

Attitudes towards New Zealand's financial markets PART 3

Investor experience of fraud
and scams
November 2020



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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 eighth year the FMA has carried out investor confidence research, and the third year Buzz Channel has been involved.

The main research objectives were to:

- Measure the level of confidence the New Zealand public have in the New Zealand financial markets;
- Measure perceptions and awareness of the FMA;
- Explore how investors and have responded to market volatility following the COVID-19 pandemic;
- Capture New Zealanders' experience of investment scams.

An online survey was conducted among a representative sample of the New Zealand population aged 18 years and over.

Fieldwork took place between 5 and 14 May 2020.

As context, COVID-19 was declared a pandemic by the World Health Organization 11 March 2020. New Zealand entered Level 4 lockdown on 25 March and was in Level 3 during the research period (Level 2 came into force on the last day of fieldwork on 13 May).

A total of 1,003 New Zealanders participated in the research in 2020. 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 on this sample is +/-3% at the 95% confidence level.



Investor profile and recent activity

Summary – investor profile and recent activity

Over 8 in 10 New Zealanders aged 18 or over had some form of investment in 2020, a consistent finding over the past three years of research. This equates to 3.2 million people in 2020. Most commonly people have KiwiSaver alongside other forms of investment (35%), although for 3 in 10 New Zealanders KiwiSaver is their only form of investment.

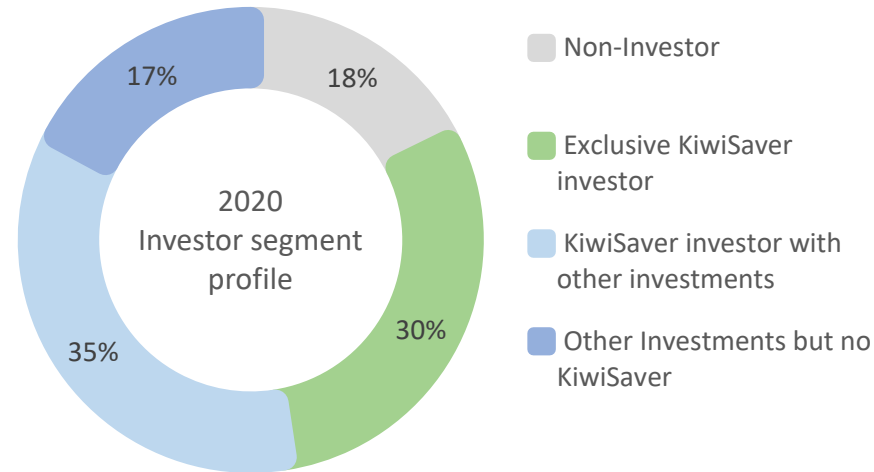
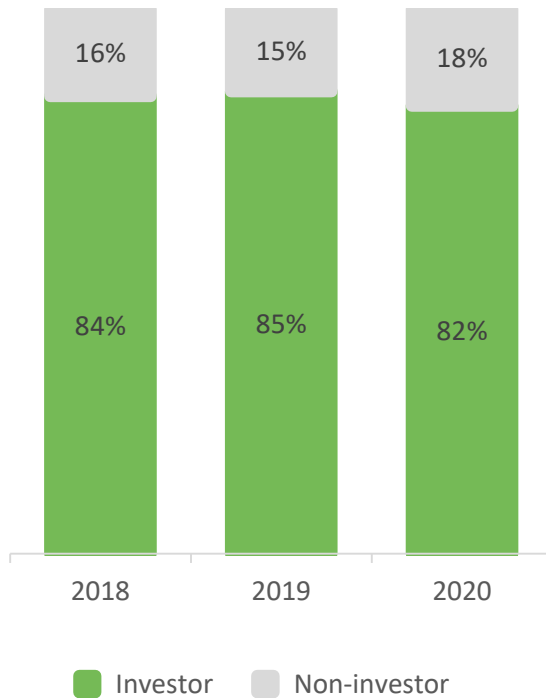
The investor landscape is fairly steady when it comes to uptake of the most common forms of investment, although there have been significant shifts among less common investments, with the proportions holding residential property investments or 'other' superannuation schemes falling significantly (to 9% and 8% respectively in 2020) and the proportions holding personally-bought bonds or taking part in peer-to-peer lending both doubling in 2020 (rising to 6% and 4% respectively).

Over the past 12 months, investors have been relatively active, and there are signs that activity has increased as a result of market fluctuations linked to the COVID-19 pandemic. Nearly half of New Zealanders aged 18 or over indicated that they had taken part in some form of investment activity over the past year, most frequently through making new investments or increasing existing investments. The group of investors who have KiwiSaver alongside other forms of investment have been most active, with two-thirds taking some form of action in the past 12 months.

8 in 10 investors received investment materials such as investment statements and product disclosure statements in 2020. Increasingly such materials are valued by investors; the proportion indicating that these helped guide their investment decisions has been rising steadily over the past five years, with 62% stating that they helped them make an informed decision in 2020.

Investor profile breakdown

Investors and non-investor split
(3-year trends)



In 2020, just over 8 in 10 adults aged 18 and over had some form investment held in New Zealand, equating to 3.2 million people.

The proportion of adults aged 18 or over who hold an investment of some kind in New Zealand has remained consistent over the past three years, ranging from 82% in 2020 to 85% in 2019. In 2020, we can estimate that this equates to 3.2 million people aged 18 or over holding at least one form of investment.

At a more granular level, results are also stable over the past three years, with no significant change in the proportion holding a KiwiSaver and no other form of investment (30% in 2020), a mixture of KiwiSaver alongside other forms of investment (35%) or investments that do not include KiwiSaver (17%).

Investor profile: key demographics

Investor segment by age (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
18 - 29 years	19%	12%	27%	20%	10%
30 - 39 years	18%	17%	23%	21%	5%
40 - 49 years	18%	13%	22%	22%	8%
50 - 59 years	16%	20%	19%	14%	10%
60 - 69 years	15%	16%	9%	17%	21%
70 years +	14%	22%	1%	5%	46%

Investor segment ethnicity (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
New Zealander NZ European	67%	66%	63%	65%	78%
Other European	6%	10%	6%	6%	4%
Māori	14%	17%	19%	10%	7%
Pacific Peoples	7%	8%	12%	5%	4%
Asian	15%	9%	12%	21%	14%

Demographic differences across different investor groups enriches our understanding of each segment.

Those in the **non-investor group** are older with 22% aged 70 or over compared to 14% of the sample population (average) overall. Their household income is significantly lower than average: over half (52%) report an annual household income of under \$50k. They are also more likely than average to be divorced, separated or widowed (27% vs. 13% on average) and twice as likely as average to identify as older, single and living alone (24%).

Those who have **KiwiSaver but no other investments** are typically younger with half aged under 40. They are significantly more likely than average to identify as Māori (19%) or Pacific Peoples (12%). There is a high incidence of children in the household (44%) and the majority are employed; just 4% are retired, significantly lower than average (19%).

- Blue shading shows where result is significantly higher than average across other groups
- Red shading shows where result is significantly lower than average across other groups

Investor profile: key demographics

Investor segment employment status (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
Student	4%	6%	7%	3%	1%
Parent / care-giver	5%	6%	6%	4%	2%
Employed full-time	44%	21%	51%	61%	19%
Employed part-time	13%	8%	14%	14%	17%
Unpaid work	2%	4%	3%	1%	2%
Retired	19%	28%	4%	12%	54%
Unemployed	9%	22%	13%	3%	2%
Other	3%	4%	2%	3%	3%

Investor segment other key demographics (2020)

	Average	Non-Investor	Exclusive KiwiSaver investor	KiwiSaver with other investments	Other Investments but no KiwiSaver
Kids in household	34%	23%	44%	39%	18%
Household annual income* <\$50k	23%	62%	33%	19%	36%
Married living with partner	60%	45%	58%	64%	69%

Those with **KiwiSaver as well as other forms of investment** are more likely than average to be in their 30s or 40s (43% vs. 36%) and just over 1 in 5 identify as Asian (21%), significantly higher than average (15%). They are the group most likely to be employed full-time (61%) and have the highest income levels with half reporting an annual household income over \$100k and less than 1 in 5 reporting an annual income under \$50k.

Investors who do not have KiwiSaver are significantly older than average with two-thirds aged 60 or over (compared to 29% across the sample as a whole). They are the least ethnically diverse group with nearly 8 in 10 identifying as NZ European. Just over half are retired (54%) and they are the most likely to be married and living with their partner (69%) and the least likely to have children in the household (18%).

Blue shading shows where result is significantly higher than average across other groups

Red shading shows where result is significantly lower than average across other groups

Investment types held

Investment types held (3-year trends):

Investment Types	2018	2019	2020	2020 results
KiwiSaver	63%	66%	65%	<div></div>
Term deposits	32%	34%	30%	<div></div>
Shares you bought yourself	19%	17%	20%	<div></div>
Managed funds / Unit trusts / Managed investment scheme / ETFs*	11%	14%	13%	<div></div>
Residential property investments	11%	14%	9% ↓	<div></div>
Other superannuation scheme	14%	12%	8% ↓	<div></div>
Government or corporate bonds you bought yourself*	10%	3%	6% ↑	<div></div>
Peer to peer lending (where you are the lender)	3%	2%	4% ↑	<div></div>
Commercial property investments	3%	2%	2%	<div></div>
Equity crowdfunding	1%	1%	2%	<div></div>
Property syndicates	1%	1%	1%	<div></div>
Capital notes or hybrid bonds	1%	1%	1%	<div></div>
Derivatives e.g. futures, binary options, credit-linked notes and CFDs*	1%	1%	1%	<div></div>
I don't have any investments in New Zealand's financial markets	16%	13%	15%	<div></div>
Don't know	-	2%	2%	<div></div>

The investor landscape has held fairly steady when it comes to uptake of different forms of investment.

KiwiSaver is held by the majority of adults aged over 18 in New Zealand and by far the most popular form of investment. In second place but held by less than half the proportion with KiwiSaver, is term deposits which 3 in 10 adults in New Zealand held in 2020.

There have been some significant shifts in some of the less common forms of investment, including a decrease in the proportions with a residential property investment (down 5 percentage points to reach 9% in 2020) or an ‘other’ superannuation scheme (down 4 percentage points to reach 8% in 2020). Meanwhile there have been significant increases in the proportion with government or corporate bonds purchased independently (doubling from 3% in 2019 to 6% in 2020) and the proportion investing in peer-to-peer lending (also doubling in 2020 to reach 4%).



2020 results significantly **higher** or **lower** compared to 2019 results

*Had an extended / more detailed description compared to the 2018 survey

A close-up, slightly blurred photograph of a person's hand pressing a button on an ATM keypad. The hand is wearing a grey long-sleeved shirt. The keypad has several buttons with colored icons: a green one with a circular arrow, a white one, a yellow one with a triangle, and an orange one with a square. The background is out of focus, showing parts of the ATM machine and a light-colored wall.

New Zealanders' experience of scams

Summary – New Zealanders' experience of scams

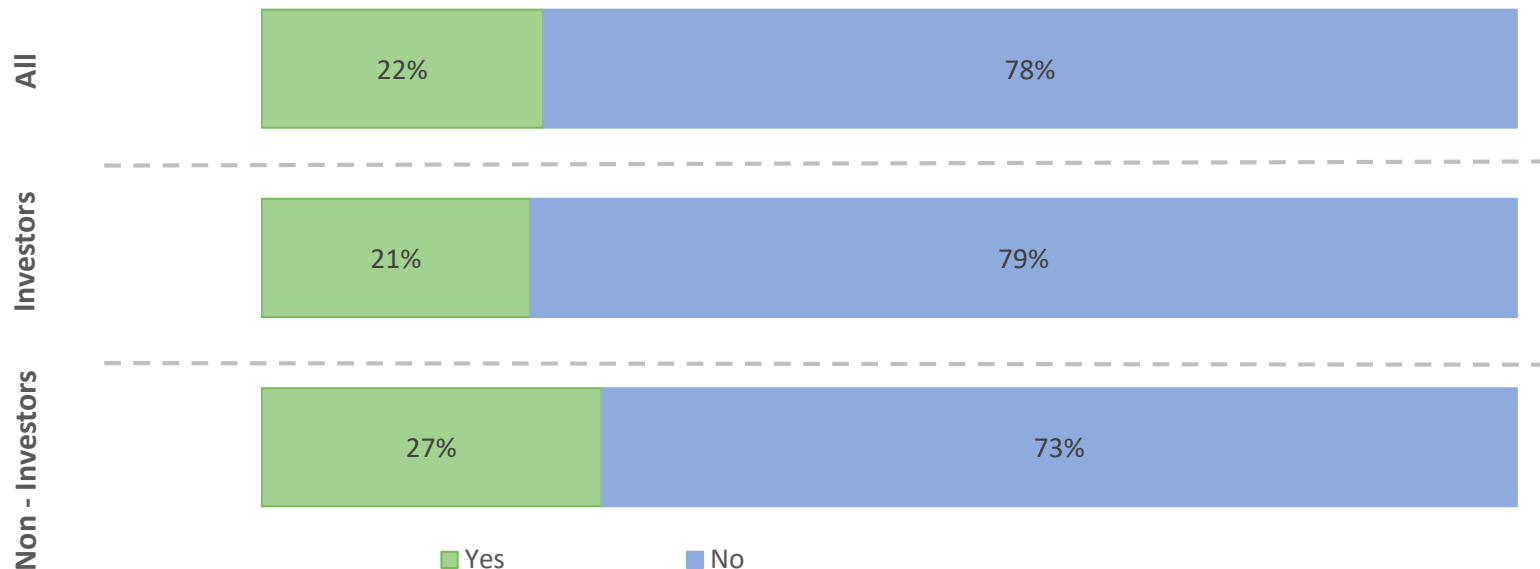
Over 1 in 5 New Zealanders aged 18 or over have been approached about a potential investment scam in the past, with men and seniors most likely to have been targeted. Nearly half have been approached about Cryptocurrency, making this the most common type of scam, followed by investment software packages and seminars which around one-third have been approached about.

Different scams have different means of targeting people. While receiving contact through email was most common (41%) followed by social media (26%) and over the phone (24%), some scams such as NZ Forestry and share scams appear to favour social media as the most common form of approach.

Around 1 in 10 of those targeted by scams in the past have bought into them, a result similar across investors and non-investors. Most of those who bought into a scam reported losing money (21 out of 25 respondents).

Experience of investment scams by investor / non-investor

Have you been approached about a potential investment scam? (2020):



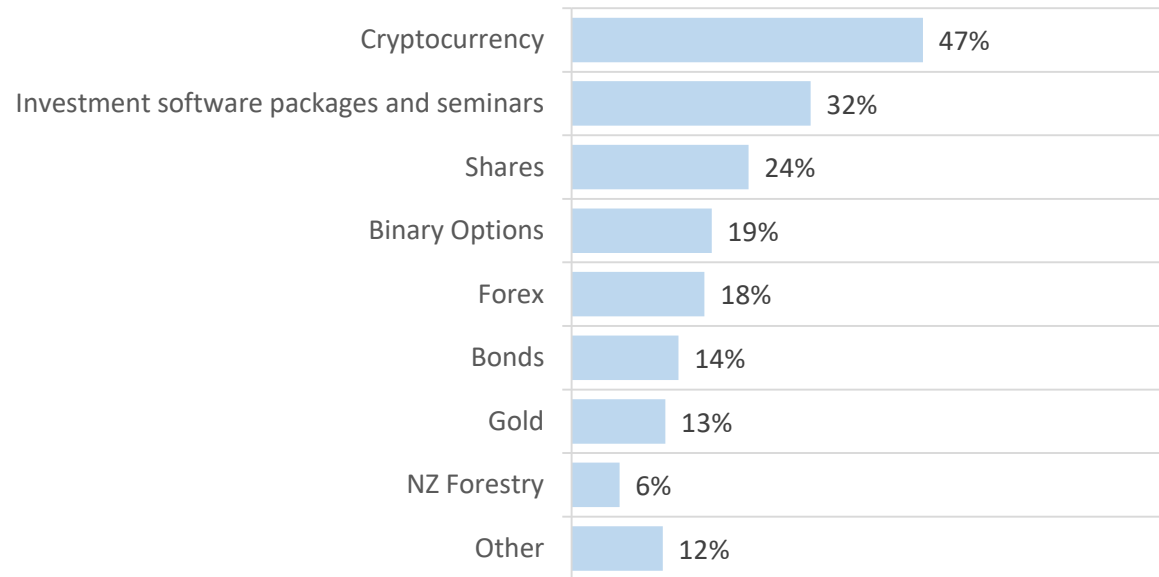
Over 1 in 5 New Zealanders aged 18 or over have been approached about a potential investment scam in the past, with men and seniors most likely to have been targeted.

Men were significantly more likely than women to report being approached about an investment scam in the past (27% vs 18%), and although there is no difference based on age before the age of 70, those aged 70 or over were significantly more likely than average to have had this experience; one-third of this group had been approached about a scam in the past.

There were no further significant differences based on demographic profile, however the data does show that those who hold certain types of investment were more likely than others to have been approached about a scam, specifically those investing in equity crowdfunding, commercial or residential property or those involved in property syndicates.

Types of potential investment scams

Investment scams approached about (2020):



Cryptocurrency is by far the most common type of scam which nearly half of those targeted in a scam had been approached about. Recent active investors and men were more likely than average to have experience of specific scams including bonds, NZ Forestry and Forex.

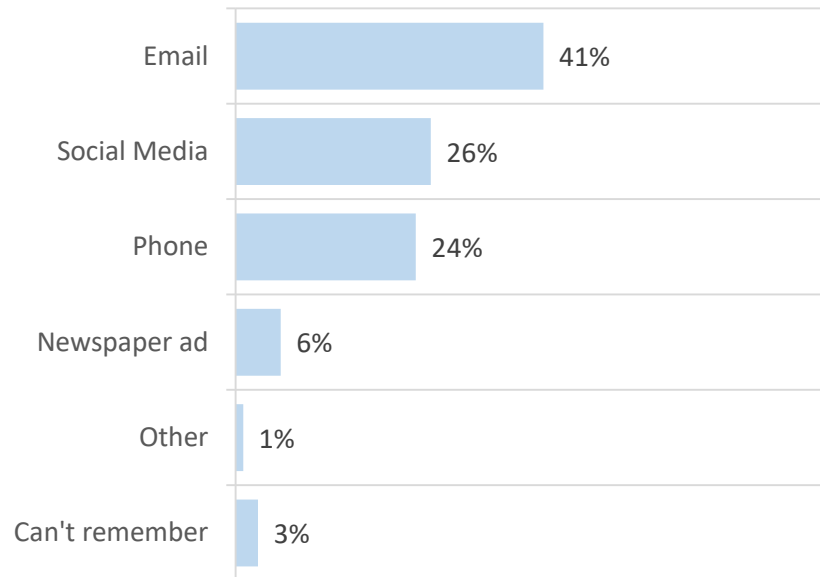
The most common investment scam that people had been approached about was cryptocurrency (47%) followed by investment software packages (32%) and shares (24%).

There are no significant differences in the type of scam that people had been approached about based on their investor or non-investor status, although those who have taken out an investment in the past 12 months were significantly more likely than average to have been targeted about bonds scam (26%) or NZ Forestry (17%).

Men who had experience of scams were more than four times more likely to have been approached about Forex (26%) than women who had experience of scams (6%). Other than this there were no significant differences based on demographic profile.

Methods of scam approach

Investment scams approached about (2020):



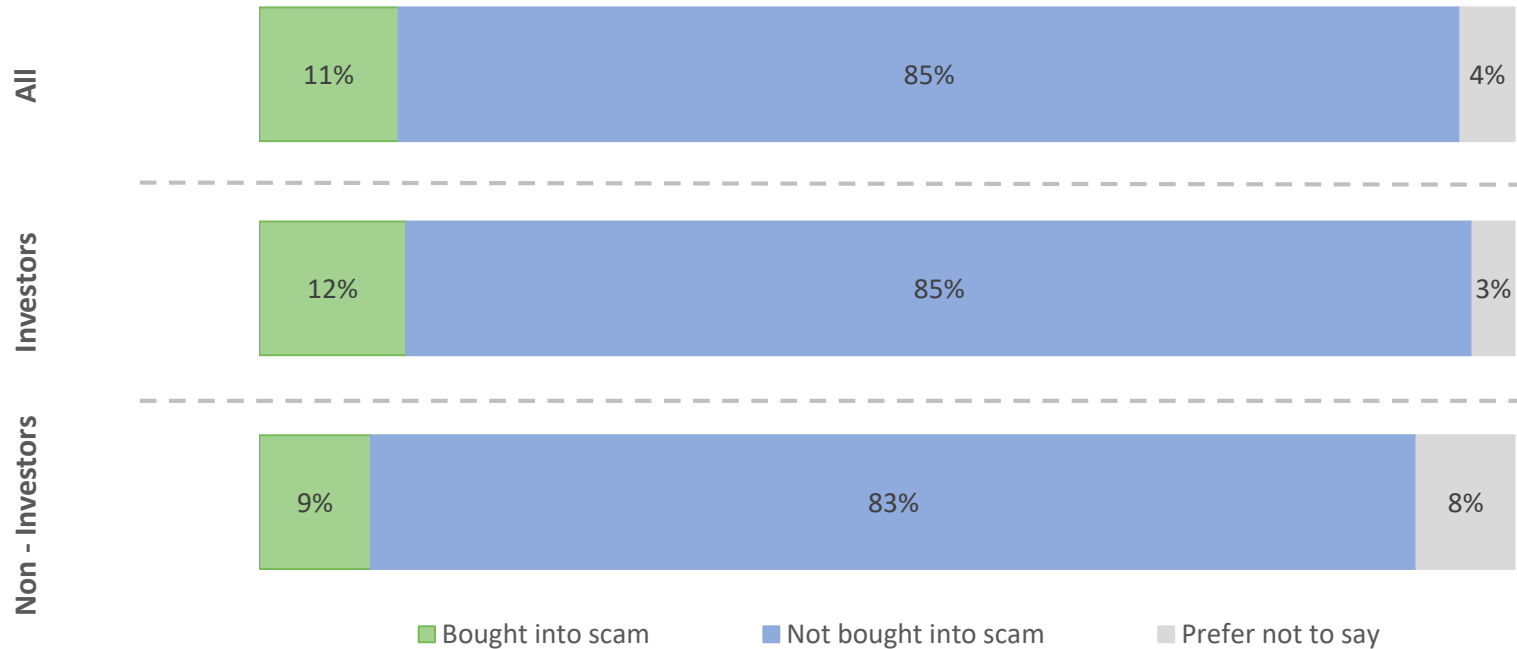
Scam approaches are 'multi-channel'. While email is most popular, social media and phone approaches are also fairly common.

41% of approaches made to those with experience of scams had been made through email, 26% through social media and 24% over the phone.

Email was the most common communication method for most scam types, although social media was more likely to be used than email for scams involving shares and NZ Forestry.

Buying into a scam by investor / non-investor

Experience of buying into scams among those targeted by a scam, by investor status (2020):



Just over 1 in 10 of those targeted by scams had bought into it and likelihood of having fallen victim to this was similar across investors and non-investors.

Although based on only a small sample, the majority (21 of 25 people) who bought into a scam ended up losing money as a result.

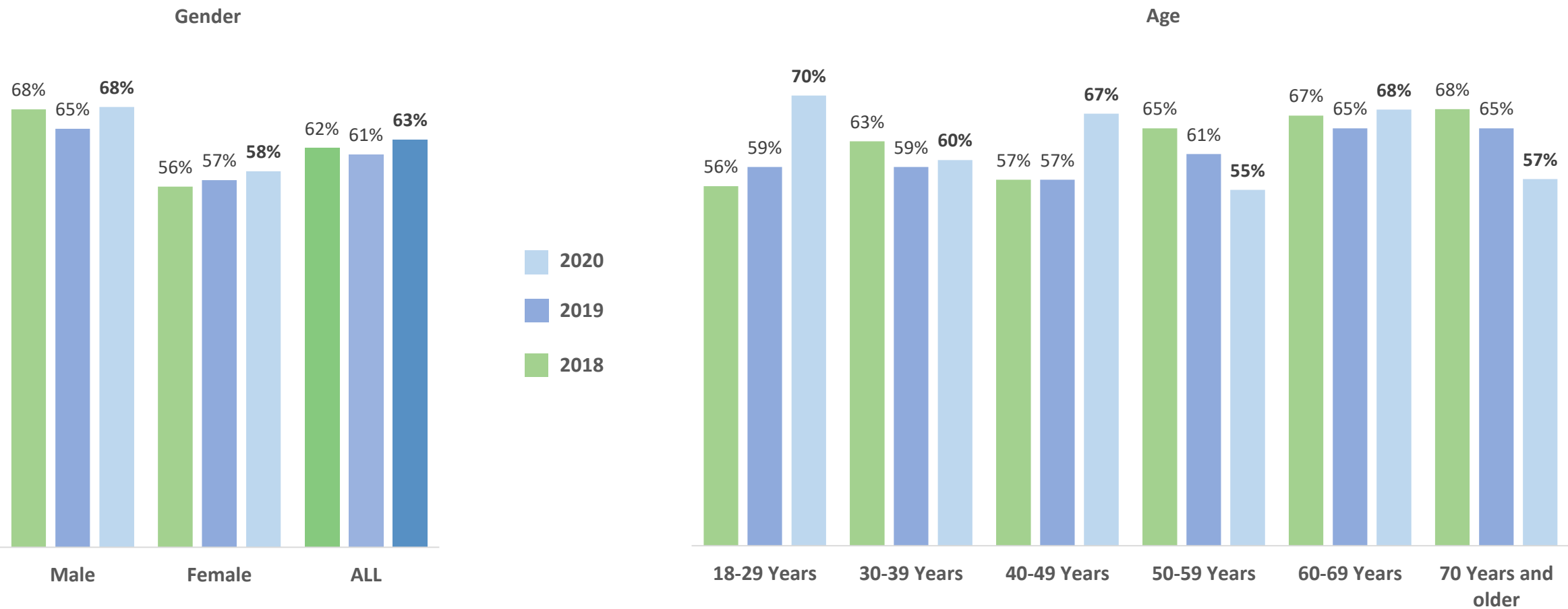
While there is little difference in propensity to have bought into a scam across core demographic groups, those identifying as Asian were significantly more likely than average to have done so (26%).

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Appendix

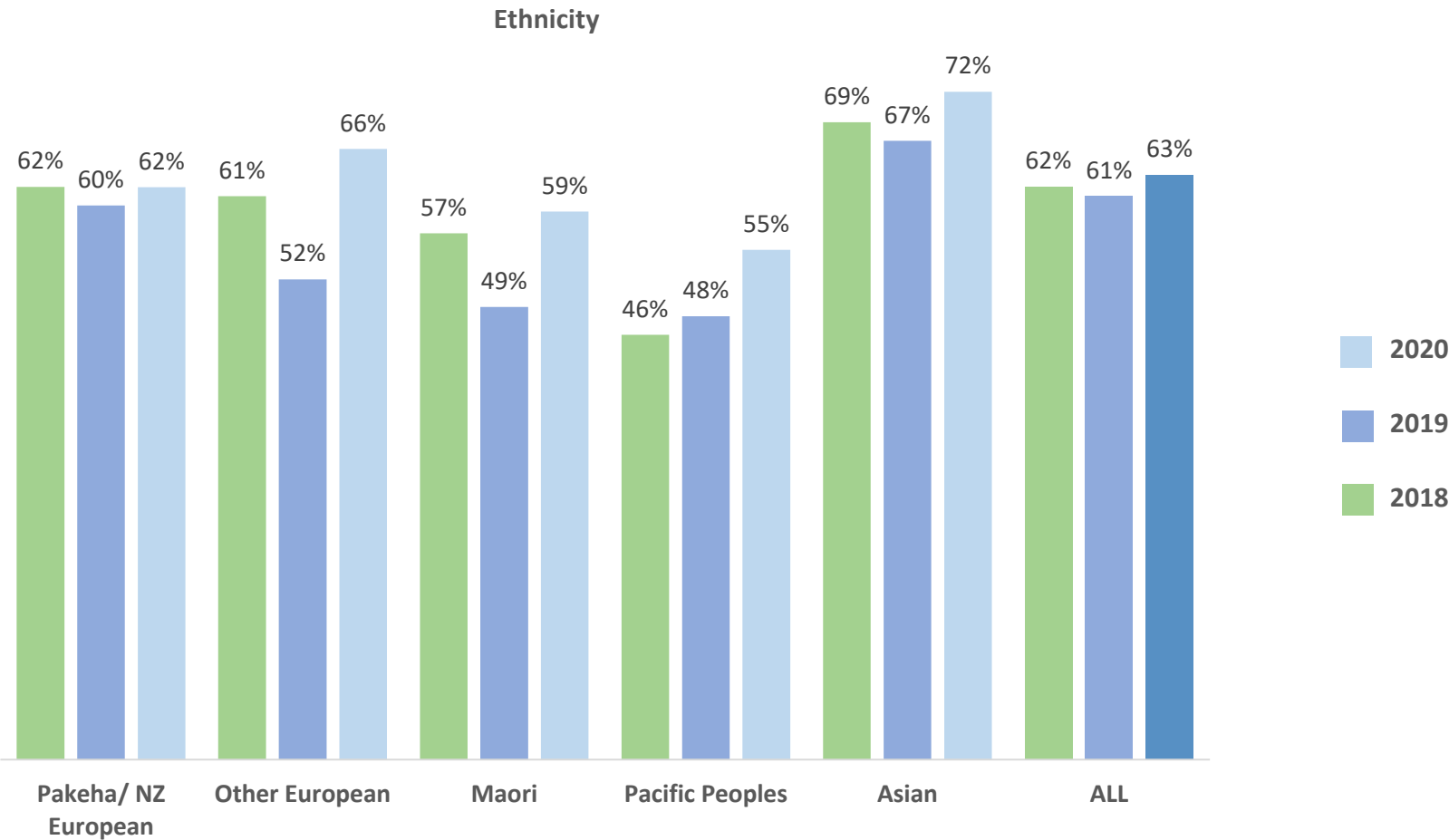
Confidence by age and gender

Confidence in New Zealand’s financial markets (2020 vs 2019 vs 2018):
Shows % of total confidence (‘fairly’ or ‘very’ confident)



Confidence by ethnicity

Confidence in New Zealand’s financial markets (2020 vs 2019 vs 2018):
Shows % of total confidence (fairly or very confident)



Confidence by income

Confidence in New Zealand’s financial markets:
Shows % of total confidence (fairly or very confident)

