

FMA, 2019b

Attitudes towards New Zealand's financial markets

Investor confidence research
May 2019



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Background

The FMA commissioned Buzz Channel to measure New Zealanders' attitudes towards and confidence in New Zealand's financial markets.

This is the seventh year the FMA has carried out investor confidence research, and the second year Buzz Channel has been involved.

The main research objectives were to:

- Measure public and investor levels of confidence in New Zealand financial markets;
- Measure perceptions of the FMA
- Measure attitudes to investment materials
- Capture the level of understanding of diversification and the risk/return trade off.

An online survey was conducted using Buzz Channel's research panel, buzzthepeople.

Fieldwork took place between 23rd April and 7th May 2019.

A total of n=1037 New Zealanders aged 18 and over took part in research in 2019. The data has been weighted by age, gender, region and ethnicity to ensure results are representative of the New Zealand population.

The margin of error for this sample is +/-3% at the 95% confidence level.

Summary

Investor Confidence in New Zealand's financial markets:

Overall, 65% of investors are either fairly or very confident in the New Zealand financial markets - which is similar to 2018.

Reasons for being confident in the financial markets include being encouraged by the current financial climate (26%), the small, stable (13%), and confidence from good past experiences (9%). Conversely, reasons given for not feeling confident in the financial markets include not knowing enough (23%), uncertainty about the cycle of the market (25%), political climate (13%) and global financial insecurity (11%).

7% of investors said they have had an increase in their overall confidence in the financial markets in the last 12 months, while 69% have changed and 14% said their confidence has decreased.

This year, respondents who mentioned they had an increase or decrease in their levels of confidence were asked why. Many of the reasons given relate to feelings toward the current government. Main reasons given for an increase in confidence in the last 12 months include a positive change of government, a rising economy, and because they have a better understanding of the markets now.

Conversely, among those whose confidence decreased, the reasons given include a change in government/policy, past experience, instability, and a general lack of faith.

Roughly the same proportion of respondents say they are encouraged by the current market climate, investment returns, as those who are not confident in the current cycle.

Summary

Types of investments and future behaviours:

86% of New Zealanders aged 18 years or over have some form of investment. The most common forms of investments are KiwiSaver (14%), term deposits (34%), shares (17%), managed funds (14%), residential property (14%), and superannuation scheme other than KiwiSaver (14%).

For 32% of New Zealanders KiwiSaver is their only investment. These respondents are more likely to be aged 18 to 49 and behave similarly to non-investors in the fact that they have lower levels of confidence in the financial markets and its regulation.

Eight in ten people remember receiving investment materials in the previous 12 months, a significant increase on two thirds in 2018. There has also been a strong improvement over the last three years in those finding the information they received helpful in making informed decisions about their investments, increasing from 50% in 2016 to 58% this year.

56% of New Zealanders are considering making one or more change to their investments in the next 12 months. 28% of respondents are considering increasing their KiwiSaver contributions, 16% are considering residential property, 15% shares, and 12% investing more in their existing investment.

Summary

Awareness and perceptions of the FMA and regulation:

60% of investors are confident that New Zealand's financial markets are effectively regulated. Similar to overall confidence in the markets, those aware of the FMA are more likely to have a higher level of confidence in effective regulation.

Reasons for being confident in regulation include that it is well regulated (15%), being well informed and keeping up with the latest news and seeing improvements/FMA doing a good job (12%). Conversely, 36% of those not confident in the markets effective regulation mentioned there needs to be more regulation and closer monitoring of some entities.

Four in ten respondents agree that the FMA supports the integrity of New Zealand's financial markets – the same proportion as 2018. Reasons given by those who agreed include they feel it's the FMA's job/what's expected (23%), that they are seen as doing a good job and regulation ensures appropriate behaviour (12%). Only a small proportion of 4% of respondents indicated they disagree the FMA supports the integrity of New Zealand's financial markets. Over half of those surveyed either said they were neutral or didn't know for this question.

35% of New Zealanders aged over 18 years are aware of the Financial Markets Authority – significantly less than the 41% in 2018. Those who are aware of the FMA show much higher levels of confidence overall.

Summary

Financial risk, return and diversification:

This year a new question was added to the survey asking respondents to describe the amount of financial risk they would be willing to take when making an investment. Overall just under half of respondents indicated they would take an average amount of risk and expect a return (44%), 19% would take an above average risk, and only 5% would take substantial financial risk and expect substantial returns.

Around a third of respondents (32%) indicated they would not be willing to take any financial risks.

Investors were asked how well they expect their portfolio of investments to perform in the next 12 months. Generally investors expect investments to perform either the same (65%) or better than the market as a whole (13%). 5% expect their portfolio to perform worse next 12 months (than the market as a whole).

Nearly half (47%) said they have heard of and understand what diversification is. Of those, 92% correctly identified diversification as 'I put all my money across different investment choices such as shares, property and cash'. However only 15% were able to identify this as the correct answer plus identify all other options as incorrect, indicating there remains some confusion around diversification.

35% mentioned they have heard of and understand what risk/return trade off is – this is significantly lower than in 2018 (42%).