

Building the Financial Capability of New Zealanders Experiencing Hardship

An overview

From Budgeting Services to Building Financial Capability

The Ministry of Social Development (MSD) has redesigned budgeting services through a co-design process to better meet the needs of New Zealanders experiencing hardship.

Our co-design process started with interviews with clients and providers of budgeting services, Work and Income case managers and financial capability experts. We talked with people who are experiencing financial hardship, but do not access budgeting services. And we have reviewed the literature about what works.

This has created a basis for better understanding people, families and whānau experiencing hardship. Our co-design process has involved creating client change stories and journey maps

that we have refined through feedback from well over 500 people – in group discussions, workshops, intensive interviews, design sessions and via email.

We heard that people's needs have increased in complexity and diversity, and that financial capability is about more than "just having a budget".

In response to this, Building Financial Capability services are taking a new approach that puts the client at the centre and supports them to build their financial capability and resilience.

Key insights from our co-design process

What we learned about people experiencing financial hardship

- People have complex lives with a range of family, cultural, health, and financial needs.
- People often have entrenched behaviours, cultural obligations, and patterns of living that can mean they spend more than they have.



People often feel powerless, depressed, and out of control.



Accessing the right support, knowledge and tools at the right time can help people in hardship to get on the right path.

What we learned about supporting people experiencing financial hardship

- Even a great budget can't make up for not having enough money to survive day-to-day.
- Strengths-based approaches empower people to manage their finances, set goals, and achieve long-term, sustainable change.

What we learned from budget advisors, Work and Income, and financial capability experts

- A balance is required between prevention and crisis intervention with a client.
- The system lacks flexibility and needs to recognise the complexity of a client's situation.



A strong relationship between Work and Income and budget advisors increases client engagement.



Peer supports often influence behaviour and decision-making, particularly around money. People who have more social connections are more likely to receive help in order to cope with a crisis.

Arnold and Rhyne, 2016.

The literature on building financial capability told us

- Becoming financially capable is hard. Feelings and fears influence financial judgements and decisions. People make trade-offs between the present and future.

New Zealand Financial Markets Authority, 2016.

- Reaching people at the right time is important. Effective financial capability interventions recognise that each contact with a client is a learning opportunity.

Arnold and Rhyne, 2016.

Understanding hardship in New Zealand

At least twice in the last 12 months around 12% of New Zealand's population has:^[1]



not been able to pay rent or mortgage on time



been unable to pay utility bills on time



received help (food, clothes, money) from community organisations



borrowed money from friends or family to meet everyday living costs.

Percentage of people of different ethnicities experiencing material hardship in 2013/14:^[2]

35% PACIFIC

20% MĀORI

5% EUROPEAN / PĀKEHA

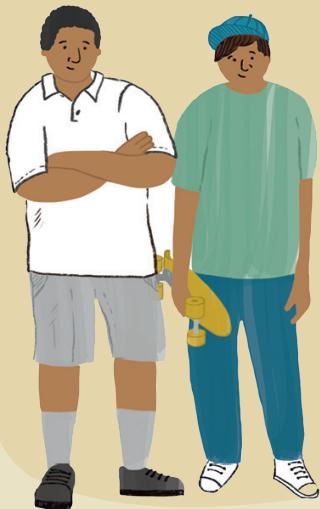
4% OTHER ETHNIC GROUPS



Who is experiencing hardship?

Those affected are primarily Māori and Pacific peoples, sole parents (who are mostly women), children, people living in rental housing and people with disabilities.

Percentage of children of different ethnicities living in households experiencing severe hardship in 2012-2014 were:^[3]



33% MĀORI

28% PACIFIC
5% PĀKEHA

ABOUT **12%**

of households report not having enough money to meet their everyday needs.^[6]



1 IN 4

households report having only just enough money.^[7]

Of the 272,257 people receiving hardship grants in 2015/16:^[4]

59% FEMALE
41% MALE

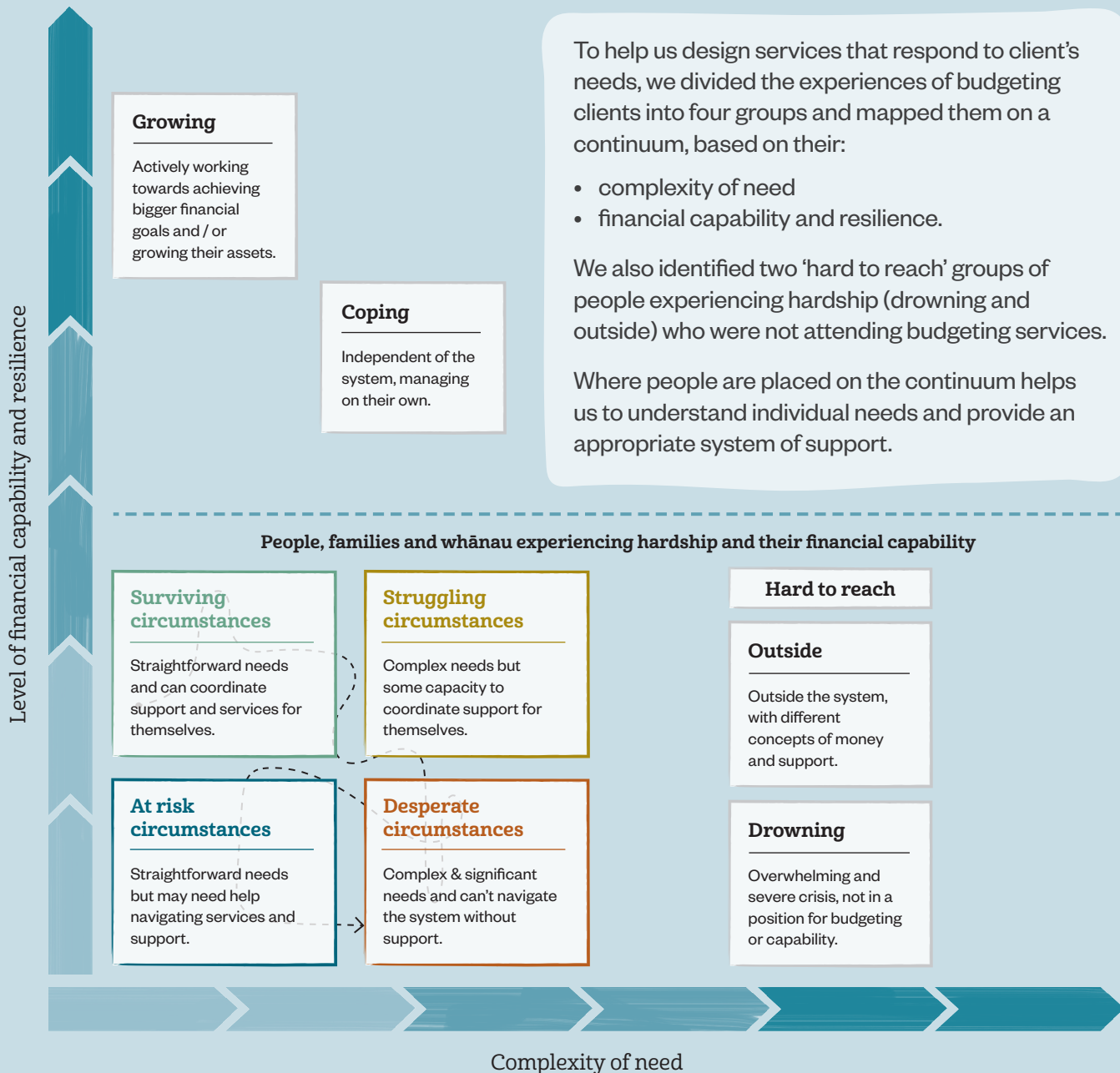


Women are more likely than men to lead a sole-parent family, which is one of the high risk factors associated with persistent poverty.

In 2013 there were 201,804 sole-parent families in New Zealand. 84.2% were female-headed.^[5]

The Financial Capability continuum

Understanding people's needs



Definitions

Financial hardship

Financial hardship is having insufficient resources to meet basic needs, and thus being excluded from a minimum acceptable way of life in one's own society.

(Derived from Perry, MSD)

Financial capability

Financial capability is 'the ability to make informed judgements and effective decisions regarding the use and management of money'.

(Commission for Financial Capability, 2015)

Financial resilience

Financial resilience is 'the ability to access and draw on inherent capabilities and appropriate and accessible external resources and support in times of financial adversity'.

(NAB and Centre for Social Impact, 2016)

Our vision of Building Financial Capability



Our vision is to build the financial capability and resilience of people, families and whānau experiencing hardship.

What we want to achieve

By building the financial capability of people, their families and whānau experiencing hardship, they will have:

- reduced unproductive debt
- reduced stress caused by financial problems
- increased short- and long-term savings
- improved financial confidence and capability
- improved resilience to cope with financial shocks
- improved financial and material wellbeing.

We will deliver a client experience that is:

- client-centric and embedded with learning
- integrated and connected
- culturally responsive and relevant
- accessible when needed
- whānau-centred
- strengths-based and aspirational.

Supporting the journey to financial resilience requires:

- financial and non-financial resources
- financial knowledge and behaviour
- inclusive financial products
- social capital.

Increasing the impact of Building Financial Capability

We have built a system to continuously improve how we build the financial capability and resilience of people, families and whānau experiencing financial hardship.

We want to make sure that people, their families and whānau experiencing hardship receive Building Financial Capability services that are:

- well targeted
- a positive experience
- highly effective
- having a positive impact.

To do this we are measuring the results that clients achieve with providers, and undertaking a series of evaluations over five years.

We are using evaluation findings to understand and learn about what works, and to work collaboratively with the sector to increase our collective impact.

Building Financial Capability services: Theory of Change

If we

- design and deliver client and whānau-centred, strengths-based, adaptive, accessible and culturally relevant financial capability products and services
- integrate services and connect people, their family and whānau to the right services and support focused on their outcomes, when and how they need it
- work with a client's and their whānau's natural support networks for behavioural change through and with these relationships



- celebrate and build on successes (financial and non-financial) for clients, their family and whānau
- use meaningful and robust research, monitoring and evaluation to ensure an adaptive and innovative financial capability service system.

For the ultimate goal of

- Improved opportunities and life outcomes for tamariki/children
- Improved social and economic inclusion
- Improved wellbeing of clients, their family and whānau.



We will help



- clients, their family and whānau who are in debt to be supported to reduce debt
- clients, their family and whānau to have their basic needs protected; for example, access to rent, power and food
- clients, their family and whānau to be supported to improve their financial confidence and capability
- clients, their family and whānau to access appropriate financial products and services, when and how they need them
- clients, their family and whānau to be empowered and supported to achieve their financial goal.

Which will contribute to

- reduced unproductive debt
- reduced stress caused by financial problems
- increased short and long-term savings
- improved financial confidence and capability
- improved resilience to cope with financial shocks.



The Building Financial Capability Ecosystem

Building Financial Capability products and services sit within a wider ecosystem of support for New Zealanders experiencing hardship.



Building Financial Capability Services, Products and Support

Financial Capability Providers

Training and support for a capable provider sector.

Financial Mentors

Empowering people to achieve their goals, and making connections to support.

Financial Plan of Action

A resource for clients to document their financial goals and progress.

BFC Plus (interim)

Intensive support for people who are hard to reach or with complex needs.

MoneyMates

Peer-led support – people learning and sharing together as a group.

MoneyMates Fund

A contestable fund to support innovation around MoneyMates.

The Generator

Generating income and resource opportunities in communities.

MoneyTalks

First response service to help people make good decisions under pressure.

Financially Inclusive Products

Ways to pay, save, borrow safely, and insure.

Financially Inclusive Savings

Building savings to buffer from financial crises and to grow.

Community Finance

Affordable credit to people at risk of unsustainable debt and hardship.

Work and Income

Strengthened and consistent communications and referrals.

How we will support people

Supporting people who are struggling



- Build trust by taking time to understand the person's story, circumstances, and financial literacy.
- Help to create a Financial Plan of Action and focus on alleviating the crisis situation.
- Focus on long-term growth and support the person to navigate the financial system themselves.

Supporting people who are surviving



- Encourage planning for the future and having a financial 'safety net' in place.
- Promote a healthy attitude to money and prioritise savings.
- Take a whole whānau approach to understanding money and finances.

Supporting people who are at risk



- Give consistent messages about building good money habits.
- Build understanding of wants versus needs.
- Reframe debt as undesirable and focus on saving.

Supporting people who are desperate

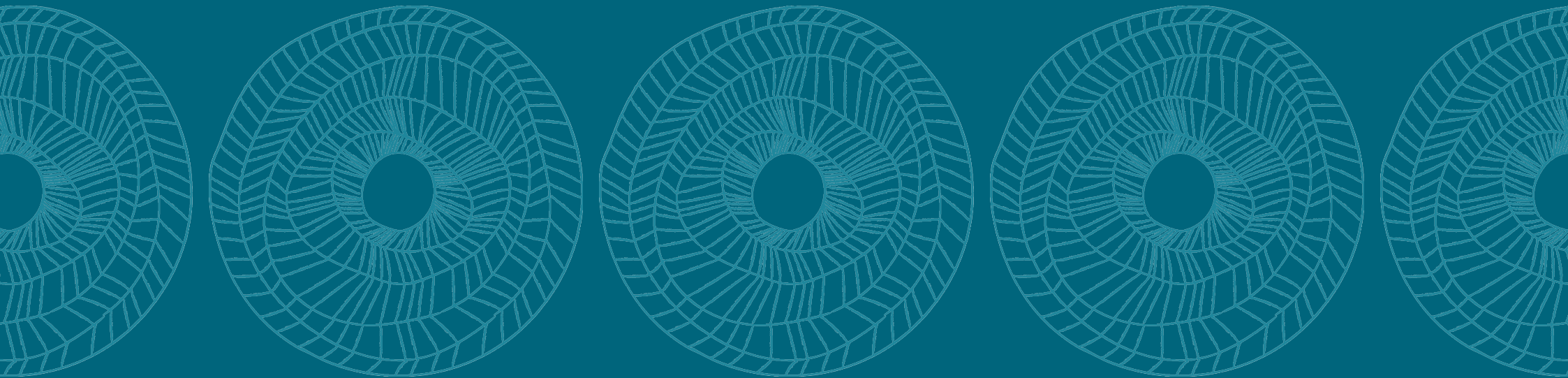


- Focus on alleviating the crisis situation.
- Provide wrap-around whānau-centred support together with other agencies.
- Empower clients to make decisions and set goals to build longer term capability.

Supporting people who are hard to reach



- Support people at points of life transition and change.
- Use communication tools that minimise language, culture and education barriers.
- Support 'outsider' communities to support their people.



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New Zealand Government

Find out more:

Web

www.msd.govt.nz/what-we-can-do/providers/building-financial-capability/

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