

# Redesign budgeting services: Co-design phase

## Information – Insights and current experiences of clients and budgeting advisors

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## Background

The following insights and current experiences have been developed through interviews and workshops with over 100 clients, budget advisors, providers and people working in the wider sector. Over the past three months, we have tested these out and refined them based on the advice and feedback and these have informed the work so far.

The information in this document is still being refined and these are not the final versions.

# The Insights

The following insights are about the experiences of clients in the current budgeting services system.

The insights were gained from the 32 interviews with clients across New Zealand in October 2015.

These have been clustered under:

- clients
- budget advisors
- Work & Income and service providers

# What we learned - Clients

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1

Budgeting services clients often have **complex lives** with a range of family, cultural health and financial needs and issues. Many clients feel they're in a **vicious and entrenched cycle** which is very hard to get out of.

2

Many clients have **entrenched behaviours, cultural obligations and patterns of living** where debt and expenditure are the norm. **Poor financial literacy is normalised** and often inter-generational which makes change hard. People can **make progress then fall backwards** numerous times.

3

Clients, who can be under severe stress from their financial issues, often **feel powerless, depressed and out of control**. They often lack the understanding or the capability to make good decisions for themselves and their families.

4

A key motivation for Budgeting services clients is to **move forward from life being a constant struggle and surviving day-to-day** to being **financially independent** providers for their families, with pride in their achievements.

5

Budgeting services clients are frustrated, stressed and feel they **bear the brunt of the disconnects and inconsistent approaches** between Work and Income, Budgeting Services providers, banks and other government agencies.

6

**Having a budget is not a silver bullet:** even a great budget can't make up for not having enough money to cover costs. **A range of services and approaches are needed** to help people move forward to become financially independent.

7

**Getting access to the right tools and culturally appropriate support** and knowledge at the right time (including the right advisor or facilitator) can play a **huge role in assisting clients progress** on the right path – and sustain this progress.

8

**Learning to manage finances, set goals and seeing positive results,** coupled with self-realisation and a mindset shift, are key components. Ongoing support and coaching empowers clients for the long term.

# What we learned - Budget Advisors

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1

A key motivation for budget advisors is to be able to **make a positive difference** for their clients, families and communities and the **pride and satisfaction** that brings.

2

Budget advisors are aware of and **empathetic to the complex needs and circumstances of clients** including the range of non-financial issues and factors that impact them.

3

Budget advisors are **struggling to meet client needs within their designated funding and remit**. Many are supplementing their services and support with their personal resources, knowledge and experience.

4

Budget Advisors can 'see' their clients succeeding but don't feel they have consistent, meaningful and effective ways of **measuring this success**.

5

There is **inconsistent training, funding and development** for Budget Advisors to have the right mix of skills, and to broker the range of needs their clients require.

6

Budget Advisors are **frustrated with a lack of consistent and clear processes** and communication with Work and Income.

# What we learned - Work and Income and Service Providers

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1

We learned there's **a lot of different ways to build financial capability**, however MSD seems to be only funding one of these – budgeting services.

2

Finances are not an isolated issue – peoples issues/problems are more complex. We **need wrap around services** to address these complex issues.

3

**The system lacks flexibility** – it ignores the complexity and diversity of people's situation and is not responsive. This can lead to perverse outcomes (e.g., having to see a budget advisor because you are poor

4

We spoke to Budget Services that deliver services and support their clients' need regardless of their level of funding. **'Budgeting' does not accurately reflect what they do.**

5

Service Providers and W&I see **huge benefits** and increased levels of engagement by clients when there is **a strong, two-way relationship** between the case manager and the budget advisor.

6

There is a level of **frustration from both W&I staff and budget advisors that W&I clients aren't held to account** if they don't take steps to manage their budget. It is seen as a 'tick box' exercise.

7

Currently there is a lot of **disconnection in the system**. There is a mismatch between policy and expectations.

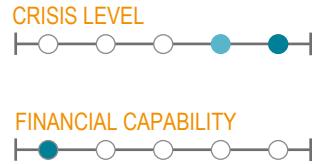
# Current experiences

These are fictional representations of the client experiences gained from the interview process and refined through eight budgeting and system expert workshops in January and February 2016.

Knowing the client better helps us design for their different needs and what types of approaches best suit them.

The clients' experiences fit under four quadrants or groups of clients using budgeting services. The quadrants are now being refined after feedback from the workshops e.g. the language, layout, complexity of needs are, and what is missing. This information will be distributed at a later date.

# Tina is desperate



I only cater for my children. We all wish we could live spontaneously but you know...

## TINA'S BACK STORY

Tina, who is in her mid thirties, lives in Auckland and is a sole parent (her husband is in prison) bringing up three children (aged 16, 8 and 4). Her eight-year-old has a learning disability. Tina and her family rely on benefits as she struggles with a mental health issue which means she hasn't been able to hold down a job for several years. Her moods can fluctuate, especially when she is under a lot of stress. Tina is currently feeling very down about her situation.

Tina has been forced to move house numerous times and is currently on the waiting list for social housing. She doesn't have much family to call on for help, however a cousin is letting Tina and her children stay in their garage until a house comes through. Over the past few years Tina has accumulated a range of debt, which includes owing \$15,000 to Work and Income due to benefit overpayments and has a debt with her GP. Anxiety about this accumulating more debt puts Tina off seeing her GP as regularly as she should however she knows she needs to go to keep up with her medication.

Tina can't afford a car so she and the kids walk everywhere. With money being so tight Tina doesn't have the internet at home and she has an old basic cellphone which she only uses for emergencies. Tina is feeling pretty stressed as she has run out of food for her children and it's still three days until her next benefit payment...

## CURRENT EXPERIENCE

Tina has spent her last few dollars on some medicine which she needed urgently. Tina has no money left in her account and it's still three days until her benefit comes through

Tina rushes down to her local Work and Income office late in the day. Her case manager agrees to an urgent hardship payment however this can't be paid into Tina's account until the morning

Tina's case manager says as Tina has had several hardship grants she now needs to go to budgeting services and get a documented budget. The case manager is aware that Tina has no money left to buy food so suggests Tina goes to the local Salvation Army food bank to tide her family over

As Tina is in urgent need for food for her family she walks to the food bank to get some food for the family. At the food bank they make Tina an appointment to see a budget advisor first thing in the morning

Tina goes first thing in the morning to her budgeting appointment. She and the budgeter work through a plan and Tina takes the budget away to show her case manager

She is frustrated when she gets there as her case manager barely looks at the budget sheet she has with her. She is relieved though to know her payment has gone into her account

"it was 3 days before pay day. I thought 'lucky the budget advisor is really good, cause most budget people will say see you next week even though you need food today."

"They expect you to hold this budget sheet and all they do is glance at it...but every time I come in they say 'have you got your budget sheet?'"

After a very long, hard day Tina is happy to get home with the kids. She is gutted to find a letter waiting for her from a loan company demanding immediate payment as she's fallen behind with repayments

"I must admit I'm very slow to try and do things for myself, when you've got someone else you can depend on to do it you tend to feel safer"

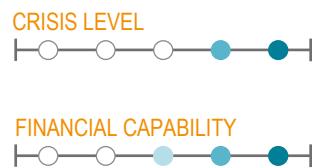
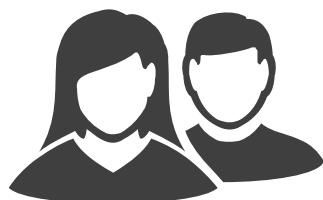
Tina was looking forward to her benefit being paid so she can see how much money she can put to paying off some of her debt. The amount in her account is less than she was expecting as Tina forgot she is paying off some W&I overpayments

It's Tina's son's birthday on the weekend. While things are very tough financially Tina doesn't want her children missing out. She makes a call to the shopping truck that's often in her neighbourhood to buy her son a few gifts

"I've never saved because there's nothing to save..."

With everything going on Tina is feeling stressed out, fed up and her health starts to suffer again....

# Donna & Rawiri have urgent needs



## DONNA & RAWIRI'S BACK STORY

Donna and Rawiri are in their late 50s and have lived in Whanganui all their lives. They love the lifestyle and community feel. Their children have all left home and have moved away from the area. Rawiri, who has worked for many years for a local trucking firm, is the family's main income earner. Donna currently works part-time as an office manager.

Rawiri's passion is doing up cars, and he has done one up every year since Donna first met him. This passion has come at a cost though, as over the years he's taken out a range of loans for his purchases. He currently owes over \$50,000. Donna and Rawiri have just received devastating news. The trucking firm Rawiri works for has gone into receivership and Rawiri has been laid off. There was no warning at all this was on the horizon.

This has placed a lot of strain on Rawiri and Donna's relationship. Donna feels that Rawiri is in denial about what's going on, and the impact on their financial situation. Rawiri is spending all his time in their garage working on his cars and doesn't seem to have the energy to starting looking for another job. Donna is very concerned about the state of their finances. They are still paying off their mortgage and they are now behind on all the car repayments. They've also had to stop their KiwiSaver contributions. Donna is feeling very stressed and the couple seems to be fighting all the time.

Donna is at her wit's end.....

I didn't know how to sort things out and when we came in the budgeter sat us down, my wife was in tears, they sat us down and made us a cup of tea and said it would be alright, we'll sort you out.

## CURRENT EXPERIENCE

After recent events in Donna and Rawiri's lives, including Rawiri being made redundant unexpectedly, it's the last straw when a notice from the bank arrives advising the couple they've defaulted on their mortgage

Rawiri, who's passion is doing up old cars, is in denial about their financial situation so heads down to the local car auction to buy another car to do up – Rawiri's rationale is he has time on his hands so he might as well be doing something

Donna doesn't know what to do, she's stressed out dealing with all the financial issues by herself and is frustrated that Rawiri is burying his head in the sand. Donna confides in a friend who tells Donna about Budgeting Services and says they might be able to help her

The first budgeter Donna speaks to feels they're not best placed to help, however they refer her to another budgeter who specialises in mortgages issues. On the phone the budgeter encourages Donna to bring Rawiri with her to their first session

"I was a little bit embarrassed when I came in. I didn't want to come in and let them know I was having a few problems, especially at my age. I was a little bit embarrassed about saying I was in trouble"

At the first visit Donna breaks down in tears as she talks about what's going on for her and Rawiri. The Budget Advisor takes the time to explain the process in detail to Donna and Rawiri. This session was pretty hard for Rawiri as well, especially seeing his wife in tears

"When we first came in I had all my bills all screwed up as I wasn't able to pay the bills. I didn't know how to sort things out and when we came in the budgeter sat us down, my wife was in tears, they sat us down and made us a cup of tea and said it would be alright"

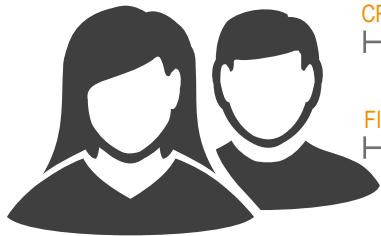
A few days later Rawiri and Donna return to their budget advisor for their next session. Their advisor has sorted out their immediate crisis by calling the bank and the debt collectors on their behalf (with their permission). Both Donna and Rawiri feel they have some breathing space

"Well we had a lot of debt and I think if we hadn't come here we would have been in the poo in a big way"

Rawiri and Donna feel like they've been given a life line. After a few months they've even been able to start a savings plan – they feel there's light at the end of the tunnel

"We're not leaving these people at all. I would rather spend time at the Budgeting Services until we're millionaires"

# Tae & Pat are at risk



## TAE AND PAT'S BACK STORY

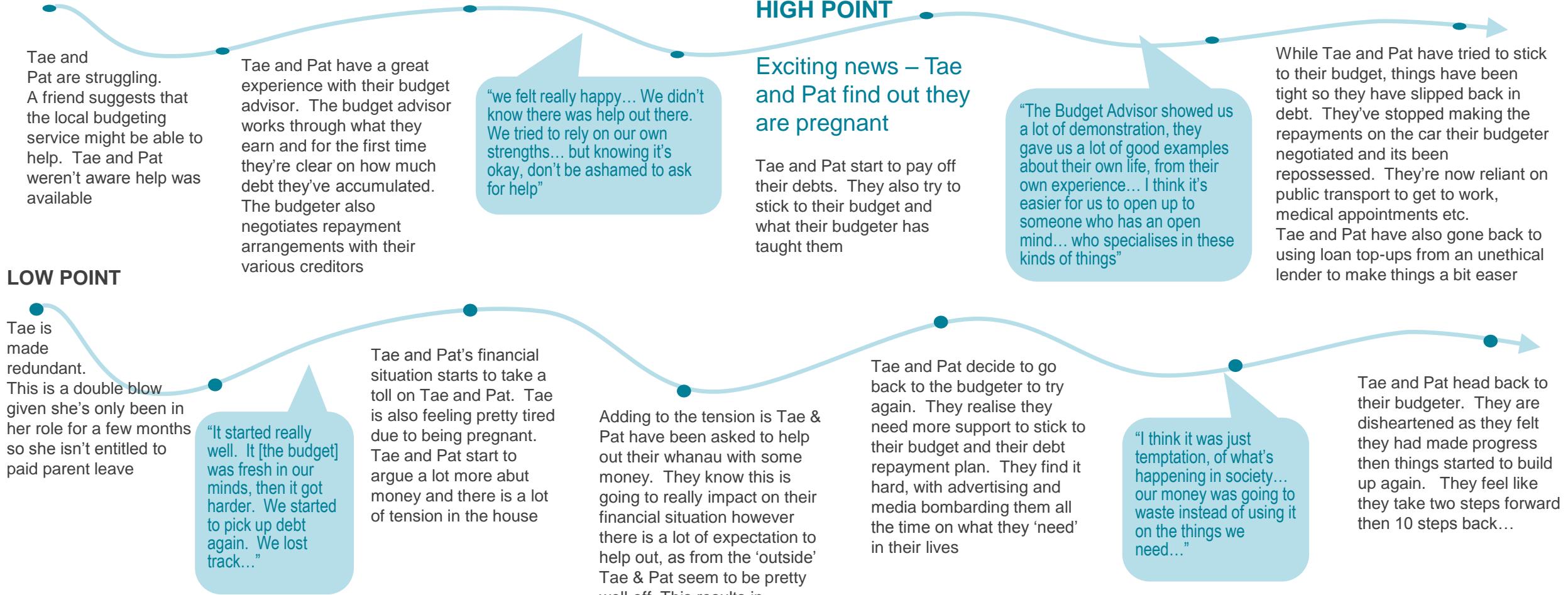
Tae and Pat are a young Pacific couple who have been together for several years. Tae was born in New Zealand and Pat has recently moved to Auckland from the Islands to be with Tae and to get a job. Tae has worked for several years, and recently take on a new role which she's excited about. Pat has also picked up seasonal work and is on a work permit. Their incomes are pretty low, and both would love to further their careers – Tae's dream is to become a social worker and Pat would love to be a teacher.

Pat has found things pretty hard in New Zealand. Coming from the Islands, where you could live off the land and where there was a lot of support, money was never as issue and Pat hasn't had to budget much before. From Tae and Pat's perspective, most couples they know seem to have a lot of things and Tae and Pat want to fit in. They have taken out high interest loans to buy a flash car and other items for setting up their home together. A challenge for the couple has also been meeting the financial expectations of their wider whanau –they don't want to let the family down, so they have needed to borrow money to help them.

Things were going along ok when Tae and Pat found out they were pregnant. While this wasn't planned they are both very excited about having a baby. However, after getting this news, Tae is made redundant from her new job. This comes as a huge shock, and given Tae has just started working in this role she isn't eligible for paid parental leave. Surviving on one low income is going to be hard. Things are pretty tough for Tae and Pat right now.....

It started really well. It [the budget] was fresh in our minds, then it got harder. We started to pick up debt again. We lost track...

### CURRENT EXPERIENCE



# Tipene is surviving right now



## TIPENE'S BACK STORY

Tipene has had a very tough year. His wife of 20 years passed away recently after a two-year battle with cancer and his children are struggling to come to terms with this. Tipene, who is 40, has four children aged 14, 13, 10 and 3 and they live in Invercargill. Until his wife got sick Tipene worked at the local freezing works and he earned pretty well, however he never focused on saving. His wife always managed their finances.

Last year was a bumper year at the freezing works and Tipene worked a lot of overtime. Tipene wasn't aware though that his temporary increase in income would affect his Working for Families payments and he was building up a big tax debt. With one thing and another Tipene also accumulated other debts without really realising it.

Tipene is very proud of owning his own home. He was able to manage the mortgage payments quite easily when he was earning, however it's proving a real struggle now he's on a benefit. Tipene is also worried that the house needs quite a bit of work done to it, getting the house insulated is a priority as his youngest child suffers from asthma.

Tipene's goal is to return to work, however the time has to be right for the family.....

I don't have any habits. I don't drink, I don't smoke, anything. That's how you have to be if you want to make it in a world like this today

## CURRENT EXPERIENCE

Tipene is trying to get back on his feet after the death of his wife who he cared for over the past two years. Tipene had to give up work to care for his family and he's on a Work and Income sole parent support - things are tough. Tipene has also just received a bill for \$15k for his wife's funeral expenses

Tipene talks to Work and Income who provide a funeral grant of a few thousand dollars and also refer Tipene to Budgeting Services

"Oh god, since my wife passed away my whole life has changed because my wife did all the financial stuff for me. It never concerned me really..."

Tipene attends his first session at a marae-based budgeting service. He's relieved to work with the budgeter to come up with a budget and he also finds it useful when they give him some additional information about financial literacy. It's all the extra costs that come up with the tamariki that Tipene finds hard to budget for

"It's not easy being a parent on your own... You're expected to have school uniforms, pay school fees... they need a uniform and if they rip it you still have to get another one. There is no room for my tamariki to be tamariki. There is no room for error"

Tipene feels that he has a good budgeting plan and while things will be tight Tipene thinks he can manage. Tipene feels in an ok space until he receives a letter from Inland Revenue saying that he owes money for a Working for Families overpayment from the last financial year (when he did some extra hours at the freezing works). He now owes Inland Revenue \$3k which he hadn't factored into his budget

Tipene heads back to his budgeter to get more advice and support. His budgeter helps develop a plan so Tipene can keep paying the mortgage and negotiates a repayment plan with IRD on Tipene's behalf. Tipene is very conscious that it's going to be real struggle to keep to the budget, and that's with no extras....

"I don't have any habits. I don't drink, I don't smoke, anything. That's how you have to be if you want to make it in a world like this today"

Tipene's Budget Advisor also tells him about a financial education course that his local marae runs. Tipene signs up as he is very keen to do whatever he can to get his whanau into a better financial position. Tipene is still just meeting his whanau's day-to-day living costs, he's not able to save which stresses him

Tipene really appreciates the help he has got from the marae, so he often does odd jobs around the marae as a way of saying thank you. A real bonus from the course he's completed is learning more about gardening and kete kai which is helping Tipene feed his whanau

Tipene has found the course invaluable and he often talks to other people he knows who are in difficult financial situations about the value of the course and working with a budgeter

Tipene has built a strong rapport with his budgeter who he keeps in regular contact with. For Tipene this relationship is a life line for him, helping him and his whanau keep on track....

**Questions or feedback?**

**email [budgeting\\_services@msd.govt.nz](mailto:budgeting_services@msd.govt.nz)**