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A study on perception of individuals towards retirement planning

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Abstract

This descriptive research was intended to understand the perception of individuals towards retirement planning. A total of 1144 respondents of different age and occupation group participated in the survey. The results of the study have managerial implication to understand the behaviour of individuals. The results identified the several significant variables in the prediction of retirement planning.

Keywords: Retirement planning, perception towards retirement planning, chi square test

1. Introduction

A retirement becomes a comprehensive component of the normative life cycle stage, accepting the factors influencing retirement preparation activities. Most importantly family income and retirement planning is closely related. The early an individual starts investing for retirement planning the more he or she gets the benefits in later age of their life Turner *et al.*, (1994) [1]. The individuals' retirement planning tends to be higher than others if the level of household income is accompanied with better health Kim, Kwon and Anderson (2005) [2]. Individual neglects the retirement planning because they have certain level of difficulty in adjusting to retirement. The demographic, organizational place and Health predicts a better retirement planning Wong and Earl (2009) [3]. The retirement planners accumulate large wealth than non-planners through saving, investment, and probability of selling house to finance retirement and others Lusardi and Mitchell (2007) [4]. The question of consistent income plays an important variable considering retirement planning. The behavioural intention, i.e., marital status, age and income level affects investment pattern of individuals. Investment experience is yet another factor which has significant affect on retirement planning intention. According to the life-cycle model, mortality risk influence both retirement and the desire to higher wealth. Individuals with very low subjective probabilities of survival retire claims social security very early while having high serving probability people delays to claim social security, though the effects are not large Hurd, Smith, and Zissimopoulos (2004) [5]. This paper examines the response of individuals for perception towards retirement planning. Elder and Rudolph (1999) [6] stated that planning activities are responsible for satisfaction even for those who goes for retirement decisions involuntarily (either because of health problems or forced employer mandate). Marriage, health, education level, whether the individual was forced to retire, and pre-retirement profession as well as the retirement planning have bearing on the level of the retirement satisfaction. Esther, *et al.* (2002) investigated in their study 'Participation and Investment Decisions in a retirement Plan: the Influence of Colleagues' Choices' play an important role in retirement savings decisions.

2. Problem Statement

Generally the young working generation today think that it is too early to think for retirement planning. They think that they are too young for retirement planning. For so many individuals retirement word is negative, only few look retirement with positivity and enthusiasm. An individual feels low self-esteem due to their lower standard of living as they used to enjoy on their working time. Some also experience loss of self-esteem due to lower status in which they find themselves on retirement from a highly exalted position they had occupied as public servants.

Therefore there is a need to assess the perception of individuals towards retirement planning.

3. Empirical Analysis

A well-structured questionnaire was prepared to assess the perception of the individual towards retirement planning. The total respondents were 1144. For the validity of the questionnaire Cronbach Alpha, KMO measures of adequacy were conducted. The value of Cronbach Alpha came as

0.875. The KMO value 0.726. Both the values are positive and accepted for further analysis of the study.

4. Data Analysis and Interpretation

The questions were related to know the perception about retirement planning not related to retirement investment plans. The following questions were asked to analyze the perception of

4.1.1 In How Many Years Do You Want To Retire?

Table 3.1: Expected Number of Years Individual Investors want to get retired

Age Group	Years To Retire					Total Respondents
	5-10 Years	10-15 Years	15-20 Years	20-25 Years	25+ Years	
18-25 Age	0	0	22	22	55	99
26-35 Age	0	77	66	176	495	814
36-45 Age	0	0	44	88	33	165
46-55 Age	0	33	11	0	0	44
55 and Above	0	22	0	0	0	22
Total		132	143	286	583	1144

Table 3-1 shows that majority of the respondents of different age groups want to get retire in next 20 years and more.

4.2 Are You Investing / Saving Towards Your Retirement Goals?

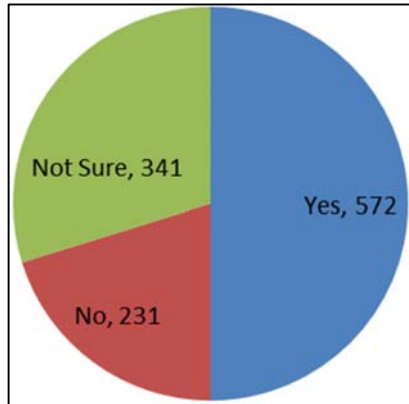


Chart 3.1: Are You Investing Towards Retirement

The above chart 3-1 shows that majority of the individuals are investing towards their retirement planning and rest are not investing or they are not sure about their investments.

4.2.1 I Am Not Investing Towards My Retirement Goals Because.

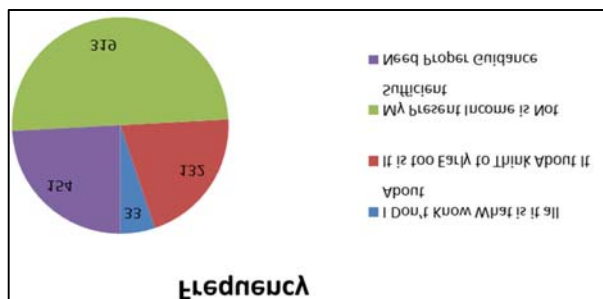


Chart 3.2: Am Not Investing Towards My Retirement Goals Because

There were 638 respondents who were either not sure or not investing towards their retirement objectives. Out of which 33 respondents did not know what it is all about. 132 respondents were of the view that it is too early to think about it. 319 were of the view that my present income is not sufficient and rest 154 respondents were needed proper guidance to think before investing.

4.3 What is The Most Prominent Source of Your Financial/Retirement Advice?

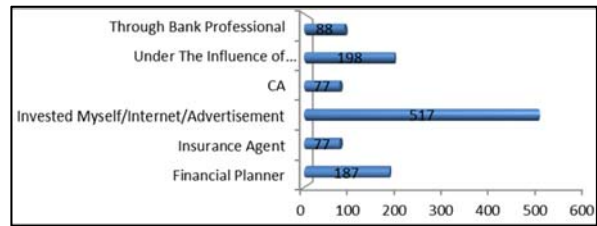


Chart 3.3: The Source of Information Investors Seek for Retirement/Investment Planning

The source of information is a key for any financial decisions. The chart shows that respondents prominently rely on their own belief to decide upon the investment decisions.

4.3.1 What Percentage (%) of Your Income Do You Actually Save for Your Retirement Planning?

Table 3-5 What Percentage (%) of Your Income Do You Actually Save for Your Retirement Planning

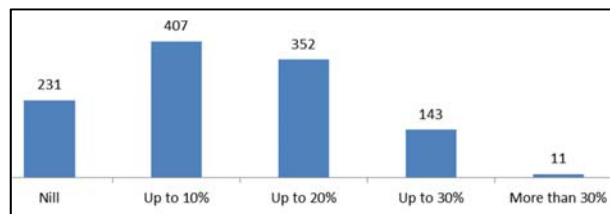


Chart 3.4: The Level of investment towards Retirement/Investment

The level of investment towards the retirement planning shows the determination and discipline of the investors. The persistent investment will ultimately lead to the fulfilment of the retirement objectives. Majority of the respondents are investing their 10 to 20 percent of their income towards their retirement objectives.

5. Results of Hypothesis

H₀: There is no significant impact of source of financial advice on investment towards retirement goals.

H₁: There is significant impact of source of financial advice on investment towards retirement goals.

Table 3.6: Cross tabulation Source of Financial Advice and Saving towards Retirement goals

Most Prominent Source of Financial Advice	Are You Investing Towards Retirement Goals			Total
	Yes	No	Not Sure	
I Don't Think I need I Need It	44	33	33	110
Financial Planner	99	55	33	187
Insurance Agent	44	0	33	77
Invested Myself/Internet/Advertisement	231	110	66	407
CA	66	0	11	77
Under The Influence of Colleague/Peers/Family Members	44	22	132	198
Through Bank Professional	44	11	33	88
	572	231	341	1144

Table 3.7: Chi-Square test was applied to check the hypothesis

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.586E2 ^a	12	.000
Likelihood Ratio	277.491	12	.000
Linear-by-Linear Association	24.715	1	.000
N of Valid Cases	1144		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.55.

The value of significance found 0.00 which is less than alpha value 0.05. The null hypothesis got rejected thus we can say that there is impact of source of information on investment towards retirement goals.

H₀: There is no significant impact of years left to retirement on investment towards retirement goals.

H₁: There is significant impact of years left to retirement on investment towards retirement goals.

Table 3.8: Cross tabulation Years left to Retirement and Saving towards Retirement goals

Years left To Retirement	Are you Investing Towards Retirement objectives			Total
	Yes	No	Not Sure	
10-15 Years	88	22	22	132
15-20 Years	55	22	66	143
20-25 Years	132	88	66	286
25 Years and more	297	99	187	583
Total	572	231	341	1144

Table 3.9: Chi-Square Test was applied to test the hypothesis

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	59.181 ^a	6	.000
Likelihood Ratio	56.949	6	.000
Linear-by-Linear Association	2.329	1	.127
N of Valid Cases	1144		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 26.65.

The value of significance found 0.00 which is less than alpha value 0.05. The null hypothesis got rejected thus we can say that there is impact of years left to retirement on investment towards retirement goals.

6. Results and Findings

It is a crucial decision when an individual wants to get retire. Although the respondents are of different age, occupation and income group, majority of the respondents want to get retire in next 20 years and more. Almost 50% (572) of the respondents are investing towards their retirement and rest of the respondents are not investing towards their retirement or they are not sure about it whether

their investments are towards their retirement or not. The source of information is a key for prudent retirement planning. Although respondents seek financial advice from various sources, most of them rely on their own belief to invest towards their retirement goals. The level of investment towards the retirement planning shows the determination and discipline of the investors. The persistent investment will ultimately lead to the fulfilment of the retirement objectives. The analysis shows that 231 respondents were not a tall investing towards their retirement objectives. Majority of the respondent i.e. 407 respondents were investing up to 10% towards their retirement. There were 352 respondents were investing up

20% towards their retirement objectives. There were 143 respondents were investing up to 30% and only 11 means 1% of the respondents were investing up to 30% towards their retirement objectives. The test of hypothesis shows that there is impact of financial advice and years left to retirement on saving towards retirement goals.

7. Conclusion

The analysis revealed that majority of the respondents irrespective of the age; income and occupation want to retire in next 20 years and above. The hypothesis proves that there is impact of financial advice on saving towards the retirement objectives and the analyses revealed that majority of the respondents are investing with their own belief which is not advisable. Majority of the respondents found positive when asked the question do you think retirement planning is important irrespective of their income, age and occupation.

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