

# A STUDY OF RETIREMENT PLANNING BEHAVIOUR OF INDIVIDUALS

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Accepted: 06.05.2022

Published: 01.06.2022

**Keywords:** Retirement Planning Behaviour.

## Abstract

Retirement planning is very important for any individual. It is crucial stage of life when no one has regular source of income. Enough cash inflow is required to maintain the living standard in retirement phase. Retirement planning provides the regular cash inflow which facilitate in survival of living and maintain the standard of living. As per the previous studies in this area showed that “government provides the various social security programs like National Social Assistance Programme (NSAP) and Atal Pension Yojana (APY) and with the purpose to provide the health care service to the informal sector, Atal Pension Yojana (APY) also implemented” (Asher et. al., 2015). Some other contributory or self-acquired retirement security avenues are also available such as real estate, bank deposits, post office deposits, investment in gold, investment in pension plans, public provident fund, and investment in insurance. “Investment in real estate is the most preferable investment avenue followed by fixed deposits and after that National Pension Scheme” (Vasudeva, 2021). All this aspect conclude that retirement planning is important for everyone and should do at early stage of life with the consideration of all the parameters of financial terms related to investment. Government should also plan to implement appropriate investment

avenues according to demographical profile of investors. Financial awareness programmes should also be organized by the government to make aware the people about financial terms and they make investors able to take better decision to save their old age.

## Paper Identification



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## Introduction:

“Retirement is a huge responsibility” (Kumar et. al. 2017). “It is the time when people have no regular income inflows, but expect only cash outflows” (Kumar et al., 2017). “Retirement involves various aspects right from the preparation for retirement and is related to deciding on the moment to retire” (Peter et. al., 2021). “In the ancient days the idea of retirement was seemingly not common because people did not live long” (Siame, 2020). But nowadays, due to increase in life expectancy and less support by family leads to think about retirement. “Every working individual desires to retire happily and have both personal and financial peace of mind” (Ajaya & Rai,

2021). To live happily, people have to plan for the retirement. Retirement planning is very important and crucial part of the life to secure the old age financially and socially, but some people take it positively and some people take it negatively. People who take it negatively, feel the life with full of boredom and financially burdened. But people who take it positively, feel the life with full of enjoyment and happiness. “Generally, people take retirement planning as negative word and word which makes them feel old” (Chachad, 2018). All this depends upon the attitude of individual. Attitude towards the retirement planning is different from individual to individual. But nowadays young generation think the retirement planning positively and start it early stage of life. “Because every individual wants to spend his post retirement life luxuriously or a least, he wants to maintain his pre-retirement standard of living” (Chachad, 2018). “People, who develop a plan for retirement at early stage of their career would invariably have a better life after retirement” (Ajaya & Rai, 2021). Medical expenditure at the time of old age also increases the burden to save for old age. So, they try to save and invest money in available investment products and instruments like public provident fund, real estate, bank deposits, post office deposits, investment in gold, and various defined contribution and defined benefit pension plans. Pension plans are one of the important investment avenues to invest the money for old age. But due to lack of financial knowledge, investors invest the money in faulty investment avenue. They have lack of knowledge like appropriate retirement age, life expectancy, inflation required retirement corpus, interest rates, rate of return on investment, available tax benefits, appropriate time of investment which make them unable to take better investment decisions. So, there is need to organize the retirement planning programs to make the people aware about the financial terms and take proper decision to invest the money for retirement in appropriate avenues. “The

primary goal of these programs is to help participants identify their basic retirement decision and start planning for a relatively imminent departure from the workplace” (Ansong, 2014).

### **Objective of Study:**

Objective of this paper is to study the retirement planning behaviour of individuals on the basis of previous literature.

### **Review of Literature:**

- Pienta and Hayward (2002) studied about individual, spousal and household features related with the retirement expectation of couples. Data was used from the 1992 health and retirement study. Data elements was full time workers after reaching age 62 and 65. The retirement expectations were analysed jointly of husband and wives. Researcher found that wives’ retirement expectations were more influenced by husbands’ resources and constraints than vice-versa. Individual and household factors related with retirement expectations of both husbands and wives and they take the retirement decisions jointly.
- Bonte (2013) studied about the financial knowledge of three tier pension scheme and its relation with retirement planning. Data was collected from 196 participants and correlation was used to analyse the data. Researcher found that three tier pension scheme was positively associated with retirement planning. Relationship between knowledge about three tier pension scheme and retirement planning was different on the basis of age, but not on the basis of gender. Relationship of knowledge of three tier pension schemes and retirement planning was influenced on the basis of age, income level, educational qualification and financial literacy.
- Mohidin et. al. (2013) studied about the relationship of attitude and retirement financial planning. Data was collected from 200 respondents of Kota Kinabalu. Age and income were considered as

moderating variable to find the retirement financial planning with five parameters money management, estate planning, retirement planning, investment planning, insurance planning. Researcher found that estate planning, money management, retirement planning and investment planning had positive association with retirement planning behaviour. Age was also positively influencer on retirement planning.

- Sane and Thomas (2013) studied about the participation of informal sector in voluntary defined contribution pension schemes. Data was collected from the financial services firm's customers. Researcher found that approximately 50% of contributors contribute the minimum amount of contribution. Some contributors persist to contribute even they fail to contribute minimum amount of contribution.
- Ansong (2014) studied about the impact of retirement planning programs and attitude of the employees of Ghanaian organizations towards the retirement. Data was collected from total 258 employees consist 154 who had attended the retirement planning programs and 104 who had not attended the retirement planning programs. Researcher found that who attended the retirement planning programs had positive attitude than who had not attend the retirement planning programs. Male, older workers with high level of income were engaged more in retirement planning having the positive attitude than female, young workers having low level of income. Marital status, educational level and number of dependents were not relevant predictors of retirement planning attitude.
- Asher et. al. (2015) studied about the selected pension plans and health care services for the informal sector workers of India. Researcher found that in India many co-contributory pension plans like National Social Assistance Programme (NSAP) and Atal Pension Yojana (APY) were available for the informal sector workers which provide minimum guaranteed

pension. Rashtriya Swasthya Bima Yojana (RSBY) was a health care service which provide the insurance and hospital service to the low-income household workers.

- Deb (2015) studied about the investment in EPS or NPS was the best options to save for the retirement. Data was collected from the 170 employees of private sector banks. Study had been conducted on the basis of seven variable like strategies to popularize EPF, strategies to popularize NPS, unique features of EPF, unique features of NPS, weakness of EPF, weakness of NPS, tax benefits. Researcher found that chosen the saving plan was different on the basis of gender. Demographical variables like age, level of education, financial literacy, marital status, experience, monthly income, and designation were correlated with perception towards the choice of retirement plans. efficient management strategies also influence to choose the retirement saving plan.
- Baskaran and Chandrasekaran (2016) studied about the importance of economic planning for the retirement. This study had been conducted on Canada. Researcher found that saving for retirement depends on the living expenses, standard of living and desirable retirement age. Family support and health situation was also differed from individual to individual. People with high level of education and high level of income saved for the future and invested in voluntary saving programs for retirement. Financial literacy was also associated with retirement planning and influenced the decision of investment.
- Das and Kumar (2016) studied about the investment behaviour of middle-class people of household sector of India and assess the investment behaviour based on the age, income, gender, type of family, qualification and employment. Data was collected from 200 respondents. Correlation and ANOVA was used to analysed the data. Researcher found that savings and investment behaviour were

positively correlated. Saving behaviour was not dependent on the employment and income but investment behaviour dependent on income.

- Narayanaswamy and Ramanathan (2016) studied to find the relation of attitude with retirement preparedness. Data was collected from 200 employees of education sector through questionnaire. Chi-square and correlation were used to find the relationship of attitude and retirement preparedness. Researcher found that attitude of employees was positively correlated with retirement preparedness. They took the advice from various sources to invest for retirement.
- Shendkar and Dikkarwar (2016) studied about financial planning for retirement of individual who actively participated in retirement financial planning and individuals who were not participated in retirement financial planning with comparative dimension. Researcher found that financial literacy was not associated with awareness about retirement planning among the individual workers who actively participated in retirement financial planning and individuals who were not actively participated in retirement financial planning.
- Aluodi (2017) studied about the impact of financial literacy on the preparation for retirement of the Kenyan insurance sector's employees. Data was collected by random sampling method through using questionnaire. Correlation and ANOVA was used to analyse the data. Researcher found that financial literacy had no great impact on preparation for retirement. Financial illiterate persons of insurance sector had same knowledge about the retirement products as financially literate persons.
- Gangwar and Singh (2017) studied about the perception of investors towards the pension plans of Bhopal. Data was collected from 500 respondents at random sampling method. Researcher found that investors had positive attitude towards the investment in pension plans. demographical factors like age,

gender, income, qualification and occupation were positively related with investment in pension.

- Kumar (2017) studied about the retirement awareness level among the employees and factors affecting the level of awareness for retirement planning. Data was collected with the help of questionnaire and analysed by percentage. Researcher found that most of the employees were aware about the retirement planning financial products and risk and return factors. Most of employees started investment for retirement at early stage of life i.e., 31-40 years with the consideration of living expenditure and prospective inflation rate.
- Narayanaswamy and Ramanathan (2017) studied about knowledge related variables or factors affected the retirement planning behaviour. Data was collected from 150 employees of information technology sector. EFA was used to find the factors. Researcher found the two factors self-awareness and appropriateness of financial instruments. Investors used the advice of financial advisors.
- Chachad and Singh (2018) studied about the eminence of retirement planning. Data was collected from 130 salaried class working individual. Researcher found that retirement planning is an essential requirement for salaried class people to meet the living expenditure and maintain the standard of living. Nowadays people started investment at young age but they have need to concrete plans to receive the required corpus at the time of retirement.
- Kumar et. al. (2018) studied about the financial planning for retirement of women. Data was considered from 1980-2017. Researcher found that most of women had lack of financial knowledge and not able to manage their finance and they faced the poverty in post-retirement period. Researcher found that socio-demographical factors, financial literacy, psychological factors, economic conditions and

situational factors related to retirement financial planning on the basis of previous literature.

- Mallari and Bueno (2019) studied about the retirement planning behaviour, psychological indices and personal factors for the college faculty members who will retire within coming 10 years. Researcher found that respondents were ready to do the retirement planning and had positive attitude towards retirement planning. Demographical variables were significantly correlated with retirement planning. They had clear goal about retirement. Researcher suggested that training programs should be conducted to make more aware the people about retirement.
- Sani (2019) studied about the comparison of determinants of retirement planning behaviour of public and private sector workers of Nigeria. Data was collected from 307 workers of Nigeria. Researcher found that retirement planning behaviour was significantly different private sector workers and public sector workers. Personality had positive attitude towards the retirement planning behaviour.
- Yusof (2019) studied about determinants of behavioural intention and investigate the relation of the behavioural intention with its determinants. Data was collected from 484 workers of private and public sector organizations of Malaysia. Researcher found that primary variables influenced the saving behaviour.
- Rai et.al. (2020) studied about the factors influencing the retirement planning and frame a model to identify the factors. Interpretive structure modelling was used to frame the model. Researcher found that factors which influence the retirement planning. Risk tolerance, financial knowledge, job status, financial behaviour, financial goal clarity, health issues, financial difficulties positively influence the retirement planning.
- Siame (2020) studied about the impact of financial literacy on retirement planning. Data was collected from 150 civil servants of Zambia.

Correlation was used to analyse the data. Researcher found that financial literacy level was low among the civil servants of Zambia. They had less knowledge about the financial terms like investment, interest rates investment options and they were not saving enough for the retirement. Results of the study was also showing the positive relationship between the financial literacy and investment behaviour and retirement preparedness like investment and acquiring the financial assets, savings in banks, investment in livestock, investment in stock, investing in insurance schemes.

- Trehan and Sinha (2020) studied about the impact of perceived knowledge and self-control bias on retirement planning. Data was collected from 405 individuals of New Delhi. Regression analysis was used to find the relationship of dependent and independent variables. It is also found that respondents had not effective retirement planning because of high level of expenditure and individuals had overconfidence about their financial knowledge and make faulty decisions and earn less return on investment.
- Ajaya and Rai (2021) studied about the perspectives of retirement planning. Data was collected from 100 respondents of Manglore, Karnataka. Researcher found that majority of respondents did not see the retirement planning as important for the financial security. But some had the habit of saving for retirement regularly. Insurance and provident funds were the most important investment avenues.
- Peter et.al. (2021) studied about the importance of retirement self-efficacy in expected retirement planning with the help of three factors i.e., finance, health and activities. Discriminant function analysis was used in this study. Researcher found that self-efficacy was an important determinant of retirement preparedness in terms of finance. Finance had more influencing power in comparison to the

activities and health in retirement preparedness. Investors wanted more financial satisfaction in the investment for retirement.

- Pushpa B.V. (2021) studied about the trend of investment in pension plans by Indian investors. Data was collected from 134 respondents through questionnaire. Researcher found that investment in pension plans was on second preference. Reasons for the low level of investment in pension plans were low level of awareness, cost of pension schemes, long-term saving, lack of expected transparency and higher amount of investment.
- Rajan et. al. (2021) studied about the financial and economic factors that influence the decision of investors for retirement. Researcher found that financial advisor, housing and medical expenses risk were the main financial factors which influence the retirement investment decision. People did not ignore the retirement planning and invest for the retirement in pension funds for the wealth accumulated. Financial advisors enhanced the participation of people in retirement financial tasking and increase the wealth. Unexpected medical risk expenditure in the old age also motivating the people to save for old age. Housing also a great influenced to accumulate the wealth for future. These all three factors influence the investors' decision for retirement.
- Vasudeva (2021) studied about the retirement saving behaviour was influenced by family factors, peer group, financial literacy level, risk tolerance, attitude towards retirement financial savings. Data was collected from 132 respondents and SEM through AMOS was used to set the model and analyse the data. Researcher found that real estate was the most preferable investment avenue, followed by fixed deposits and then NPS. Shares were the least preferable investment avenue. Advice from peer group and financial advisor was positively associated with retirement saving habits. Positive attitude towards

retirement also influenced the savings habits for retirement positively.

- Batavia (2022) studied about retirement planning behaviour of the retired persons and current working individuals. Study had been done in Ahmedabad and Gandhinagar district. Study also included the features of various retirement plans and identified the most beneficial retirement plan for the subscriber. Researcher found that who planned for the retirement had sufficient income to meet the post retirement expenses and non-planners face the difficulties in post-retirement period and dependent on children and spouse or do the work to meet the expenses of living. On the comparison of various retirement plans, ICICI prudential immediate annuity plan is best.

### **Conclusion:**

Retirement planning is very important for any individual. It is crucial stage of life when no one has regular source of income. Enough cash inflow is required to maintain the living standard in retirement phase. Retirement planning provides the regular cash inflow which facilitate in survival of living and maintain the standard of living. As per the previous studies in this area showed that “government provides the various social security programs like National Social Assistance Programme (NSAP) and Atal Pension Yojana (APY) and with the purpose to provide the health care service to the informal sector, Atal Pension Yojana (APY) also implemented” (Asher et. al., 2015). Some other contributory or self-acquired retirement security avenues are also available such as real estate, bank deposits, post office deposits, investment in gold, investment in pension plans, public provident fund, and investment in insurance. “Investment in real estate is the most preferable investment avenue followed by fixed deposits and after that National Pension Scheme” (Vasudeva, 2021). “Investment in provident fund and insurance is also

preferable investment avenue” (Ajaya & Rai, 2021). “Shares are the least preferable investment avenue” (Vasudeva, 2021). Retirement planning behaviour is positively associated with estate planning, money management, retirement planning and investment planning (Mohidin et. al., 2013). Demographical variables also affect the retirement planning behaviour. “Attitude of male and female is different regarding retirement planning” (Deb., 2015). “Male are highly associated with retirement planning than female” (Ansong, 2014). Age, income, educational qualification, occupation, job status, marital status, expenditure, type of family, number of dependents also the important variables influence with retirement planning behaviour. (Bonte, 2013; Ansong, 2014; Deb, 2015; Baskaran & Chandrasekaran, 2016; Das & Kumar, 2016; Gangwar and Singh, 2017; Kumar et. al., 2018; Mallari and Bueno, 2019; Rai et. al., 2020). But according to another researcher “marital status, educational qualification, and number of dependents are not relevant predictors of retirement planning” (Ansong, 2014). Efficiency of retirement planning decision depends upon the level of financial knowledge. People having the high level of financial literacy, do more investment in appropriate manner. (Bonte, 2013; Kumar, 2017; Kumar et. al., 2018; Siame, 2020; Trehan & Sinha, 2020; Pushpa B.V., 2021). But as per some researcher, level of financial literacy and awareness about the financial terms is not associated with retirement planning behaviour (Shendkar & Dikkarwar, 2016; Aluodi, 2017). Persons having the lack of financial literacy take the advice from financial advisors for better investment. (Narayanawamy & Ramanathan, 2017; Rajan et. al., 2021; Vasudeva, 2021). “Some people take the decision for retirement jointly i.e., husband and wife both” (Pienta & Hayward, 2002). Attitude towards the safety for future and retirement also influence the retirement planning behaviour. It differs from individual to individual. The persons having the

positive attitude towards the financial security of retirement life, think about the retirement seriously and do the investment for safety of retirement life (Bonte, 2013; Narayanaswamy & Ramanathan, 2016; Gangwar & Singh, 2017; Mallari & Bueno, 2019). Due to this positive thinking, “nowadays people start investment for retirement at early stage of life with the consideration of living expenditure and perspective inflation rate” (Kumar, 2017; Chachad & Singh, 2018). Satisfaction of the investors is also mandatory with investment for retirement. Investors want more financial satisfaction in the investment for retirement (Peter et. al., 2021). So, all this aspect conclude that retirement planning is important for everyone and should do at early stage of life with the consideration of all the parameters of financial terms related to investment. Government should also plan to implement appropriate investment avenues according to demographical profile of investors. Financial awareness programmes should also be organized by the government to make aware the people about financial terms and they make investors able to take better decision to save their old age.

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