RELATIONSHIP BETWEEN RETIREMENT WEALTH AND HOUSEHOLDERS' PERSONAL FINANCIAL AND INVESTMENT BEHAVIOR

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This cross sectional study is an explanatory research intended to establish the relationship between the retirement planning behavior and the various factors affecting the retirement planning behavior. A total of 300 working individuals in the age group of 26 to 55 years are participated in this study. The objectives of this study are to examine the retirement planning behavior of working individuals. There are several significant variables effect the individuals' retirement planning behavior, including age, education level and income level. The findings of this research are based on individual's investment planning, attitude toward savings and retirement goal clarity. The results of this study can guide the individuals to do early planning for retirement and enable them to have a strong financial base after retirement.

Key words: Retirement Planning, Behavior, Financial Planning, Income and Savings for retirement

INTRODUCTION

Financial planning is essential for individuals, public and private sector organizations. The financial planning activities are managed by professionals in all kinds of business organizations, whereas, it is less professional when it comes to individuals. But the people who plan their financial activities prudently, their retirement life will be smooth. The savings behavior of individuals with a focus on after retirement life leads to retirement planning. Retirement planning is the process of understanding how much it costs to live at retirement and coming up with a plan to distribute assets to meet any income shortfall.

Personal financial planning is the process of managing money to achieve personal economic satisfaction. This planning process allows to control the financial situation. Every person, family, or household has a unique financial position, and any financial activity therefore must also be carefully planned to meet specific needs and goals.

A comprehensive financial plan can enhance the quality of life and increase satisfaction by reducing uncertainty about future needs and resources. The specific advantages of personal financial planning——

- Increase effectiveness in obtaining, using, and protecting the financial resources throughout lifetime.

- Increase control of financial affairs by avoiding excessive debt, bankruptcy, and dependence on others for economic security.

- Improve personal relationships resulting from well-planned and effectively communicated financial decisions.

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- A sense of freedom from financial worries obtained by looking to the future, anticipating expenses, and achieving personal economic goals

SCOPE OF THE STUDY

- This Research specifies about the future of a person how in managing their personal finances and save it for future.
- Not only for one particular family, would it help for every individual in managing their surplus funds.
- It explores the investment behaviour in before and after retirement
- It deals with how a person manages both his personal financial and how he withstands his wealth after retirement

REVIEW OF LITERATURE

Justine S. Hastings and Olivia S. Mitchell examines the roles of financial literacy and impatience on retirement saving and investment behaviour, using new data they have generated using the Chilean EPS.Financial Literacy is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." Personal financial literacy is more than just being able to balance a check book, compare prices or get a job. The absence of financial literacy can lead to making poor financial decisions that can have adverse effects on the financial health of an individual. The advantages or disadvantages of variable or fixed rates are an example of an issue that will be easier to understand if an individual is financially literate. They provide information to individuals on pension investment returns net of fees on various formats.

Patti J. Fisher examines the influence of personal savings on investment behaviour. It also gives information about the women in the U.S. have been dependent on men for financial security. Although this trend is changing, large gender differences in economic well-being persist and affect women of all ages. In 2003, 28.0% of single female-headed households were living in poverty, as compared with 13.5% of single male headed households and 5.8% of married couple households.

Annamaria Lusardi Analysed that Planning is shaped by the experience of other individuals: individuals learn to plan for retirement from older siblings. They also learn from the experience of old parents. In this paper, I examine wealth holdings of households whose head is close to retirement. Contrary to the predictions of many traditional models of saving, I find that a large share of households have not thought about retirement or taken steps toward planning. Lack of planning is also shows the results that in low wealth holdings and in portfolios, that are less likely to contain high return assets, such as stocks. The responsibility to save and contribute to a pension is increasingly left to the Individual worker.

Robert L. Clark, Madeleine B. d'Ambrosio, Ann A. Mc.Dermed and KshamaSawant analysed the importance of financial education to successful retirement planning. Greater efforts by employers can provide the resources needed to assist workers in the retirement planning and enable them to achieve their retirement objectives.

IDENTIFICATION OF THE PROBLEM

Generally, people are not aware about the saving plan for the future benefits while working/earning time period. Majority of the people were not able to understand about their future life without any forecasting knowledge. They may spend their earning income/money for the current requirements (households, gold and ornaments, buying financial assets, education to children, etc.). People didn't go for the investments such as; insurance, bank deposits, PF, mutual funds, venture capital and other investment portfolios. Researcher also found that, gender based incomes and investment also women are playing a vital role here among the earning holders after retirements. In addition, lack of knowledge on personal finance and financial literacy etc.So that, the researcher found the above problems from the previous literature structured the below objectives.

RESEARCH OBJECTIVES:

From the above detailed literature, researcher constructed the below objectives

1. To identify the personal financial plans and their investment for present and retirement life
2. To know the Individual Behaviour or attitude in financial planning
3. To study the association between Income and savings
4. To examine the relationship between personal financial planning and retirement wealth.

HYPOTHESIS

➢ H0: There is no association between savings and consumption

   H1: There is association in savings and consumption

➢ H0: There is no relationship between retirement wealth and personal financial planning

   H1: There is relationship between Retirement wealth and personal financial planning

RESEARCH METHODOLOGY

The research process is designed for the present study is to find out the investment planning and behavior for the retirement life and to understand the association

between Income and savings. The convenience sampling method was used in this study to select the sample from the population in and around the Vijayawada City. In this present study, Chi-Square test is used for testing the Hypothesis. Frequencies, Bar charts and Pie Charts also used to present the data.

This study is conducted by collecting the primary data from the samples to represent the population. The method used in collecting data is the questionnaire technique. Each participant is asked to respond to the same set of questions, as it provides an efficient way in collecting responses from a large sample of working individuals to do quantitative analysis

Pilot Survey

A pilot survey on 30 respondents was conducted. In this pilot survey, the value of Cronbach's alpha of all the independent variables and dependent variable was equal to 0.745 and considered good in reliability test. This indicates that the internal consistency reliability of the measures in this pilot survey is considered to be good.

Reliability Test

The Cronbach Alpha value of 0.70 is well accepted under instrument Reliability, as per Hair (1998) and Malhotra & Grover (1998). At the same time, the minimum Cronbach value of 0.50 is reliable and valid, as per McDougall and Robinson (1990). This research followed the above criteria to confirm reliability and validity of the primary data in the well-structured questionnaire. The reliability of the research instruments for various dimensions, sample respondents are satisfied the criteria, which is greater than 0.7.

It reported the Cronbach's Alpha Coefficient reliability as 0.745. The accepted alpha value should be 0.70, or higher. The value of 0.80 or higher is considered as a very good value. In this research, since the value was 0.745, it can be concluded that there is an acceptable degree of consistency in the responses of the respondents.

TABLE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS

	No of respondents	% of total
Gender		
Women	144	48%
Men	156	52%
Marital Status		
Married	180	60%
Single	120	40%
Employment Details		
Government sector	111	37%
Private sector	168	56%
Self Employed	18	6%
Home maker	3	1%

contd. table 1

	No of respondents	% of total
Dependent Details		
Below 2	72	24%
Three	123	41%
Four	93	31%
Above 4	12	4%
Income Details		
Below 5lakh	66	22%
BetweenRs.5lakh and Rs.7.5lakh	120	40%
Between 7.5lakh and Rs.10lakh	93	31%
Between Rs.10lakh and Rs.15lakh	3	1%
Between Rs.15lakh and Rs.20.lakh	9	3%
Above 20lakh	9	3%

Hypothesis 1: To identify the personal financial plans and their investment for present and retirement life

TABLE 2: INVESTMENT OF RESPONDENTS

Income Levels	Frequency	Percent
Rs.8 lakh-Rs10lakh	24	8.0
Rs. 10 lakh-Rs20lakh	144	48.0
Rs 20 lakh-Rs30lakh	114	38.0
Rs 30 lakh-Rs40lakh	18	6.0
Total	300	100.0

Hypothesis 2: To Know the Individual Behaviour in financial planning

TABLE 3: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.993	3	.331	.647	.587[a]
Residual	49.117	96	.512		
Total	50.110	99			

a. Predictors: (Constant), my mode of spending is, spending and savings from regular income
b. Dependent Variable: planning variables as per the above table ,the significant value is above .05 hence alternative hypothesis rejected

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.993	3	.331	.647	.587[a]
	Residual	49.117	96	.512		
	Total	50.110	99			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.141[a]	.205	.114	.715

a. Predictors: (Constant), my mode of spending is, How do you spend, how do you save from your regular income

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.521	.294		8.587	.000
how do you save from your regular income	.003	.086	-.004	.036	.031
How do you spend	-.096	.098	-.103	-.982	.329
my mode of spending is	-.088	.095	-.094	-.922	.359

a. Dependent Variable: planning variables

From the above Table, regression analysis shows that, saving the regular income are having a positive impact on the planning options. Which was proved that, regression .003 is having the positive impact with significant value of 0.031. Respondents should spend their earning income on the available planning options in a developing competition world. Next variable how do spend money are having the negative impact on the planning options, which was proved that, regression is -.096 having the negative impact on the planning with insignificant value. In addition, mode of spending pattern is also having the negative impact on the planning variable as -.088 with an insignificant value. ***Hypothesis concludes that, there is less impact of individual behaviour on the financial planning options and the hypothesis is rejected*. Hypothesis 3:** To study the association between Income and savings

TABLE 4: INCOME * SAVINGS CROSS TABULATION

Count		Savings			
		below 1lakh	3lakh	5lakh	Total
Income	Below Rs.5lakh	39	15	9	63
	Between Rs.5lakh and 7.5lakh	75	30	18	123
	Between Rs.7.5lakh and Rs.10lakh	51	36	6	93
	Between Rs.10lakh and Rs.15lakh	6	0	0	6
	Between Rs.15lakh and Rs.20lakh	3	0	3	6
	Above Rs.20lakh	3	6	0	9
	Total	177	87	36	300

The above cross tabulation table shows that, the majority of the respondents are earning more than 5 lakhs to 7 lakhs which was statistically proved as per survey here as around 123 responses. Between Rs.7.5 lakhs to 10 lakhs were 93 respondents earning as well as below 5 lakhs were around 63 respondents.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.342[a]	10	.500
Likelihood Ratio	9.673	10	.470
Linear-by-Linear Association	.000	1	.985
N of Valid Cases	300		

a. 12 cells (66.7%) have expected count less than 5. The minimum expected count is .24.

Hypothesis 4: To examine the relationship between personal financial planning and retirement wealth.

TABLE 5: VARIABLES ENTERED/REMOVED[A]

Model	Variables Entered	Variables Removed	Method
1	planning variables	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: retirement wealth

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.271[a]	.073	.064	.983

a. Predictors: (Constant), planning variables

From the above table R value explained almost 27% on the dependent variable and R-Square shows that, 7% have an impact as an explained variable and unexplained variable are more which are not defined here. In addition adjusted R-Square also explains that 6% having an impact on the dependent variable.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.490	.317		7.860	.000
	planning variables	.387	.139	.271	2.788	.006

a. Dependent Variable: retirement wealth

From the above table Regression shows that, planning variable have a positive impact on the retirement wealth around .387. One point will impact around .387 point impact on the retirement wealth with a significant value.

Hypothesis concludes that, there is no any impact of planning variables on the retirement wealth of the sampling respondents in this survey.

FINDINGS

➢ The frequencies support that goal clarity, attitude toward retirement and potential conflict in retirement are the important factors that influence working individuals' behaviour and attitude toward retirement. Further study also consists of the percent of household annual income contributed to a retirement saving plan or account and investment instrument made by the working individuals. There are couple of working individuals do not contribute to a retirement saving plan or account.

➢ Out of 300 respondents 57% of the respondents are male who are concentrating on retirement planning

➢ Out of 300 respondents 33% of the respondents belongs to Private sector employees.

➢ Out of 300 respondents 69% of the respondents are married.

➢ Out of 300 respondents 35% of the respondents are having three dependents.

➢ Out of 300 respondents 37% of the respondents are having income between Rs.7.5lakh and Rs.10lakh.

➢ Out of 300 respondents 48% of the respondents have total investment of Rs.10lakh-Rs.20lakh.

➢ Regression analysis of Individual behavior has positive impact on the planning options. In addition mode of spending pattern is also having negative impact on planning options

➢ Chi square test between Income and savings show that there is an association between Income and savings which is equal to 0.5

➢ Regression analysis between personal financial planning and retirement wealth shows that there is positive impact on personal financial planning and retirement wealth.

SUGGESTIONS

➢ Based on their Income level every individual plan for their retirement rather spending it for durable items and ornaments which can multiple their investments.

➢ Every individual should have minimum knowledge in financial literacy.

➢ Avoid Gender differences while saving the personal finances.

CONCLUSION

The results show different age groups of the working individuals have different perspective toward the retirement planning behaviour. The younger generation of working individuals (26- 35 years) perceived a better perception toward the

retirement planning and they are not worried about the retirement. Thus, early planning for retirement may bring advantages and benefits to them in order to prevent them from not affording to retire since they have sufficient time to plan on it. This also enables them to plan in order to pursue their goal or dreams during the retirement life.

The findings show that age, education level, income level, goal clarity, attitude toward retirement and potential conflict in retirement are the factors influencing the retirement planning behaviour. In many similar studies, age has been found to be a significant predictor of saving tendencies.In this study, education level and income level are the significant variables for the retirement planning behaviour other than age. Meanwhile the psychological factors also play an important role in affecting the retirement planning behaviour. Findings support that goal clarity, attitude toward retirement and potential conflict in retirement are the important factors that influence working individuals' behaviour and attitude toward retirement. Further this study also consists of the percent of household annual income contributed to a retirement saving plan or account and investment instrument made by the working individuals. There are couple of working individuals do not contribute to a retirement saving plan or account.

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