for most populations, although more advanced information is available for those interested in learning more. The Commission's resource materials make financial literacy and financial management activities seem easy and 'do-able' for everyone. For example, they include statements like "Investing isn't just for rich people".[367] The language is simple and unpretentious and the text is kept short and to the point. The resources give simple suggestions for getting started and are written in a very positive and encouraging tone. The quick action check lists on the back of each subject booklet (Saving, Budgeting, Investing, Debt, KiwiSaver, and others) are limited to three simple suggested actions which appear to be just enough to get someone started without overwhelming the person into inertia or procrastination. The Commission's resources refer people to the Sorted site for those interested in more

[361] Retirement Commission (2007) Review of Retirement Income Policy, p.63
[362] Colmar Brunton (2009) Financial Knowledge Survey p.12
[363] There are ongoing efforts to standardize some questions on national financial knowledge surveys so that international comparisons can be conducted in the future.
[364] Burns and Dwyer (2007), p.32
[365] Dupuis (2009), Financial Attitude Survey Analysis, p.6
[366] Retirement Commission (2008), NSFL, p.5
[367] Retirement Commission (2008) "Investing" Sorted guide

information or using calculators to personalise the information to their own individual situations.

The Retirement Commission approaches financial literacy by reaching people through four specific place categories and one population group: schools, tertiary, community, workplace, and 60 plus. The Retirement Commission has established a list of high priority topics for financial educators to address which consist of:

- Compound interest – how it works and what it means
- Inflation – what it means and where it needs to be considered
- NZ Super – basics of what it means for ones retirement
- Internet Banking – financial advantages of this
- Mortgages – how they work, options and features
- Budgeting – planning and reasons for tracking income and expenses
- Debt Management – including strategies for paying off debt faster
- Retirement Planning – assessment of current situation and saving
- Investing – how to consider risk and return
- Scams – how to recognise and avoid them[368]

To target specific New Zealanders with particular messages, the Commission takes heed of what is known about who is most likely to be sorted and who is not. As Commissioner Crossan said in a presentation to Labour and Green Members of Parliament, "We target all of New Zealand, however the middle income are our primary focus." She explained that generally the top two income deciles can look after themselves and for the very lowest deciles as far as retirement is concerned, NZ Super can at least be a marginal improvement. She also explained that the increasing number of students and recent tertiary graduates who are debt-burdened is a growing issue in New Zealand. The low-wages during the early post study years make debt repayment a challenge.[369] The Retirement Commission is also increasingly tailoring financial management messaging to Māori and Pacific peoples.

A brief summary of the Commission's current educational initiatives in the five areas follows:

Schools
Most New Zealanders interviewed agreed that financial education has not kept up with the effects of a global economy, increasingly complicated financial systems, and the increasing necessity to rely on oneself for future retirement provisions. Since 2004, the Retirement Commission has collaborated with the Ministry of Education in the development of a financial literacy curriculum that will be instituted as part of the New Zealand Curriculum in 2010. The Ministry of Education has assumed responsibility for the implementation of the curriculum. Recognising the extensive, and seemingly ever-expanding, array of subjects teachers are expected to relay to their

368 Retirement Commission (2008), NSFL, p.24
369 Crossan, Diana, Presentation to Labour and Green Members of Parliament, 11 March 2009

students, the curriculum is not stand-alone; but is instead integrated and interwoven in the already established core subject areas such as reading, social studies and maths.

Tertiary

The Commission found through the 2006 ANZ-Retirement Commission Financial Knowledge Survey results that financial education among young adults is particularly low however young adults, particularly females, showed improvement in 2009. While in 2006 57% of young adults ranked in the low knowledge category and only 11% in the high knowledge category, in 2006 while the low knowledge group remained consistent, the high knowledge percentage increased to 18%. Young females contributed to the majority of this improvement, in 2006 only 1% of young females were classified in the high knowledge group and in 2009 that percentage increased to 17%.[370] Young adults still represent the largest age group in the low knowledge category and the smallest in the high knowledge category and part of this has been credited to the fact that many of the young adults are engaged in tertiary educational activities are often not only incurring debt to pay for education fees, but they are also often taking advantage of very easy credit to finance their lives as students. While clearly some of the Commission's initiatives have resonated among the youth, the Commission continues to do more. Currently, the Commission is working to provide a financial education curriculum to polytechnics and private training establishments to help young people manage debt while studying. The purpose is also to provide a new generation of young workers capable of managing their personal finances.[371]

Community

The Retirement Commission launched the Sorted website in 2000, understanding early-on the future of information distribution via the internet. Sorted offers a number of calculators to help people set goals, budget and plan for the future. The website has been very successful and 28% of New Zealanders have visited the site to date and there have been over 20 million Sorted calculations since 2001, an average of almost 700,000 calculations a month.[372] Commissioner Crossan explained that the goal is for 40% of New Zealanders to utilise the Sorted website given that small children obviously will not be visiting the site, that some older people are well sorted already in their retirement, and that some people continue to prefer the Retirement Commission's paper resources.[373] Almost 40,000 Sorted "booklets" are distributed on average every month.[374]

The Sorted website is reaching and resonating with a large audience of Kiwis. Although the evaluation tools are not fully developed, nor has lasting behavioural change evaluation been conducted, surveys indicate that people are taking financial management action as a result of what they've learned on Sorted. In fact, a recent survey reported that 89% of total Sorted users said they "intended to take some action" after visiting the site.[375]

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[370] Colmar Brunton (2009), p.14
[371] Retirement Commission (2007), 2007 Review of Retirement Income Policy, p.63
[372] Kneebone, David, Presentation to Retirement Commission Staff, 8 April 2009
[373] Crossan, Diana, Presentation to Labour and Green Members of Parliament, 11 March 2009
[374] Kneebone, David, Presentation to Retirement Commission Staff, 8 April 2009
[375] Nielsen (2009), Sorted User Survey, p.2

Workplace
The Retirement Commission is actively engaged in providing employers with Sorted resources to pass on to their employees. Where schools and tertiary institutions present a captive audience of young people, the workplace is seen as an efficient and effective way of reaching working age people. Not only do people congregate at workplaces by necessity, some workers may only have access to the internet at the office. Through workplace programmes, the hope is that employees will take advantage of the time and opportunity to think about how their income can be used most efficiently to meet their current and future needs.[376]

Additional funding from the New Zealand government to help people make decisions about KiwiSaver has enabled the Commission to accelerate efforts to build awareness within workplaces of financial management throughout life and of planning for ones retirement future.[377]

60 Plus
Commissioner Crossan described the initiative to provide financial education to the 60 plus group as an important area of growth for the Commission.[378] Helping people manage their resources in retirement is very important, particularly when individuals no longer have additional earning potential. In the current economic environment of low interest rates, which have resulted in lower returns for retiree's investments, helping older persons budget and invest wisely is very important to their welfare. The Sorted website includes a page dedicated to helping the 60 plus audience manage resources.[379]

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[376] Crossan, Diana, Presentation to Labour and Green Members of Parliament, 11 March 2009
[377] Retirement Commission (2007), 2007 Review of Retirement Income Policy, p.63
[378] Crossan, Diana, Presentation to Labour and Green Members of Parliament, 11 March 2009
[379] Retirement Commission, http://www.sorted.org.nz/life-stages/60plus

APPENDIX C: METHODOLOGY, SAMPLE FOCUS GROUP QUESTIONS AND SURVEY

Methodology

To answer the three research questions, the qualitative research consisted of:

- A literature search consisting of over 100 resources;
- Interviews with more than 65 New Zealanders (at least 70 hours), representing both those within key stakeholder groups as well as ‘everyday’ Kiwis;
- Seven Focus groups (9 hours) including 34 New Zealanders representing different ages, ethnicities and socio-economic levels; and
- 34 survey responses, including surveys completed by 10 District Budget Advisors representing Budget Services offices throughout New Zealand and 24 of New Zealanders representing different ages, ethnicities, genders and socio-economic levels.

Sample Focus Group Questions

1. What popular Kiwi figures do you consider represent 'true' Kiwi ideals?
2. What characteristics, personality traits, etc. make this person a 'great Kiwi' to be admired?
3. Do these characteristics represent the Kiwi ideals? What are the key characteristics of a Kiwi?
4. How do you think the values of the older generation compare to those of the younger generation? i.e. people in their 80s, people in their 40/50s and people in their 20/30s.
5. Do you think most Kiwis are 'savers' or 'spenders'? Why? Do you think the key characteristics of … predispose Kiwis to being savers or spenders? What are the other factors?
6. When I use terms like: 'Financial Management'; 'Budgeting'; 'Saving'; 'Being Thrifty' what feelings do these words evoke?
7. How do you perceive people who are 'financially sorted', who for example, keep a budget, are careful with their finances and are executing a financial plan for their retirement?
8. Do you think most Kiwis are 'savers' or 'spenders'? Why? Does 'being a saver' have a positive connotation? What about 'not being a saver'?
9. When I say someone is 'not a saver', what images come to mind?
10. When I say someone is 'Rich'; 'Wealthy'; 'a Millionaire' what images come to mind?
11. What is your 'dream' lifestyle (what would you ideally like to have and do)?
12. Are you saving for your retirement? How so?

(General New Zealander) Financial Attitudes Survey[380]

Age:__ Gender: ___________ Ethnicity:________________City you are from: ___

Family Situation (Circle all that apply): 'Single' 'Married' 'Civil Union' 'Living with Partner (unmarried)' 'Divorced' 'Children (Number:_)'

Profession: _____________________

Income You Consider Yourself: 'Lower' 'Middle' 'Middle-High' 'Very High'

1. Which 2-3 New Zealanders (can be historic or present-day) are you most proud are Kiwis!
2. What characteristics, personality traits, etc… make this person a 'great Kiwi' to be admired?
3. Do you think the values considered important by younger Kiwis are different than older generations? How so?
4. In this chart, list a few things you would like to have or do that cost money. Indicate if you are 'saving' in some way for this goal. What is the approximate cost and when do you expect to purchase/do these things (within year range: within 1 year; within 1-3; within 3-5; within 5-10; 10+; 20+)

Things you know you want to have/do	Are you saving for this? How?	Approximate Cost?	Anticipated Purchase Date

5. Characterise your current financial management 'planning' horizon (check most applicable):
   - I think primarily of my immediate day-to-day situation (1-2 months at best)
   - I think about the near future, includes larger goals like a car or home (up to 10 yrs)
   - I think about planning for the long term (retirement or goals like paying off home)
6. When I say someone is 'Rich'; 'Wealthy'; 'a Millionaire' what image come to mind?
7. Describe what you 'feel' when you think about such images of wealth:
8. In your 'dreams' what would you like to have the money to buy or do?
9. Do you picture achieving your dream lifestyle? In how many years?
10. When I use terms like: 'Financial Management'; 'Budgeting'; 'Saving'; 'Being Thrifty' what feelings do these words evoke?
11. Do you feel financially sorted (stable, 'ok')? How so?

[380] The Analysis of the Financial Attitudes Survey is available upon request (see Appendix D).

12. How do you compare to other Kiwis? Rate your 'sortedness' on a scale from 1-10 (1= worst, 5=average and 10=best): (circle one) 1 2 3 4 5 6 7 8 9 10
13. Do you think Kiwis are more or less sorted compared to other countries like the USA, UK and Australia?
14. Have you made any 'active' financial management decisions to get 'sorted' (i.e. financial education, participation in KiwiSaver or other saving scheme)? How long ago? Did something prompt this activity?
15. Do you think most Kiwis are 'savers' or 'spenders'? Why?
16. Do you own a home now? Do you plan to own a home free and clear by the time you retire?
17. How do you perceive people who are 'financially sorted', who for example, keep a budget, are careful with their finances and are executing a financial plan for their retirement?
18. This is a list of some commonly referenced 'Kiwi values and folk ideals'. Tick the values you agree are common characteristics/values/attitudes of 'True Ideal Kiwis', i.e. those generally appreciated 'folk ideals' and characteristics. Then tick whether you consider this characteristic to be associated with positive financial management behaviour.

Value/ Folk Ideal	You	Supportive of Financial Management?	Comments
Sensible			
Practical/Pragmatic			
Stoic/Reserved			
Responsible			
Grounded			
Self-Reliant			
Strong			
Private			
Not Showy/Modest			
Attitude of 'She'll be Right'			
Serious			
Clever, but play down			
Down to Earth			
Relaxed – 'No Worries'			
Generous w/ friends & family			
Quiet confidence			
Humble			
Capable			
Resilient			
Committed to helping others			
Determination			
Punches above weight'			
Ingenuity (Number 8 Wire)			
Tall Poppy Syndrome value			
Other:			

Family Budget Advisors Questionnaire

Name:______________________________________ Email:___________________

Area (District or Region) Served:____

About Your Clients

1. How do you think your clients 'feel' when they hear words like 'Financial Management', 'Budgeting', 'Saving' and 'Being Thrifty'?
2. What would most clients say 'caused' their financial situation?
3. What would <u>you say</u> 'caused' your clients’ financial situations?

   For clients with 'problem debt' when they first come to see you, how did they get into trouble?
4. What personality traits or attitudes do you think help a person to be more likely to responsibly manage their finances?
5. What impressions do you get about how typical clients feel about the future and why do they feel that way?
6. Characterise your clients’ financial planning horizons (indicate percentage of clients for each period):
   - Think only of immediate day-to-day situation (1-2 months at best)
   - Think about the near future, includes larger goals like a car or home (up to 10 yrs)
   - Think about planning for the long term (retirement or goals like paying off home)
7. From your experience, describe the kind of lifestyle that your clients most want to achieve (what do they talk about wanting to have and do)?
8. Do you feel younger Kiwi values and attitudes are different from their parents and grandparents? How so?
9. This is a list of some commonly referenced 'Kiwi values'. Tick the values <u>you hold</u>, then those you think that your <u>clients</u> would consider to be common characteristics/values of 'real Kiwis'. Then tick whether you consider this characteristic to be associated with positive financial management behaviour**.**

Same as chart above except a space for 'you' and for 'clients'

10. Which 2 or 3 New Zealanders (can be historic or present-day) are you most proud are Kiwis?
11. What key personality traits or attitudes are commonly considered to characterise 'real Kiwis'?

APPENDIX D: ADDITIONAL DOCUMENTS

Email robynndupuis@hotmail.com with requests for the following documents:

- **Kiwi Ethnic Considerations** – A Snapshot Look at Specific Economic Experience and Cultural Factors on Māori, Pacific and Asian Peoples Financial Management Attitudes and Behaviours
- **Broad Systemic Environmental Factors Affecting Financial Well-Being in New Zealand** – Detailed discussion of the impact of a variety of factors on financial well-being in New Zealand
- **Key Demographic and Opportunity Factors Affecting Financial Well-Being in New Zealand** – How income, age, ethnicity, gender, saving opportunities, safeguards and financial knowledge all affect financial well-being in New Zealand
- **New Zealand Retirement Policy History** – A brief overview
- **Overview of New Zealand Superannuation**
- **Overview of KiwiSaver and Whai Rawa -** Key Saving Schemes
- **Will KiwiSaver become Compulsory?**
- **KiwiSaver Challenges & Critiques**
- **Will NZ Super Change?** A discussion of commonly discussed options
- **Low Income Economy and Opinions on New Zealand Productivity**
- **NZ Education Financing – 'Debt' or 'Investment'?**
- **Financial Education Strategy Justification and Effectiveness Debate**
- **Financial Literacy Challenges in New Zealand**
- **Social Marketing Generally** (Definitions, Primary Theories and Tools)
- **Retirement Commission Social Marketing Initiatives**
- **Editorial Note on the New Zealand/United States Saving Philosophies**
- **New Zealand's Current Regulatory Initiatives**
- **United States - what the US might learn from New Zealand**
- **Financial Attitude Survey Analysis**

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[381] Benjamin, et. al. reference a number of other studies regarding Asian-American financial behaviour including: Sue and Okazaki (1990), 'Asian-American Educational Achievements: A Phenomenon in Search of an Explanation,' *American Psychologist,* 45(8), pp.913-920; and Springstead and Wilson (2000), 'Participation in Voluntary Individual Saving Accounts: An Analysis of IRAs, 401(k)s, and TSP', *Social Security Bulletin 63(1)*

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