5

Occasional Paper Series

# Good Cents: Kiwis on Savings and Debt

MAY 2025

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## Abstract

This research report provides a broad-based analysis of New Zealanders' attitudes and behaviours towards savings, debt reduction, and financial guidance. Conducted by the Financial Markets Authority (FMA) in collaboration with Perceptive Group Limited, the study combines qualitative and quantitative research methods to offer both in-depth personal insights and broader statistical patterns. Key findings reveal that while many New Zealanders feel confident in their financial decisions, there are significant gaps between their financial goals and actual holdings of investment products. The report identifies three main areas for improvement: aligning investment choices with financial goals, enhancing understanding of debt management, and increasing comfort with seeking financial information.

The study also highlights the importance of financial education and tailored support to help consumers manage their finances more effectively. By addressing these gaps, financial institutions can play a crucial role in enhancing financial resilience and confidence among New Zealanders. The insights from this research aim to foster meaningful discussions between the FMA, industry leaders, and consumer groups to create a more inclusive and supportive financial environment.



## Key words

Financial market conduct, savings, debt, consumers, financial advice, investment, financial goals, financial education, debt management, consumer confidence, financial institutions



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# Foreword

At the Financial Markets Authority (FMA), we are focused on helping New Zealanders feel confident and informed when making financial decisions. A key part of this is supporting financial service providers to exhibit fair conduct and deliver positive outcomes for all market participants.

Achieving good outcomes relies on good information and starts with having a clear grasp of what consumers need from financial services. This research offers a valuable insight into those needs, helping the FMA and financial services providers shape the right environment for good outcomes to occur.

This research contains insights for all providers who offer savings products debt products, or financial advice to the public. By exploring the attitudes and choices of everyday New Zealanders when it comes to money, the report uncovers both consumer expectations and areas of vulnerability, offering providers meaningful opportunities to align their offerings with real consumer needs.

Our findings paint a nuanced picture. As noted by Professor Aaron Gilbert, who kindly peer reviewed our report, New Zealanders' stated financial goals don't always match their investment behaviours, or understanding of key financial concepts. There is a disconnect between their preferences and their investment choices. While there is a strong interest in financial advice, many are hesitant to discuss their personal financial circumstances with others.

These findings reflect the diversity and complexity of the consumer landscape. They are not necessarily indicators of failure, but rather signposts pointing to opportunities where improvements can be made. These improvements can be driven by providers, by consumers, and by the FMA alike. We welcome engagement with industry and consumer groups about ways to respond to the insights in this report.

As the Conduct of Financial Institutions (CoFI) regime comes into effect, we are entering a new phase of engagement with banks and other lenders to elevate conduct standards across the sector. The addition of the Credit Contracts and Consumer Finance Act (CCCFA) to our mandate will further enhance our role in protecting consumers. Understanding consumer attitudes is now more important than ever and will help guide our regulatory focus and shape our outcomes-focused approach.

We invite ongoing dialogue with industry stakeholders and consumer groups as we respond to the insights in this report.

**Daniel Trinder**
Executive Director, Strategy and Design

# 1. Introduction

The core purpose of the Financial Markets Authority (FMA) is to promote and facilitate the development of fair, efficient, and transparent financial markets. These objectives foster confident and informed participation by investors and consumers in financial markets. Understanding New Zealanders' attitudes to savings and debt helps us understand what drives their confidence and their participation in markets.

Savings and debt products are widely used and have a broad impact across the population. By surveying New Zealanders' attitudes to savings and debt reduction, we aim to reveal knowledge gaps and provide insights that support more informed financial decision-making. The knowledge gaps that pertain to savings and debt are likely to also be the knowledge gaps that most affect consumers' engagement with more complex products.

This research analyses New Zealanders' needs in three areas of financial services: savings, debt reduction, and guidance on financial decisions. The report contains insights into everyday New Zealanders' holdings of savings products and what influences their decisions on how to save; their holdings of debt products and what influences their decisions on paying down debt; and their level of comfort with various sources of financial information. Results are broken down by age, income, and level of financial wellbeing.

This is the first in a series of reports published as part of *Good Cents*, our wider body of work exploring New Zealanders' attitudes towards saving, debt, and financial capability. Additional findings from the same survey—on financial literacy and on the experiences of different ethnic communities—will be published separately, given the significance and complexity of those topics.

The report presents a snapshot of how New Zealanders approach their financial balance sheet. By asking about both their attitudes and their experiences in the same survey, we can observe any gaps between what respondents say they value and what they report doing in practice. These gaps are a good way to understand how consumers' financial experiences may be affecting their participation in financial markets and their satisfaction with the services they access.

# 2. Key findings

In many ways, consumers appear satisfied with their understanding of savings and debt. Most New Zealanders believe they have a good understanding of their debts and generally feel confident in their ability to make sound financial decisions. They generally look for relevant factors when making savings decisions. More than half prioritise paying off high-interest debt before other forms of debt.

These findings highlight that many New Zealanders feel well-informed and well-supported to manage their finances. Our research also identifies three areas where knowledge and behaviour don't yet match people's aspirations – highlighting clear opportunities for improvement.

First, improving the way New Zealanders match their investment choices with their financial goals. The majority of respondents listed high returns as their main priority in choosing an investment. However, most only have an indirect engagement with high-return investment products via their KiwiSaver funds. High uptake of KiwiSaver indicates that when investing is made accessible, most consumers can set aside some funds for the future. In contrast, despite the rise of investment platforms that simplify the investment process and enable people to make small, regular investments directly into shares and managed funds, relatively few people actively engage with these products.

Second, improving consumers' understanding of how best to manage their debt. The rise of debt products that incorporate late payment fees in preference for interest charges has complicated the decisions that consumers need to make to minimise their overall debt costs. This highlights an opportunity for both consumer education and industry-led solutions, such as clearer debt repayment structures, better transparency in terms and conditions, and visualisation tools that help consumers navigate their debt more effectively.

Third, improving consumers' level of comfort with seeking information about financial decisions. Although most respondents said they are open to receiving advice regarding their finances and identify a range of sources they would seek advice from if needed, our research finds quite a high degree of discomfort around discussing finances with others. This insight may be an area for further investigation as the FMA progress our review of access to financial advice.[1]

1 in 6 New Zealanders feel they are **sinking** financially.

More than half of New Zealanders strategically pay off **high-interest debt first**.

**2 in 3** Kiwis are **open to receiving financial guidance**, despite 42% of Kiwis saying they feel uncomfortable discussing their finances.

Active investment in higher risk and return products like shares is less common, despite high returns being a priority for nearly half our respondents.

[1] https://www.fma.govt.nz/business/focus-areas/consultation/review-of-access-to-financial-advice-for-nz-proposed-terms-of-reference/. Consultation document released 2 April 2025

# 3. Methodology

To explore New Zealanders' attitudes towards savings and debt reduction, we worked with research agency, Perceptive, to undertake both qualitative and quantitative research.

## Phase One: Qualitative Insights

The first phase involved in-depth 1:1 interviews with a diverse group of 20 New Zealanders. This phase aimed to capture personal experiences and attitudes towards debt. The participants included:

- Ten men and ten women aged between 26 and 65 years.
- Individuals from various regions across New Zealand.
- Annual household incomes ranging from $60,000 to over $120,000.
- A range of non-mortgage debt types and levels from $5,000 to $200,000.

Interviews, which ran for 60 minutes, were conducted online between 19 July and 13 August 2024. The qualitative component was designed to delve into participants' personal debt experiences and their views on managing debt reduction and savings. Findings from this phase also informed the design and development of the second phase.

## Phase Two: Quantitative Analysis

The second phase used a 15-minute online survey completed by 3,169 New Zealanders. This phase aimed to provide a broader statistical perspective to accompany the findings from the qualitative phase. The participants were:

- Aged over 18 years.
- Weighted based on age, gender and region using 2023 census data to ensure data was representative of the New Zealand population.

The survey ran using Perceptive's online platform between 2nd and 18th August 2024. This questionnaire was designed to further investigate the savings and debt reduction attitudes of New Zealanders, highlighting their self-assessed financial positions and expectations for the next year. It also collected details of the types of debt products used, repayment habits across demographics, and views on financial information and trusted sources for guidance.

## Quick Reference Guide

| | **Qualitative Phase** | **Quantitative Phase** |
|---|---|---|
| **Participants** | **20** New Zealanders, varied demographics | **3169** New Zealanders, weighted sample |
| **Data Collection** | In-depth interviews (one hour each) | Online Survey (15 minutes each) |
| **Timeframe** | 19 July – 13 August 2024 | 02 August – 18 August 2024 |
| **Focus** | Detailed personal insights | Broader statistical patterns |

# 4. Research results

This research analyses New Zealanders’ needs in three areas of financial services: savings, debt reduction, and financial guidance. The research provides insights into attitudes towards and use of savings and debt products. It analyses which savings and investment products are most utilised by New Zealanders and then focuses on New Zealanders’ use of debt products, their views and choices about different types of products, and why certain debt products are used. The analysis further investigates the repayment habits of individuals and the mindsets influencing debt repayment decisions across different demographics.

The second part of the results explore New Zealanders' perspectives on financial information sources, including the sources they trust most for guidance and their expectations of the finance industry in this context. The results conclude with an examination of New Zealanders’ self-assessed financial position and how they expect it to change over the next 12 months. After assessing their financial situations, we investigate New Zealanders’ perceptions of their financial understanding and their confidence in making decisions.

## 4.1 Saving for a sunny day

Savings and investment play distinct but complementary roles in an individual's financial life.

**Savings** is income set aside for future use. It is money that is inactive, in the sense of not being used for either spending or risky investments. Savings accounts are usually very safe but offer low rates of return (Kagan, 2025).

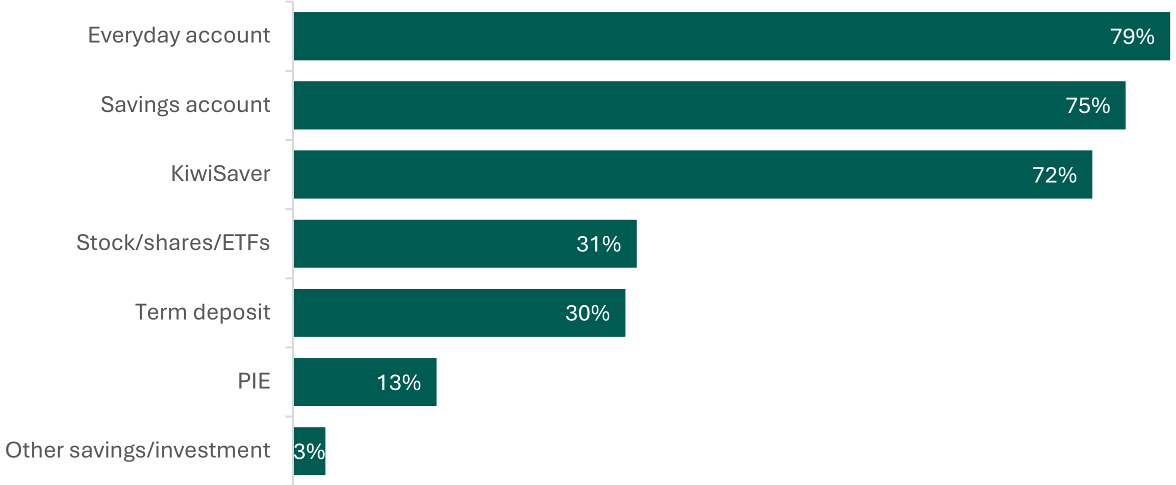
**Investment** aims to devote money to activities that will generate a return over time. Examples include stocks, which pay dividends, and bonds, which pay a coupon (interest). Investing involves taking calculated risks to achieve the desired return: low-risk investments are generally expected to deliver low returns, while high returns normally require taking on a higher level of risk (Picardo, 2025).

Savings provide a safety net for unexpected expenses and short-term needs, while investments drive long-term financial aspirations like retirement or wealth accumulation. Both play their role in serving our individual needs and financial desires – some New Zealanders are chasing high returns, while others are more concerned with stability, timing, or just making sure their money is accessible when they need it.

### Saving across a range of products

New Zealanders make use of a range of savings and investment products, reflecting their varying needs for security, accessibility, and longer-term returns. Individuals’ use of different account types and investment products vary by age and income, reflecting decisions they make to balance these competing needs with their circumstances, and at different stages of their lives. In our research, New Zealanders who hold an everyday bank account (79%) are quite likely to have at least two other savings or investment products.

**Figure 1 - Uptake of savings and investment products[2]**




*Q4a Which of the following financial savings/investment products do you currently have money in? Please select all that apply*

In New Zealand, the most accessible products are also the most used (**Figure 1**). The majority of New Zealanders over the age of 18 (79%) hold an everyday bank account,[3] and 75% hold savings accounts.

While the vast majority of New Zealanders hold an everyday account, they tend to keep quite modest amounts in these accounts (**Figure 2**). The typical everyday transaction account holder has a balance under $1,000. Savings account holders typically hold more – around 3 out of 5 savings account holders have balances of between $1,000 and $10,000 in these accounts – but these remain at the lower end of balances compared to more specialised products such as term deposits or Portfolio Investment Entity (PIE) funds.

This tendency towards small balances in everyday accounts reflects both the wide uptake of these accounts and the active decisions that New Zealanders make about how to allocate their savings across products with different levels of accessibility, risk, and expected returns. Everyday accounts are almost as common among low-income households as they are among high-income ones (**Figure 3**). Savings accounts are similarly common across all but the lowest income groups (those with household incomes below $50,000 per year). Relatively low balances in these accounts compared to other products may therefore partly reflect the overall financial situation of account holders – those with very low incomes are unlikely to hold large amounts in any account or product.

However, households also seem to be allocating across account types and investment products to support their own savings goals. Even among high-income households (those with household income above $200,000) nearly 40% of everyday account holders reported that they held less than $1,000 in those accounts, with 80% having less than $10,000. In contrast, in the same income bracket most savings account holders held balances

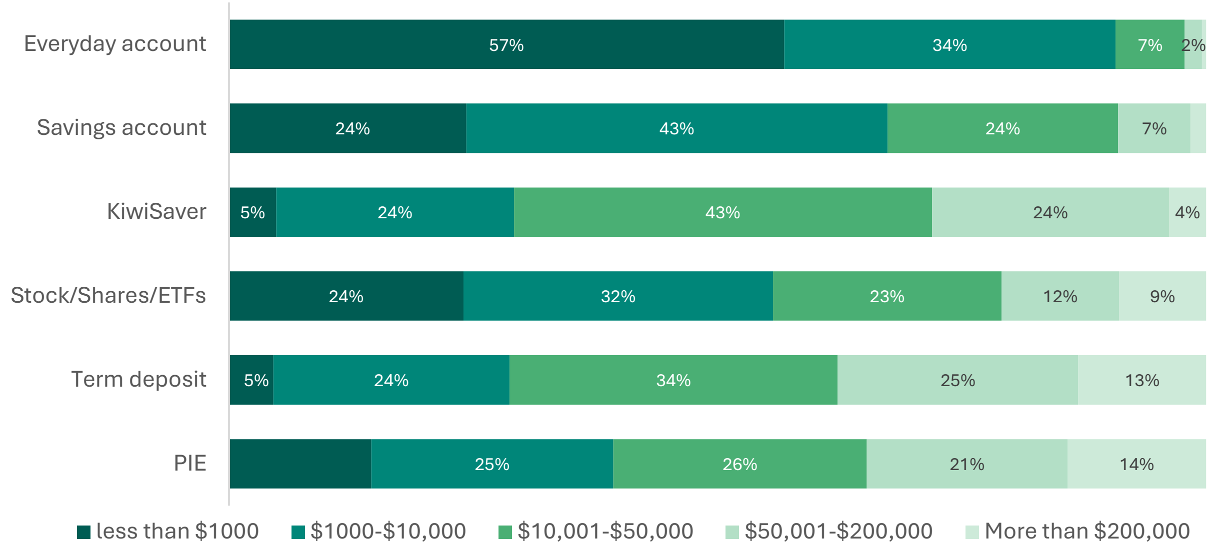
[2] The categories of savings products were selected to be easy to understand for the average New Zealander answering the survey. Consequently, not all the categories in this and later charts correspond precisely with specific financial products on offer in the market.
[3] This implies that around 1 in 5 adults in New Zealand does not hold a transactional account. This figure is consistent with past FMA survey research, including the 2022 Consumer Experience survey (FMA, 2022), but appears very high compared with figures reported by the World Bank (World Bank, 2021) which suggest that nearly 99% of adult New Zealanders hold a transactional account. The discrepancy is likely due to question wording, with the World Bank survey question explicitly prompting respondents to consider joint accounts and listing a range of account types which should be included.

above $10,000, with 20% holding more than $50,000 in savings.[4] It appears that many New Zealanders are making use of the ability to easily shift funds between account types to benefit from small differences in returns, supporting their savings goals.

KiwiSaver is another accessible and well-used product, held by 72% of our survey respondents (**Figure 1**). Uptake of KiwiSaver is broadly spread across the population – although there is a tendency for KiwiSaver uptake to increase with household income, over two thirds of respondents in all but the lowest income groups reported owning a KiwiSaver account (**Figure 3**). The wide uptake of KiwiSaver is perhaps unsurprising given its role as the country's official retirement savings scheme, with automatic enrolment designed to capture those who might not otherwise save. The appeal is further driven by employer and government contributions, making it a relatively effortless way for many to build retirement savings. Additionally, its structure—where funds are generally locked until retirement—reinforces its role as a long-term savings vehicle.

Balances within KiwiSaver accounts vary more widely than other products. Nearly 30 percent of KiwiSaver holders report balances of less than $10,000, while a similar number hold balances of $50,000 or more (**Figure 2**). The wide variation in KiwiSaver balances is likely due to the unique factors of the scheme noted above, particularly the auto-enrolment process and the expectation that funds will be held till investors reach retirement age. **Figure 4** indicates that low KiwiSaver balances ($10,000 or less) are common among younger cohorts, with the probability of having a high balance ($50,000 or more) increasing strongly with age.[5] At the same time, the probability of holding KiwiSaver is reasonably stable across age groups up to the drawdown age of 65.

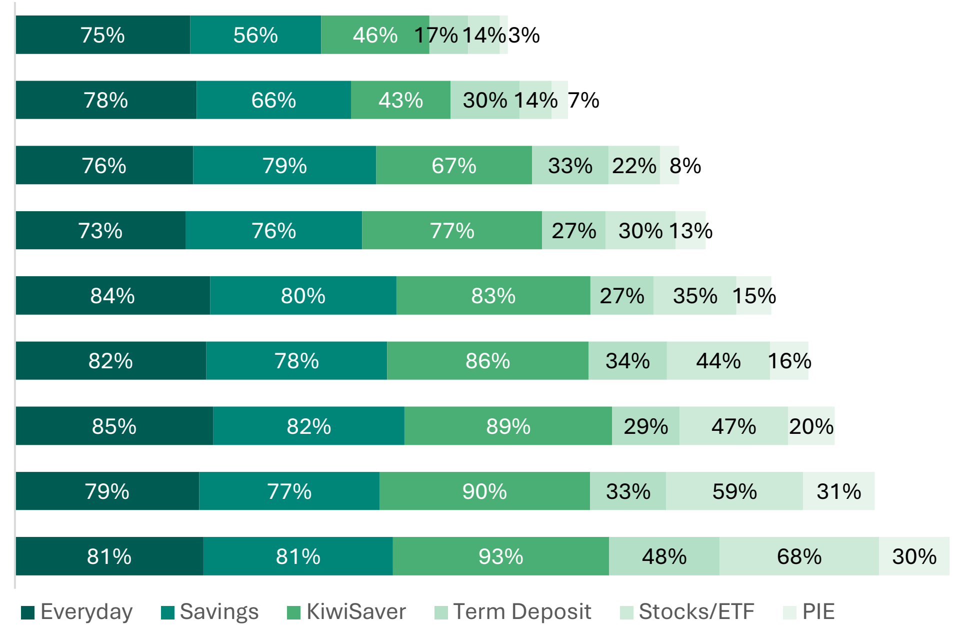
## Figure 2 - Saving and investment product balances




*Q4d What level of savings do you have in each of the following accounts?*

[4] Figures shown as Figure 3a in the online data book available with this publication.
[5] This is consistent with findings from the KiwiSaver Demographic Study (Melville Jessup Weaver (MJW), 2024), commissioned by the Retirement Commission.

## Figure 3 - Savings product utilisation by household income



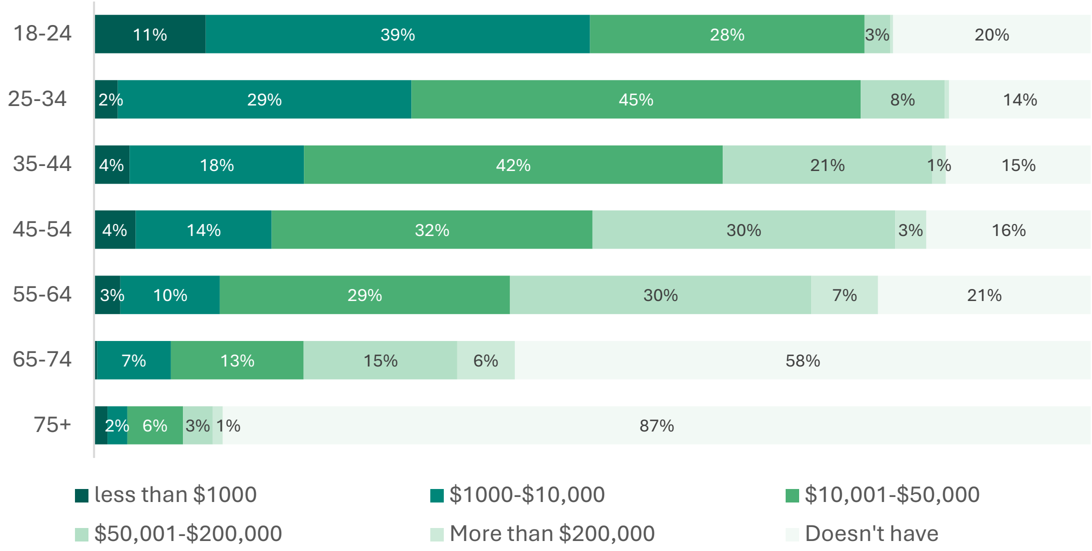

*Q4a Which of the following financial savings/investment products do you currently have money in? Please select all that apply.*
*Q94 What is your total household income before tax?*

Further variation in balances may be due to the relatively early age of the scheme (it has only been operating since 2007 and some people are still covered by earlier retirement savings or pension schemes), limited benefits for self-employed people, and the potential to withdraw KiwiSaver funds to use as a first home deposit (Dale & St John, 2020; Te Ara Ahunga Ora Retirement Commission, 2024).

While New Zealanders have significant exposure to investments through their KiwiSaver accounts, slightly less than a third of New Zealanders invest directly in the share market, and term deposits have similarly low participation rates (**Figure 1**). Those who do engage often commit larger sums - of share investors, 23% hold portfolios worth between $10,000 and $50,000, with a further 21% having higher balances (**Figure 2**). Conversely, nearly a quarter hold balances of less than $1,000 in these products, suggesting a cohort of investors that are dipping their toes in the market. This could reflect a combination of factors, including a psychological barrier where some perceive they need substantial capital to start investing,[6] as well as concerns over market volatility, lack of financial knowledge, and uncertainty about where to begin.

[6] A 2024 UK survey revealed a common belief that an individual must have GBP£40,000 to begin investing, a sentiment that might resonate in New Zealand (Rivers, 2023).

### Figure 4 - KiwiSaver balance by age




*Q4d What level of savings do you have in each of the following accounts?*

PIE accounts remain less utilised, with just 13% of respondents investing in them (**Figure 1**). This may be due to their lower profile, despite most banks offering term PIE products alongside their other term deposits. PIE products are useful for people with high incomes or high wealth, due to their tax-efficient structure. Interestingly though, reported balances for these products in our survey are spread evenly rather than concentrated at the higher end. This could be attributable to the availability of cash PIE bank accounts for retail consumers; these are at-call savings accounts offering PIE tax treatment, usually with low interest rates, so might be expected to have lower balances than a higher-return product such as a PIE.

## Picking the right level of risk

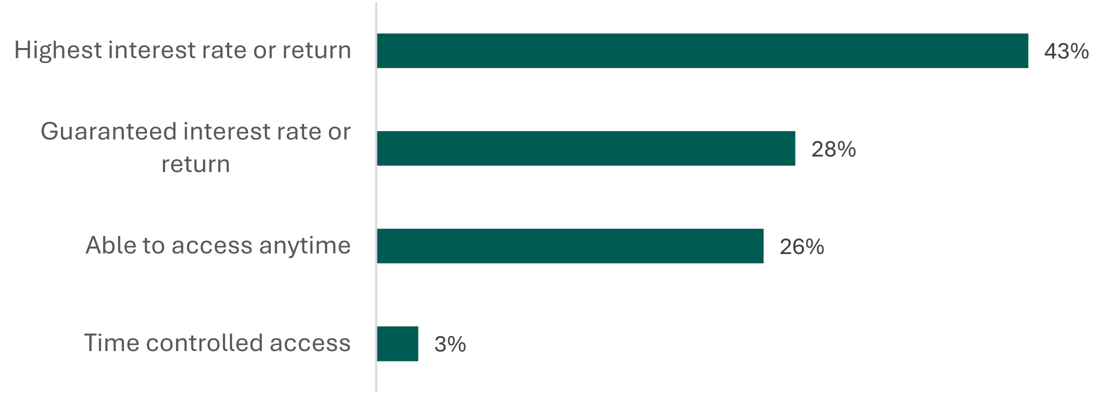
When deciding where to invest or save, many New Zealanders say they focus on securing the best interest rates or returns (**Figure 5**). While high returns are an important factor for 43% of New Zealanders, they don't always translate into actual choices: previously we established that savings accounts were significantly more commonly used than high-return products such as stocks, shares, and ETFs.[7]

Demographic differences influence the importance that New Zealanders place on the different aspects of their investment decisions (**Figure 6 and 7**). The desire for interest rate certainty varies with age, while the desire for ready access to funds varies with household income. The importance of high returns varies with both age and income.

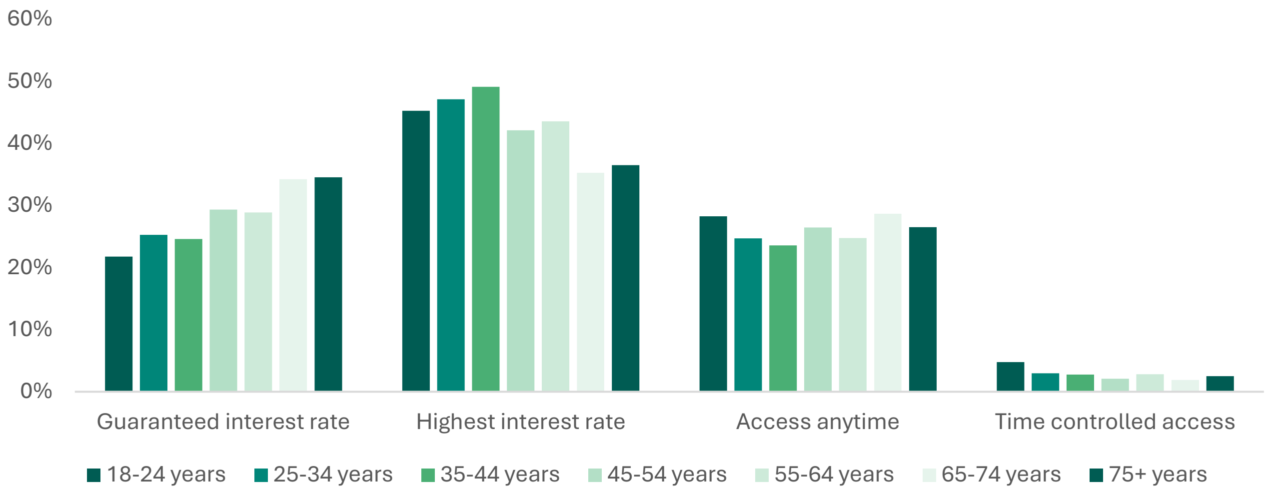
New Zealanders' income levels are a significant factor that influence preferences over certainty versus potential returns. The preference for high interest rates increases with household income, whereas the desire for ready access to funds decreases with household income. Low-income households (less than $50,000) tend to place more weight on certainty and immediate access to their funds than higher income groups (**Figure 7**).

[7] For the 25 years prior to 2023 a portfolio invested entirely in stocks yielded an average annual return of 7.2%, whereas a portfolio solely comprising bonds averaged 4.1% per annum (Mahony, 2023). The average deposit interest rate from January 2000 to November 2024 was approximately 4.61% (theglobaleconomy.com, n.d.).

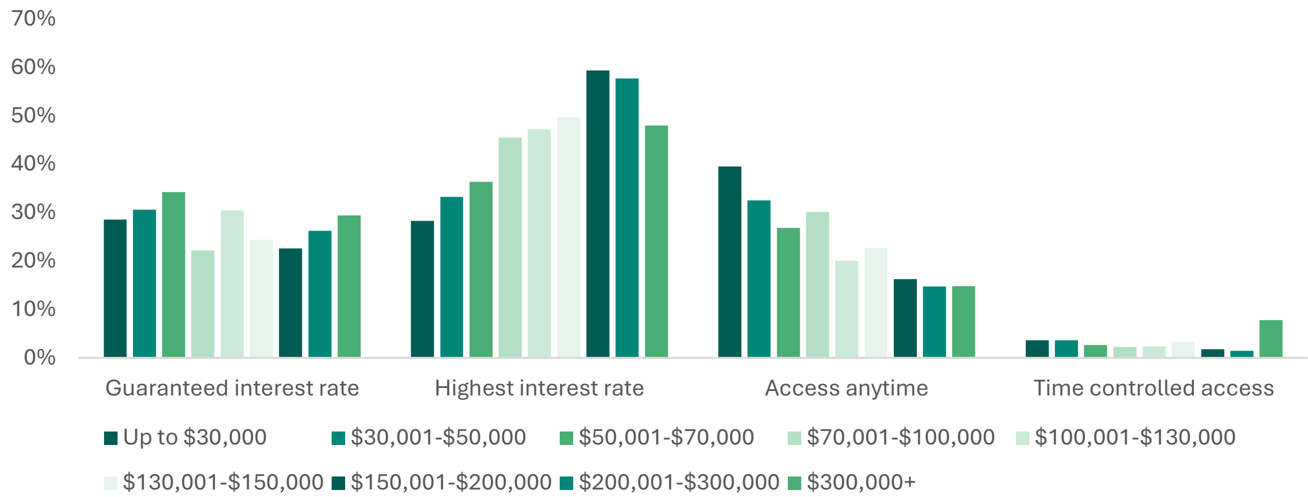
### Figure 5 - Most important factors when deciding where to save or invest




### Figure 6 - Most important factors when deciding where to save or invest, by age



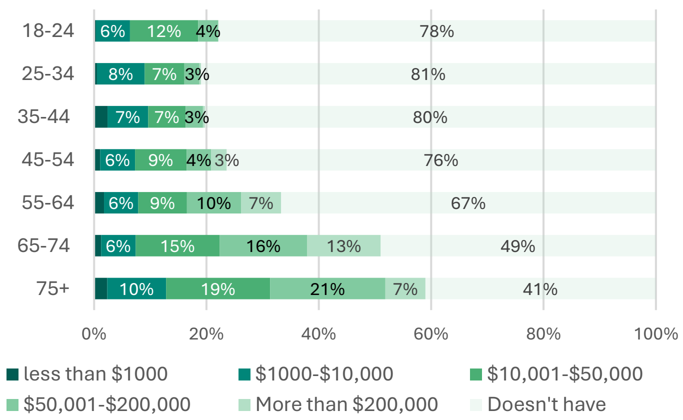

### Figure 7 - Most important factors when deciding where to save or invest, by household income



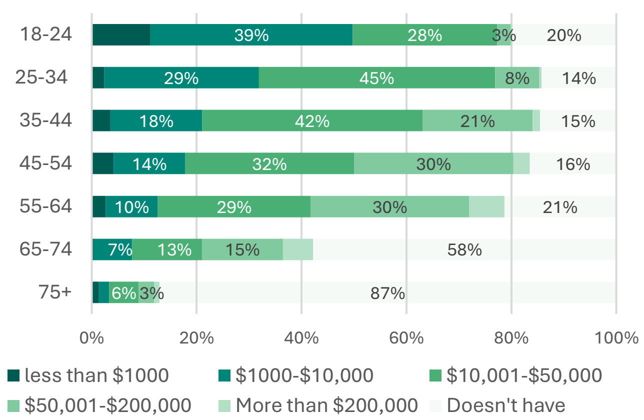

*Q138 Of the following, which are the most and least important factors for you when deciding where to save or invest your money?*

Demographic differences in investment decisions are also evident. The desire for high interest rates decreases with age, becoming replaced by a desire for “guaranteed” returns. Those aged 65 and older show the strongest preference for reliable returns (**Figure 6**), a choice that is likely shaped by their proximity to retirement. This is closely reflected in their use of investment products. The use of term deposits is notably higher among older adults and coincides with a reduced probability of holding funds in KiwiSaver (**Figure 8** and **Figure 9**). This finding might reflect either a transition (the same people shifting funds from KiwiSaver to term deposits as they age) or a cohort effect (people of different ages having different preferences for types of savings product, perhaps reflecting life experiences or level of financial education).

### Figure 8 – Term deposit balance by age




### Figure 9 - KiwiSaver balance by age




Understanding these demographic differences could help in tailoring financial products – such as flexible savings solutions for lower-income households and stable return options that appeal to retirees managing post-work finances.

Choosing the right financial product is about more than just chasing higher returns. While the aspiration for high returns is clear, many New Zealanders take a more pragmatic approach to saving and investing, and some may simply lack funds to do much with their money beyond day-to-day spending.

The choice of savings product likely comes down to comfort and practicality, together with financial understanding. It is likely that many New Zealanders stick with everyday transaction and savings accounts because they’re familiar and easily accessible. This highlights a key point: while high returns are attractive, having quick access to funds is equally important to many households, and finding the right savings and investment options means balancing potential returns against individual tolerance for risk.

This tendency to prioritise access and practicality over returns can be understood through the lens of behavioural biases, particularly heuristics and inertia. Heuristics are mental shortcuts that simplify decision-making (Dale S. , 2015), enabling investors to make quick choices without extensive deliberation while inertia refers to the tendency to stick with the current situation or existing habits (Alós-Ferrer, Hügelschäfer, & Li, 2016). Many New Zealanders opt for familiar, easily navigable financial products, often sticking with the path of least resistance, such as opening a savings account with their existing bank. The strong uptake of KiwiSaver across all age groups and income bands suggests that when saving is the default option, and appropriate incentives are in place, most New Zealanders are able to prioritise saving, at least some of the time.

Recognising these behavioural patterns presents an opportunity to design financial tools that nudge consumers toward better long-term savings habits while maintaining ease of access.

## 4.2 Debt decisions: Pay now, save later?

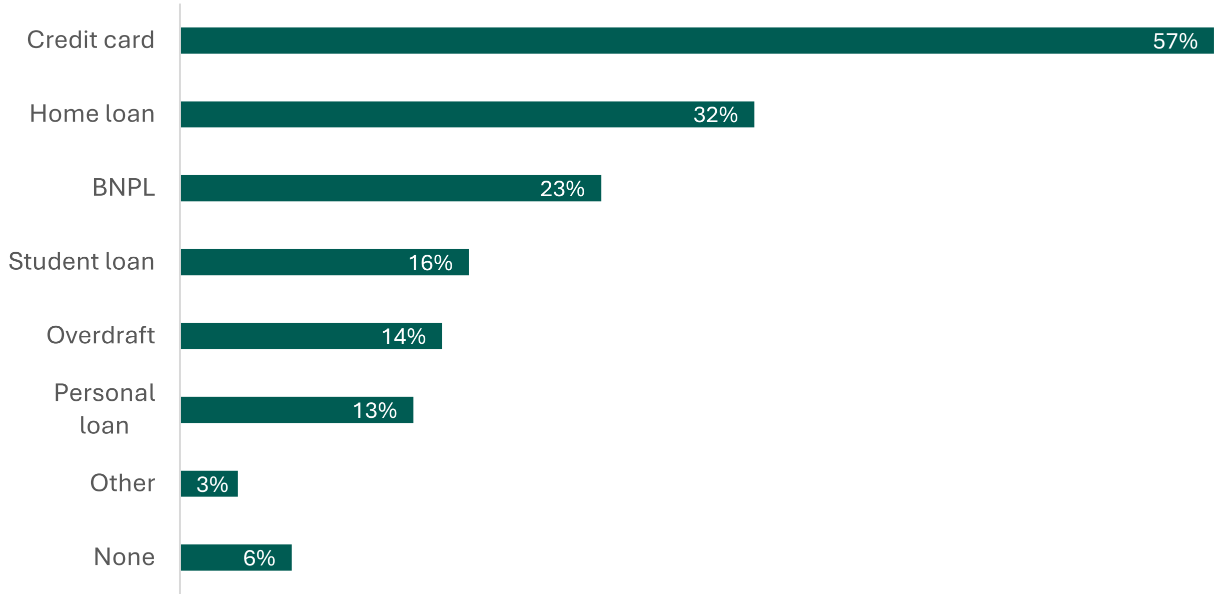
From student loans to car finances and home loans, debt can have lasting impacts on New Zealanders' financial wellbeing and livelihood. Our research looks to understand how well New Zealanders understand their debt, the products they access, and the habits instilled in their debt usage.

### Breadth of debt product uptake

New Zealanders hold an average of approximately 1.7 debt products per person. The most used debt product for New Zealanders is a credit / store card (57%) (**Figure 10**). These provide significant benefits in terms of flexibility and ready access to funds, with many providers also offering rewards programmes or other benefits. For many consumers, credit card debt may also differ from other debt types in terms of the costs of accessing funds. In the first half of 2024, two thirds of credit card balances were paid off in full without the consumer incurring any interest costs (New Zealand Banking Association, 2024), consistent with many consumers using their credit card to make transactions while maintaining funds elsewhere, rather than primarily seeing the cards as a form of borrowing.

There is also substantial use of other debt products. 23% of New Zealanders use buy now pay later (BNPL) services, 14% have an overdraft and 13% a personal loan (**Figure 10**). One in three New Zealanders also reported having a home loan.

**Figure 10 - Percentage of New Zealanders who hold each debt product**

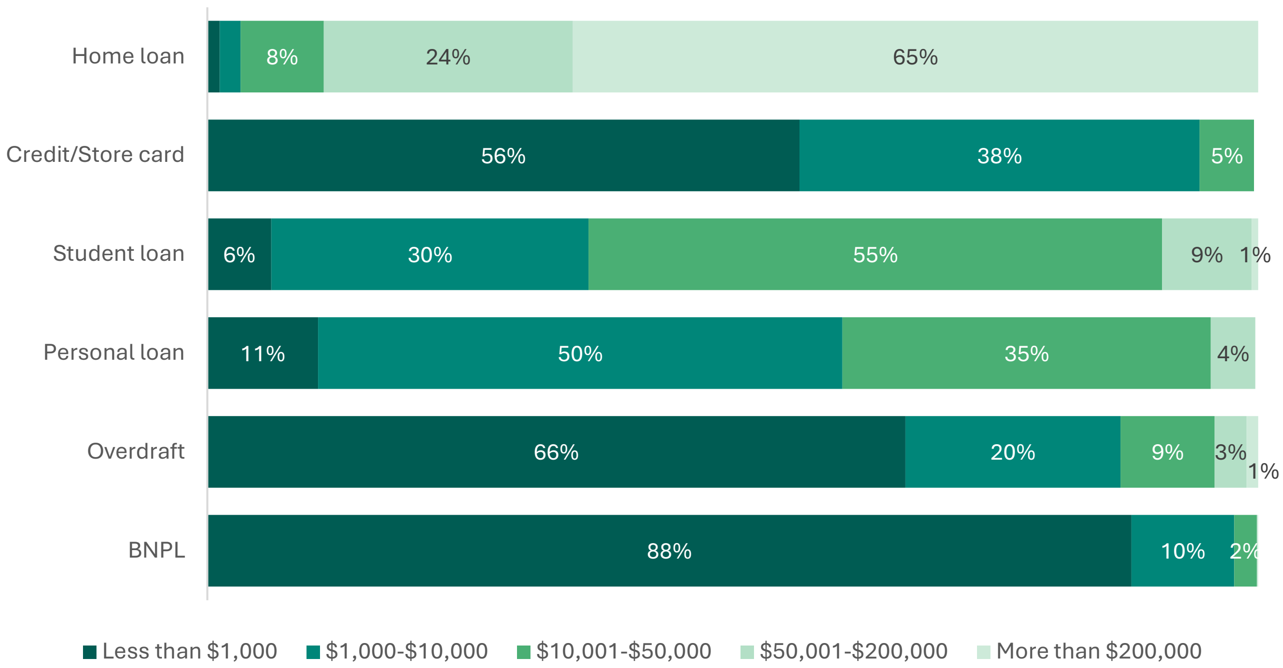



*Q5a Do you have any of the following?*

While New Zealanders on average hold more than one debt product, those with an overdraft or personal loan are more likely to be using closer to three debt products. This suggests that individuals with these debt products may be more financially stretched, relying on multiple sources of credit to manage expenses, which could have implications for financial stress and repayments strategies.

When looking at the balances of these debts (excluding home loans), New Zealanders typically hold less than $10,000 of debt per debt product (**Figure 11**). This is especially true of credit cards, BNPL and overdrafts, the majority of which are valued at under $1,000. More than half of student loans sit between $10,000 and $50,000 while a third of personal loans sit in the same range.

**Figure 11 - Debt products - balances**

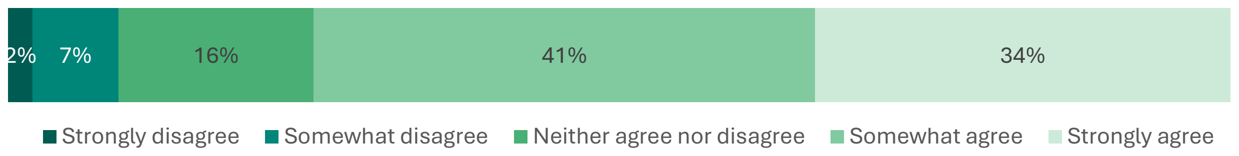



*Q5f What do you currently owe for each of the following?*

## New Zealander's debt attitudes

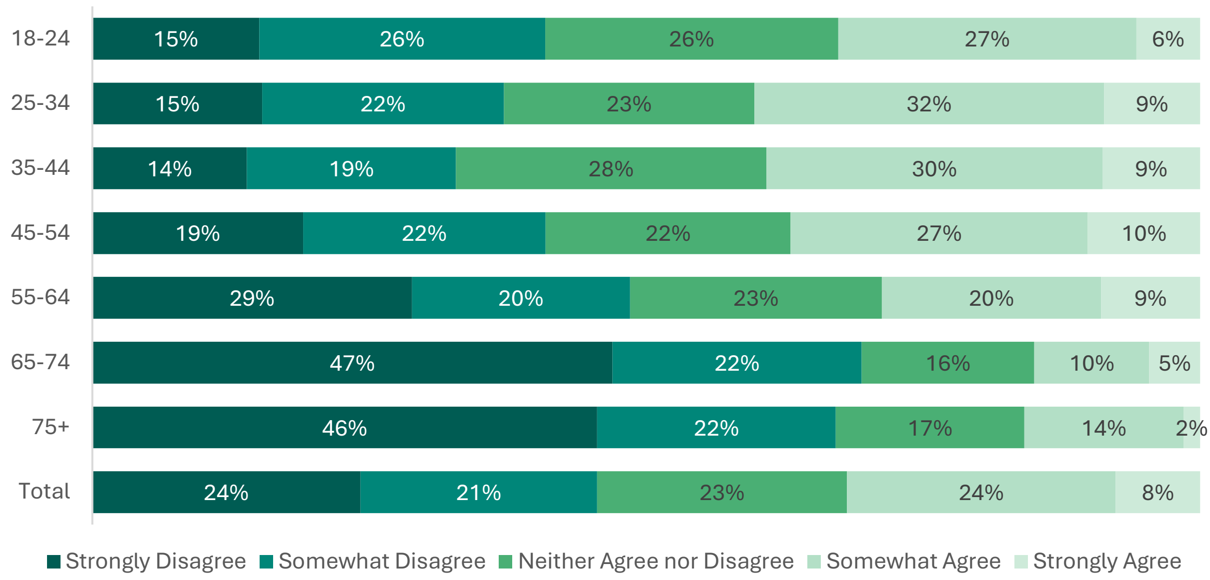
Debt products and services can be a balancing act to manage once debt levels increase. However, approximately three quarters of New Zealanders believe they have a good understanding of their debt (**Figure 12**). While most New Zealanders feel confident in their understanding of debt, this does not necessarily mean they are making optimal financial decisions. Understanding how debt works – such as interest structures and repayment strategies – can be different from effectively managing it.

**Figure 12 - [I] have a good understanding of all my debts, I am rarely surprised by an unexpected bill**




About a third of New Zealanders are concerned about their level of debt (**Figure 13**). This concern is most prevalent in the 25-44 age range (and similar across subgroups within this range), which suggests that this group may be facing financial strain at a life stage often associated with key financial commitments, such as mortgages, student loans and childcare costs. Understanding how different age groups experience debt stress could help tailor financial education and support initiatives.

**Figure 13 - I am worried or concerned about my current levels of debts/liabilities**




## New Zealanders and debt reduction

When it comes to their approach and intentions for repaying debt, New Zealanders generally understand the impact of high interest debt with 55% prioritising high interest repayments (**Figure 14**). This is particularly true among those with a mortgage or a credit card – products which face widely differing interest rates – with 64% and 60% of those holding these debt products choosing to pay down high interest debt first (**Table 1**).

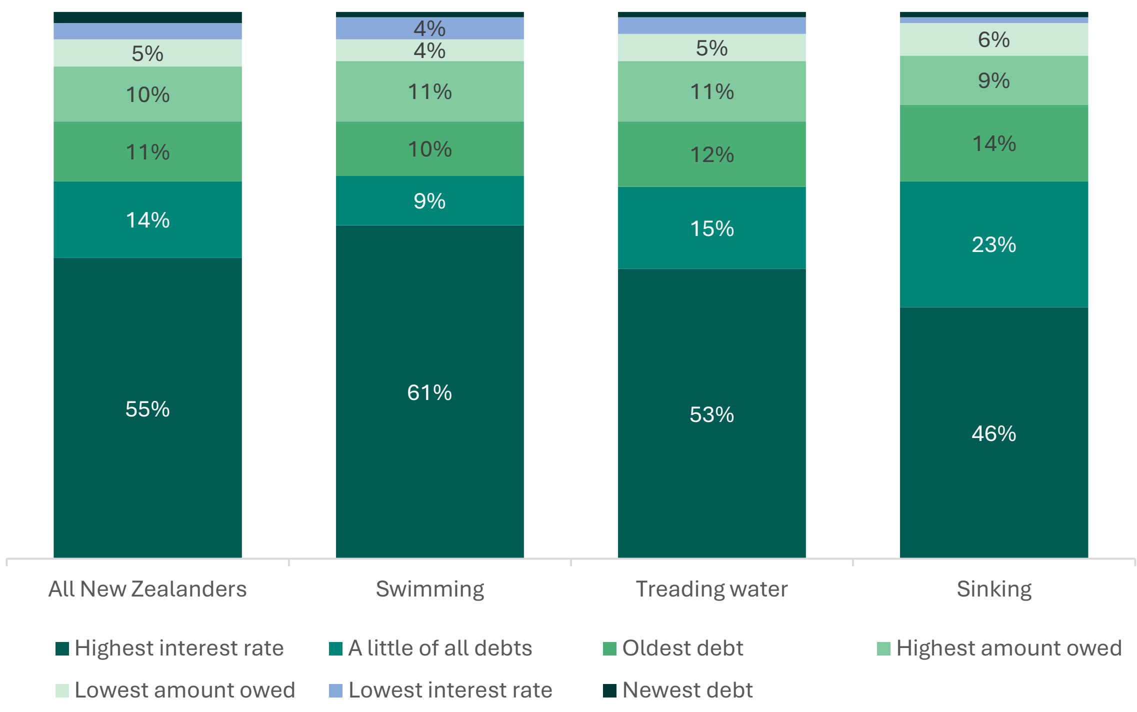
However, while interest rates are an important factor in managing debt, other factors such as default fees, the potential for repossession and damage to credit scores can also influence which debt to pay off first. The prevalence of BNPL and other fee-based lending models appears to be shaping repayment behaviour, with borrowers that use these products being relatively more likely to prioritise older debt or to pay a little off all debts, and less likely to prioritise high interest debt. It is common that while these services do not accrue interest, they do incur fees if a customer is late on their repayment schedule. Similarly, those with student loans are less likely to prioritise paying off the loan with the highest balance first – a strategy which makes sense when their largest loan is likely to be interest free.

Financial strain may also force some borrowers to prioritise immediate obligations over long-term cost savings - many who are financially struggling are likely to put money towards all debts (23%) rather than taking a targeted approach to debt reduction. This trade-off can make it harder to break free from debt cycles, particularly for those juggling multiple commitments.

For those already struggling, managing multiple debt repayments can feel like a game of financial whack-a-mole. New Zealanders who report their financial situation as "*sinking*" (**discussed below**) are less likely than others to prioritise high interest debts and more likely to spread repayments across all debts. The concern in this scenario is two-fold:

1. this decision making could be due to lower financial literacy and debt understanding or,
2. a testament to the situation those who are *sinking* find themselves in - under pressure of multiple debt repayments that each require some form of attention (e.g. avoiding fees or interest-bearing credit cards or overdrafts).

## Figure 14 - Consumers approach to debt repayments




*Q5g When prioritising which debt to pay off first, which would you choose?*

## Table 1 - Consumers approach to debt repayments by debt product(s) held

| | Home loan | Personal loan | Credit / store card | Overdraft | BNPL | Student loan | Other |
|---|---|---|---|---|---|---|---|
| The one with the highest amount owed | 12% | 12% | 11% | 8% | 9% | 7% ↓ | 9% |
| The one with the highest interest rate | 64% ↑ | 41% ↓ | 60% ↑ | 58% | 40% ↓ | 50% | 53% |
| The one with the lowest amount owed | 6% ↑ | 7% | 5% | 4% | 6% | 5% | 5% |
| The one with the lowest interest rate | 2% | 5% ↑ | 2% | 1% | 3% | 3% | 1% |
| The oldest debt (owed the longest) | 6% ↓ | 11% | 9% ↓ | 9% | 17% ↑ | 12% | 13% |
| The newest debt (most recent) | 1% ↓ | 2% | 2% | 1% | 2% | 2% | 1% |
| Pay off a little of all debts | 9% ↓ | 22% ↑ | 11% ↓ | 18% | 22% ↑ | 21% ↑ | 18% |
| Number of respondents (weighted) holding product | 1094 | 410 | 1823 | 466 | 761 | 472 | 282 |

**Blue (red)* text indicates that consumers that hold a particular debt product (eg, student loan) are significantly more (less) likely than average to indicate that they would prioritise this repayment approach (eg, paying off the debt with the highest amount owing). Respondents may hold more than one debt product and are included in the figures for all products they hold.*

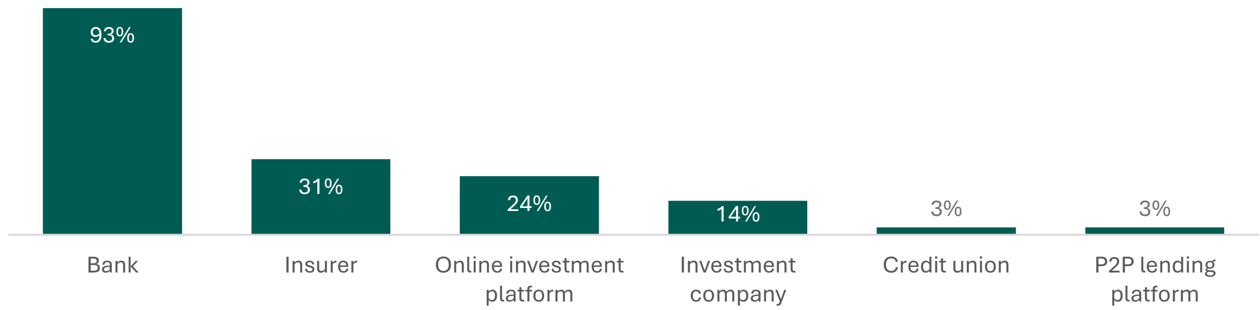
## 4.3 Finances: A New Zealand conversational taboo

Information used to make financial decisions is available through many different channels – from friends and family, colleagues, banks and financial advisers, and social media influencers. Given the range of possible information sources, we were interested to understand how comfortable New Zealanders are with discussing their finances and who they turn to for information.

### Attitudes towards providers

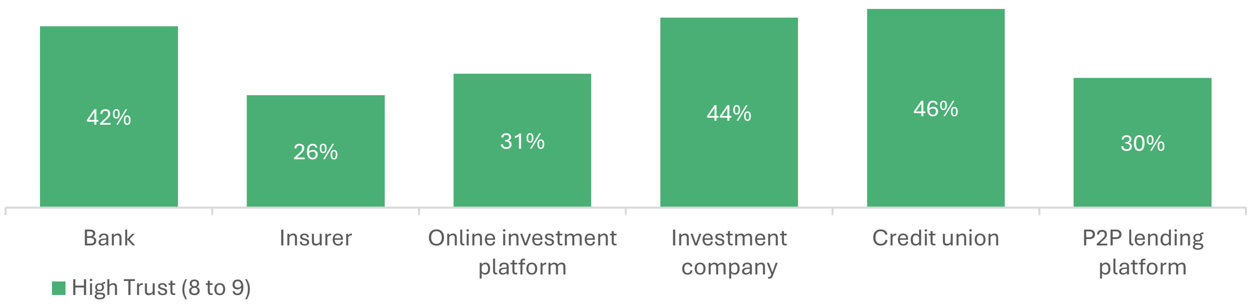
The question of whether, and where, to seek information about finances may depend in part on individuals' wiliness to trust their financial providers. To answer this, we asked respondents to indicate where they had existing relationships with various financial providers (**Figure 15**) and, importantly, if they trusted those providers to have their financial well-being in mind (**Figure 16**).

**Figure 15 - Provider relationships**




*Q129 Which of the following do you have a financial relationship with?*

**Figure 16 - Perceptions of trustworthiness**




*Q130 To what extent do you trust this provider [to have your financial well-being in mind]?*

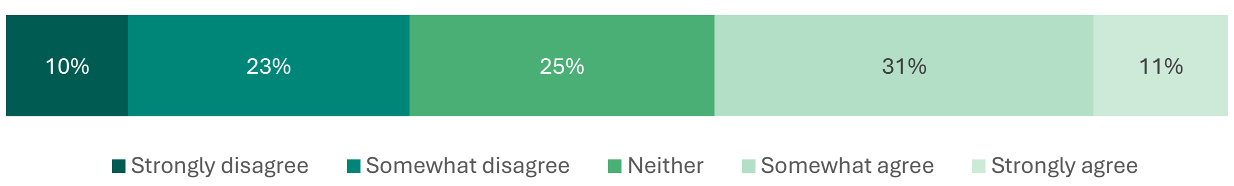
On average less than half of New Zealanders report a high level of trust in the motivations of the financial services they use. For banks (which serve 93% of the population), 42% of their consumers report high levels of trust that these institutions have their financial well-being in mind. Investment companies, being non-essential (unlike banks), attract customers partly due to their focus on providing quality returns to create reputable business. Even though just 14% of New Zealanders use investment companies, their trust ratings are only marginally higher than those of banks (44% of customers report high trust, vs 42% for banks), despite catering to a much smaller and more engaged audience. This suggests that trust is not purely based on necessity but is also shaped by perceptions of transparency and value—indicating that neither banks nor investment companies have fully convinced consumers that their interests come first.

Despite being the second-most used financial service (31%), insurers are the least trusted with just over a quarter (26%) indicating a high level of trust in their insurance company to have their best interests in mind. Large-scale natural disasters in recent years have revealed gaps in many New Zealanders' coverage. A 2024 survey by the Natural Hazards Commission found that only a third of New Zealanders are confident that they know what damage to their home would be covered in the case of a natural hazard event (Natural Hazards Commission, 2024). At the same time, consumers have faced rapid increases in premiums (Newton, 2024). Low trust in insurers raises questions about consumer confidence in financial protection and highlights the need for accessible product information to lift consumers' understanding.

### Seeking advice about finances[8]

We asked New Zealanders about their attitudes towards discussing their financial situation. A significant number of New Zealanders (42%) said they were at least somewhat uncomfortable discussing their financial situation with others, while a third indicated some level of comfort (**Figure 17**).

**Figure 17 - I feel uncomfortable discussing my financial situation with others**




With so many New Zealanders hesitant to talk about their finances, seeking guidance or support may feel like a barrier rather than a solution. Encouraging open financial conversations – whether through trusted networks or a professional adviser – could help people feel more in control.

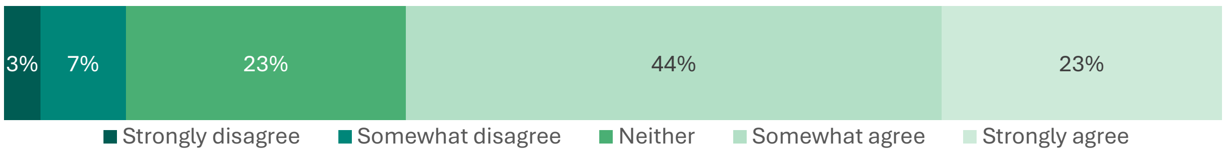
There were some clear influencing factors in New Zealanders' comfort with discussing their financial situation, particularly around employment status and income level. Financial insecurity and job uncertainty often go hand in hand, making it harder for those out of work to seek advice or support. In relation to employment status, 48% of those not currently employed strongly agree with sentiments of discomfort in discussing their financial situation with others compared to 11% of the population as a whole.

Overall, 67% of New Zealanders are open to advice or learning how to make their money go further (**Figure 18**). As with comfort around discussing their financial situation, income level also affects a person's openness to advice. Just 55% of those earning less than $50,000 per annum are open to advice compared to 75% of those earning more than $100,000 annually. Instead of reflecting a lack of desire to receive guidance, this outlook might represent a practical cost-benefit analysis – where those with lower incomes may see little benefit to seeking guidance given the small amount they have to invest. More accessible or simpler advisory options

[8] This section includes findings from survey questions about "advice". When we asked these questions, we didn't specify this to be regulated financial advice accompanied by conduct obligations under the FMC Act. Consumers were free to interpret this question as they saw fit, including as a general reference to information about financial concepts or products.

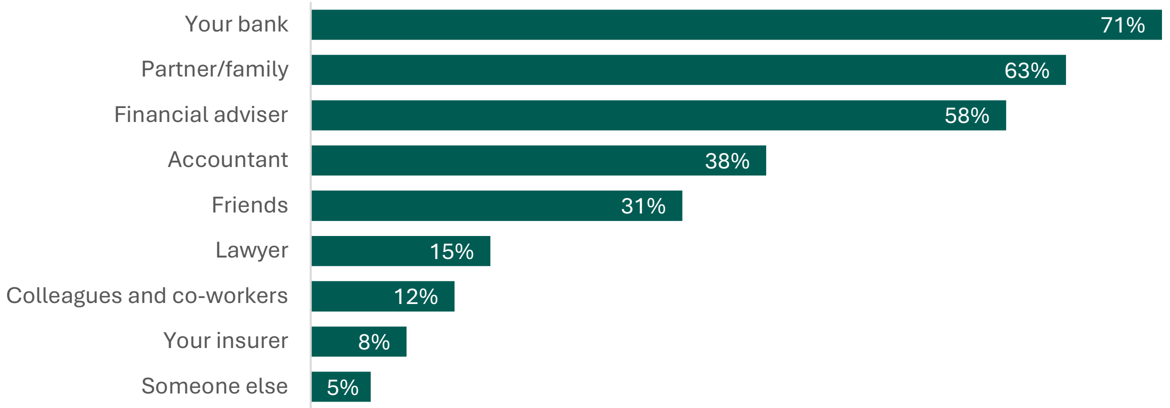
could help bridge this gap, and we will be exploring this further in our separate review into financial advice accessibility.

**Figure 18 - I would be open to advice or learning how to make my money go further**




When asked which sources consumers would turn to if they needed advice about their finances there was a mix across expert and informal sources. While 71% of New Zealanders would turn to their bank, 63% would also turn to family or their partner (**Figure 19**). The fact that nearly as many New Zealanders turn to family as they do to banks highlights the importance of relationships in financial decision-making. Strengthening relationships between consumers and financial institutions could help ensure people receive accurate, reliable advice rather than relying solely on informal guidance.

**Figure 19 - Sources for seeking advice about finances**




*Q131 Which of the following would you turn to if you needed advice about your finances?*

The qualitative interviews revealed some hesitancy towards receiving advice. Those interviewed expressed sentiments that providers may not treat clients as individuals. Respondents described concerns about information asymmetry and upselling, questioning the extent to which professional advisers may be motivated by their own interests rather than those of their clients. Ultimately New Zealanders want advice regarding their finances, but perspectives seem to be influenced by consumers' anxiety about the practices and motivations of advisers. This is again a very helpful precursor into separate review into financial advice accessibility.

> "They have everything to benefit from giving you certain advice… especially for young, inexperienced investors."

## 4.4 Reflecting on financial buoyancy

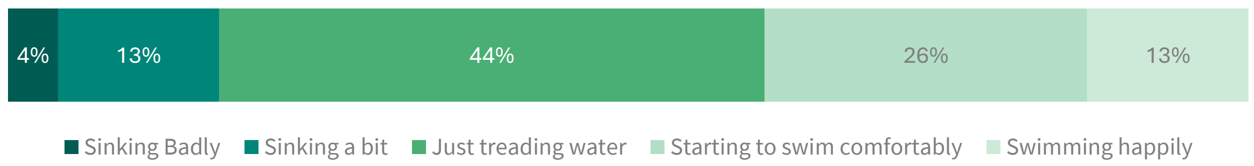
Understanding people's attitudes towards their financial situation is essential for informing the FMA's work to promote confident and informed participation in financial markets. These attitudes have been linked to financial behaviour – individuals who feel positive about their situation are more likely to invest and save, whereas those who feel overwhelmed, may avoid participation altogether (de Almeida, Ferreira, Soro, & Silva, 2021).

### Sinking, swimming, and treading water

Survey respondents were asked to rate their current financial situation on a scale of "Sinking Badly" to "Swimming Happily". The swimming model allows individuals to express their financial state on a continuum, highlighting varying degrees of distress and progress.

Overall, New Zealanders are twice as likely to feel they are *swimming* (Swimming happily/Starting to swim comfortably) than *sinking* (Sinking a bit/Sinking badly), 39% and 17% respectively. While this suggests that many feel financially stable, the fact that 17% are sinking – equivalent to 1 in 6 New Zealanders – is still a concerning proportion. Additionally, a large share (44%) is treading water, indicating financial fragility rather than security (**Figure 20**).

**Figure 20 - Financial Buoyancy**




*Q1a Which of the following statements would you choose to best describe your current financial position?*

Financial buoyancy is a well-established measure used in multiple studies to assess how New Zealanders perceive their financial situation. The FMA's *Consumer Experience with the Financial Sector* survey (FMA, 2022) found that 52% of New Zealanders felt financially uncomfortable (treading water or sinking), while the Retirement Commission's *Money Matters* (Te Ara Ahunga Ora Retirement Commission, 2024) report indicated this number has risen to 56%. Our latest research suggests a further increase, with 61% now assessing themselves as financially uncomfortable.

This trend indicates a growing financial strain on households, presenting an opportunity for financial institutions to explore ways to ease this burden. Initiatives such as enhancing access to financial guidance, offering more flexible repayment options, or developing incentives for saving could help consumers build greater financial resilience. As fewer New Zealanders feel financially secure, there is value in considering how tailored education on budgeting, debt prioritisation, and long-term financial planning might support consumers in navigating financial challenges. Proactively addressing financial discomfort could also contribute to stronger relationships between institutions and their customers.

### The role of personal experience and context

When New Zealanders assess their financial situations, their perceptions are influenced by more than just income, savings, or debt levels—personal experiences, life stage, and financial upbringing also play a role. For example, households with children are more likely to feel they are treading water (48% compared to 44% of the total population), while those aged 55–64 are more likely to feel they are sinking badly—potentially due to concerns about nearing retirement with insufficient savings.

Family attitudes toward debt also shape financial confidence, with some qualitative interview participants recalling lessons passed down about avoiding loans or credit purchases. For others, financial regrets—such as overspending or taking on high-interest debt—contribute to a sense of being trapped and anxious about the future. These findings highlight the emotional and psychological dimensions of financial wellbeing, suggesting that perceptions of financial health are as much about financial confidence and expectations as they are about actual income or debt levels.

> "We paid for the car with cash. That was one financial lesson that was drilled into me by my parents…Never take a car loan. Never, ever take a car loan."

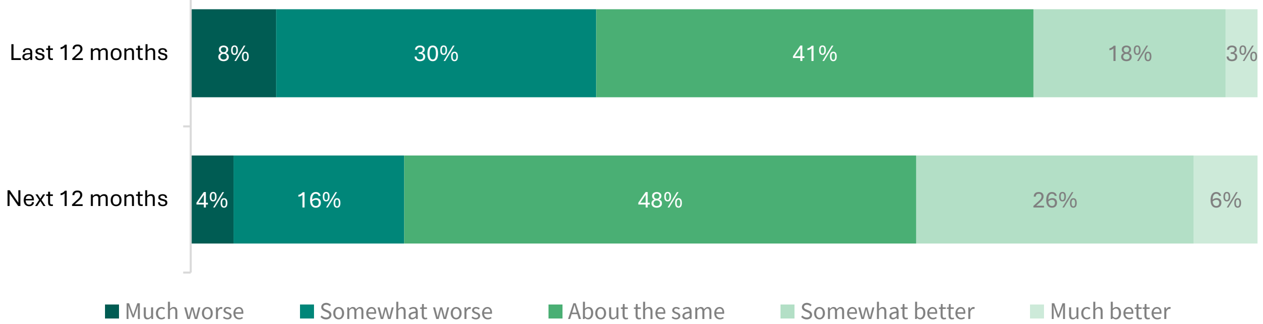
Understanding these influences may help the industry consider ways to provide support that aligns with consumer mindsets at different life stages. For instance, targeted financial education and tools tailored for households with children, or pre-retirement planning support for those approaching retirement, could help ease financial strain. Recognising the impact of financial regret and anxiety also presents an opportunity to explore proactive engagement strategies that empower consumers to feel more in control of their financial future.

### Money mood swings

Many New Zealanders have experienced a change in their financial situation over the past year, with 38% feeling worse off compared to only 21% who feel better off (**Figure 21**). Looking ahead, nearly half expect their situation to remain unchanged, while 32% anticipate improvement and 20% expect things to worsen. This mixed outlook suggests that while some remain optimistic, many are uncertain about their financial future.

Periods of financial uncertainty can influence consumer confidence, spending habits, and engagement with financial products. For the industry, this highlights the importance of supporting financial stability through initiatives that help consumers plan for uncertainty. Tools that assist with budgeting, savings buffers, or debt flexibility may be particularly relevant for those feeling financially stagnant or at risk of worsening conditions.

**Figure 21 - Financial past and future outlook**



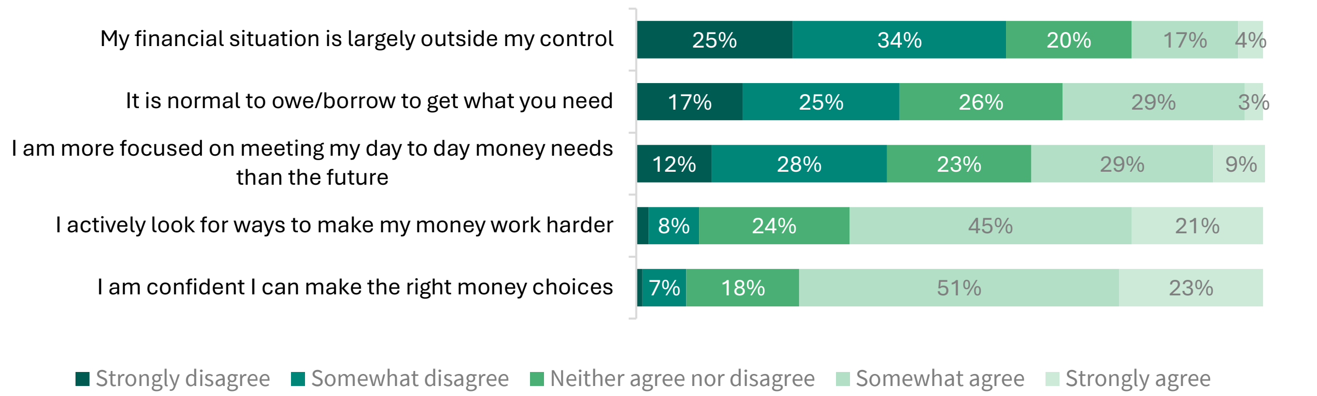

*Q2. Reflecting on the last 12 months, how has your personal financial situation changed, if at all?*
*Q3. How do you expect your personal financial situation to change in the next 12 months?*

The lack of a strong collective optimism or pessimism also suggests that consumer sentiment is divided, rather than showing a clear consensus. This reinforces the need for adaptable financial solutions that cater to a range of experiences—from those looking to rebuild financial security to those cautiously optimistic.

### Financial attitudes

New Zealanders were asked to what extent they agreed with a range of statements on their attitudes toward finances (**Figure 22**). These responses reveal a mix of confidence, concern, and day-to-day focus, with stark differences emerging between those who are financially buoyant and those who are struggling to stay afloat (**Figure 23** and **Figure 24**).

**Figure 22 - Financial attitudes**




Many New Zealanders (74%) feel at least somewhat confident in their ability to make sound financial decisions, but this confidence is closely tied to financial stability—rising to 87% among those in a strong financial position (*swimmers*) and falling to 58% among those struggling financially (*sinkers*). Similarly, while 78% of swimmers feel at least somewhat in control of their finances, only 33% of sinkers feel the same, reinforcing the link between financial hardship and a sense of disempowerment.

**Figure 23 - Financial attitudes (swimming)**

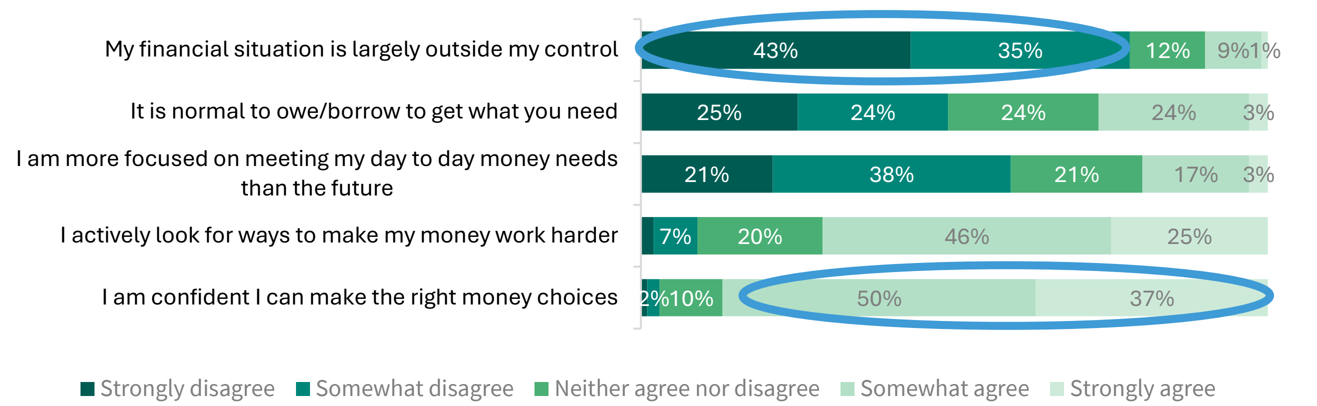
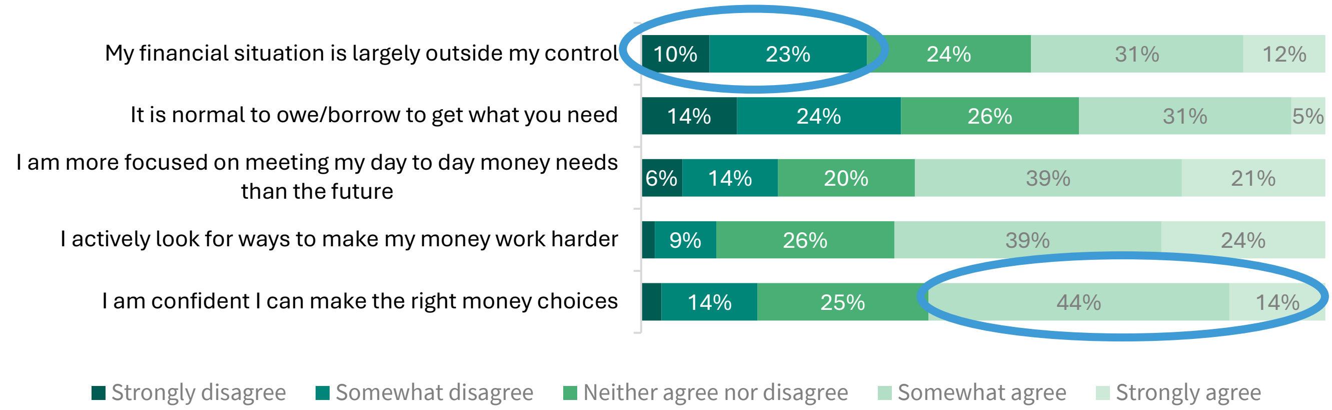


**Figure 24 - Financial attitudes (sinking)**




The contrast is also evident in financial priorities. Those who are struggling financially are three times as likely to be focused on meeting immediate needs (60%), while only 20% of swimmers report the same. This suggests that financial strain can limit the ability to engage in longer-term planning, potentially increasing financial vulnerability over time.

However, despite these challenges, there are signs of optimism—66% of New Zealanders, regardless of financial status, are actively looking for ways to improve their financial situation. This suggests an opportunity to support consumers in building confidence and control over their finances, particularly those who feel trapped in short-term decision-making. Providing resources that cater to different financial mindsets—such as tools that make long-term planning more accessible for those under financial strain—could help bridge this gap and encourage financial resilience across all groups.

# 5. Conclusions

This research indicates that New Zealanders generally feel confident in their financial decision-making, yet gaps remain between their financial aspirations and actual financial behaviour. While many feel they are managing their money well, a considerable number remain financially vulnerable, either struggling with debt, lacking confidence in their savings, or unsure of where to turn for trusted advice. Encouragingly, there is widespread openness to learning how to manage money better, but hesitation remains when it comes to discussing finances or seeking professional support.

Savings remain a cornerstone of financial security, yet many New Zealanders prioritise accessibility over higher returns, often keeping funds in low-yield accounts. While this approach reflects a preference for liquidity and ease, it also signals an opportunity for financial institutions to provide better guidance on long-term financial growth. Similarly, debt management strategies vary – most New Zealanders take a considered approach to debt repayment, yet our findings show that newer lending models, such as buy now pay later services, may be shaping repayment behaviours in ways that may not always align with consumers' best financial interests. Industry transparency and enhanced financial literacy could help consumers better navigate these evolving debt products.

Despite a general openness to receiving advice about their finances, New Zealanders' reluctance to discuss their finances remains a key barrier to seeking professional support. Many turn to family for guidance—nearly as many as seek advice from their bank—highlighting the critical role of trusted networks in financial decision-making. However, this also presents a challenge: when consumers primarily rely on informal guidance, they may not always have access to the financial expertise needed to make informed decisions. Strengthening engagement between financial providers and consumers could help bridge this gap and encourage better financial outcomes.

New Zealanders' confidence in their financial knowledge does not always translate into trust in financial providers. Many do not feel that their bank, insurer, or other providers fully prioritise their best interests, which can deter them from engaging with financial products designed to support their long-term financial wellbeing. Given that banks, insurers, and financial advisers are a core part of the financial services landscape, improving transparency and ensuring consumers feel supported in their financial decisions will be essential.

The research underscores the importance of financial education and tailored support to help consumers manage their finances more effectively. By simplifying financial decision-making, ensuring savings and investment products align with consumer needs, and improving debt transparency, financial institutions can support New Zealanders in achieving their financial goals. We encourage industry leaders to consider these findings as part of a broader effort to support confident and informed financial participation, ensuring that New Zealand's financial system continues to serve the needs of all consumers, now and into the future.

# Academic peer review report

**Report on *Good Cents: Kiwis on Savings and Debts***

*Aaron Gilbert, Department of Economics and Finance, Auckland University of Technology*

This important and timely report uses a mixed-methods analysis to investigate New Zealanders' use of savings products, debt products, and financial advice. The use of a large, nationally representative sample (at least across age, gender, and region) enhances the generalisability of the findings. Overall, the report provides much-needed transparency around savings and debt behaviours and attitudes to financial advice, while also highlighting potential avenues for improving financial well-being through better decision-making.

The report identifies a number of critical findings:

- While respondents typically seek high returns, there is a disconnect between this preference and their investment choices—fewer than one in three hold stocks. This may reflect behavioural biases (e.g., loss or ambiguity aversion) or could suggest that respondents interpreted the question as comparing options within a single asset class.
- While over half of respondents report paying off high-interest debt first, BNPL products—lacking explicit interest rates—appear to disrupt these repayment priorities. Those under financial strain may also be unable to prioritise higher-cost debt, resulting in sub-optimal repayment strategies.
- Around two-thirds of Kiwis are open to receiving financial advice. However, persistent money taboos and low levels of trust in financial institutions remain barriers to engagement.
- Self-reported financial fragility has increased sharply since 2022.

It's worth noting this is the first in a series of reports from this dataset. While further insights are expected, a few potential extensions stand out:

**Patterns within respondents**: The current analysis treats asset and debt holdings largely in isolation. Exploring how these co-occur—particularly across financial well-being levels—could reveal behavioural clusters. Some form of cluster or segmentation analysis may offer deeper insight, especially around the roles of financial literacy or financial stress.

**Savings behaviour of older respondents**: The data suggest older respondents are shifting funds from KiwiSaver to term deposits—a potentially sub-optimal strategy depending on age and life expectancy. This may point to a lack of suitable drawdown products or post-retirement investment options in New Zealand.

**Debt behaviours of mortgage holders**: The finding that mortgage holders prioritise high-interest debt merits further analysis. It would be useful to disaggregate this group to determine whether they typically hold few other debts, or are deliberately prioritising consumer debts over housing debt—and to consider the implications of this under financial stress.

**BNPL**: The finding that late fees in BNPL products may be confusing to users is important—especially given the high effective cost such fees can impose. Additional research on BNPL's role in debt management would be useful in informing potential regulatory responses.

**Mood swings and financial outlook**: It may be helpful to segment the data by mortgage status. Given recent sharp interest rate increases, differences in past and expected future financial outlooks may be driven by debt servicing costs and their effects on disposable income. A simple segmentation could provide useful context here.

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