

Lessons from New Zealand's Retirement Commission for UK policy on financial awareness and advice: A paper commissioned from the Pensions Policy Institute by the Resolution Foundation.

Foreword

The Resolution Foundation is investigating the potential for establishing a new national resource to provide generic financial advice targeted at people on low incomes.

This work is particularly relevant in light of the Government's proposed pension reforms. The Foundation has highlighted the important role of advice in enabling people, especially those on low incomes, to make informed choices in planning for their retirement. The Treasury Select Committee also highlighted this issue, recommending that the Government considers the need for generic advice at an early stage in implementing its proposed reforms.

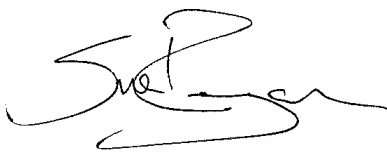
In taking forward the Foundation's work, we are keen to draw on learning from around the world. We therefore commissioned the Pensions Policy Institute to carry out an evaluation of the work of the Retirement Commission in New Zealand and, in particular, its *Sorted* website, which provides New Zealanders with information and guidance on a range of financial issues.

This paper sets out the findings of that evaluation. It highlights a number of important lessons in taking forward pension reform and the wider debate around financial capability in the UK. Reflecting on its findings, three issues stand out in particular:

- The importance of looking at financial advice across the lifecycle rather than just in the context of pensions.
- The need to clarify distinctions between advice, guidance and information, particularly in the regulatory context. Definitional issues can obscure the wider objective of ensuring that people have the tools they need to make the right financial choices.
- The *Sorted* experience shows how effective marketing and communications can promote public understanding of the service on offer and encourage take up. This is a key learning point for providing financial advice through any delivery channel.

The Government is currently considering the 'communications and information package' that will accompany its pension reforms. The Pensions White Paper recognises the need to provide information to help people make a range of decisions concerning the proposed new personal pension accounts. It also drew attention to the lessons that can be learnt from other countries.

I therefore hope this paper provides a useful contribution to discussions about implementing the new pension regime and, more broadly, to the debate about improving financial capability and meeting the advice needs of people on low incomes.



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Lessons from New Zealand's Retirement Commission for UK policy on financial awareness and advice

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Introduction

The Resolution Foundation commissioned the Pensions Policy Institute (PPI) to:

- Investigate how the Retirement Commission in New Zealand encourages greater financial awareness and provides financial advice.
- Comment on the especially relevant lessons for UK policy, taking into account differences between the UK and New Zealand financial environments.

Information about the Retirement Commission is on their website:

www.retirement.org.nz/

The Commission's main communication tool is the *Sorted* website:

www.sorted.org.nz/

All information and extracts quoted (in italic) in this paper are available on these websites unless otherwise stated.

For this project Alison O'Connell of the PPI visited the Retirement Commission in February 2006 to interview the team there. We are very grateful to Diana Crossan, David Feslier, Robyn Cormack and Michael Pethig for their time in explaining the role and activities of the Retirement Commission and for making available further information on request.

Any errors and omissions in this document remain the responsibility of the PPI.

This document is structured as follows:

- A summary of findings follows immediately after this introduction.
- Chapter 1 describes how the Retirement Commission is set up and what it does.
- Chapter 2 identifies the key success factors of *Sorted* as a source of help with financial decision-making.
- Chapter 3 considers the Commission's activities beyond *Sorted*.
- Chapter 4 identifies the lessons for UK policy on improving financial awareness.

Lessons from New Zealand's Retirement Commission for UK policy on financial awareness and advice: Summary

The Retirement Commission's education programme largely works through the *Sorted* website. This is an established part of the New Zealand financial scene, with high awareness and usage.

Reasons for the Retirement Commission's success include:

- 1. The Commission is independent of Government and the industry.** As a Crown entity, the Commission reports to a Minister but its day-to-day operations are autonomous. Full funding by Government seems to be the current consensus, with both major parties expressing support.
- 2. The Retirement Commission provides guidance to help people make financial decisions, but does not give 'advice'.** People still have to make their own decisions, but the Commission aims to equip them to do so better, by promoting the consumer's responsibility to make well-informed choices. By stopping short of advice the Commission maintains its impartiality.
- 3. The Retirement Commission's other roles are complementary,** including research and advising Government on the effectiveness of retirement income policy. It does not have any role that could compromise its independence from the Government or the financial services industry. For example, it is not a regulator.
- 4. *Sorted* is about lifetime financial planning – not product specific and not just about retirement.** The Retirement Commission was set up (in 1995) to help financial planning for retirement. By 2000 the Commission realised that retirement was a concept that did not engage people until their late 40s, although general help with finances was attractive to all ages. *Sorted* covers a range of personal financial issues from debt management to saving. The primary aim is to promote saving for income in retirement, but retirement is not the starting point of the conversation.
- 5. *Sorted* is user-friendly and trusted.** Despite packing in a lot of information, informal language means *Sorted* is easy to read. The brand is advertised heavily (which takes 75% of the budget) and this seems to have achieved the desired awareness of the service as trustworthy, credible and impartial.

6. **Sorted personalises its guidance.** Games and calculators are used heavily. The user can enter their own data, make some what if? scenarios and then save in a secure *My Plan* site. Information is therefore cost-effectively turned into education and a call to individual action.
7. **The Commission is developing ways to reach people in different ways beyond Sorted.** Partnerships have been developed with organisations developing financial education in schools. A telephone based information service was trialed but did not work. Links with professional advisers are being developed. As part of the *KiwiSaver* Government initiative, new funding has just been obtained for seminars and ‘champions’ in the workplace for personal financial education.

Some lessons from the Commission’s success are suggested for the UK:

1. **There is no obvious reason why the UK should not have a source of independent, generic guidance on personal financial planning;** in fact one seems more necessary especially if the UK follows New Zealand with a national auto-enrolment savings scheme like *KiwiSaver*.
2. **The guidance should come from a body that can be seen to be independent of Government and the industry.** This means funded by Government and either by all industry providers or none.
3. **A website is the obvious first step,** and *Sorted* is an excellent template to follow.
4. **There are choices on how to move beyond the website,** for example to face-to-face provision. The workplace may be a good place to start.
5. **However the conversation with potential users starts, it has to cover all lifetime financial issues.** As the Retirement Commission chose to take the emphasis off the “R” word (retirement), should the emphasis in the UK be taken off the “P” word (pensions)?
6. **Any other roles of the independent body should be complementary to the specific remit chosen.** This will probably mean a role in carrying out consumer research and advising Government on personal finance policy issues. It could extend to being a formal reviewer of personal finance policy on behalf of Government.

Chapter 1: How the Retirement Commission is set up and what it does

This chapter describes the structure of the Retirement Commission and what it does. It highlights three factors that are important to the Commission's success:

- The Commission is independent of Government and the industry.
- The Retirement Commission provides guidance to help people make financial decisions, but does not give 'advice'.
- The Retirement Commission's other roles are complementary.

The Commission is independent of Government and industry

The Retirement Commission was set up under legislation in 1993, as an 'autonomous Crown entity'¹. This means that it is at arm's length from Government and its day-to-day operations are autonomous.

This organisational independence from Government matters so that users of the Commission's information can trust that it is impartial. It comes across very strongly from hearing Commission staff talk about their work that they regard their independence as underpinning why consumers would feel they want to use the Commission's information.

The Commission's core funding is entirely from Government which now gives the Commission some financial stability. Voluntary funding from industry was difficult to sustain:

- By 1995, the Government and the Chief Executives of ten financial services companies agreed that the core costs of the Commission should be shared. Government paid NZ\$2.5 million and each company NZ \$100,000², so the ratio was roughly 70% Government to 30% industry funding.
- This agreement was voluntary. Financial services companies supported setting up the Commission because it would help to raise awareness of financial products. But then some companies decided that as not all companies were contributing, their own interests would be better served by funding the promotion of their own products rather than general financial education through the Commission³.
- The number of supporting companies reduced to four in 1999/2000. There was then a concern that the Commission could be perceived to be influenced by a few companies. 2000/1 was the first year that Government was the only source of core funding⁴.

¹As defined by the Crown Entities Act 2004: a corporate body which "must have regard to Government policy when directed by the responsible Minister". Other examples of such entities are the Charities Commission, Arts Council and Mental Health Commission.

²Plus Goods and Services Tax (GST). Currently NZ\$100,000 is around £37,300.

³Annual Report 2000/ 1

⁴Commercial companies continue to sponsor some research studies on an ad hoc basis

Government funding has also been uncertain. In 1999 there was a change in New Zealand Government from the National Party (which had set up the Commission) to Labour, which is still the governing party. In 2000/1, the Government allowed the budget to continue by contributing NZ\$4.5m. But the next year this fell to NZ\$3m⁵. This funding drop prompted a change of strategy (explored later in this report), the result of which was the launch of the *Sorted* website in 2001.

Now, the success of that strategy seems well understood. The role and purpose of the Retirement Commission was reaffirmed and widened by the New Zealand Superannuation and Retirement Income Amendment Act 2005. Full core funding by Government seems to be the current consensus, with both major parties expressing support for the work of the Commission⁶.

The Retirement Commission provides guidance to help people make financial decisions, but does not give ‘advice’

The functions of the Retirement Commission are defined in legislation. The first role is⁷:

(a) to develop and promote methods of improving the effectiveness of the retirement income policies from time to time implemented by the Government of New Zealand, including the promotion of education about retirement income issues and the publication of information about those issues.

From this flows the emphasis on education and information, not advice:

- By giving advice, the Commission would be making recommendations which could be hard to reconcile with its independence.
- The provision of advice would mean the Commission having to take care around potential liability issues and getting into adviser disclosure requirements.
- ‘Advice’ is part of the offering of the financial services companies, so state funding of advice would not be available unless there was market failure.
- Giving advice could be perceived as telling the consumer what to do, rather than educating him or her to make well-informed choices.

⁵Annual Reports

⁶Interviews

⁷New Zealand Superannuation [and Retirement Income] Act 2001 s. 83 as amended 2005. The legislation is phrased in terms of the functions, powers and duties of the Commissioner as an individual.

The Commission is more active than the words 'education and information' suggest. The Commission is orientated around action on financial planning:

Our mission is to help New Zealanders prepare financially for the retirement lifestyle they desire, through education, information and promotion.

So *Sorted* gives straight information, but it also offers practical guidance: an example is in Box 1.

Box 1: An example of *Sorted*'s information and 'call to action'

Sorted explains how employer-based superannuation schemes work:

What are company schemes?

In a company savings scheme, your money is pooled with your workmates and then usually invested by a professional investment fund manager.

By investing your money together with your workmates, the fund manager can get into a lot of different types of investments that you may not have access to on your own.

Sorted also lists 15 questions to help individuals gather enough information to make a decision on whether to join or not:

Like any investment or saving decision you make, you need to find out as much as you can about your company super scheme before deciding whether it's the best option for you. If you ask these questions, it will help you gather enough information to make a decision.

- 1. When can I join?*
- 2. Is there a minimum contribution?*
- 3. Does my employer contribute? How much? Does it depend on how much I contribute? Can I arrange a salary split to save tax?*
- ...*
- 14. What happens to my savings (and any employer contributions) if I die before retirement?*
- 15. If I receive a pension but die shortly after retirement, is there a continuing pension for my partner?*

The Retirement Commission's other roles are complementary

The other roles for the Retirement Commissioner specified in the 2005 Act include:

- (b) to monitor the effects of the retirement income policies that are being implemented in New Zealand;*
- (c) to review the retirement income policies being implemented by the Government and to report to the Minister by 31 December 2007 and at 3 yearly intervals thereafter...*
- (d) to advise on retirement income issues, when requested to do so by the Minister.*

These roles build from, and add to, the principal purpose of the Retirement Commission. It means the Commission receives funding for research (for example on savings behaviour), and is established as an independent source of information and informed opinion on the effectiveness of retirement income policy.

The complementary nature of the aims and roles of the Commission is illustrated by the three themes by which it describes its activities⁸:

- *Stable, effective Government policy*
- *A trusted financial services sector*
- *A financially educated population.*

The complementary roles have made the Commission a natural home for specific other related tasks. In 2004, the Retirement Commissioner was asked by Government to make recommendations on a Code of Practice for retirement villages.

None of these roles compromise the Retirement Commission's independence from either Government or the financial services industry. It does not have to agree or disagree with government policy or regulate the industry. This means that *Sorted* can be trusted - by Government, the industry and consumers - as an impartial source of information about financial matters.

⁸Annual Report 2004/5

Chapter 2: *Sorted*'s key success factors

This chapter highlights three drivers for the success of *Sorted*, the website that is the main conduit for the Retirement Commission's guidance for making financial decisions:

- *Sorted* is about lifetime financial planning – not product specific and not just about retirement.
- *Sorted* is user-friendly and trusted.
- *Sorted* personalises its guidance.

***Sorted* is about lifetime financial planning – not product specific and not just about retirement**

The Retirement Commission was set up with the primary aim to help individuals identify and plan for their retirement income goal. This naturally involved consideration of the range of personal financial management issues such as debt management and general savings.

But by 2000 the Commission was concerned that the 'retirement' message was putting off some people who needed advice. Young people and people who were not saving were less frequent users of the Commission's website than older people and those who were already doing retirement saving. But general help with finances seemed more attractive to all ages. So a new strategy evolved to:

shift the focus of the programme from financial planning for retirement to financial skills for life...A new brand for the public education programme was developed with the intention that it should take the emphasis of the "R" word (retirement) and attract previously hard to reach audiences. The brand should convey the positive concept of "financial fitness for life"...⁹

This new strategy was also prompted by the funding constraints discussed earlier, and resulted in the decision to focus on a new website. The result was *Sorted*. This new brand means the conversation does not start with the "R" word, but instead: *When you want to get sorted on money matters, ...*

The activity of the Retirement Commission is only one factor in the savings environment in New Zealand, so tracking the direct success of the Commission is difficult. However, reported saving rates are now at the highest level since 1995, as are levels of perceived confidence about levels of provision for retirement. In 2005, 72% of people surveyed said *they (or someone else on their behalf) are saving for retirement*. 56% said so in 2001¹⁰.

⁹ *Sorted* case study

¹⁰ Nielsen survey research 2005

Sorted covers the range of personal financial management issues, with page links from the homepage to:

Set your goals *Saving* *Managing debt*
Mortgage *Investing* *Retirement* *Trusts*

In each of these issues, the information is presented around the decisions an individual has to make. For example under *Managing debt*, subjects covered include:

- *Pay of debt or save?*
- *Should you pay of your debt faster or start saving now?*
- *Think about whether borrowing is really the best way to get what you want.*
- *Work out how to get out of debt fast.*
- *What are your borrowing options?*

It is not, as industry advice tends to be, structured around different products. Under Retirement there are no detailed product descriptions. In contrast, the FSA's new financial information website in the UK, www.moneylaidbare.info, takes the user very quickly to pension product-specific details (Box 2).

Box 2¹¹: How *Sorted* and *moneylaidbare* give information about saving for retirement

In *Sorted*, clickthrough from *Homepage* -> *Retirement* ->

Private savings

For most people, there will be a gap between the annual income that New Zealand Superannuation provides, and the annual income they want in retirement. This gap needs to be filled by their own private sources of money.

Basically this comes down to either:

*Savings - income from private pensions, investments, annuities and cash deposits
Employment - you may be able to work part time, or continue your own business. Think carefully about whether you'll be able to earn income through paid work or business activity. Do you have the skills that will let you work when you want? What if you have to stop working because of ill health?*

Gifts and inheritance - be conservative, circumstances can change quickly

In *moneylaidbare*, clickthrough from *Homepage* -> *Planning ahead* -> *Planning for the long-term* ->

Saving for retirement

Putting money aside for retirement is one of the biggest investments most people make.

If you're working, you're probably building up a State Pension, and in some cases a State Second Pension. You may be offered a pension at work, or you may want to start your own private pension.

Saving for a pension is a long-term commitment. It's never too early to start and making regular payments is the key to saving for your retirement.

*Visit our 'Pensions made clear' website for more impartial information about pensions: Clickthrough to **Pensions made clear***

The government is making changes to the pension rules from 6 April 2006 so it's time to take stock now. Get the facts from the UK's financial watchdog and review your pension arrangements to make sure you're on track to get the retirement income you want.

If you're contracted out of the State Second Pension through a personal or stakeholder pension, you should think about whether this is still the right decision for you. It's good to think about this before the end of the tax year (5 April 2006) as your decision will affect your fund for that year - see State Second Pension and contracting out.

¹¹ Copied from *Sorted* and www.moneylaidbare.info March 2006. *Pensions made clear* is a clickthrough to a 'an external link to one of our other websites': www.fsa.gov.uk/consumer/pensions/

Sorted is user-friendly and trusted

With informal language and lots of pictures *Sorted* is easy to read, even though it packs in a lot of information and does not trivialise the subject. *Sorted* has been rated top Government-sponsored website overall on criteria of accessibility, usability and personalisation¹².

Reach and usage of the website is impressive¹³:

- Since inception to June 2005 there have been over 1.59 million unique users.
- In the year 2004/5 there were 796,000 visitors and 594,000 unique visitor sessions.
- 20% of New Zealanders say they have visited the website.

The brand, centred around the mouse icon



and the byline *When you want to get sorted on money matters, use your mouse* has good awareness scores¹⁴:

- 61 % of non-retired people are aware of the *Sorted* brand or site.
- 66% of non-retired people recall the *Sorted* mouse.
- 75% of non-retired people say they have heard the *Sorted* byline.

In order to achieve high usage of the site, and to communicate the values of *Sorted*, targeted TV and online advertising is used. Advertising takes around 75% of the budget, split 50:50 between TV and online¹⁵. TV advertising is the key source of awareness of the website¹⁶.

As would be expected, the pitch of the advertising is critical for the awareness of the *Sorted* brand and therefore usage of the website. *Sorted* was developed for the information needs of three particular target audiences in mind: young people, families and people at work¹⁷. Sections of the website have been developed, branded, and advertised as *Sorted Kids & Money*, *Sorted Students* and *60plus*. Awareness of *Sorted* across ages tracks promotion of these specific sections. Awareness levels for *Sorted* fell for people aged 20-24 between 2003 and 2005 (the only age group in which awareness fell) probably as a result of promoting the *60plus* brand.

¹² Retirement Commission Media Release 15 June 2005; rated out of 56 Government-sponsored websites by the e-Govt unit of the State Services Commission (an independent body)

¹³ Nielsen 2005 survey research quoted in Retirement Commission Report and Accounts 2004/5. New Zealand's population is c. 4 million people. 'Unique user' counts multiple visits by the same person as one.

¹⁴ Nielsen 2005 survey research

¹⁵ Interviews

¹⁶ Nielsen 2005 survey research

¹⁷ *Sorted* case study

Sorted seems to be known for the desired attributes¹⁸:

- *Sorted* is associated with *money management, getting one's finances organised, impartial advice and reliable information*. These associations seem to be growing, with the perception of *impartiality and independence* especially strong.
- Visiting the *Sorted* website increases perception of it *being an authority on financial matters*.
- Less strong attributes associated with *Sorted* are *being personal and being motivating*.
- The mouse is associated with *cheekiness* (in a good way) and *helpful and wise advice to those in need*.

Sorted seems to be fairly successful at promoting action, or at least the promise of action. 69% of *Sorted* visitors said they considered it likely or very likely they would take some action or change the way they are managing their money. Over 80% of visitors said they were likely or very likely to visit *Sorted* again.

***Sorted* personalises its guidance**

Part of the objective in designing *Sorted* was *to make the process of financial planning engaging, stimulating and interesting*¹⁹.

Games and calculators are considered the best tools to achieve this. The user can enter his or her own data and make some 'what if?' scenarios. There are 22 calculators on the site, the Top five being²⁰:

1. *Get out of debt calculator*
2. *Net worth calculator*
3. *Regular saving calculator*
4. *Quick retirement calculator*
5. *Budget calculator*

The inputs and results can be saved in a secure *My Plan* site. Users can update or try new scenarios without having to input personal data again.

There are also nine games for kids to play on the website, on their own or with parents or with teachers as part of the school curriculum. The games, with names like *Birthday Bash* and *School Trip Trek*, have won awards for their design and animation excellence.

¹⁸ According to Nielsen 2005 survey research

¹⁹ *Sorted* case study

²⁰ March 2006

The approach seems to have been very successful in increasing the appeal and usage of the site²¹:

- The calculators have the highest profile of any type of help on the site.
- Since inception there have been 3.31 million calculations performed; 1.38 million in the year to June 2005.
- Since inception there have been over 600,000 games played.
- Over 97,000 people store their own *My Plan*.
- *Sorted* has one of the longest average visit times per visitor for any New Zealand website, at 15 minutes.

Sorted's calculators are advertised on other websites and portals. The links go directly to the calculators. Such advertisements are therefore direct calls to action rather than general advertising of the brand. This approach seems to be highly effective. During a week in each of October 2004 and May 2005 such internet advertising was stepped up so it was 'near impossible' for New Zealand internet users not to see a link to a *Sorted* calculator. This led to highest-ever number of visitors to *Sorted* in a month: 113,000 in May 2005²².

The games and calculators are more costly to set up and maintain than plain copy. But, being web-based, the cost is not high. The Retirement Commission estimates that each unique visit costs NZ\$1, a calculator completion NZ\$2 and a *My Plan* completion NZ\$3²³. As the personal interaction increases, effectiveness in improving personal financial planning should increase.

²¹ Nielsen 2005 survey research and Annual Report 2004/5

²² Annual Report 2004/5

²³ Interviews

Chapter 3: The Commission's activities beyond *Sorted*

This chapter considers the Commission's activities beyond the *Sorted* website, into telephone-based and face-to-face education.

Beyond the website

80% of people in New Zealand have access to the internet; 64% at home²⁴. Given such high accessibility, the cost-effectiveness of websites and the Commission's limited budget, the focus on *Sorted* is understandable. But the Commission has always tried a variety of other ways to reach people, within its budget constraints, so that access to the internet is not the only conduit of information:

- Paper flyers of *Sorted* copy are available in public libraries and Citizens' Advice Bureaux.
- The Retirement Commission was a founding sponsor of a programme to teach personal money management skills in secondary schools, and is developing further partnerships to 'embed financial skills into the school curriculum'.
- More recently, links with professional advisers such as accountants, lawyers and financial advisers are being developed. By showing the advisers what *Sorted* can do, and how they can use it with their clients, *Sorted's* reach should extend to more people.

Not having access to the internet is not the only reason for never visiting *Sorted* even for those without such access. And of those aware of the website but have not visited it, around 70% say they have considered visiting, citing a number of reasons for not doing so including a perceived lack of relevance (especially high for higher income people), being too busy or not interested²⁵.

²⁴Nielsen 2005 survey research quoted in Annual Report 2004/5

²⁵Nielsen 2005 survey research

Telephone and face-to-face

The landscape for personal financial advice in New Zealand is similar to that in the UK:

- Product-specific face-to-face ‘advice’ is available from product providers: banks, insurers, etc. This tends to concentrate on mid-high earners.
- There seem to be some issues of trust with financial advisers, for example, survey evidence is that people tend to agree rather than disagree that financial advisors *have their own interests at heart and that they are biased by commission*²⁶.
- Citizens Advice Bureaux operate similarly to those in the UK. The Family Budgeting Services trains volunteer advisers in local communities to give free help in preparing personal budgets. The service is aimed at people struggling to live within their budget.

Up till now, there has never been sufficient funding for the Retirement Commission to consider face-to-face activity. But this does not seem to have been a major concern:

- A regular retirement income policy review in 2003 (Periodic Report Group, PRG) suggested workplace, telephone services and face-to-face programmes should be considered, as part of a general development in personal financial education.
- The PRG thought the need for more personal financial education had increased in New Zealand as a result of the deregulation of the financial services market and increasing complexity of products.
- The PRG did not offer particular reasons why these programmes might be thought to be more successful than *Sorted*.

Telephone

Telephone-based contact had been tried, but internet seemed a much more effective route. From its early days, the Commission offered a freephone number, but by 2000, there were 10 times more visitors to the website than telephone callers. Research identified that the website was preferred because of its anonymity and because the web-based tools offer personalised activity and information²⁷.

Policy reviews²⁸ recommended supplementing *Sorted* with a telephone-based financial information service. A research survey suggested some, but not majority interest²⁹. A freephone trial was held in one region in mid-2005.

²⁶ Nielsen 2005 survey research

²⁷ *Sorted* case study

²⁸ 1999 and 2003 Periodic Report Groups

²⁹ The Nielsen survey in April/May 2005 found that one in three of those aware of *Sorted* considered it likely or very likely that they would use a free independent telephone service for financial information. Just over half said they were not at all or not very likely.

The trial produced no evidence that telephone-based services would be effective, and the idea of developing one was not recommended³⁰:

- The trial was set up in a region selected for the demographics to meet the perceived concerns that *Sorted* may not be reaching some segments: those with lower income, lower educational qualifications and lower internet usage than the national average.
- Significant local publicity was given through a variety of channels, with the exception of local TV.
- In a region of around 67,000 people, capacity was set up to answer 1,500 calls during the 6 weeks of the trial. 28 calls were answered.
- Follow up survey research was held to determine the reasons for such low take-up. Awareness of the service was low, even though people reported that they had seen it advertised on TV (presumably confusing it with general *Sorted* promotion).
- But even if they had known about the service, fewer than 20% of people surveyed said they would have used it. The majority felt the service was not relevant to them.

Face-to-face

A new Government policy has now prompted additional state funding for education in workplaces. The funding is part of the Government's package of initiatives, announced May 2005, to help New Zealanders get into the habit of saving³¹. The centre piece of the package is a national auto-enrolment product, based in workplaces: the *KiwiSaver*³². Employers have to administrate *KiwiSaver* on behalf of their employees, but they do not have to contribute.

The Retirement Commission will use new funding of around NZ\$2.5m a year to:

- Increase its web and print material about workplace saving.
- Put financial education 'champions' in the workplace to run seminars for employees and help employers think through the options for employee provision.

³⁰ From the report written for the Retirement Commission appraising the results of the trial

³¹ See www.securinyourfuture.govt.nz and www.treasury.govt.nz/kiwisaver/

³² For details see PPI Briefing Notes Numbers 21 and 28; PPI (2006) *NPSS policy and design choices*

Chapter 4: The lessons for UK Policy

The Retirement Commission in New Zealand, and the *Sorted* website, are innovative and successful enterprises. They are role models for the development of personal financial education anywhere in the world.

For the particular UK policy environment, the following lessons seem especially relevant:

1. **There is no obvious reason why the UK should not have a source of independent, generic guidance on personal financial planning.** In fact, there seems more reason to have one in the UK: state pension entitlement is lower and is harder to understand than in New Zealand. And if the UK follows New Zealand in introducing a national auto-enrolment savings scheme like the *KiwiSaver*, there will be even more reason for the UK to learn from the Retirement Commission³³.
2. **The guidance should come from a body that can be seen to be independent of Government and the industry.** The public must be able to trust that the financial guidance is impartial. This suggests a role defined in legislation for an autonomous body funded by Government and either by all industry providers or none.
3. **A website is the obvious first step.** It is the most cost-effective way of attracting people in, giving information and starting personal engagement with financial planning. Although New Zealand has a tiny population compared to the UK, the *Sorted* website is scaleable so would be even more cost-effective in the UK than in New Zealand. The style and content would have to be made relevant to the UK, but the approach taken by *Sorted* – user-friendly, intelligent, high interactive content – offers an excellent template.
4. **There are choices on how to move beyond the website.** Evidence from the experience of the Retirement Commission and *Sorted* does not shed much light on the need or effectiveness of a face-to-face service for the UK. The small trial for a telephone service provides no encouragement for that route. New funding is now allowing the Retirement Commission to place ‘champions’ in workplaces (linked to the *KiwiSaver* initiative) and this would be worth watching for lessons for the UK.

³³See PPI (2006) *NPSS policy and design choices*

5. **There are choices on how to start the conversation with potential users, but it has to cover all lifetime financial issues.** The Retirement Commission's primary aim is to promote savings for retirement. But in people's lives this is inextricably linked with all other personal financial issues. The financial guidance therefore has to cover every lifetime financial issue; not by product, but by need. So the conversation with a user of the service should start with what is important to him or her. The Retirement Commission chose to take the emphasis off the "R" word (retirement). Such a service in the UK would have to choose what line to take, for example, would debt management be the place to start? Should the emphasis be taken off the "P" word (pensions)?

6. **Any other roles of the independent body should be complementary to the specific remit chosen.** The Retirement Commission was set up to be the national body providing independent guidance on financial matters. With that remit, it naturally would become an expert on consumer financial behaviour, and from that would flow the expectation that it would do consumer research and would advise Government on personal finance policy issues. In the UK, the Financial Services Authority is also using a website to give financial information, building from its role as a regulator of products and providers. It is an open question whether the link with regulation proves positive or not. It may be more effective to have in the UK, like New Zealand, a stand-alone independent body that can focus on improving personal financial planning.

Another open question is whether such a body in the UK should have its role formally extended to reviewing policy on behalf of Government. There have been some calls in the UK for a Standing Pensions Commission. But first the remit and scope of both any financial guidance body and such a commission would have to be clarified, to see whether the policy overlap is appropriate.

Contact details

This paper was commissioned by the Resolution Foundation from the Pensions Policy Institute and is authored by Alison O'Connell.

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The Pensions Policy Institute is an educational charity promoting the study of retirement provision through research, analysis, discussion and publication. The PPI takes an independent view across the entire pensions system.

The PPI is funded by donations, grants and benefits-in-kind from a range of organisations, as well as being commissioned for research projects. To learn more about the PPI, see: www.pensionspolicyinstitute.org.uk

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