

## Factors Influencing Retirement Planning Behaviour OF Lecturers in Polytechnics

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**Abstract:** Retirement planning is a preliminary preparation for life after the end of paid career in all aspects instead of financial itself. The realization of needing to save for retirement in people only arises when they have deficient savings that cannot finance their expenses in future. Due to this unawareness, most retirees return to their job scopes for the purpose of securing their retirement financially. The acknowledgement of issue in retirement savings among government servants is very low, therefore the purpose of this research is to comparatively determine gender differences in financial preparation for retirement planning and to examine the relationship between financial knowledge, social influences and retirement planning behavior of polytechnic's lecturers. 352 lecturers as participants within the age range of 30 to 60 years had contributed to this study. Three polytechnics which are situated in urban and rural areas were distributed with questionnaires; descriptive and inferential analyses were used to study the data of the answered structured questions. According to results obtained from the study, financial knowledge has significance in the expectation of retirement planning behavior among lecturers. The results produced an allusion of establishing advanced planning among working individuals for the enablement of sustaining strong financial ground after retirement. Henceforth, this will ensure that they have better preparation in facing the reality of life during and after resignation.

**Key words:** Retirement Planning Behavior, Financial Knowledge, Social Influences, Demographic

### INTRODUCTION

Proper preparation of retirement days necessitates intensive planning and appropriate mental equilibrium. Retirement may be perceived as a stage of freedom in an individual's life; however, basic retirement plan and periodical and financial update of such plan are essential. Retirement saving persists as an undying concern and it may seem as if it is too far in the future but proper planning is required ensuring adequate support for retirees; early retirement planning is encouraged globally. Accumulation of wealth builds itself along the journey of an individual's career in funding consumption after retiring; thus, rational individuals loan when they were young, save in their middle age building wealth and spending the savings during old age. The encouragement behind the effort in savings is to have the privilege of enjoying an indifferent lifestyle during retirement as in one's when they were working by utilizing savings and wealth to allocate income over an individual's lifetime. Saving behavior is perceived according to a perspective on

how people save in a country to bring the economic condition of the country to reality. It is indeed factual if individuals save more, the amount of their personal disposable income will increase as well. This is an implication of elevating people's living standard alongside. Majority's attitudes and behaviors may be bound to saving less for retirement than desirable or mislaying faith in alternative resources of funding their retirement to such as a housing wealth.

### RESEARCH PROBLEM

Retirement saving sustains as a growing issue throughout the world and it is prominent retirees have proper planning for adequate support. The fundamental aspects of a retiree's needs are long-term accommodation, budget catering to daily expenses, medical bills and aid. An outstanding amount of loans is a taboo that needs to be avoided especially reaching retirement period and for all more reasons for individuals to start a preliminary planning of retirement saving. Securing the human needs of an individual in

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financial aspects during post-retirement period will be ensured when there is a proper planning for retirement. Despite early planning, mapping the steps to retirement is optional to any individuals; allocation of income for financial security of retirement requires a clear conscious decision. According to literature upon retirement planning, it is studied that individuals either have insignificant retirement planning or none at all. Sequentially, independent surveys in Malaysia have produced a result showing majority of Malaysians have no preparation for retirement.

## **LITERATURE REVIEW**

Retirement requires an advanced planning despite it being uncertain or unforeseen within an individual's living career and their life in general; this is to ensure that retirees have adequate support once they settle on relinquishing their role. The fundamental aspects of a retiree's needs are long-term accommodation, budget catering to daily expenses, medical bills and aid. In order to sustain a long-term development and economic growth of a nation, savings plays a prominent part. Moreover, in events of economic recessions and financial crisis, savings is a provision of an imminent support individuals and countries [1].

### **Retirement Planning**

Basically, retirement planning is a preliminary step in preparing for life after paid career ceases in various aspects of life other than in terms of financial support. Lifestyle choices, location of accommodation and date of resign are the examples of the non-financial aspects. There is universal comprehension considering these areas in retirement planning; every working individual has an ambiguous perspective of retirement planning as they live through different stages of life. At the beginning of a person's working career, retirement planning may be perceived as saving an adequate amount of money for retirement. In the midst of their career, aiming specific income or asset targets and mapping the steps to acquire them may also be the idea of retirement planning. However, as years of working rise to retirement, the determination of financial assets is uncertain and thus, the emphasis is directed towards the non-financial lifestyle aspects.

### **Financial Knowledge**

Financial knowledge is defined as possessing the knowledge, skills and confidence in establishing responsible financial decisions [2]. Maximization of an individual's expected lifetime utility, by hypothetical-decision planning of consumptions and savings, is subjected to a budget restriction according to the perspective of traditional economic theory. Establishment of these decisions requires rational individuals in taking all matters of their personal

circumstances into account and the decisions that are ascertained should be optimal for their condition [3]. Nevertheless, due to broadly defined reasons, individuals never make choices that lie in their own best interest. Firstly, their financial skills may be deficient and the information they acquire is inadequate to comprehend the requirements for a proper planning or a proper formulation of a positive plan.

### **Social Influences**

Social integration permits the acquirement of information and decisions within a community; researchers have suggested based on their studies that individuals with an outstanding social skill may have more tendency to invest for their future saving. Peer effect as a prominent factor in retirement planning was suggested from a study. Based on their analysis, peer effects contribute to people's decisions in an extra-economic aspect. Based on studies conducted by [4], it was found that motivational factors contributing to retirement planning practices may be instigated by positive financial learning experienced during childhood. The results of this research pay contribution to the prevailing structure of literature on psychology of retirement planning. Retirement educators, counselors and financial professionals may find an alternative method in motivating individuals for retirement savings through identification of ways to facilitate effective planning and saving practice. While intervention specialists acknowledge the range of forces in motivating individuals to plan and save for their future, they would have a firm perception upon nurturing their customers in a way of upgrading their planning prospective.

### **Demographic**

Gender related differences in retirement saving choice have been studied by many researchers; majority suggests that the women are more likely to become education seminars and have higher probability in retiring later, raising target income, goals and varying their retirement planning. Gender as a factor inhibiting financial planning for retirement has been highlighted in a great deal of search; it was revealed based on results of studies that being male has a relation to greater financial planning and that this group of demographic is anticipated to captivate with greater planning due to opportunity structures [5].

## **METHODOLOGY**

### **Sample and Data Collection**

Population for this study was consists of respondents from Selangor area. The respondents from three polytechnics were selected using cluster sampling method. They are lecturers from Politeknik Sultan Salahuddin Abdul Aziz Shah, Politeknik Sultan Idris

Shah and Politeknik Banting. Numbers of respondents chosen for this study were determined by Krejcie and Morgan table [6].

Therefore, sample size chosen for this study was 352 of respondents. The survey questionnaire consisted of three sections. In section A of the questionnaire is demographic (gender, age and educational level). Section B & C consisted of items which measured retirement planning (DV), financial knowledge (IV) and Social Influences (IV). Each of items used a five point Likert Scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

### Conceptual Framework

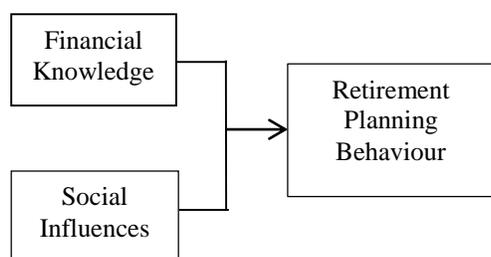


Fig 1: Retirement Planning Behaviour of Polytechnics’ Lecturers

## RESULTS

### Respondents’ Profiles

Results showed that a majority of the respondents were female (63.9%) compared to male (36.1%). Based on Table 1, a majority (49.7%) of the respondents were in the age group (40-49 years old). The education background of the respondents involved in the survey indicated that 77.3% were master’s holder, 18.5% were Bachelor’s degree holders and while the remaining respondents 4.3%, PhD’s holder.

Table 1: Respondents’ Demographic Profile (n = 352)

Demographic Variable	Frequency	Percentage (%)
<b>Gender</b>		
Male	127	36.1
Female	225	63.9
<b>Age</b>		
Below 30 years old	32	9.1
30 – 39 years old	125	35.5
40-49 years old	175	49.7
50 – 59 years old	20	5.7
<b>Educational Level</b>		
Degree	65	18.5
Master	272	77.3
PhD	15	4.3

### Descriptive Analysis

Retirement planning behavior is examined from the aspect of gender. The summary of differences between male and female towards retirement planning behavior is presented in Table 2. The p-values for paired comparisons were more than 0.001. This result indicates that there is no significant difference between male and female towards the retirement planning behavior.

Table 2: Comparison of Gender towards Retirement Planning Behaviour

Variable	Mean	Std. Dev.	Mean Difference	p-value
Gender				
Male	3.1404	0.27834	0.6789	0.071
Female	3.0725	0.30908	0.6789	0.068

### Analysis of Results

Based on Table 3, with respect to retirement planning behavior, financial knowledge and social influences, it is encouraging that all the results showed moderate in term of mean.

Table 3: Descriptive Analysis for all Variables

Variable	Mean	Std Deviation
<b>Retirement Planning Behaviour (RPB) - DV</b>		
I am concerned about the state of my financial preparation for my retirement	3.640	1.012
I am confident that I will have a decent standard of living in my retirement	3.633	0.918
At present, I rate my financial preparation for retirement is good	3.580	1.079
I expect my standard of living in retirement will decrease	2.540	1.183
I am not confident that I could work out what my expected income and expenditure would be in retirement	2.490	1.048
<b>Financial Knowledge(FK) - IV</b>		
Financial education program is very important to lecturers	3.346	1.397
Lecturers were exposed to retirement planning through polytechnics’ financial program	3.123	1.284
Financial program make me realize how important retirement planning	3.203	1.174
I always seek an advice from financial planner for retirement	3.296	1.116

I always grab the opportunity to attend any courses which are related to retirement planning	3.358	1.012
I always provide times in reading any articles on retirement planning	3.193	1.236
<b>Social Influences (SI) - IV</b>		
I do develop circle of friends for the retirements planning	3.146	1.123
I always discussed on retirement planning with my family and friends	3.203	1.116
I do compare the amount of saving and spending with my family and friends	3.226	1.287

My family and friends always inspired me with their preparation on retirement days	3.126	1.203
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Based on Table 4, it shows an R-squared of 0.267. The two predictor variables are not all equal to each other and could be used to determine the dependent variable, retirement planning behavior as shown by an F-value 45.386 and significant level of 0.000 ( $p < 0.05$ ). Results shows that of the two variables, only financial knowledge is significant ( $p < 0.05$ ) with a beta of 0.430.

Table 4: Retirement Planning Behaviour of Polytechnics’ Lecturers

	Unstandardized Coefficients		Standardized Coefficients		
	$\beta$	Std. Error	Beta	$t$	Sig.
(constant)	1.328	.188		7.066	.000
Financial Knowledge	.430	.055	.450	7.817	.000*
Social Influences	.102	.040	.146	2.538	.012
$R^2 = 0.267$	Adjusted $R^2 = 0.261$		$F$ value = 45.386	$Sig F = 0.000$	

However, social influences are less significant ( $p > 0.05$ ) with beta of 0.102. Tests indicate that only financial knowledge has a significant relationship to retirement planning behavior. Based on the  $t$  statistic for all the independent variable, it has indicated that financial knowledge has significant relationship due to strong significant level ( $p < 0.005$ ) with retirement planning behavior. Therefore, hypothesis  $H_2$  is rejected, while hypothesis  $H_1$  is accepted displayed in Table 5.

Table 5: Overall Results of Hypotheses

Hypotheses	Results	Sig
$H_1$ : There is a relationship between financial knowledge and retirement planning behaviour.	Accept	.000
$H_2$ : There is a relationship between social influences and retirement planning behavior.	Reject	.012

## DISCUSSION

Financial knowledge toward retirement was found significant in this study where it was found to have a relationship to retirement planning behaviour among Polytechnic’s lecturers. According to Hershey and Mowen [7], revealed that working adults who know more about financial planning are more likely to have prepared for retirement. Furthermore, there was a study also shows close relationships between respondents’ financial preparedness (both calculated and perceived) and their age, education level and investing habits. Therefore, with increasing age, they will have a better understanding of their cost of living and retirement expense requirements; thereby enabling them to measure at what stage of their lives they will achieve financial readiness for retirement [3].

According to John Beshears, James J. Choi and et. al, [8] the actions of family and friends can generate an oppositional reaction. Among the subpopulation we expected to be most susceptible to peer influence is the

employees not enrolled in the plan who had a non-enrollment default. However, in the present study, social influences were not accepted to have relationship with retirement planning behavior. Comparatively, we may know that polytechnic's lecturers were not easy to be influenced by their family and friends toward their retirement planning behavior.

## CONCLUSION AND IMPLICATION

As a conclusion, the outcome of the research indicates that financial knowledge is the most important factor that influences retirement planning behavior among Polytechnic's lecturers. Moreover, lecturers should have a clear goal when they are planning for retirement, which will prepare them to be wise enough and be ready to face retirement. Early retirement planning may bring the benefit to them. Hence, they will not lose their track and follow as what they have plan for their retirement. Future research can be conducted by examining the lecturers from the whole polytechnics. This might contribute better findings that could further explain retirement planning behavior.

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