

Media Alert

Market turbulence and lack of advice to cost 50,000 KiwiSaver members \$3.5billion

According to NationalCapital.co.nz, an online platform helping Kiwis understand which KiwiSaver fund and provider is best suited for their requirements, in the quarter ending March 2020 approximately 3.74% of members from KiwiSaver Growth funds and 3.01% of KiwiSaver members in Balanced funds switched, mostly into more conservative funds. This choice has the potential to collectively reduce their investment gains by up to \$3.5billion if they remain where they are.

“When Covid-19 hit, fuelled by declining KiwiSaver balances, misinformation and a lack of advice, an estimated 50,000 Kiwis panicked and moved, with most moving into a more conservative fund under the guise that they would be minimising further losses. The longer these members stay out of Growth/Balanced funds, the bigger the potential loss,” explains Clive Fernandes, Director of NationalCapital.co.nz and an Authorised Financial Advisor.

“For this group alone, we estimate the collective loss of funds to be \$925,664,182 in 10 years from now or \$3,578,215,119 in 20 years.”

The real danger is not what has already been lost due to recent market upheaval, but rather what this group is now set to miss out on in terms of future returns if they stay where they are.

“The reason I started National Capital is so anyone could access free KiwiSaver advice to maximise their investments, become financially secure and ideally, retire with more. Not only do we help people identify the best fund but also the provider best suited to their needs,” said Clive.

KiwiSaver plays a critical role for many people’s retirement and this loss equates to an estimated \$20,580 in 10 years or \$80,726 in 20 years, per person, “A significant chunk of change that would have served them well, come retirement,” he adds.

Evidence from [past crashes](#) including the [1987 crash](#) shows when investors without advice or support are burnt they tend to be very slow to coming back to the markets, if at all.

The hardest hit funds were two of the biggest; Westpac Growth and ASB Growth funds which lost 6.87% and 6.4% of their investor base in the March 2020 quarter.

The value of the right advice

The Growth funds which took the smallest hit (of investor base) were Mercer Growth, which gained 2.3% and Milford Active Growth which only lost 0.4% of their investor base. Both Mercer and Milford work with advisers outside of their organisation to provide KiwiSaver advice to their clients.

“These figures show those KiwiSaver members who had greater access to advice, were less inclined to switch, suggesting the value of advice - quite literally - particularly in a time of uncertainty,” said Clive.

“If those switchers had access to the right advice in the first place, the number of people switching funds would’ve most likely been significantly less. The question now begs, will they seek advice to avoid missing out in the long term.”

Clive explains that access to advice has been a known problem in the industry for a long time. However, the biggest barrier has been availability and affordability. Legislative changes to allow for digital advice have broken down these barriers, allowing companies such as National Capital to serve kiwis.

Clive believes KiwiSaver providers need to add 'access to advice' as part of their service offering and fee structure.

"Ultimately we need to ensure that Kiwis end up better off in the long run. Just aiming to have the lowest fees to attract new clients is not in the long term interest of KiwiSaver members. The Industry, FMA and the Government need to take the '[value of advice](#)' into consideration; and not just have a myopic focus on fees."

To ensure you are in the right KiwiSaver fund, and with a provider that best suits your needs, visit NationalCapital.co.nz to complete a KiwiSaver Health Check now for one less money worry.

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Notes to editor:

Methodology for data collection and sample size:

The figures estimated have been calculated by National Capital by:

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- Using the December 2019 quarterly fund reports from the individual KiwiSaver providers - we calculated how many members were in the different KiwiSaver fund types (Conservative, Balanced, Growth)
- Using the March 2020 quarterly fund reports from the individual KiwiSaver providers - we calculated the same.
- The difference provided the number of members who had moved fund categories.
- Our sample size equates to 90% of all KiwiSaver members (3million) and looks at the data from 11 major KiwiSaver providers (out of ~25).
- Of this, an estimated total of 46,852 members transferred out of Growth and Balanced funds. Extrapolating that to the total number of KiwiSaver members (3,038,246) we estimated that approximately 50,000 Kiwis potentially moved out of Growth/Balanced Funds during the quarter ending March 2020.

[Supporting Data & Calculations](#)

Disclaimer

When reporting National Capital data, attribute National Capital as the source.

The information is based on publicly available information; internal data and other sources believed to be true and are for general guidance only but which may have not been verified independently. The Data is given in summary form and whilst care has been taken in its preparation to ensure the accuracy and completeness of information contained, National Capital takes no responsibility and assumes no liability for any error/omission or accuracy of the information. National Capital expressly bears no responsibility or liability for any reliance placed by you on the Data, or from the use of the Data by you.

Recipients of this material should rely on their own judgments and conclusions from relevant sources before making any investment. This is NOT Investment advice. Past performance is not a guide for future performance.

About National Capital

- National Capital is the first company in New Zealand to release a digital-advice product to the general public. The product is designed to provide advice on KiwiSaver providers and funds at a personalised level;
- Digital-advice marries the best human advice with integrated technology that automates the process while keeping user information secure;

- Companies in the UK, United States and Canada have been providing digital-advice for investments now totaling billions of dollars over the past five years, and the digital-advice market is growing rapidly;
- National Capital is only the fourth company to be granted a digital advice exemption by the Financial Markets Authority. The exemption came after a six-month, principles-based process with the FMA, during which National Capital was required to document all processes and procedures of its service;
- National Capital works with multiple KiwiSaver providers including Fisher Funds, ANZ, Aon Saver, Booster, SuperLife, Milford, Mercer, CareSaver and Generate to select the most appropriate provider and fund for its clients.

About National Capital

National Capital is a financial advisory firm based in Auckland, New Zealand that provides personalised investment advice, with a primary focus on KiwiSaver, to its clients. We work with multiple KiwiSaver providers to select the most appropriate provider and fund for its clients. Our mission is to help one million Kiwis become financially secure using technology and the principles of puataata (transparency), tikanga (ethics) and taurikura (prosperity).

NationalCapital.co.nz