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A PRELIMINARY ANALYSIS OF RETIREMENT PLANNING BEHAVIOUR: EVIDENCE FROM EAST-COAST MALAYSIA

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Abstract: This paper investigates factors influencing retirement planning behaviour among Malaysians. A non-probability judgmental sampling technique was utilised to obtain primary data for this study's preliminary findings. A questionnaire was adopted by previous research and disseminated via email, WhatsApp and Telegram. 344 working individuals from the public and private sectors participated in this study. Results indicated that financial literacy, risk tolerance and healthcare concerns positively affect retirement planning behaviour. Employees who have a better understanding of the factors that influence their retirement planning behaviour should be able to start planning for retirement earlier. This study may be helpful to the employees, government, policymakers, financial advisors and financial institutions to improve their understanding and policies to the greatest extent possible.

Keywords: Retirement planning behaviour, savings behaviour, financial literacy, health effect on retirement, financial risk tolerance.

Introduction

Retirement planning relates to the way a person prepares for his/her retirement years (Yeung & Zhou, 2017). A positive adjustment to retirement is essential for maintaining physical and psychological well-being in later life. Previous research demonstrates that pre-retirement planning predicts post-retirement well-being. Many employees are concerned about retirement challenges, mainly because many retired individuals return to work after retiring. Considering the importance of retirement planning, this study examined the behaviour of participants in retirement planning. Retirement age varies from country to country but is usually between 50 and 60 years old (Denton & Spencer, 2016). The average life span in Malaysia for men is 78.9 years, while 81.8 years for women (Department of Statistics Malaysia, 2022).

It is a fact that every employee will retire someday. Nevertheless, the question remains whether or not Malaysians already have a better plan for their retirement. Most employees solely depend on the compulsory deduction from their monthly salary to sustain their life after retirement. Thus, retirement planning is an essential issue to be discussed to ensure a proper plan for retirees waiting to retire. Apart from that, the retirement fund or pension should be sufficient to cover a desired quality of life, increasing medical costs and the high cost of living. Furthermore, with the growing inflation situation in Malaysia, all prices of goods increase along with their availability. It also demonstrates the level of readiness among Malaysians to save money for future purchases.

Besides, most countries have retirement systems, differentiating between the public and private sectors (Hassan *et al.,* 2016). However, employees in the public sector enjoy much more benefits than private ones. In Malaysia, most employees tend to put retirement planning at the bottom of their life, as they can rely on the accumulated savings in the Employee Provident Fund (EPF). The EPF revealed that members do not save enough for retirement to keep their basic standard of living in old age. Members have lowered their savings to levels that do not adequately protect their retirement.

Three extraordinary withdrawals have placed 73% of members, or roughly three-quarters, in the precarious position of not having enough money to retire above the poverty line. A study by the Malaysian Institute of Financial Services (MIFS) at the end of 2021 revealed that most EPF members who took out all their funds when they turned 55 would spend them within two to three years. Therefore, financial resources for retirees are necessary to survive their lives. Hence, this study aims to investigate the factors influencing retirement planning behaviour among working individuals in the public and private sectors in Malaysia. The theoretical framework for this study is shown in Figure 1.

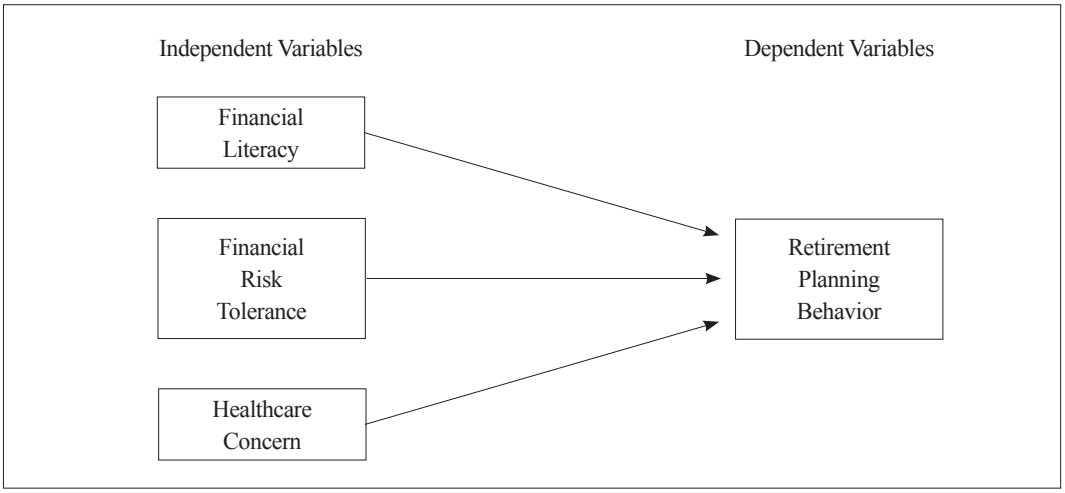

Figure 1: Theoretical framework

Literature Review

According to Engel (1990), three factors that affect employees' behaviour toward retirement are individual, psychological and environmental. Personal factors include age, gender, and race, while psychology refers to a person's inner state, such as attitude and information processed. Meanwhile, environmental factors involve culture, third-party influence, working situation, and social class. Further, financial literacy is the ability to effectively and efficiently comprehend and use several financial talents such as financial planning, budgeting, savings and expenses. Mahdzan and Tabiani (2013) examined a sample of 200 people in the Klang Valley area to investigate the factors influencing saving, emphasising financial literacy in Malaysia. Their result demonstrated that financial literacy is crucial in encouraging individuals to save money. Indeed, financial literacy helps people become self-sufficient, which allows them to achieve financial security (Sujani, 2022).

In addition, Sabri *et al*. (2020) financially, and professionally however, with regards to the field of finance, an extensive effort to be done to become well performers comparing to the men. Therefore, women must begin understanding, and thinking the significance of money, savings, and its investment perspectives to overcome critical circumstances at any phase of their lives. Therefore, the major objective of this research is to investigate the relationships among financial management, savings and investment behavior, and Financial Well-Being (FWB) stated that married women employees in government sectors can achieve tertiary education, have adequate money and save up for retirement. They are financially literate, able to apply healthy financial management practices and have greater confidence in securing retirement. This statement supports a study by Niu *et al*. (2020) whereby less educated women have less knowledge of finances.

Next, Financial Risk Tolerance refers to a person's willingness to accept the potential to lose money due to their investment decisions (Grable & Roszkowski, 2008). Pyles *et al*. (2016) demonstrate that financial risk tolerance is vital in determining whether an investor likes to incur risks or otherwise, as well as picking the best investment strategy to join and how much money to put into it. Further, the level of financial literacy also influences individuals' willingness to accept risk (Larisa *et al*., 2020).

According to Finwealth Management (2020), Malaysians, especially youngsters, are currently unprepared for retirement. As a result, this contradicts with baby boomer generation, who are already stable with high incomes, career growth and exposure to investment experience. They are more likely to plan earlier for their retirement. Therefore, it can be said that investment experience significantly affects retirement planning intention.

Healthcare concern is one of the vital elements that is rarely discussed among researchers. Aside from savings for child education, cost-living and expenditures on housing, savings for future treatment are important due to the rising healthcare cost (Niu *et al*., 2020). Nonetheless, there is no worry for public and private employees since there are voluntary savings in their monthly salary deductions, but when it comes to self-employed, not everyone has the initiative to save for retirement. In Singapore, the government requires self-employed workers to contribute to their Medisave Accounts to meet their healthcare coverage needs. However, attempts to encourage voluntary savings in the sector have been unsuccessful since they are no requirements for them to save for retirement (Koh & Mitchell, 2020). Nevertheless, the self-employed also need to have savings for healthcare for a secured retirement (Axelton, 2021).

Methodology

This study utilised SPPS software, designed to scan statistical analysis to evaluate the variables' descriptive statistics and reliability in this study.

Data

An overall number of 500 working individuals from the public and private sectors participated in this research project. Peninsular Malaysia is one of the regions chosen for this research, specifically in Pahang, Terengganu and Kelantan. Only 344 respondents responded to the online survey conducted. The quantitative data was gathered to explain the correlation between the variables and employees' behaviour planning for retirement. The Cronbach Alpha result for all independent and dependent variables was more than 0.7; indeed, values greater than 0.7 in the range are deemed reliable (Hair *et al*., 2010). However, according to Van Griethuijsen *et al*. (2015) and Taber, a value of 0.6 is acceptable.

Variables

In this study, retirement planning behaviour was used as a dependent variable. Eight questions (A to H in Table 2) about retirement planning behaviour were combined and used as one retirement planning behaviour variable adapted from Tomar *et al*. (2021) and Afthanorhan *et al*. (2020) saving attitudes, social influence, and goal clarity on the retirement planning construct. In addition, it investigates how the public demographic profile moderates these relationships. The questionnaire approach was utilized to collect data by adopting and customizing the measurement scale from previous studies. The outcomes of this study illustrate that all relationships are significantly and positively associated with retirement planning using Structural Equation Modeling (SEM).

These questions were measured with a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree." Reviewing high correlation among answers from five questions was summed to create a retirement planning behaviour scale. Cronbach coefficient alpha was 0.765. This figure is higher than 0.7, generally a lower limit for Cronbach's alpha (Table 2).

Explanatory variables included measuring (1) individual characteristics (Gender, Age, Level of education and income) and psychological factors (financial literacy, financial risk tolerance, and health perceptions), which were analysed and utilised as independent variables. Respondents were coded 1 if they were male. (2) The survey measured education using six categories: (a) SPM; (b) STPM/ Matriculation/Diploma; (c) Bachelor's Degree; (d) Master's Degree; (e) PhD or Doctorate; (f) Others.

Twenty-four combined questions measured psychological factors were included, namely (i) financial literacy; (ii) financial risk tolerance and; (iii) health perceptions. Financial literacy was measured depending on the correct answers to each question. The correct answer was recorded as 1, otherwise 0. For financial risk tolerance questions, the items were measured with a 6-point Likert scale, ranging from "strongly disagree (1-point)" to "strongly agree (5-point)". Meanwhile, the health perceptions questions were measured with a 4-point Likert scale, ranging from "Never (1-point)" to "Always (4-point)".

Results

Descriptive Statistics

Descriptive statistics are presented in Table 1. A descriptive analysis of respondent demographic profiles revealed that 106 respondents were male and 238 respondents were female. Meanwhile, 69.5% were married, 28.2% were single, whereas 2.3% represented others. There were, 45.9% of respondents with no child and 2.0% with only one child. Accordingly, 31.1% of those with only two children and 9.3% of those with three children fell into this category. Respondents with four children recorded 1.2%. Meanwhile, respondents with more than four children were reported as 10.5%. Precisely, 93.0% were Malay, 16.9% were Chinese, while Indian respondents were presented as 39.8%. Meanwhile, other races were 4.1%.

Respondents below 25 years old were recorded as 8.4%, 25-29 years old (21.5%), 30-34 years old (17.7%), 35-39 years old (15.7%), 40-44 years old (18.0%), 45-49 years old (8.1%), 50-54 years old (6.1%), 55-59 years old (3.5%) and 60 years old and above with percentage of 0.9%. Most of the respondents possessed a secondary school (9.3%), SPM, Matriculation and Diploma (16.9%), Bachelor's degree (39.8%), Master's degree (29.9%) and PhD (4.1%). There were 37.5% of respondents worked as government staff. Meanwhile, employees in the private sector represented 40.1%, 9.9% of respondents were self-employed and 12.5% were unemployed. Respondents earning less than RM2500 recorded the highest percentage at 28.5%, RM2501-RM4850 at 21.8%, and RM4851-RM5880 at 8.7%. Of those who earn RM5881-RM10970, 25.3% and 15.7% reported making more than RM10971 per month.

The majority of the respondents have perfect health conditions, representing 49.1%. Indeed, the respondents were committed to having a medical card (64.8%) and most willingly contributed to life insurance or takaful policy with a percentage of 60.8%. Whereas 63.4% of respondents were investing part of their savings Employee Provident Fund (EPF).

Table 1: Descriptive characteristics of variables

Characteristics		Frequency	Percentage (%)
1.	**Gender**		
	Male	106	30.8
	Female	238	69.2
2.	**Age**		
	Below 25 years	29	8.4
	25-29 years	74	21.5
	30-34 years	61	17.7
	35-39 years	54	15.7
	40-44 years	62	18.0
	45-49 years	28	8.1
	50-54 years	21	6.1
	55-59 years	12	3.5
	60 years and above	3	0.9
3.	**Ethnicity**		
	Malay	32	93.0
	Chinese	8	16.9
	Indian	4	39.8
	Others	12	4.1
4.	**Education Level**		
	SPM	32	9.3
	STPM/Matriculation/Diploma	58	16.9
	Bachelor's Degree	137	39.8
	Master's Degree	103	29.9
	PhD or Doctorate	14	4.1
5.	**Marital Status**		
	Single	97	28.2
	Married	239	69.5
	Others	8	2.3
6.	**Number of Children**		
	None	158	45.9
	1	7	2.0
	2	107	31.1
	3	32	9.3
	4	4	1.2
	More than 4	36	10.5
7.	**Types of Employment**		
	Government sector	129	37.5
	Private sector	138	40.1
	Self-employed	34	9.9
	Others	43	12.5

8.	**Household Monthly Income**		
	Less than RM2,500	98	28.5
	RM2,501-RM4,850	75	21.8
	RM4,851-RM5,880	30	8.7
	RM5,881-RM10,970	87	25.3
	RM10,971 and above	54	15.7
9.	**Contribution to EPF**		
	Yes	218	63.4
	No	126	36.6
10.	**Health Condition**		
	Poor	6	1.7
	Fair	74	21.5
	Good	169	49.1
	Very good	65	18.9
	Excellent	30	8.7
11.	**Medical Card Insurance/Takaful**		
	Yes	223	64.8
	No	76	22.1
	Am planning	45	13.1
12.	**Life Insurance/Takaful Policy**		
	Yes	209	60.8
	No	84	24.4
	Am planning	51	14.8

Reliability Analysis

The reliability test results depicted in Table 2 showed Retirement Planning Behaviour measured with 8 items (items A1 to A8). Meanwhile, Financial Literacy was measured with 5 items (items B1 to B15), Financial Risk Tolerance variable was measured with 6 questions (items C1 to C5). On the other hand, items for Health Perceptions involved items D1 to D6. Cronbach alpha for the independent variable was 0.796, while the values for independent variables of financial literacy, financial risk tolerance and health perceptions were 0.835, 0.839, and 0.673, respectively. As mentioned in 3.1 above, the accepted value of Cronbach's alpha is 0.7; however, values above 0.6 are also acceptable (van Griethuijsen *et al*., 2015; Taber, 2018).

Table 2: Reliability test results

	Variable	Cronbach's Alpha	Mean	Std. Deviation
	Retirement Planning Behaviour	**0.796**		
A1	I know the amount of money I need for retirement		2.90	1.194
A2	I usually read articles, books and brochures or surf the internet to learn about retirement planning		3.01	1.178
A3	I participate in workshops/seminars on retirement planning		3.00	1.229
A4	I spend time planning and reviewing my finance		2.90	1.229
A5	I regularly contribute to a voluntary retirement savings plan		2.87	1.208
A6	I make a conscious effort to save for retirement		2.85	1.279
A7	I saved accordingly based on how I plan to live my life in retirement		2.87	1.183
A8	I usually discussed with my family or friends about retirement planning		2.98	1.228
	Financial Literacy	**0.835**		
B1	Suppose you had RM100 in a savings account with an interest rate of 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?		1.37	0.871
B2	Suppose you had RM100 in a savings account with an interest rate of 20% per year and never withdrew money or interest payments. After 5 years, how much would you have on this account in total?		1.57	0.928
B3	Imagine that the interest rate on your savings account is 1% per year with inflation of 2% per year. After 1 year, how much would you be able to buy with the money in this account?		2.03	1.216
B4	Assume a friend inherits RM10,000 today and his sibling inherits RM10,000 3 years from now. Who is richer because of the inheritance?		2.07	1.080
B5	Suppose that in 2010, your income doubled and prices of all goods have doubled too. In 2010, how much will you be able to buy with your income?		2.52	0.933
B6	Which of the following statements describes the main function of the stock market?		1.76	1.129
B7	Which of the following statements is correct if somebody buys the stock of firm B in the stock market?		1.77	1.174

B8	Which of the following statements is correct about mutual funds?		2.69	1.275
B9	Considering a long period (10 or 20 years), which asset normally gives the highest return?		2.29	1.186
B10	Normally, which asset displays the highest fluctuations over time?		1.61	1.114
B11	When an investor spreads his money among different assets, does the risk of losing money exists?		1.78	1.138
B12	If you buy a 10-year bond, you cannot sell it after 5 years without a major penalty. True or False?		2.22	0.890
B13	Stocks are normally riskier than bonds. True or False?		1.69	0.918
B14	Buying a company stock usually provides a safer return than a stock mutual fund. True or False?		2.09	0.838
B15	If the interest rate falls, what will happen to bond prices?		2.61	1.267
	Financial Risk Tolerance	**0.839**		
C1	I am willing to risk financial losses		2.48	1.138
C2	I prefer investments with higher returns even though they are risky		2.87	1.139
C3	The overall growth potential of retirement investment is more important than the level of risk of the investment		3.37	1.101
C4	I am willing to make risky investments to ensure financial stability in retirement		2.76	1.174
C5	As a rule, I would never choose the safest investment when planning for retirement		2.59	1.117
	Health Perceptions	**0.673**		
D1	I eat breakfast before starting my day		3.22	0.813
D2	I avoid drinking a sugar-sweetened beverage		2.85	0.851
D3	I eat a portion of fruits/vegetables daily		3.01	0.829
D4	I get at least 7 hours of sleep per night		2.89	0.837
D5	I do exercise regularly, at least once a week		2.68	0.879
D6	I do regularly contribute towards my medical insurance/ takaful		2.95	1.113

Conclusion and Recommendations

Several limitations were identified in this study, such as the fact that it consisted of Malaysians all over the state. Future research could limit the scope of the study's population. This study also merely provided the three elements influencing retirement planning behaviour. Future research may highlight other factors influencing retirement planning behaviour and their impacts. As a result, researchers can obtain more detailed retirement behaviour results with various outcomes. Furthermore, the study's approach uses SPSS software, which is developed to scan statistical analysis to assess the descriptive statistics and reliability of the variables. Other researchers could extend the process by employing Smart-PLS, which allows them to estimate models based on data.

Briefly, Malaysia requires fundamental reform and a new approach to strengthen the existing retirement protection scheme so that vulnerable older adults can retain a decent level of life in their golden years. The goal is to create a retirement protection system that is comprehensive, appropriate, sustainable, economical and robust. A complete system includes income protection and fundamental public services, including housing, healthcare and welfare. As a result, the government must sustainably fund the system while making it affordable for management and employees. Equally important is that the system should be strong enough to protect the interests of retirees from changes in the economy without having to cut their payments since there is inadequate public support. Furthermore, the EPF concept of handling retirement funds for private and non-pensionable public sectors must be strongly maintained through tight (non-compromised) governance mechanisms and professionalism. A strong governance system inhibits outside political interference while promoting transparency and accountability.

Next, financial institutions may (i) improve financial planning knowledge, and understanding of retirement savings; (ii) create a favourable policy environment to encourage the market to establish as many high-reliability pension plan investment financial products and wealth management, such as annuity plans or retail saving bonds and; (iii) provide tax breaks to encourage more voluntary retirement savings. Theoretically, the results added to the literature and helped researchers learn more about how people plan for retirement. In addition, good health can improve retirees' quality of life by ensuring they are disease-free and generally healthy. Retirees can achieve this by seeking treatment, having frequent health check-ups, and taking multivitamins to maintain their health. As a result of this initiative, they will be able to save money for their post-retirement medical needs, which will benefit them.

Lastly, most individuals are unaware that the takaful is a financial instrument that can provide retirement savings via a takaful retirement plan. Takaful also offers a takaful medical coverage plan to help secure and finance the plan owner's needs. This medical coverage plan is a long-term plan that can also provide the comfort of retirement soon. Aside from pension schemes, compulsory EPF contributions, and takaful plans, a wide range of planned investments such as deposits and unit trusts, can also be used to provide retirement savings. Muslim individuals could also benefit from saving at the Tabung Haji (TH). Besides performing Hajj, the savings that provide low returns can also be used later in retirement. It is hoped that employees will take advantage of the recommendations above to plan a great financial retirement.

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