

# Financial preparedness for retirement in NZ is low

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A report on a financial preparedness survey of NZ Professional Advisers

October, 2014.

## Abstract:

*The majority of New Zealanders are not well-prepared for retirement. Lack of financial understanding, prevailing attitudes, bad money habits, reluctance to seek professional financial advice, and the fear of equities and other asset classes could help fuel this issue. This was confirmed when 69 professional financial advisers were asked to describe the characteristics of well-prepared and poorly-prepared people. Opposite characteristics could be located, despite differing rankings, in both lists. The majority of advisers felt their clients, and the general public, do not fully understand the most commonly used financial terms and concepts, mixing and muddling financial terms. This should be a source of concern for the financial sector. Also, there were major concerns that when eligible to withdraw from KiwiSaver, people would treat their KiwiSaver as a 'windfall', known as the "Lotto Effect". Within a few years, this effect could decimate people's retirement savings, by being spent on one-off purchases or 'well-deserved' treats, such as overseas holidays, house renovations, cars or given away to family. It is therefore important that research continues to be carried out in the areas of financial preparedness for retirement, the "Lotto Effect", and the use of financial terminology and public understanding.*