



*How to decide?:
collecting evidence for evaluations*

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*to evaluate the financial knowledge of
New Zealanders*

- Commissioned by:
the Retirement Commission, “an
autonomous crown entity helping New
Zealanders from age 5 to 105 to be
financially sorted throughout their lives”,
- and the ANZ Bank
- Carried out by Colmar Brunton.



Financial knowledge

- 'the ability to make informed judgments and take effective decisions regarding the use and management of money' [\[1\]](#)

[\[1\]](#) Source: Schagen, S. "The Evaluation of NatWest Face 2 Face With Finance": NFER, 1997.

Also used in "ANZ Survey of Adult Financial Literacy in Australia" report by Roy Morgan Research, May 2003.

This definition was adopted from UK and Australian research with a view to international consistency



Research objectives

- To identify areas of low financial literacy (either by topic or population) and therefore assist educators improve financial literacy in those areas;
- to assist the financial services industry identify where products or services are misunderstood or confusing to consumers and thus be able to improve design or communication;



Objectives Based on Timing:

- to provide a benchmark of financial literacy for the whole adult population and key segments in order that trends in literacy can be measured and programmes continually targeted at needy areas; (2006)
- To measure changes in financial knowledge levels since 2006 in order to adapt education programmes and the design or communication related to financial products and services (2009)



2006 two further objectives:

- to use the findings to develop law reform programmes that provide effective consumer protection and address real issues facing individuals
- to identify participation rates, investment behaviours, habits and level of sophistication of retail investors/consumers in New Zealand's securities market;



which in 2009 were replaced by:

- to measure any link between financial knowledge and financial behaviour, especially indebtedness; and
- to measure the link between financial knowledge and expectations related to longevity and financial knowledge.



Framework

- financial understanding,
- financial competence, and
- financial responsibility

Added for Australian and NZ studies

- mathematical literacy and standard literacy



Method

- Two stage random sample
- Face-to-face interviews
- >60% response rate for both surveys
- Respondents given \$20 for participating



Final questionnaire

- 98 questions in total
- 25% covered demographics,
- 20% were on attitudes and behaviours
- 55% explored personal financial knowledge including goal setting, financial planning, budgeting, debt management, saving, investing, and managing risk.



Scoring

- Each question was assigned a “score” and an individual’s total score would indicate whether they had basic, sound or advanced personal financial knowledge
- Majority of scored questions contributed to basic knowledge and those identified as advanced being predominantly investment related questions – for those who had money to invest.



Assumption

- The collection of baseline data assumes that subsequent iterations will measure the same things as a way of determining whether any change has occurred over the period under study



Change in wording

- questions noted as knowledge drivers of change with wording changes
 - Generally minor changes
 - Collapsed scale



Clarification

- Pay half your monthly instalment every fortnight
 - Instead of 'pay fortnightly rather than monthly'
- At this rate added to
 - How many months would it take her to save another \$10,000?



To consider

- Q42) Which one of the following is **generally** considered to make you the most money over the next 15 to 20 years?
 - a) a savings account
 - b) a range of shares
 - c) a range of fixed interest investments
 - d) a cheque account
 - Don't understand the question
 - Don't know the answer



further

- Q45) Which of the following aspects about an investment would make you think that it might be a scam?
Scam/Not a scam/Don't know/Don't understand
 - a) Promise of very high returns with little risk
 - b) Being told the offer is only being made to a select few people
 - c) Being offered by a well known reputable financial organisation
 - d) The minimum amount they say you have to invest keeps reducing



Saving for retirement

- 'What things' became 'what are ALL the things a person needs to consider when they think about saving for retirement?'
- Options added to take into account what had been mentioned in 2006
- Introduction of KiwiSaver



Possible impacts on levels of financial knowledge since 2006

- People now know that house prices can go down
- Investment in property will have changed.
- Impact of fixed loans and break fees → enforced learning
- The crash of the stock markets (reduced returns)
- Collapse of finance companies (30 less)



continued

- KiwiSaver introduced. NZers should be more knowledgeable about saving
- There have been lots of government messages about saving
- Reduction in tax rates – what are you going to do with it?
- Student loans. In 2006 there was interest on student loans. In 2009 there is no interest.
- More media commentary re: the economy, KiwiSaver, budgeting, threat of unemployment



continued

- Increased use of budget advisers
- Fluctuation in petrol prices and the impact of exchange rates
- Changes to commodity prices (eg cheese) and associated affordability
- Fluctuating exchange rates and currency fluctuations.
- Banks working in the community (eg ANZ with Plunket)



Issues

- Stakeholders
 - Inclusion/exclusion of questions
 - Possibilities for analysis
- Government policy
- Other external factors



Next iteration

- May have to use two versions
- Compare with international literature