Voices

2023

May 2024

Data analysis and compilation by Rocky Webster and Jake Lilley
Written by Janeka Rutherford-Busck
We are incredibly grateful for Celestyna Galicki, and the many financial mentors who provided integral insights.

Message from Ruth

Financial mentors have provided essential support across Aotearoa during a demanding 2023. While resourcing for our sector remained constrained, financial mentors supported even more whānau towards a place of financial wellbeing. Unsurprisingly, one of the biggest challenges in 2023 was the increased cost of living, which intensified financial stress and drove many whānau further into unaffordable debt.

In addition to the cost-of-living pressure, in the early parts of the year, financial mentors in several regions experienced extreme disruption to their personal and work lives. During Cyclone Gabrielle and the Auckland anniversary floods, financial mentors played a critical role of connection and support in their communities. Throughout the immediate response they assisted many whānau to access their Civil Defence payments and provided information about cash and housing. As time went on, many whānau also reached out to financial mentors for support in addressing bills, insurance claims, and vehicle issues. We thank the sector for this incredible effort that took place during a year of already immense demand.

FinCap continues to work closely with financial mentors and advocates for the sector to support system changes towards thriving communities. We acknowledge the stress of service's viability and will continue to campaign to secure increased and sustainable funding for these most vital of services. We know and can see so many whānau are supported to address financial stress and hardship through financial mentoring, which enables full lives and the financial wellbeing of communities.

Executive summary – Whānau had more challenges with debt and cost-of-living in 2023

Financial mentors work with whānau to increase financial wellbeing by looking at what money is coming in and what money is going out. This report explores trends across income, expenditure and debt for clients of financial mentors in Aotearoa, and is comprised of the FinCap *Voices* report and accompanying appendices.

Overall in 2023, whānau had more problems with money and debt than in 2022. While incomes increased for clients of financial mentors, the cost of living rose at the same rate, leaving whānau in a worse position overall. This is reflected in an increase in the median weekly deficit, at six percent in 2023 compared to four percent in 2022. In the report, we cover five key findings.

One – Increased incomes were cancelled out by the cost-of-living crisis

In 2023, incomes increased but whānau did not become more solvent. In Wellington and Auckland, we noticed a particular strain, with increases in weekly deficits and higher median debt amounts. Additionally, the cost-of-living crisis made access to food unaffordable for many whānau in 2023. We could see too that debt expenditure had not increased despite the increase in median debt amount. This tells us that many whānau simply could not afford to make repayments.

Two – Whānau presented with more debt in 2023

Debt did not impact everyone equally, and some of the most indebted were Māori and Samoan clients, women, and young people. Additionally, large whānau with children in particular experienced higher debt stress and drove the increase in weekly expenditure as a percentage of income. More debt was owed to banks and telecommunication companies in 2023, with significant increases from 2022. There were more, and bigger, home loans presenting which drove the median debt increase for clients. We also found that whānau with vehicle lending were in more difficult financial positions than those without, and there were many whānau with this loan type. Lastly, we found that financial mentors assisted with even more debt to government in 2023.

Three – Increased financial hardship is affecting mental health in Aotearoa

Financial mentors regularly report that whānau are struggling with mental health issues. In Section Three of the report, a brief literature review combines research and findings from academic work with examples and quotes from financial mentors about the realities they observe. The review of relevant literature confirms that financial hardship affects mental health issues, and vice versa. This means that the increased financial hardship caused by both the cost-of-living pressures and increased debt stress is likely contributing to mental health challenges in Aotearoa.

Four – Financial mentors provided crucial support through weather events

This section looks at what we learnt from Cyclone Gabrielle and the Auckland anniversary floods. Three of the key takeaways during this time were issues with telecommunication companies, the importance of timing for support provision, and the value of cash. Of the three most affected regions, there were no clear similarities in annual trends. However, as financial mentors have illustrated, every region had its own specific set of challenges and realities and these are examined in this section.

Five – Financial mentors met more demand with fewer workers in 2023

Financial mentors supported more whānau, with a reduced number of financial mentors working in the sector. While meeting this increased demand financial mentors continued to make incredible contributions to their communities. This is evidenced by financial mentors having helped whānau increase their income by around $200 in the time that they work together in every year we have reported on.

Key recommendations

This *Voices* report has identified opportunities for targeted policy reform that would create better outcomes and greater financial wellbeing for whānau. Key recommendations are:

- Increase funding to the financial mentoring sector.
- Maintain the development of our safe lending laws.
- Continue enforcement work around alleged irresponsible car lending.
- Address financial hardship issues in all policies aimed at addressing mental health issues.
- Improve and increase access to good housing.
- Increase benefits and reduce debt owed to government departments.
- Reform to ensure fair debt collection.
- Reduce telecommunication debt.
- Implement policies for economic harm to support the improvement of women's financial wellbeing.

The data tables and explanatory commentary can be found in Appendix A. This is the second annual *Voices* report produced by FinCap.

Recommendations

Increase funding to the financial mentoring sector

The financial mentoring sector provides key support to essential services and credit providers in Aotearoa. It is a link between struggling mutually-served clients and essential services or credit providers. Financial mentors improve the communication between clients and these services to produce better outcomes and to support whānau to engage with services that may have let them down in the past.

In countries where similar networks of equivalent financial mentoring roles exist, a large proportion of the funding for the sector is provided by industry. This is the case because industry groups have acknowledged and recognised that their work, especially for their customer care teams, would not be possible without the crucial link that financial mentors provide.

Financial mentors have a hugely positive impact in our communities. This is exemplified by the fact that they increase the income of clients significantly. In all the years we have reported, financial mentors increased the income of whānau by around $200, between their client's first and last budgets. Financial mentors do crucial work to help whānau navigate possible income streams and entitlements and to begin a journey towards financial wellbeing.

Additionally, financial mentoring services' return on investment is notably positive. A review in 2022 of two services by the business consulting firm, ImpactLab, identified a Social Return on Investment (SROI) of $1.70 for every dollar of funding.

In 2023, the number of clients greatly increased across services, but funding remained insufficient for the financial mentoring sector. The rise in clients proves the need that financial mentors are meeting, and increased funding to the sector is greatly needed.

Maintain the development of our safe-lending laws

Robust credit laws and regulations are vital for all communities. Vulnerable borrowers are not a small or fixed group of our population. Borrowers can be vulnerable when the lending being offered does not properly consider their situation. Overdrafts and lower interest or Buy Now, Pay Later lending, just like higher interest lending, can be the tipping point that plunges a borrower into a vicious cycle of increasing debt.

Time needs to be taken to get any changes to our credit laws right. We are committed to engaging with the government for as long as it takes for the Credit Contracts and Consumer Finance Act to work for all consumers.

Continue enforcement work around alleged irresponsible car lending

The recent 'significant enforcement' work by the Commerce Commission is timely and worth focusing on (Commerce Commission New Zealand, 2024). Financial mentors have been raising complaints about vehicle lending to the Commerce Commission for years.

Enforcement is required for the intended outcomes of the credit law to be achieved and for fair conclusions to the submitted complaints to be realised. In Part Two of the report, we provide a sample of some of the damaging car lending cases that financial mentors regularly encounter with their clients. Enforcement by the Commerce Commission will provide much-needed improvements to the current and future wellbeing of whānau in Aotearoa.

Address financial hardship issues in all policies aimed at addressing mental health issues

Financial mentors regularly raise mental health as a concern among their clients. In Section Four of this report, we completed a brief literature review analysing the relationship between financial hardship and mental health. The review concludes that mental health issues and financial hardship mutually reinforce each other. Considering the interaction between the two issues, all policies aimed at focusing on mental health issues should simultaneously address financial hardship.

Additionally, financial mentors are integral to alleviating financial hardship in Aotearoa. Considering that financial hardship is a contributor to mental health issues for whānau, appropriate resourcing for the sector is vital.

Improve and increase access to good housing

Whānau are struggling to access and pay for suitable housing, which is a base requirement in beginning a journey towards financial wellbeing. There needs to be increased resourcing for more and better housing for all whānau in Aotearoa (Cole & Johnson, 2024). FinCap will look to pass on insights towards improving access to housing, wherever this is useful to the work of other organisations.

Increase benefits and reduce debt owed to government departments

Operational policy around the creation and collection of debt to government needs to achieve the intended outcomes. The debt to government framework needs to be fully committed to. Additionally, councils also need to be captured under the framework to ensure fair and effective policies are applied consistently (Inland Revenue Department, 2023).

In conjunction with reducing debt to government, all benefits should be increased so that whānau can have livable incomes (Fairer Future, 2024). FinCap also strongly recommends there be consistency in the provision of non-recoverable grants so that all whānau can access essential school supplies. As an absolute bare minimum, all children should have access to the essentials, such as school uniforms when required, without their whānau having to go into debt.

Reform to ensure fair debt collection

FinCap is concerned about harassment, unreasonable payment demands, misleading information and unreasonable charging of fees and interest in debt collection practices in Aotearoa. The most practical way to start addressing these issues includes:

- Better defining harassment as 'undue harassment' in the Fair Trading Act.
- Defining penalties for the Commerce Commission to enforce the law.
- Compelling debt collectors to be members of an external financial dispute resolution scheme, i.e. the Financial Service Providers (Registration and Dispute Resolution) Act 2008 should be amended to include the business of debt collection agencies within the meaning of 'financial service' in s 5. This will ensure debt collection agencies are directly subject to the dispute resolution and registration regimes within that Act.
- Currently, up to 40 percent of a person's benefit can be taken by attachment orders from private creditors. We need more effective safeguards to stop these attachment orders causing substantial hardship.

Reduce telecommunication debt

Firstly, mandatory minimum standards need to be implemented to support whānau to remain connected to essential telecommunication services. We recommend that telecommunication companies offer:

- A clear commitment to proactive outreach where there are signs whānau may be having difficulty paying, with offers to pause collection.
- All privacy waivers for support from financial mentors are recognised and immediately accepted in general.
- Certainty through clear communication that all charges will be waived or refunded for times when internet or phone services are offline, without customers having to take action.
- Certainty that no one be denied a request for a contract for an internet connection due to credit history.

Secondly, long-term payment plans for paying-off a device should be recognised and treated as a form of lending. Further, in accessing these devices there needs to be greater attention given to assessing 'fit for purpose' and ability to repay. Hardship protections are also needed for these plans, in line with protections for other forms of credit.

Implement policies for economic harm to support the improvement of women's financial wellbeing

Economic harm disproportionately impacts women in Aotearoa (McCauley, 2023). Economic harm can leave the survivor-victim burdened with unfair debt and this is a form of family violence. FinCap recommends the implementation of family violence policies across essential services such as banks, government departments, water and electricity providing companies, and their regulators.

As a step in the right direction, the below guidance was included in the framework for debt to government (Inland Revenue Department, 2023). All essential service providers should implement clear and consistent policies through their product and service design, to ensure they:

- Are informed about the complexities and signs of family violence and seek advice to tailor their approach to best support their customers.
- Avoid requiring evidence of family violence, so that responses are timely and prioritise the safety of the survivor-victim.
- Avoid repeated disclosure of circumstances. This can be traumatising and potentially creates a barrier to further support being sought. Some examples of solutions for this are referral arrangements and a dedicated phone line to flag the situation.
- Implement systems for smooth referrals to expert support services.
- Safely separate debt between the perpetrator and victim-survivor and implement processes for waiving debt for people affected by family violence.
- Have effective processes for safety and protection of victim-survivors information.

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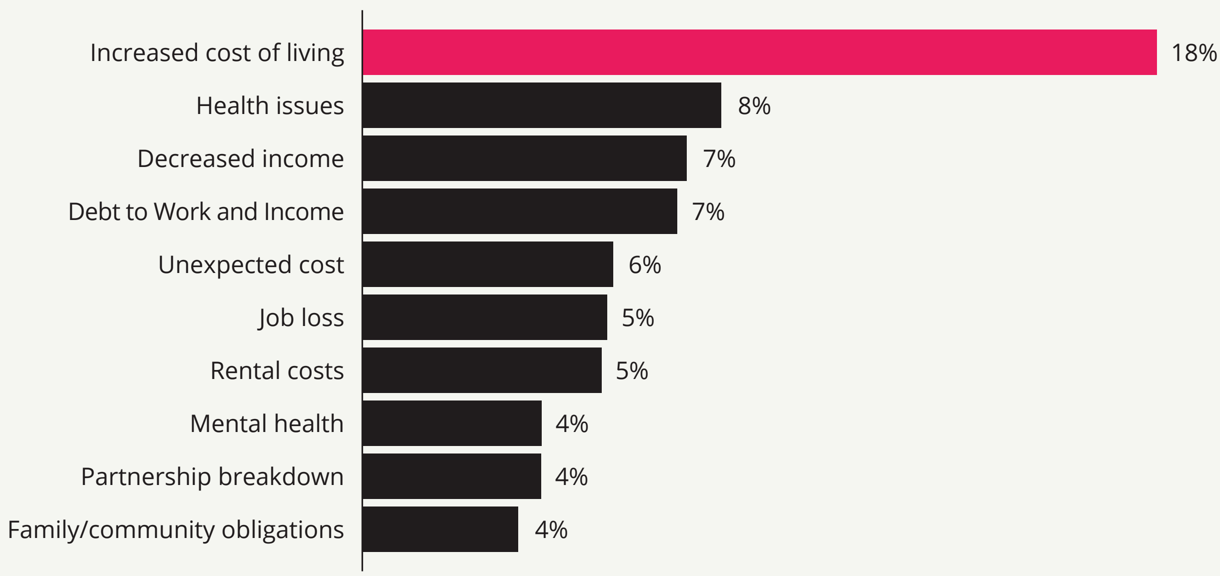
- Food was unaffordable for many whānau
- Expenditure that we are not tracking is driving the deficit
- Wellington and Auckland regions were particularly strained

Incomes increased in 2023 but this did not result in whānau becoming more solvent

The increased cost of living was the most reported reason for whānau being supported by financial mentors in 2023. This came at a time when household living costs increased by seven percent across Aotearoa (StatsNZ, 2024).

Top 10 reasons for hardship

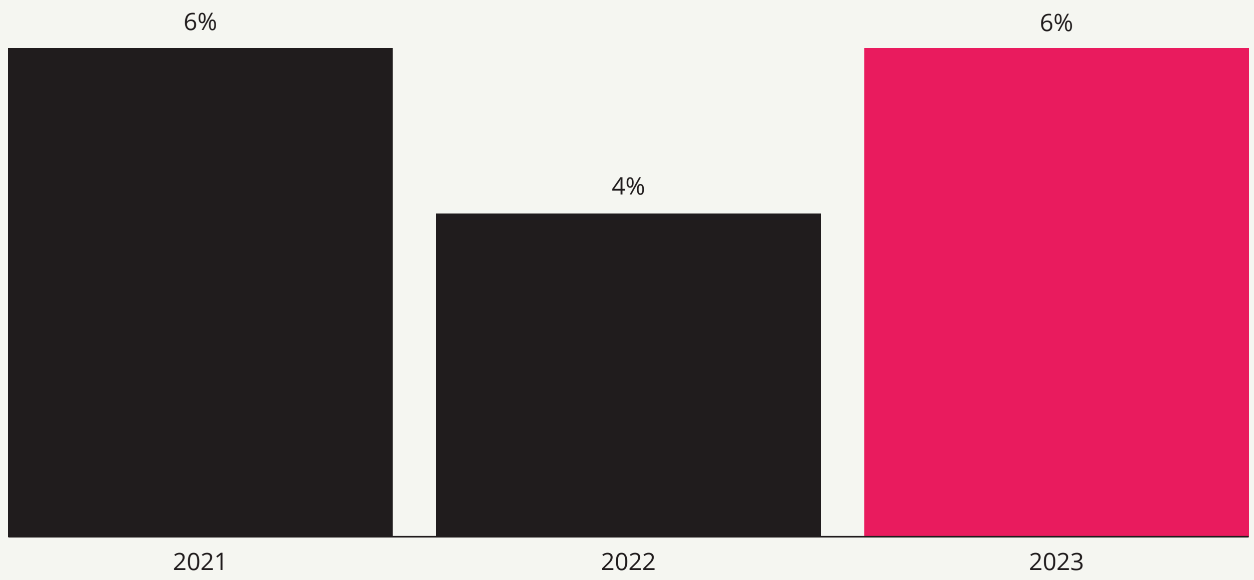


Despite an overall increase in incomes in 2023, as a median, clients were in more of a deficit each week than in 2022. The median weekly deficit increased to six percent as financial mentors supported whānau who were progressively struggling to cover bare necessities amid the increases in the costs of living.

"…my biggest concern is I am seeing clients that have a deficit even with very little debt. The cost of living is only increasing and I don't want to have to start telling clients to get a 2nd or 3rd job to be able to afford the essentials."

– Financial mentor in Auckland

How much did expenses exceed income?



Incomes increased

In 2023, the median weekly income across Client Voices was $741, which was an increase of $59 from 2022. Despite the increase, the median income remained below an equivalent 40-hour work week on minimum wage (Ministry of Business, Innovation & Employment, 2024) and far below the national median (Stats NZ, 2024).

"…just the normal costs for any solo mother is basically outweighing their income and that's not always debt, it's not always anything in particular. It's just a whole heap of just basically not enough income for a family."

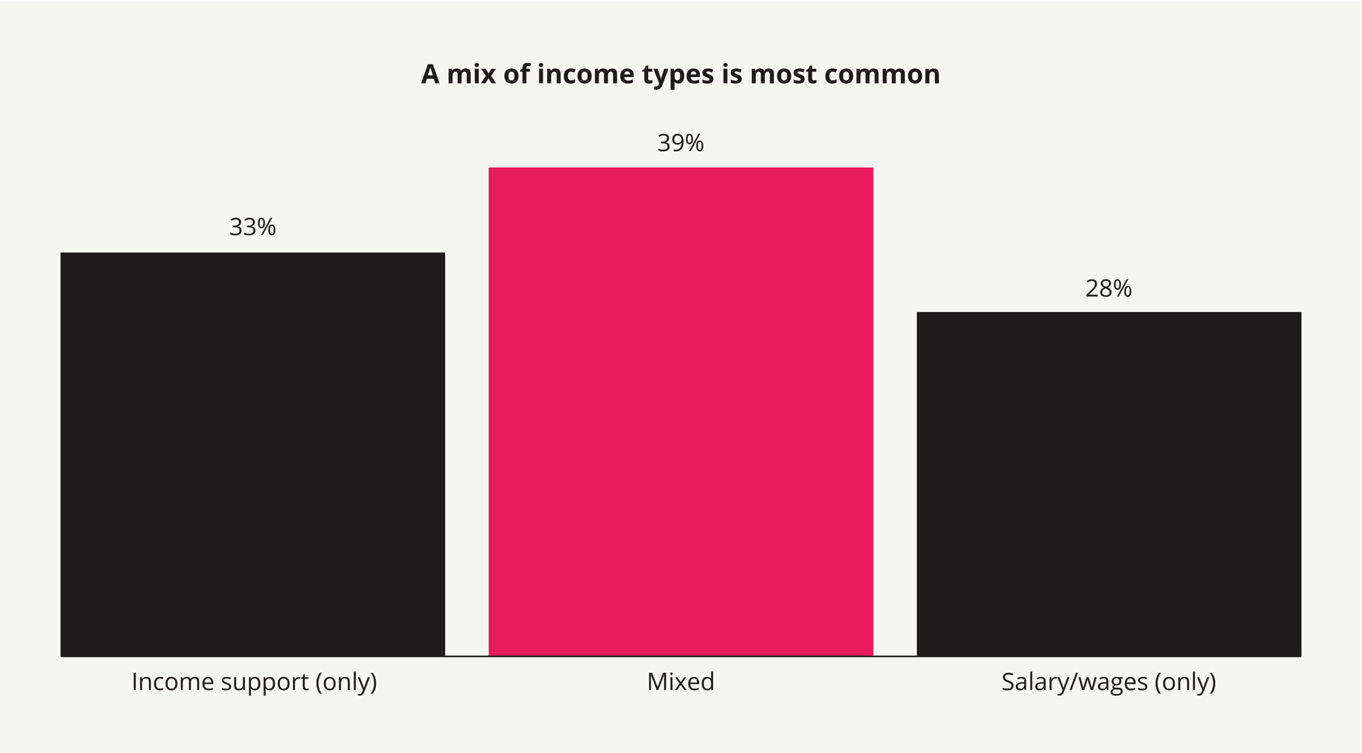
– Financial mentor in Auckland

A mix of income types is most common

There are many different types of income support that whānau can receive and that can be received at one time. For example, whānau might be receiving a full-time salary but, because of their income level and housing costs, they also receive an accommodation supplement.

> "...most of our clients are beneficiaries, so a little, small shift in a cost-of-living expense. It has a huge impact because they're just not having the money.
>
> They're tight as it was, and now it's getting impossible for some of them to survive without significant interventions from community support organisations."
>
> – Financial mentor Wellington

In 2023, we could see that 33 percent of clients were receiving income solely from income support. The category of income support includes Work and Income provided benefits, such as the JobSeeker benefit or Superannuation, and Inland Revenue entitlements, such as Working for Families tax credits. Meanwhile, 39 percent of clients were receiving a mix of incomes from both salary or wages and income support. The fact that the largest cohort of clients had a mix of income sources indicates that many clients were trying to find work or increase their incomes.



Unnecessary pressure should not be added to whānau who are receiving income support, considering that for many it may not be possible to work in their current or long-term circumstances. For one thing, those on superannuation are likely to make up a large proportion of the clients receiving income only from income support. Further, many whānau face physical or mental health issues, or transport barriers which can make access to working impossible or difficult for a time.

What is driving the increase in weekly expenditure?

Whānau had more difficulty covering essentials, which is signalled by the median deficit on exit reversing back up to numbers seen in 2021, and reflects the increased cost-of-living.

> "...no sooner does a client get on top of their budget, the landlord puts the rent up by $50 or $100 a week and then they are just back to square one and squeezing the budget again."
>
> – Financial mentor in the wider Auckland area

The expenditure categories tracked in this report are rent or board, groceries, electricity, fuel, clothing, and debt repayments. Across the data, whānau continued to spend significantly more on debt repayments than on electricity, fuel, and clothing, in 2023.

Median weekly expenditure as a percentage of median weekly income

	2021	2022	2023	Change
Rent/board	36.1%	35.4%	35.8%	**+0.4%**
Groceries	20.9%	21.2%	19.6%	**-1.54%**
Electricity	5.6%	5.7%	5.3%	**-0.36%**
Fuel	7.0%	5.6%	6.9%	**+1.30%**
Clothing	0.6%	0.6%	0.5%	**-0.06%**
Debt repayments	16.8%	15.9%	15.2%	**-0.67%**

Debt repayments take up 15.2 percent of weekly incomes. Whānau that financial mentors support are often dealing with complex and unaffordable debts. The data shows that the median weekly repayments for debts in 2023 made up 15.2 percent of weekly incomes, which was a decrease of 0.7 percent from 2022.

Financial mentors tell us that the reality behind the small decrease in debt repayment expenditure is that many whānau simply cannot afford to make repayments. This is supported by the fact that the median amount of debt that whānau owed in 2023 increased.

Over the three years reported renters have been dedicating a steady proportion of their income to accommodation as incomes rise. Expenditure on rent or board in Client Voices is lower than national averages, which are at about 40 percent (StatsNZ, 2023). The lower percentage expenditure in Client Voices reflects the high proportion of clients that live in subsidised temporary accommodation, such as transitional or emergency housing.

> "…they don't have any room at all for savings and if they do then they're dipping into them constantly…"
>
> – Financial mentor in Waikato

Expenditure that we are not tracking is driving the deficit. While weekly expenditure as a percentage of weekly income increased overall, the expenditure across individual categories did not change greatly.

One possible explanation for where the increased overall deficit is arising from is mortgage payments. We do not yet track mortgage presentations as an expenditure category, only rent or board. Mortgage payments were potentially a key pressure on the overall deficit percentage increase finding.

Other drivers for increased expenditure may arise from many other costs that we do not yet track, that whānau are likely to be paying for regularly, for example:

- Pet costs
- Internet and phone bills
- School costs
- Transportation costs other than fuel
- Car costs
- Insurance
- Medical costs
- Rates
- Childcare
- Pocket money

> "…things that we need to get our clients to save for are things like road user charges, warrant of fitness, car maintenance and all of those charges, all of those costs, have gone up…"
>
> – Financial mentor in Waikato

Expenses are discretionary or non-discretionary to whānau depending on their individual circumstances and whānau should have full agency over deciding what expenses are important to them. For example, financial mentors have commented that while for some people pet costs might not be considered essential, for others these costs would be prioritised over their own essential needs.

Financial mentors have noted that the quality of life for whānau is greatly impacted by the increasing costs of living. Social connectedness is being reduced for many, as financial mentors have commented that events such as kids' birthdays can become unaffordable.

"...if they haven't got the money for fuel to attend something, whether it's a family occasion or whatever it is, they just simply can't."

– Financial mentor in Waikato

Food has become unaffordable for many whānau

In 2023, food banks across Aotearoa experienced an increase in demand, meanwhile, expenditure on groceries dropped to 19.6 percent of income for clients of financial mentors (New Zealand Food Network, 2024). Many financial mentoring services operate alongside or with their own food parcel or social supermarket services, as well as connecting whānau with Work and Income when food grants are needed.

"I do see a lot of people who will say I spend $60 on food or $30 on food, 'because I can't afford it'...

We have a food bank here and our demand, is like..., we cannot keep up at the moment."

– Financial mentor in Auckland

Financial mentors and community workers have told FinCap that whānau will often drive across cities or regions to access food support, which adds the cost of fuel to their already stretched budgets.

"I have clients that if they couldn't go to the food bank, they couldn't eat. The food bank in our area is really starting to struggle to get enough food to feed their demand.

So, they're really starting to triage people that come to the food bank referring them back to the budget service, and we have to try and work with them before they'll give them another food parcel."

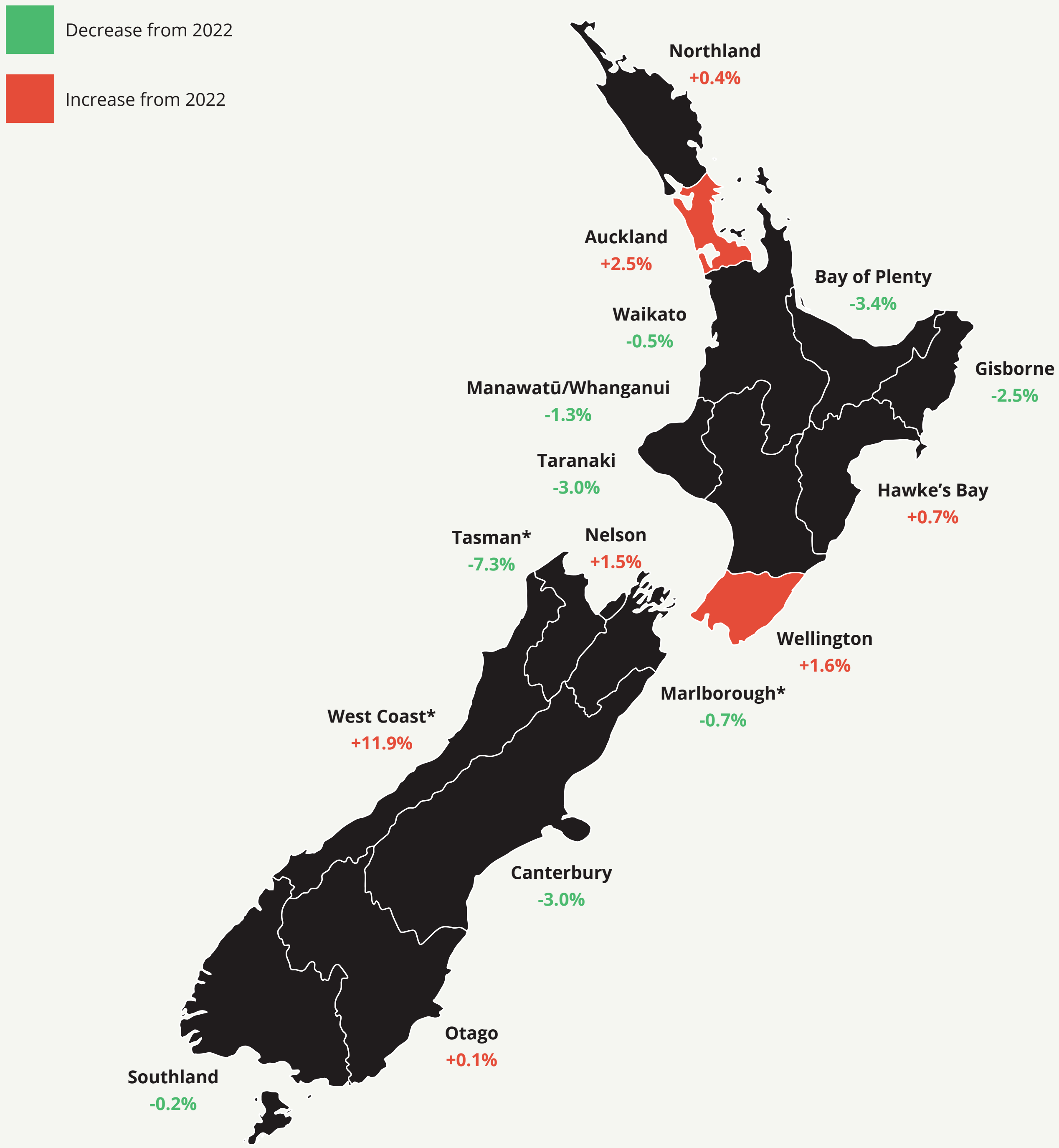
– Financial mentor in the wider Auckland area

Having enough good food is crucial for physical and mental health and wellbeing. Ultimately, we understand that many whānau were not able to spend enough on food to cover essentials. From the data insights, we find that the majority of clients have children, and when comparing to estimates on food cost we can see that as a median whānau were not spending enough to cover essentials for a family with children (Department of Human Nutrition, 2023).

Wellington and especially Auckland regions were strained

Wellington and Auckland both had significant increases in median weekly deficit as a percentage of weekly income. Auckland in particular had the highest median weekly deficit of any region with a reliable sample size. Whānau in Auckland were in a median deficit of 12.2 percent each week.

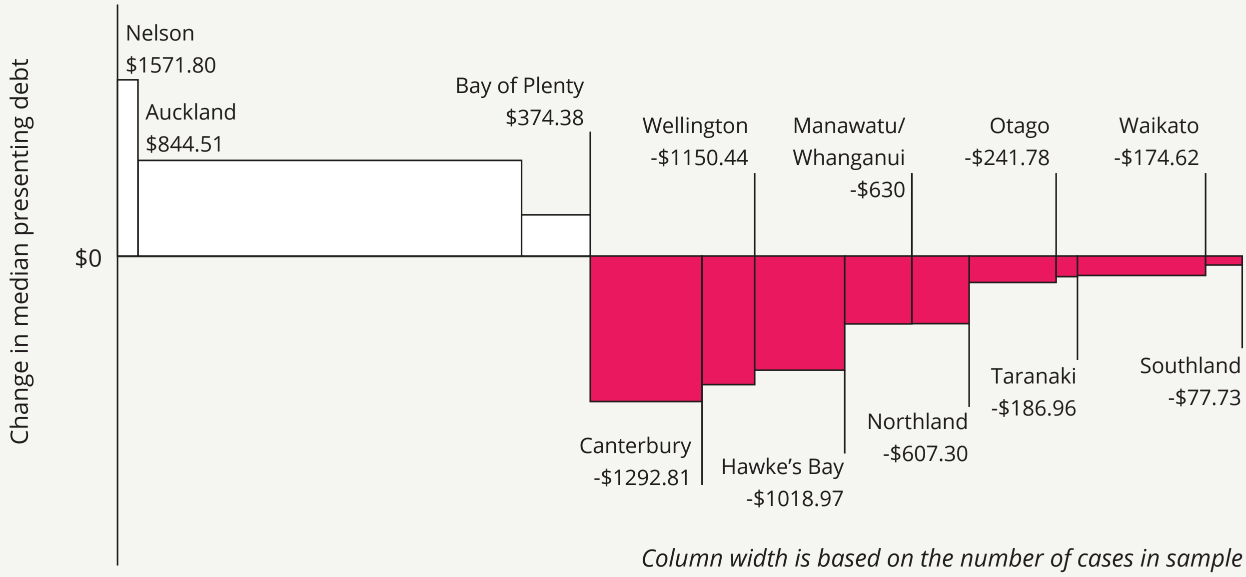
Weekly deficits in Wellington and Auckland increased the most in 2023



See Appendix A, section three, regions, debt for more information.

Whānau in the Auckland region also drove the trend of more debt. In 2023, the median debt for the region was higher than in 2022, despite the slight decrease in weekly expenditure on debt repayments. As previously mentioned, this combination of trends indicates that clients simply cannot afford to make debt repayments.

Change in median debt presenting between 2022 and 2023



Column width is based on the number of cases in sample

Data excludes home loans. See the table on page 44 of the appendices for data including home loans.

Two – Whānau presented with more debt in 2023

"It isn't a cost of living crisis, it is a drowning in debt crisis."

– Financial mentor in Wellington.

At a glance

- Debt did not impact everyone equally, some of the most indebted were Māori and Samoan clients, women, and young people
- Large whānau with children experienced more debt stress
- Whānau with vehicle lending were in more difficult financial positions
- More debt to banks and telecommunication companies presented
- Financial mentors assisted with even more debt to government

"It's a double whammy – 'cost of living' generally brings to mind all the increases like food, rent, energy etc and existing debt and additional debt to cover these costs is often buried. My point is that debt already being so prevalent in households means they have no show of weathering other crises. The crisis is therefore first and foremost one of unmanageable and irresponsible debt."

– Financial mentor in Wellington

Debt both compounds the challenges of increased cost-of-living and is a result of it. Where covering the essentials becomes difficult, it can readily result in the accumulation of debt. Debt can then quickly compound and create stressful spirals that cause significant harm. This is especially the case for debts that incur further charges beyond the direct value of the amount advanced.

"...we found that just doing a simple budget for clients just doesn't work any longer because in most of the cases they have multiple debts and high debt levels. Not only that, they have complex personal issues that FMs need to navigate to help them take control of their situation."

– Financial mentor in the wider Auckland area

Median presenting debt amount per case (including home loans)

2021	2022	2023	Change
$13,182.91	$13,666.35	$14,096.10	**+429.75**

At a national level, consumer arrears climbed to 12.01 percent at the end of 2023 according to Centrix data. The highest distress areas were in the central North Island and Northland (Centrix, 2024).

"Another thing we're seeing is revolving credit, or just general cards. People are using it for general shopping. This is going out and doing this supermarket shopping, we're seeing that as a bit of a trend, which is a bit of a warning sign."

– Financial mentor in Wellington

Debt did not impact everyone equally in 2023

Māori, Samoan, women, young people, and Aucklanders bearing the brunt of debt issues. It is worth repeating here, as discussed above, that the Auckland region drove much of the increase in weekly deficit in 2023, and the median debt amount too.

- **While the median amount of debt decreased significantly for Pākehā clients, it increased for Māori clients.** Further, Māori had a higher weekly expenditure on debt repayments than Pākehā. The median weekly expenditure on debt repayments for Māori clients was 14.7 percent of weekly income, compared to 13.1 percent for Pākehā clients. Both Māori and Pākehā clients had a decrease in the percentage of weekly expenditure going to debt repayments, however, Pākehā had a more significant decrease of 1.35 percent compared to 0.54 percent for Māori.
- **Samoan clients had particularly high levels of debt and weekly expenditure.** In 2023, Samoan clients had a significant increase in median expenditure as a percentage of income, at 115.3 percent. This was an increase of 5.4 percent since 2022. There was also an increase in the median amount of debt that Samoan clients held in 2023, and overall, there was also an increase in the number of Samoan clients working with financial mentors.
- **Women continue to have a higher median debt amount than men.** In 2023, the national increase in median expenses as a proportion of median income is with women, while the situation improved slightly for men. In Client Voices incomes are higher for women, which financial mentors report as being due to women being more likely to be the carers and therefore receiving income support.
- **26- to 35-year-olds had a much larger increase in weekly deficit than the national increase amount.** The 18 to 25 age group also showed signs of financial stress, with the lowest increase in income between 2022 and 2023 of all age groups. Centrix also reported that younger age groups were feeling more financial stress in 2023, with lower

savings being a factor (Centrix, 2024). Buy Now Pay Later loans were driving consumer demand in 2023, and it has been reported that these loan types are particularly impacting young people (Gilbert & Scott, 2023). Younger clients of financial mentors were experiencing substantial levels of financial stress in 2023.

"Financial mistakes made in early adulthood are difficult to undo and may impact financial stability and future opportunities, such as greater difficulty getting onto the property ladder."

(Gilbert & Scott, 2023)

Large whānau with children experienced increased debt stress

Sadly, many children in Aotearoa are currently living in poverty and in 2023 more whānau with children went without essentials (Stats NZ, 2024). We could see that large whānau with four or more children were especially strained. These whānau drove the rise in expenditure as a percentage of weekly income with a 3.2 percent increase from 2022. These whānau also had the highest median debt of all whānau sizes, and the highest weekly expenditure on debt repayments.

"...we're really finding that larger families on a single income just struggle to try and make ends meet and become more and more reliant on the food bank to provide them with food so that they can pay their bills and their debts."

– Financial mentor in the wider Auckland area

Overall, while whānau with children had higher incomes than those without children, they also had higher debt expenditure and median amount of debt. Child poverty is relevant to every issue discussed in this *Voices* report because the income, expenditure and debt challenges faced by whānau will impact children in the household.

"I have clients, they get a job and it's around $24 or $25 an hour, which for a large family just doesn't cut it.

And so, they have a lot of difficulty making ends meet and even though working for families tax credits are quite good, it's still not enough to compensate for those low wages."

– Financial mentor in wider Auckland area.

Financial mentors have reported that whānau with children often get into more debt to cover essentials required for the wellbeing of their children. Necessary school supplies such as uniforms, stationery and required computing equipment are often acquired through a loan with Work and Income.

Whānau with children had higher median debt than those without children

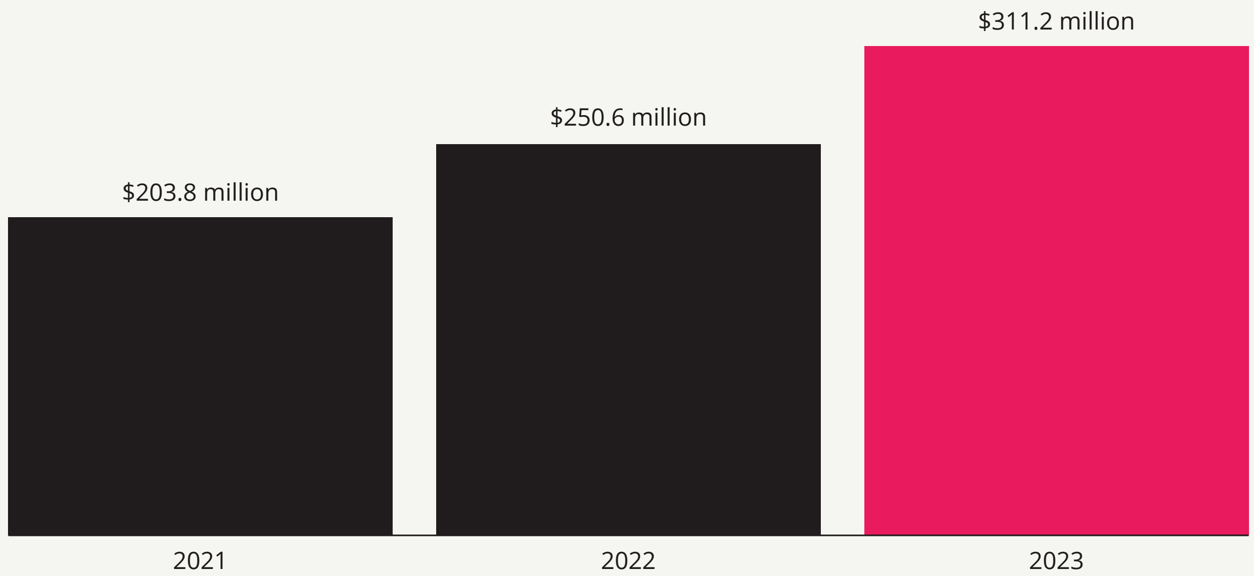
Number of children	2021	2022	2023	Change
No children	$10,988.43	$11,540.92	$11,744.69	**$203.77**
One child	$12,460.88	$13,289.42	$14,087.62	**$798.20**
Two children	$16,083.22	$15,345.70	$15,758.27	**$412.57**
Three children	$17,032.73	$15,841.17	$18,987.97	**$3,146.80**
Four + children	$17,934.64	$19,131.13	$19,203.68	**$72.55**

An accepted relationship has been identified between the experience of poverty in childhood and a stronger likelihood of mental health issues during their lifespan (Gibson, et al., 2017). Addressing financial hardship for families with children should be included in efforts to reduce mental health issues in Aotearoa.

More debt to banks and telecommunication companies presented

In 2023, there was an increase in the amount of debt owed to banks and telecommunication companies. For banks, there was a $100 million increase in debt owed.

Presenting debt owed to banks



Home loans

More people were presenting for assistance with bigger home loans in 2023, which drove up the median amount of debt held by whānau.[1] The percentage of clients with debt and with a home loan was 9.5 percent in 2023. This was an increase of 0.7 percent from 2022.

A higher percentage of cases had home loans in 2023

	2021	2022	2023
Percent of cases with a home loan	7.54%	8.83%	9.51%

The median amount of debt for a home loan also increased, as did the percentage of unique debts that were home loans. Overall whānau working with financial mentors were in a worse position due to cost-of-living and this is likely driving more presentations from people with larger and more complex debts, like home loans.

Increased interest rates have been creating mortgage payment pressure for many whānau. While there is not a high proportion of people seeing financial mentors with a home loan, those that did have home loans were struggling more. Financial mentors have told us that stress around meeting mortgage payments has been a key reason behind more whānau seeking assistance.

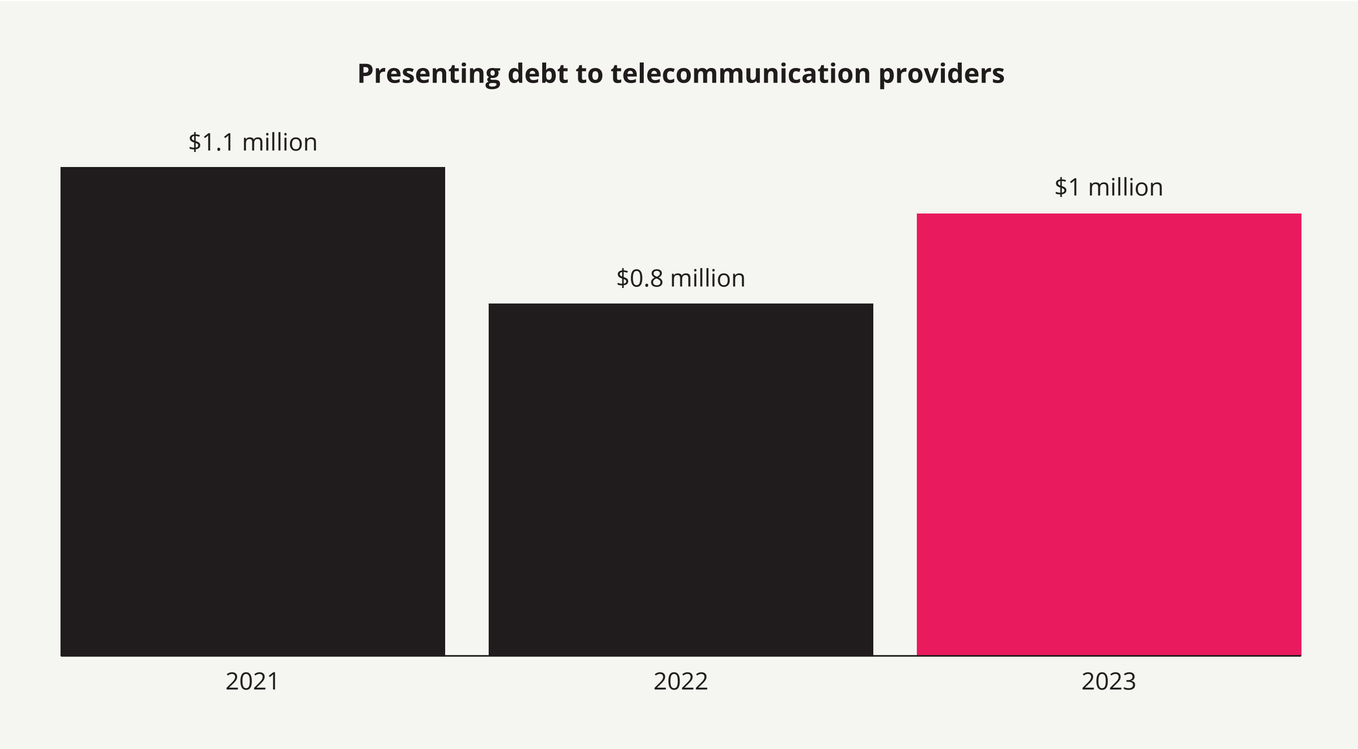
Although the number of people presenting with home loan debt is only slowly increasing over the years, the total amount of outstanding home loans to be paid has increased dramatically. The $100 million increase in debts to banks speaks to this.

Telecommunication debt

In Client Voices, **there was one million dollars' worth of telecommunications debt recorded,** which was a significant increase from 2022, though it remained slightly lower than in 2021. The increase in telecommunication debt signals that whānau have been struggling to cover essential bills. At a national level, this is backed up by recent Centrix data, which showed that telecommunication arrears have reached a four-year high (Centrix, 2024).

Additionally, a contributor to the increased telecommunication debt is the long-term payment plans that whānau are often being pressured into. Financial mentors have mentioned that, even when a whānau might inform the retailer they are on a specific budget, it is common for the retailer to attempt an upsell, focusing a buyer's attention on the greater functions of more expensive devices. While devices are required for access to many essential services, these long-term payment plans need to be fit for purpose and affordable.

[1] In 2023 FinCap refocused calculations to understand more about mortgage trends. Through this recalculation, we determined that between 2022 and 2023 there was an increase in the percentage of people presenting with home loans. More information can be found in Appendix A.



Where there are difficulties dealing with a telecommunication debt, or any debt, financial mentors help the client by negotiating with the creditor, either on their behalf with permission, or together with the client if they are comfortable with that. This can be a stressful and lengthy process for clients, even with the support of a financial mentor.

"[Some whānau are] ...hopping from one power company to another or hopping from one telco to another and leaving the debt behind...

...I recently had a client, who said;

'I just put my hands up and moved on, just left the debts. I don't even know how much they are, and I don't even know who all of the people that I owe money to are because I just keep moving address. I'm scared they'll catch up with me and I can't pay it because I don't have enough income to live on let alone pay debts.'"

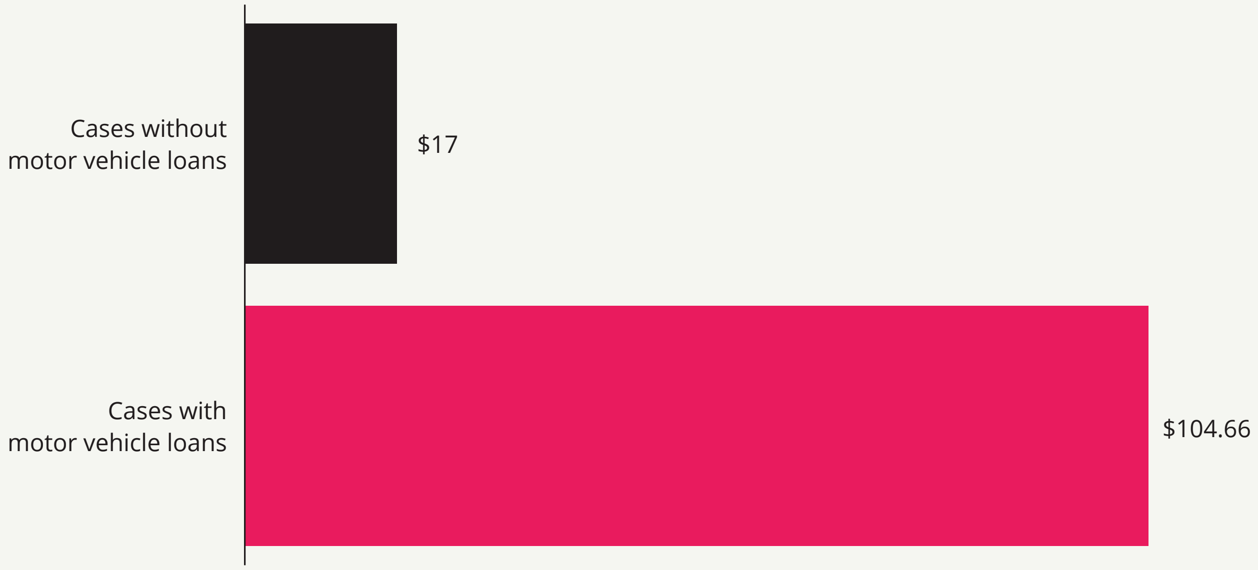
– Financial mentor in wider Auckland area

Whānau with vehicle lending were in more difficult financial positions

Whānau with vehicle lending were in more difficult financial positions than those without vehicle loans in 2023. Those with vehicle lending had a 12 percent deficit as a percentage of weekly income. This compares to a 2.6 percent deficit for those that did not have a vehicle loan. The median amount of debt owed for a car vehicle loan increased to $10,001.

There was $9.3 million more debt for motor vehicle loans in the system in 2023.

Those with a motor vehicle loan had a median shortfall of $104.66 each week



Three out of ten clients in the system had a vehicle loan in 2023. In many areas of Aotearoa, whānau need cars to get around. This is particularly true for those with children, and where public transport is not accessible or suitable. While vehicles are often essential, many whānau cannot afford to purchase them without getting into debt, and vehicle lending practices in Aotearoa have been causing an increasing level of harm to whānau.

> "And God knows if this poor kid whose dead car is still owed, you know, quite a substantial sum on, will ever get his money back from the dodgy car dealers…
>
> …And that's just because he needed a vehicle to go to work."
>
> – Financial mentor in the wider Auckland area.

Case study – financial mentor helps reunite mother and child through successful intervention in irresponsible car lending case.

A financial mentoring service has won a major success for a client who had bought a 'new' car which an independent probe found to be a write-off imported from overseas.

The successful intervention meant the client was able to be reunited with her child who was living with relatives due to the stress of the case.

The client, EK, had been referred to the Warkworth Wellsford Budget Service by the local foodbank as her budget had been impacted by a car loan. She was borrowing from Work and Income to pay for basics so she could use her benefit to pay back the loan.

The vehicle she purchased had broken down and needed significant repair. An independent investigation found the vehicle had been written off in Australia as flood damaged before being imported to New Zealand.

Financial mentor Liz Allen took on the case as she had had some success in a similar situation.

"My client was inexperienced in mechanical things and as English is her second language there was no effort made on the dealer's part to ensure she understood what she was purchasing. She thought she was buying a new vehicle," Liz says.

"As a result of all the stress, my client was unable to look after her infant daughter and she had to send her to relatives."

Loan 'unaffordable'

Liz says the loan was "always unaffordable" so she complained to the lender.

The complaint pointed out that the car dealership which acted as the lender's agent did not do a proper assessment of affordability, nor provided a translator or explained the contract to the client.

After some negotiation the lender agreed to uplift the vehicle from the repair shop and repaid the total of the loan paid less the cost of the repairs.

Liz says the reimbursement enabled her client to pay off other debts and she was able to bring her daughter back home.

She says beneficiaries are significantly impacted by third-tier lenders and the Credit Contracts and Consumer Finance Act 2003 (CCCFA) has given financial mentors the power to lay complaints that are resolved with good outcomes for clients.

Those without vehicle loans had lower incomes. This could be an indication that they had insufficient income to service a loan for a vehicle. Transport is an essential service and many whānau may be finding other means of obtaining transport or going without. Robust credit laws remain important as loans that are unaffordable from the start will make running a car for transport even more unrealistic. Wider work is needed to make sure whānau have sufficient income and access to transport for their wellbeing.

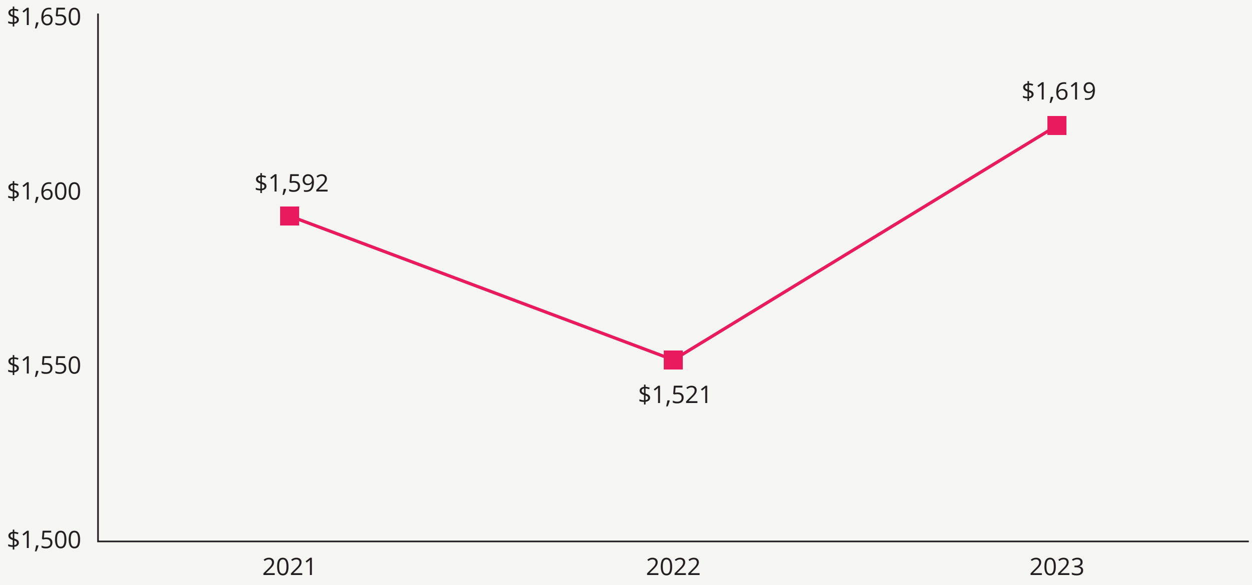
"... a significant number of the no interest loans that we give out are actually for cars for former refugee families."

– Financial mentor in Wellington

Financial mentors assisted with even more debt to government

In 2023, whānau owed a median of $1,619 debt to government departments, which is an increase from 2022. The percentage of unique debts that were owed to government departments also increased, to 27.5 percent.

Median presenting debt to government department or agency



Between 2022 and 2023 there was an increase from $61 million to just under $80 million in the total amount of debt to government. While we should keep in mind that there was an increase in clients, there was also an increase in the median debt to government departments or agencies, of $98.

I think one of the of the increases that I've noticed is the debt to WINZ

...one who had a [vehicle lender] loan was borrowing money from WINZ to pay the rent so she could pay the [vehicle lender]."

– Financial mentor in the wider Auckland area

Debt to government departments totalled just under $80 million in 2023.

Whānau being in the position where debt to Work and Income is being used to pay off a consumer debt highlights the gaps in consumer protection in Aotearoa. If clients are in this situation, then the original consumer debt was clearly unaffordable.

> "...the amount of debt clients have and if it is warranted is often the debate, what should and shouldn't be repayable."
>
> – Financial mentor in Auckland

There are many complexities and inconsistencies in the way government departments create and collect debt. This confusion slows down processes that should be simple, and increases the likelihood of unnecessary debt. The potential accrual of overpayment debt accompanies the complex application processes that whānau must navigate when interacting with Work and Income. This possibility adds stress and can prevent whānau from accessing all of their entitlements. Additionally, debt to government particularly impacts whānau with children (Social Wellbeing Agency, 2022).

> "WINZ don't make it easy for people who have English as a second language..
>
> ...I mean, I just cannot believe that they have made applying for benefits so damned hard that people just put their hands up and say "I can't do this". That's been a real eye opener for me. The difficulty and the complexity of trying to navigate your way through a form to get a benefit, that is basically not enough to live on... the Jobseeker for one client who lives in the country covers his rent and his food and that's it. Can't even afford to run a car to go look for work. It's just hopeless."
>
> – Financial mentor in the wider Auckland area

> "...when we go to Work and Income for a client for help, they will ask the standard questions and one of those is; 'have you gone to friends and family first?'
>
> Now I find that very interesting because when you then go to Work and Income and say, hey, this client is struggling, how about TAS, some temporary additional support? They will come back and say 'well based on the analysis that we've got in our formula, they don't actually get TAS because we don't recognise debt to family and friends."
>
> – Financial mentor in Waikato

There was also a $180 increase in the median debt owed to councils, and a significant increase in the total amount owed. Financial mentors have pointed to rates arrears as a potential contributor to this notable increase in arrears.

Three – Increased financial hardship is affecting mental health in Aotearoa

At a glance

Financial mentors regularly report that whānau are struggling with mental health

A brief review of relevant literature confirms that financial hardship affects mental health issues, and vice versa

When we raise the topic of mental health with financial mentors, they tell us that they see the mental health struggles of the people they are supporting every single day. Both physical and mental health issues can add immense strain and mean a whānau is more vulnerable to additional challenges that arise. Financial mentors report that whānau often delay treatments for health issues, both physical and mental, due to the cost. This leads to issues that in the long-term can have much greater consequences.

> "They'll take their kids to the doctor, but not themselves, and often they have underlying health issues that affect their ability to work..."
>
> – Financial mentor in the wider Auckland area

Mental health and money are inextricably linked, and awareness of their mutually compounding impact is growing (Elliott, 2016). Below is a literature review that explores the relationship between financial hardship and mental health.

The section below mentions depression, anxiety, and suicide. These may be confronting topics to readers, if you need support, please reach out to one of the mental health helplines, such as Lifeline on 0800 543 354 (0800 LIFELINE) or free text 4357 (HELP).

A review of literature and insights from financial mentors: How strong is the relationship between mental health and financial hardship issues?

"…we always have a box of tissues in the office… we are people's soft place to fall off and in a world that's very, very hard on them in that moment."

– Financial mentor in Waikato

Key questions

This brief literature review outlines findings on the relationship between mental health and financial hardship. The key questions for this literature review are:

- What is known about the relationship between mental health and financial hardship in research from Aotearoa and internationally?
- How does financial hardship affect mental health?
- What are the solutions?

Financial hardship and poverty definitions

Financial hardship is defined as being where one has difficulty paying their bills and repayments on loans or debts when they are due. Financial hardship is an insufficiency of income for current circumstances while poverty is not having the ability to cover basic needs (Ministry of Social Development, 2021).

Based on an amalgamation of definitions, and the realities for whānau that financial mentors see, FinCap describes financial wellbeing as:

The perception that someone's income can cover costs linked to:

a. social, moral, and cultural obligations and needs, and;

b. mental and physical health, and;

c. social connectedness;

for them and their whānau, now and in the future.

In order to begin on a journey towards financial wellbeing you need the basics, such as an adequate income to cover essentials and freedom from problem debt. We use financial wellbeing as an aspirational approach for the sector. We report on base indicators that we can clearly see in Client Voices data and which more accurately reflect financial hardship. Reporting on these base indicators is useful because they lay the foundations of financial wellbeing.

Mental health in Aotearoa

In Aotearoa, mental health issues have been described as creating a 'silent epidemic' (Kulshrestha & Shahid, 2022). Recent research found that 47 percent of the people in Aotearoa will experience mental distress or illness in their lifetime (Te Whatu ora, 2022). The rainbow community, Māori, young people aged 18 to 24 and people living with disabilities are more likely to experience mental distress or illness (2022). This section examines the relationship between financial hardship and poverty, and mental health.

"…I'm thinking about a couple of cases in particular where people have talked openly with their FM about how the financial stress was affecting their mental health to the point of considering suicide.

"These confessions usually come after working with a mentor and achieving some relief. I think it is an indication of the importance of whakawhānaungatanga (build report) and take a non-judgmental approach…because we don't know exactly what the client is dealing with. This is a huge weight on our FM's and shows the depth of the complexities that we deal with."

– Financial mentor in Gisborne

Introduction

Financial mentors regularly report that their clients are experiencing challenges to their mental health. This literature review examines findings from nine academic pieces about the relationship between mental health and financial wellbeing. All of the studies agreed that either financial hardship, poverty or debt issues contribute to or cause mental health problems. Almost all of the studies (eight out of nine) concluded that policy decisions addressing mental health need to include decisions that address financial hardship or socio-economic factors.

Income

Poverty can both create mental health issues and be a result of them (Elliott, 2016). One report from a survey in Aotearoa (Foulds, Wells, & Mulder, 2014) found that the level of psychological distress increased commensurately with lower living standards. They concluded that comprehensive measures of economic living standards give a more accurate estimate of disparity, than household income alone.

Based on what we hear from financial mentors, a low income alone is less likely to contribute to poor mental health if expenses are affordable. However, a higher income but with larger debt demands and essential expenses that mean you cannot afford to live easily, would be more likely to have adverse mental health impacts.

> “…on the mental health thing, I think a lot of KiwiSaver withdrawal requests are from people who are just panicking about their financial situation and think; ‘if I get the money out, it will just solve everything.’
>
> For most of my clients I’ve talked them out of the withdrawal application. After working with them on budgets, restructuring their debt repayments and so on, they’ve got control of their finances and don’t need to raid their retirement savings”
>
> – Financial mentor in the wider Auckland region

However, a lower income does greatly increase the likelihood that essential expenses will become less affordable. This was reflected in the report for lower-income families in Britain, who were much more likely to experience mental health problems than those in the highest income brackets (Elliott, 2016).

Further, another report addressed the impact that experiencing poverty as a child has on their mental health as an adult (Gibson, et al., 2017). As addressed earlier in this report, whānau with children experienced particular strain in 2023. An added concern is that an accepted relationship has been identified between the experience of poverty in childhood and a stronger likelihood of mental health issues during their lifespan.

Expenditure

Determining the presence of financial hardship is particularly evident through the expenditure of whānau, and whether they are in a deficit each week when trying to cover essentials and debt repayments. One of the studies identified cash flow problems as putting people at greater risk of mental health issues (Kiely, Leach, Olesen, & Butterworth, 2015). Furthermore, another study found the disparity between mental health issues for those at either end of the socio-economic spectrum is very large (Weziak-Bialowolska, et al., 2021).

Whether financial stress was immediate or ongoing was also found to have different impacts on mental health. One study looked at students and found a relationship between ongoing financial stress and mental health issues, while more immediate financial stress had less of an impact (Lange & Byrd, 2012). Additionally, another study addressed the connection between hardship and diagnosable depression and found that financial hardship was more strongly associated with depression than other socio-economic variables (Butterworth, Olesen, & Leach, 2012).

Debt

Financial mentors work with many whānau who have problem debt. Problem debt creates stress for whānau. The Department of the Prime Minister and Cabinet defined problem debt as “when servicing it [debt] becomes either unaffordable, or a heavy burden…Problem debt can have a significant impact on individuals and whānau in hardship, contributing to financial hardship, stress, poor physical and mental health, stigma, and social exclusion” (Department of the Prime Minister and Cabinet (DPMC), 2022).

> “The comments we receive when we tell a client that we will help them talk to work and income, creditors or anyone they have a debt with are telling. “You have taken so much stress off me” “This is a massive relief”. Stress levels are very high and clients often talk about how it is affecting them.”
>
> – Financial mentor in Auckland

One of the reports (Fitch, Hamilton, Bassett, & Davey, 2011) explored the effect of indebtedness on mental health. While it found that indebtedness did not necessarily cause mental health issues, the piece concluded that indebtedness may contribute to mental health problems.

Another study (L, Kahana, Gallo, Stansbury, & Thiekle, 2020) looked at indicators of financial hardship and whether they contributed to depression among older adults. It found that there was an association between indicators of financial hardship, in particular of medical debt, and depressive symptoms and anxiety for older adults.

Conclusion

Overall, studies agree that financial hardship and stress contribute to or cause mental health problems. The proposed solutions were strongly aligned and suggested that policies to address financial hardship would contribute to and are necessary for reducing mental health issues because the two are inextricably linked.

Four – Financial mentors provided crucial support through weather events

What we learnt from the cyclone and floods recovery:

- Telecommunication access and billing problems were a key issue, among many
- Timing is crucial for providing genuine support.
- Cash is important

In February 2023, Cyclone Gabrielle hit areas of Aotearoa causing mass damage and claiming 11 lives. The severe tropical cyclone had been preceded less than a month earlier by extreme flooding in Auckland during the Auckland anniversary weekend, which had taken four lives. Both events caused widespread loss and damage to housing and belongings for many whānau.

In March 2023, the government announced a one-off and time-limited funding boost of $3 million for providers to assist whānau in accessing MSD-funded Building Financial Capability services. The Minister for Social Development and Employment, Carmel Sepuloni, acknowledged that demand for financial capability services had grown as people faced cost-of-living pressures and further pressures in areas affected by flooding and Cyclone Gabrielle.

FinCap Chief Executive Ruth Smithers said at the time:

> "This is further evidence of the absolutely integral role played by financial mentors in Aotearoa, particularly as whānau face additional financial and emotional stress and hardship, due to the rising costs of living and the impacts of the recent flooding in Auckland and Cyclone Gabrielle. We are pleased to see the Government acknowledge the importance of the sector and we will continue making the case for ongoing sustainable funding for the vital work of financial mentors."
>
> – FinCap CE, Ruth Smithers.

Regional trends

The regions impacted most significantly by cyclone Gabrielle and the Auckland anniversary floods were Gisborne, Hawke's Bay, and Auckland. Northland, Waikato, and Manawatū-Whanganui regions were also impacted, but to a lesser degree, particularly in terms of re-homing whānau. However, they did experience large power outages which may have impacted electricity and telecommunication expenditure for the period.

Of the three most affected regions, there were no clear similarities in annual trends. However, as financial mentors have illustrated, every region had its own specific set of challenges and realities.

> “Gisborne is not only a rural region, but it’s also very isolated… we have to travel several hours through very difficult roads to other regions. Getting a job in neighbouring regions is not practical for most people living in Gisborne…
>
> Not only are we rurally isolated, but our costs are equally if not higher. Yet the accommodation supplement rate for those living in Gisborne (Area 4) is more than 60 percent lower than those living in Area 1 locations.[2] So, with lower incomes and higher prices, we are seeing the impact and that’s why we’re seeing more workers come in [for financial mentoring]”
>
> – Financial mentor in Gisborne

Gisborne faced long periods of isolation during the cyclone and its aftermath. In Client Voices, there was a reported decrease in fuel expenditure, as well as in electricity and debt repayments in Gisborne. However, there was a particularly large increase in electricity expenditure compared to the national median, with an increase of 1.2 percent. Expenditure on rent or board also increased by a particularly large amount with a 3.6 percent increase. But, while this was a significant increase it was still lower than expenditure on rent or board in 2021.

Hawke’s Bay had decreases in rent or board, fuel, and clothing expenditures. Meanwhile, expenditure on groceries, which aligned with the overall national trend, electricity and debt repayments increased.

Auckland had an increase in fuel expenditure, which trended against all other regions. As a region, Auckland also had a decrease in median expenditure on debt repayments and electricity. Meanwhile, the area had an increase in expenditure on groceries and a particularly large increase in rent or board. The Auckland region also drove the increase in median debt for 2023 and increased levels of financial stress were seen for the region.

[2] Area 1 and Area 4 are two of the area codes used by Work and Income to calculate the accommodation supplement for different locations. More information on the area codes can be found on the Work and Income website.

What we learnt from the cyclone recovery

Following the weather events in early 2023, FinCap held regular hui with financial mentors who were working in the affected areas. The purpose of the hui was to offer support where possible, as these financial mentors were working in the face of the disasters while also being personally impacted. From the hui, we were able to pass on the raised issues to decision-makers. We also provided the financial mentors with relevant updates and information.

From this series of hui, there were issue themes. The key issues that were reported to FinCap during this time were KiwiSaver withdrawals, the Temporary Accommodation Service through the Ministry for Business, Innovation and Employment (MBIE, 2023), insurance claims, tax relief, community support package funding, Work and Income assistance, tenancy rights, broadband connectivity, disaster relief funds, Civil Defence payments, consumer protection concerns, and cash access.

Telecommunication

During these events, FinCap raised issues that we heard about from financial mentors with telecommunications companies. We recommended that they offer blanket certainty that all the following would be delivered as a standard across the industry, especially during the major chaos caused by the weather events:

- Certainty through clear communication, that all charges will be waived or refunded for times where internet or phone services were offline without customers having to take action.
- A clear commitment to proactive outreach where there are signs whānau may be having difficulty paying with offers to pause collection.
- Commitment to no disconnections of services for non-payment during recovery efforts.
- Collection cycles and referrals to debt collectors are paused and fees for missed payments are automatically waived in areas where recovery is happening.
- No one be denied a request for a contract for internet connection due to credit history in
- impacted areas during recovery.
- All privacy waivers for support from financial mentors are recognised and immediately accepted in general.

The timing is important

Following the initial disaster response, there were issues with insurance claims, dealing with repayments that may have become unaffordable, and accessing financial support to replace essential items such as grants and the Civil Defence payments. Financial mentoring services were integral during the recovery, and their help was sought long after the initial impacts of the disasters were first felt. Financial mentors offer critical services for whānau once they are ready to address the financial challenges.

The importance of cash

Financial mentors reported severe challenges with accessing cash during and following Cyclone Gabrielle. With power outages across entire regions, cash was the only payment option for many essential services and items. However, cash was incredibly difficult to access. Many Automatic Teller Machines (ATMs) were not operating, bank branches were not open and, in some areas, bank branches are no longer available - even without an emergency.

Financial mentors also noted that Work and Income did not accept or provide cash during the emergency. Further, financial mentors raised that Work and Income payment cards for food were not operating during the direct aftermath of the cyclone. This made access to essentials incredibly difficult for those in the most drastically impacted areas.

"…the way we think about money has been adversely affected by electronic payments, especially pay wave. Money has become unseen, we wave our card or phone and it is done. Purchases are made with little or no notice of the price we are paying…

…I'm a big advocate of using cash – because using cash makes us think about our purchases and how much we are spending versus how much we have in our wallets."

– Financial mentor from Gisborne

Beyond emergency situations, financial mentors often promote the importance of cash access and circulation for building financial capability and to ensure that all have access to the monetary system, including those who cannot access a bank account (Stace & Sibanda, 2023).

"…cash is king love cash, cash, cash, cash!… …I always encourage my clients to use cash."

– Financial mentor in Waikato

Preparedness for future events

The affected regions are still in a long process of recovery. A key takeaway for the financial mentoring sector is preparedness for future events. Financial mentors who were walking alongside whānau while they grappled with the cyclone aftermath have raised the importance of and need for clear strategies to prevent barriers to accessing essentials during any future emergencies. Financial mentors are crucial to supporting communities through recovery from such events.

Five – Financial mentors met more demand with fewer workers in 2023

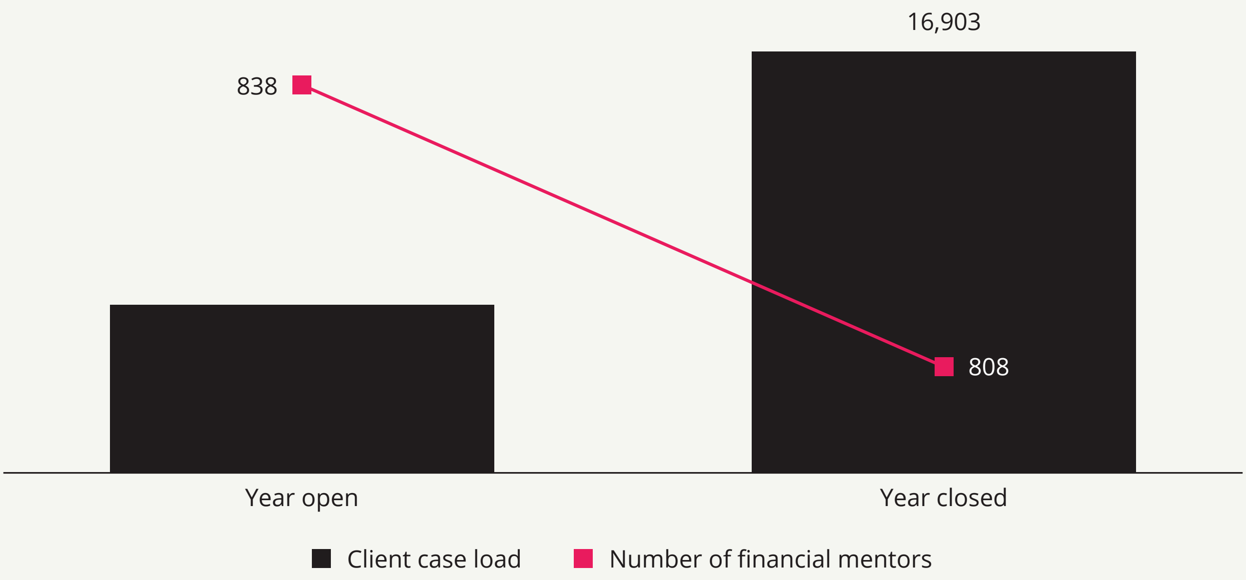
At a glance

Financial mentors supported more whānau, with fewer workers, in 2023 than in previous years

In each year reported on, financial mentors have helped whānau increase their income by around $200 in the time that they work together

Financial mentors supported more whānau, with less financial mentors in services, in 2023 than in previous years[3]. In 2023, there were 808 financial mentors, which was a drop of 31 since 2022.

Number of financial mentors and total caseload at year open and close in 2023



The client caseload increased from an estimated 49,568 in 2022 to 69,807 in 2023. This huge increase in clients for financial mentors has been paired with a decrease in the number of financial mentors and financial mentoring services altogether in the sector. This is causing strain and stress.

Number of financial mentoring services

2021	2022	2023
192	190	185

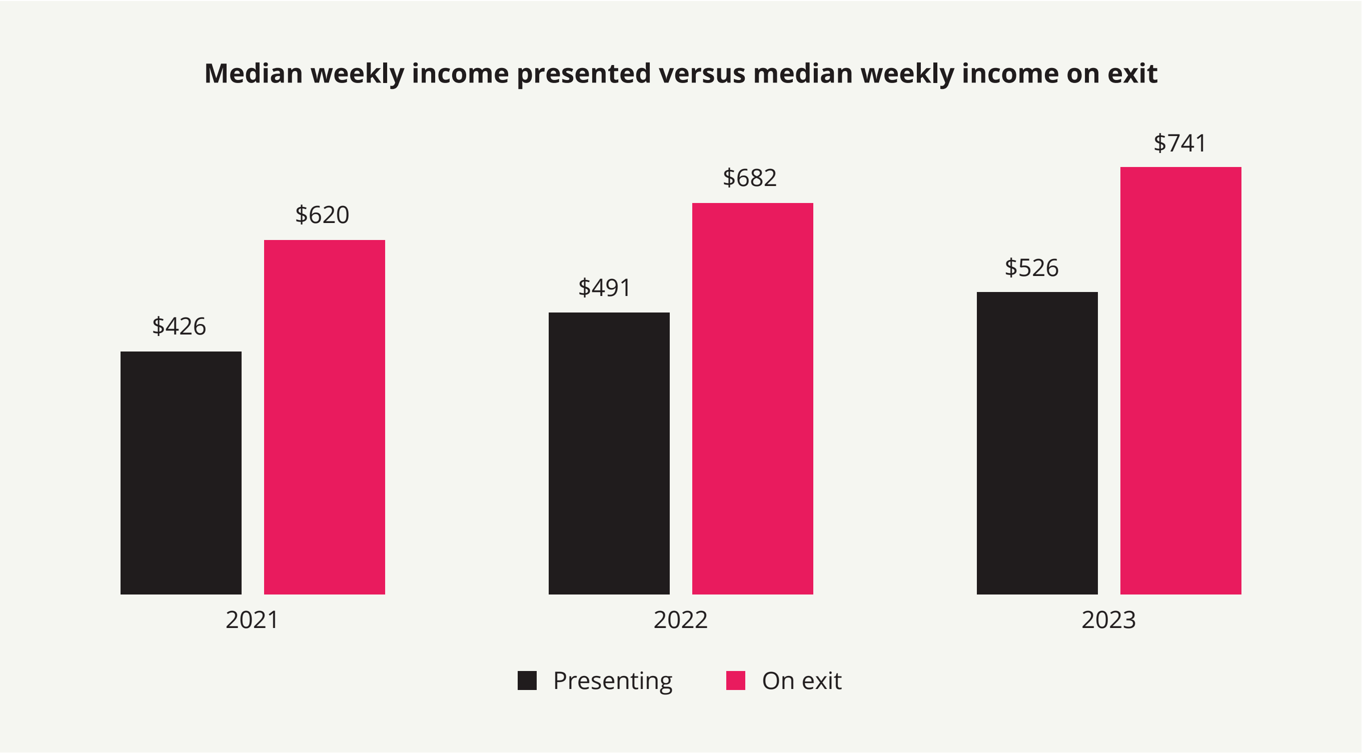
[3] Since the 2022 report, FinCap has completed a further stock take of the sector. Through this process, we have confirmed that the total number of financial mentors we recorded in 2022 was an underestimation. The accurate number of financial mentors in the sector in 2022 was 839.

Financial mentors help whānau to increase their income

"…it's through our intervention because with Work and Income and IRD, people don't know what they are entitled to."

– Financial mentor in Waikato

Financial mentors are driving the income increases more than any additional external factors. In each year reported on, financial mentors have helped whānau increase their income by around $200 in the time that they work together.



One way that financial mentors help whānau to increase their income is by providing clarity on what benefits they are entitled to. Financial mentors are experts at helping whānau identify what income entitlements are available but are not yet being accessed. There are many layers of complexity for whānau to navigate the available entitlements.

Case study

“One client who was really anxious, overly to the point of fearful, quite fearful about going to WINZ, to fess up about getting money that perhaps she wasn’t entitled to. Really, it was ‘Much Ado about Nothing,’ but she just needed that support and reassurance, and I went in with her and we laid it all out before WINZ. And they were a little surprised and it was, of course nothing really to worry about.

But after that reassurance for that person, I was suggesting they tried to get a part-time job to get some more income to get on their feet a little better.

Next time I called them, they’d got a full-time job, their confidence was back and they were not anxious anymore and they were getting on with their life. So a huge difference.

So mental stress is a change to can be very big factor in financial stress. The two do seem to go side by side.”

– Financial mentor in Wellington

Another way in which financial mentors help whānau to increase their income is through highlighting potential part-time work, if this is suitable for the whānau.

“...I’m showing them the budget; ‘You know, if you can just get part-time work for this amount of money a week that is going to make a hell of a difference to the way you live.’

But I think also it is the entitlements, understanding working for families, family tax credits, in work tax credits and the entitlements from WINZ and how WINZ can help...

One of the things that I had on my list was dentists. So many of my clients have teeth that are falling out teeth because they can’t afford to go to a dentist, and they don’t know that WINZ will give them $1000 towards dental care. Although, by the time they find out or are desperate, they need bridges and false teeth which WINZ won’t pay for although they’ll give you a loan for it. And that kind of thing makes it harder for them to get to work, because if you’re toothless, you don’t have the bright smile that a customer will want to see every day.”

– Financial mentor in the wider Auckland area.

Case study – A mother of four has finally been able to stock up her fridge after a financial mentor helped her wipe out her crippling debts

The Northland-based woman had two loans totalling several thousand dollars.

She was unable to properly feed her family whilst paying a considerable amount per week to the financial service.

Whangarei-based mentor Ngakiri Antonovich explained that she had two loans, but knew nothing about one of them. The original debt was used after the end of a difficult relationship that left her penniless, and she needed money to buy several items of furniture.

Ngakiri says the woman, who is disabled and receiving benefits, came to her in a desperate situation.

She was directed to Dunedin mentor Adrienne Gallie, who had experience dealing with such cases. The pair were able to persuade the lender to wipe off one debt. However, the lender was resistant to erasing the second one.

The case went to the Financial Dispute Resolution Scheme and from that the second debt was wiped.

"My client was so excited, as she now has money for food. She called me up to say that her fridge and freezer were now full.

"The amount she was repaying each week was a massive amount to her. She has also cleared many other debts and changed her spending habits," says Ngakiri.

Adrienne says her colleague sensed something was amiss when the woman first approached Fale Pasifika Te Tai Tokerau.

"The financial mentor's instincts that something was very wrong with the way the client had been loaned money over the years led her to reach out for support on what to do. Which led to direct negotiations with the lender and the balance of one of the two loans being written off.

"Further negotiations and the lodging of a complaint with the Financial Dispute Resolution Scheme led to an offer from the lender to write off the balance of the second loan," she says.

"Having the debt written off was the desired outcome for the client as repayments she had been dutifully paying were taking a large portion of her weekly income, keeping her poor."

Ngakiri wanted to share her story with other mentors to show that persistence and dedication can pay off.

"We are here to serve, I love what I do, and love that we have such skilled, talented, staunch, financial mentors in our organisation, FinCap."

Given their crucial role in our communities, are financial mentors properly resourced going into 2024?

"Our caseload is getting to saturation point. We've already hired two additional part-time financial mentors in the last year.

One is in training so not able to take a load, but even when they do take a full case load, we won't have enough to keep up on all our other demand for our service...

We don't know what the funding is going to be like, and there's going to be a lolly scramble to try to top up budgets and get enough money going into the new year. And we only have a limited window of time after April 17th [when funding decisions are expected] to do that. So that's a big, huge concern for us."

– Financial mentor in Wellington

Despite the critical work they do, financial mentors are facing more strain and less sector resourcing. Financial mentors have reported that they are concerned about the future of the sector because of sector funding reduction from 2024, on top of the sometimes-unmanageable demand.

"I guess my next biggest concern is really whether we're still going to be here for our clients...

...I think we might see some services fall over and disappear."

– Financial mentor in Waikato

Case complexity is continuing to increase. The whānau that financial mentors support are often dealing with multiple and complex challenges, and many financial mentors work alongside other support workers with their mutual client.

The work that financial mentors do is made more complex due to housing issues, overlapping and complex debts that require engagement with complaint processes, mental and physical health challenges, and behavioural challenges. Despite this complexity, financial mentors are able to support the whānau they work with to reach a place of financial wellbeing, by navigating the complex systems together, using a strengths-based approach.

> “We definitely have our share of beneficiaries, but we have more income earners and we’re seeing a massive increase in KiwiSaver [hardship] applications. People are seeing it as the only way to get help and as much as you explained to them, you know that’s for your retirement, yadda yadda yadda. Really at the end of the day, if they’re struggling now, what’s the point in waiting for 15 to 20 years for your KiwiSaver?
>
> So that’s really tough to have that conversation.”
>
> – Financial mentor in Waikato

Conclusion and recommendations

In conclusion, the key findings for 2023 were that:

- Increased incomes were cancelled out by the cost-of-living crisis
- Whānau presented with more debt in 2023
- Increased financial hardship is affecting mental health in Aotearoa
- Financial mentors provided crucial support through weather events
- Financial mentors met more demand with fewer workers in 2023.

FinCap will keep an eye on several key trends. Firstly, and most urgently, we will continue to campaign for increased funding and recognition of the financial mentoring sector. Communities will always need financial mentors, and without an increase in funding the services will face continued strain.

> "What would love to see is if we could have financial mentoring seen and acknowledged as the profession that it is, because just like everybody else has said, the change in cases over the last three years have just got more and more complex."
>
> – MoneyTalks helpline advisor

Secondly, we will keep an eye on vehicle lending. Over the years reported on, there have been continued increases in the presence of these loan types and the harm caused. We encourage the continued enforcement work around alleged irresponsible lending in Aotearoa and will continue to work with financial mentors to raise the issues that they see every day.

Thirdly, we will continue to keep an eye on the trends for whānau with children. The majority of clients seeing financial mentors have children. The whānau with children have experienced higher amounts of debt and expenditure on debt across all years reported on. If whānau have less problem debt, adequate income to cover essentials and, ultimately, can reach a place of financial wellbeing, then the children will also experience improved wellbeing. We will continue to share insights on the experiences of whānau with children in Aotearoa, to inform policy aimed at improving the wellbeing of children. All children need the opportunity to have a healthy and happy start to life.

The key recommendations from this *Voices* report are:

- Increase funding to the financial mentoring sector.
- Maintain the development of our safe lending laws.
- Continue enforcement work around alleged irresponsible car lending.
- Address financial hardship issues in all policies aimed at addressing mental health issues.
- Improve and increase access to good housing.
- Increase benefits and reduce debt owed to government departments.

- Reform to ensure fair debt collection.
- Reduce telecommunication debt.
- Implement policies for economic harm to support the improvement of women's financial wellbeing.

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Got it together

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