

Young people overly optimistic about finances

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The latest Westpac-Massey Fin-Ed Centre survey shows that 49% of the young people consult the internet before making a major financial decision.

A new survey of young New Zealanders by the Westpac-Massey Fin-Ed Centre shows that many believe their financial situation will improve in the coming year and their money management skills require no improvement.

The findings come from a follow-up survey of participants in the Fin-Ed Centre's 20-year longitudinal study, which reported its baseline results in 2012.

Only 16 per cent of participants, now aged between 20 to 24 years old, believe their [financial situation](#) will get worse over the coming 12 months and 71 per cent feel they don't need to improve their money management skills.

"I find it a bit of a stretch to believe that most young people know all they need to know about managing their finances," says co-researcher Dr Jeff Stangl from Massey University. "I think there is a tendency with this age bracket to be over-confident about their skills."

The respondents were also asked if they had made any major financial decisions in the past year and, if so, what advice they sought. Seventy-five per cent consulted their parents, 43 per cent discussed the decision with their friends and 49 per cent searched for information on the internet.

Westpac's general manager of business bank and wealth Simon Power says it's concerning that so many young people rely heavily on the advice of family.

"This is fine if you have financially savvy parents – but that is not always the case. Bad financial advice can become a debt trap perpetuated by the family environment.

"Only 6 per cent of those surveyed used a financial advisor before making a major financial decision and not a single respondent used a budget advisor. It's clear this cohort don't proactively seek financial advice or education so we need an ecosystem that makes financial literacy programmes accessible to everyone through schools, workplaces

and the community."

Dr Stangl says the two most common major financial decisions cited by the group were changing jobs and giving up a job to go overseas.

"From a parent's point of view it is sad that 44 per cent of these [young people](#) are considering going overseas to chase opportunities," Dr Stangl says. "This is the prime cohort of new entrants into the labour force and nearly half of them think their future prospects may be better offshore."

Key findings:

- 71% feel "in control" of their financial situation and 69% feel good about their money management skills.
- Only 39% are satisfied with their current financial status but 69% expect their situation to improve in the coming year.
- Only 29% had taken steps to improve their money management skills in the past year; of these 45% had discussed money management with parents and 40% had discussed it with friends.
- 36% had made a major financial decision in the past year; of these 31% changed jobs, 27% had decided to go overseas and 16% bought a car.
- 75% sought advice from their parents, 43% discussed the decision with friends and 49% researched using the internet.
- 32% say their financial situation would be improved by lower rent, 26% cited lower food costs and 24% a lower tax rate.
- 44% are considering moving overseas in the next two years to improve their financial position

The baseline results for its 20-year longitudinal study were released in 2012. Its 300 participants will be surveyed regularly to improve understanding of financial education needs at different life stages. The data contained in this media release comes from a 'snapshot'

questionnaire taken two years after the baseline survey and involved 56 per cent of participants.

Provided by Massey University

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