



A STUDY ON INDIVIDUAL'S RETIREMENT PLANNING BEHAVIOR

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KEYWORDS :

INTRODUCTION:

Retirement is a comprehensive component of the normative life cycle stage, so it is very important to plan for the golden years of life. Deciding when to retire may be one of the most important decisions an individual makes during his or her lifetime. Although the retirement decision occurs late in time, it can significantly affect an individual's well-being for many years.

When individuals decide to stop working, they must have a way to support themselves financially, as their income from work will no longer be available. Thus, the question of how to support oneself in retirement should be an important consideration in the retirement decision. In addition to the financial and health aspects of the retirement decision, policymakers and those in the position to guide the choices of future retirees understand the possible behavioural and psychological features of the retirement decision.

LITERATURE REVIEW:

- **Bahrami (2001)**, The paper examines the factors influencing faculty members' retirement decisions for this the data from a random, national sample of faculty, ages 56 and older has been used. The impacts that financial, personal, and institutional factors may have on faculty members' retirement decisions are explored. The paper suggests that the factors such as such as uncapping of the retirement age, current salary, eligibility for full retirement benefits, other sources of income, early retirement incentives, social security income, preference for leisure, teaching effectiveness, type of institution, and the level of education of faculty have a significant influence on faculty members' decisions to retire.
- **Beh & Folk (2012)**, The paper analyses the influence of financial learning on retirees' retirement financial planning preparation. 750 questionnaires were distributed with the return rate of 53.9% return rate. Three hypotheses have been analysed using hierarchical regression analysis. In the results it was found that, some mediating effect existed between financial learning and behavioural assessment of personal finance, and that the older age groups had mediating effect on the relationship between financial learning and subjective perception of satisfaction with personal finance. Within this context the respondents were satisfied with their financial situation from behavioural assessment of personal finance, subjective perception and perceived financial well-being perspective. The study also suggested that the older age groups (above 50 years) had mediating effect on the relationship between financial learning and subjective perception of satisfaction with personal finance.
- **Chalmers, Johnson, & Reuter (2008)**, The study focuses on

the factors that affect the choice of retirement date for the purpose of which a large sample of retirement-eligible Oregon state employees were considered for the purpose of analyses between 1992 and 2003. As per the situation it was hypothesized that the individuals will infer their optimal retirement behaviour, in part, from the retirement behaviour of their co-workers. The findings suggest that individuals are economically significantly more likely to retire in months when more of their co-workers retire and it was also found that there is less effect of the peers in the case of employees whose salaries are in the bottom 25th percentile, where financial literacy is likely to be the lowest.

- **Davey(2008)**, Ageing of the workforce is likely to lead to labour and skills shortages. The factors influencing retirement decisions are thus important in personal as well as policy terms. The factors including health and financial circumstances has been reviewed I this paper with special reference to the New Zealand sources, especially the Health, Work and Retirement Study. The findings of the qualitative interviews suggest how the individuals interact and highlight the importance of life-course factors, both personal and contextual which serve as a key to the decisions about the workforce participation in mid and later life.

OBJECTIVES OF THE STUDY:

- To analyse the preferences of individuals towards Retirement Planning.
- To analyse the level of Satisfaction of the individuals to different avenues that may be used for Retirement Planning.
- To know the reasons behind not planning for retirement.

RESEARCH DESIGN

Descriptive Research Design and have been used in the project as it provides the opportunity to cover all the aspects that are required to conduct the research.

SAMPLING PLAN

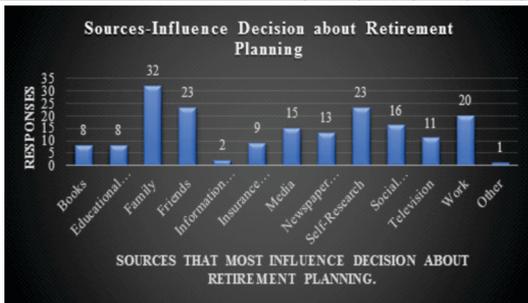
- Population- Working Individuals from different age groups and occupations.
- Sampling Unit- Divided on the basis of age groups under the following two categories:
  - 21-39 Years
  - 40-59 Years
- Sample Size – The total sample size of the project is 137.
- Sampling Method- Stratified Sampling
- Sampling Frame – Ahmedabad City
- Statistical Tools- SPSS v20 and Excel 2013 software have been used for data analysis.

DATA ANALYSIS:

|                             | ORDER OF PREFERENCES |    |   |   |   |   |   |   |   |    |    |    |    |    |    | TOTAL |
|-----------------------------|----------------------|----|---|---|---|---|---|---|---|----|----|----|----|----|----|-------|
|                             | 1                    | 2  | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |       |
| PUBLIC PROVIDENT FUND       | 26                   | 5  | 6 | 4 | 2 | - | 1 | 1 | 1 | -  | -  | -  | -  | -  | 2  | 48    |
| POST OFFICE MONTHLY SCHEMES | 6                    | 13 | 8 | 6 | 1 | 4 | 1 | 1 | 1 | -  | -  | -  | -  | -  | 1  | 42    |

|                          |    |    |    |   |   |   |   |   |   |   |   |   |   |   |   |    |
|--------------------------|----|----|----|---|---|---|---|---|---|---|---|---|---|---|---|----|
| ANNUITIES                | 6  | 8  | 8  | 5 | 1 | - | 2 | - | 1 | - | - | - | 1 | 1 | 1 | 34 |
| BANK FD                  | 19 | 12 | 7  | 1 | 3 | 1 | - | - | - | - | - | - | 1 | - | 2 | 46 |
| GOLD                     | 10 | 13 | 9  | 5 | 1 | 1 | 1 | - | - | 1 | - | - | - | - | 1 | 42 |
| REAL ESTATE              | 9  | 7  | 7  | 9 | 4 | - | 2 | - | 1 | - | 1 | 1 | 1 | - | 1 | 43 |
| NATIONAL PENSION SCHEMES | 8  | 8  | 10 | 3 | 2 | 4 | 1 | 1 | - | 1 | - | - | - | 1 | - | 39 |

| ORDER OF PREFERENCES             |    |    |    |   |   |   |   |   |   |    |    |    |    |    |    |       |
|----------------------------------|----|----|----|---|---|---|---|---|---|----|----|----|----|----|----|-------|
|                                  | 1  | 2  | 3  | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | TOTAL |
| SOVEREIGN GOLD BONDS             | 4  | 13 | 7  | 3 | - | - | 2 | 1 | 3 | 1  | -  | -  | -  | 1  | 1  | 36    |
| LIFE INSURANCE (ENDOWMENT PLANS) | 12 | 12 | 8  | 3 | 4 | 2 | 1 | - | 1 | -  | -  | 1  | -  | -  | 1  | 45    |
| TERM PLAN INSURANCE              | 8  | 14 | 5  | 5 | - | 4 | 1 | - | - | 1  | 1  | 1  | 1  | -  | -  | 41    |
| EMPLOYEE PROVIDENT FUND          | 10 | 8  | 7  | 5 | 3 | 2 | 1 | 1 | 2 | -  | -  | -  | -  | -  | -  | 39    |
| NATIONAL SAVINGS CERTIFICATES    | 11 | 7  | 8  | 4 | 1 | 1 | - | 1 | 1 | 1  | -  | 1  | -  | 1  | 1  | 38    |
| SHARES                           | 7  | 5  | 10 | 6 | 2 | 3 | 1 | 4 | 1 | -  | 1  | 1  | -  | 2  | -  | 43    |
| GRATUITY                         | 7  | 9  | 8  | 5 | - | 2 | - | 1 | - | 2  | -  | -  | 1  | 1  | -  | 36    |
| MUTUAL FUNDS                     | 11 | 7  | 10 | 6 | - | - | 3 | 2 | 2 | -  | 1  | -  | -  | 2  | -  | 44    |



| PARTICULARS                     | SIGNIFI CANCE | ACCEPT/ REJECT H <sub>0</sub> |
|---------------------------------|---------------|-------------------------------|
| AGE & DO YOU INVEST             | 0.883         | Accept H <sub>0</sub>         |
| GENDER & DO YOU INVEST          | 0.008         | Reject H <sub>0</sub>         |
| MARITAL STATUS & DO YOU INVEST  | 0.062         | Accept H <sub>0</sub>         |
| EDUCATION LEVEL & DO YOU INVEST | 0.435         | Accept H <sub>0</sub>         |
| INCOME LEVEL & DO YOU INVEST    | 0.290         | Accept H <sub>0</sub>         |
| OCCUPATION & DO YOU INVEST      | 0.011         | Reject H <sub>0</sub>         |

**CHI-SQUARE TEST**

**AGE & AWARENESS TOWARDS RETIREMENT SAVINGS HYPOTHESIS STATEMENT:**

H<sub>0</sub>: There is no significant association between age & awareness towards early retirement planning.

H<sub>1</sub>: There is significant association between age & awareness towards early retirement planning.

| PARTICULARS                        | VALUE              | DF | ASYMP. SIG. (2-SIDED) | EXACT SIG. (2-SIDED) | EXACT SIG. (1-SIDED) |
|------------------------------------|--------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square                 | 9.238 <sup>a</sup> | 1  | .002                  |                      |                      |
| Continuity Correction <sup>b</sup> | 8.178              | 1  | .004                  |                      |                      |
| Likelihood Ratio                   | 9.527              | 1  | .002                  |                      |                      |
| Fisher's Exact Test                |                    |    |                       | .004                 | .002                 |
| Linear-by-Linear Association       | 9.170              | 1  | .002                  |                      |                      |
| N of Valid Cases                   | 137                |    |                       |                      |                      |

Here from the table, if significant value is less than 0.05, we reject Null Hypothesis. Otherwise we fail to reject the Null Hypothesis. In the table above, as Pearson Chi-Square value is 0.002 which is less than 0.05, we **reject Null Hypothesis**.

Hence, there is significant association between age & awareness towards early retirement planning.

| DEMOGRAPHIC VARIABLES(x) | INVESTMENT-RETIREMENT SAVINGS(y)  |
|--------------------------|-----------------------------------|
| AGE                      | INVESTMENT FOR RETIREMENT SAVINGS |
| GENDER                   | INVESTMENT FOR RETIREMENT SAVINGS |
| MARITAL STATUS           | INVESTMENT FOR RETIREMENT SAVINGS |
| EDUCATION LEVEL          | INVESTMENT FOR RETIREMENT SAVINGS |
| INCOME LEVEL             | INVESTMENT FOR RETIREMENT SAVINGS |
| OCCUPATION               | INVESTMENT FOR RETIREMENT SAVINGS |

**HYPOTHESIS STATEMENT**

H<sub>0</sub>: There is no significant association between x & y.

H<sub>1</sub>: There is significant association between x & y.

**FINDINGS:**

- The sources that most influence people's decision about Retirement Planning Are-Family, Friends, Self-Research and Work.
- Out of the total 137 respondents, according to majority of the respondents -i.e.77(i.e. 56.2%) respondents there is no adequate market awareness on early Retirement Planning and as per the 60 respondents i.e. (43.8%), there is an adequate market awareness on early Retirement Planning.
- Out of the total 137 respondents, majority of the respondents i.e.-85 (i.e. 62%) respondents don't invest for their retirement savings and 52 (i.e. 38%) respondents invest for their Retirement Savings.
- Out of the 52 respondents, who invest for their retirement savings, majority of the respondents i.e. 19 respondents think that they have an adequate quality of information about retirement, 18 respondents think that they have good quality of information about retirement, 10 respondents think that they have Very Good quality of information about retirement and 9 respondents think that they have Poor quality of information about retirement.
- Out of the 52 respondents, who invest for their Retirement Savings, majority of the respondents i.e.33 respondents have estimated the savings they would need at retirement considering their desired retirement age and life expectancy and 19 respondents have not estimated the savings they would need at retirement considering their desired retirement age and life expectancy.
- Majority of the respondents i.e. 50 respondents have prioritized the statements- "Lump sum amount available to the legal heir" and "Flexibility in terms of stable source of income or support to family in case of death" and from that too-25 respondents have rated- "Flexibility in terms of stable source of income or support to family in case of death" as most important in terms of planning for retirement.
- Majority of the Respondents i.e. 48 respondents have chosen Public Provident Fund (PPF) as their preference for investment for Retirement Planning and amongst all the Retirement Planning that have been considered for analysis- majority of the respondents have ranked PPF as their 1<sup>st</sup> preference for investment for retirement.

- 46 Respondents have provided their preferences for investment in Bank Fixed Deposits (FD's) for Retirement Planning and 19 respondents have ranked it as their 1<sup>st</sup> preference for investment for Retirement Planning.
- 45 Respondents have provided their preferences for Life Insurance (Endowment Plans) as an avenue to investment in for Retirement Planning and 12 respondents have ranked it as their 1<sup>st</sup> preference for investment for Retirement Planning.
- 44 Respondents have provided their preferences for Mutual Funds as an avenue to investment in for Retirement Planning and 11 respondents have ranked it as their 1<sup>st</sup> preference for investment for Retirement Planning.
- 43 Respondents have provided their preferences for Real estate and Shares as the avenues to invest in for the purpose of Retirement Planning and 9 respondents have ranked Real Estate as their 1<sup>st</sup> preference and 7 respondents have ranked Shares as their 1<sup>st</sup> preference to invest in for the purpose of Retirement Planning.
- 42 Respondents have provided their preferences for Gold and Post Office Monthly Schemes as the avenues to invest in for the purpose of Retirement Planning and 10 respondents have ranked Gold as their 1<sup>st</sup> preference and 6 respondents have ranked Post Office Monthly Schemes as their 1<sup>st</sup> preference to invest in for the purpose of Retirement Planning.
- 33 Respondents have Ranked their Satisfaction for the Bank Fixed Deposits and 12 respondents each are Highly Satisfied and Satisfied, 6 respondents are neutral, 2 respondents are Dissatisfied and 1 respondent is Highly Dissatisfied with the Rate of Interest Provided by the FD's.
- 31 Respondents have Ranked their Satisfaction from investment in Mutual Funds: -
- 7 respondents are Highly Satisfied, 11 respondents are Satisfied, 10 respondents are neutral, 3 respondents are Dissatisfied with the factor- "higher rate of returns than other avenues" for Mutual Funds.
- 8 respondents are Highly Satisfied, 12 respondents are Satisfied, 9 respondents are neutral, 1 respondent is Dissatisfied and 1 respondent is Highly Dissatisfied with the factor- "More tax Benefits" of investment in Mutual Funds.
- 29 Respondents have Ranked their Satisfaction from Investment in Gold: -
- 9 respondents are Highly Satisfied, 11 respondents are Satisfied, 6 respondents are neutral, 2 respondents are Dissatisfied and 1 respondent is Highly Dissatisfied with the factor- "The expected rate of Returns" from investment in Gold.
- 2 respondents are Highly Satisfied, 9 respondents are Satisfied, 13 respondents are neutral and 4 respondents are Highly Dissatisfied with the factor - "A safe mode of investment" - Gold.
- 29 Respondents have Ranked their Satisfaction from Investment in Post Office Monthly Schemes and 6 respondents are Highly Satisfied, 13 respondents are Satisfied, 9 respondents are neutral and 1 respondent is Dissatisfied with the factor- "Requirement of Minimum Investment" for making investment in Post Office Monthly Schemes.
- 29 Respondents have Ranked their Satisfaction from Investment in Term Plan Insurance: -
- 10 respondents are Highly Satisfied, 11 respondents are Satisfied, 6 respondents are neutral and 2 respondents are Dissatisfied with the factor- "Providing Security at nominal cost" from making investment in Term Plan Insurance.
- 5 respondents are Highly Satisfied, 17 respondents are Satisfied, 5 respondents are neutral, 1 respondent is Dissatisfied and 1 respondent is Highly Dissatisfied with the factor - "Flexibility to receive payout as monthly income or amount in lumpsum" by making investment in Term

Plan Insurance.

- 28 Respondents have Ranked their Satisfaction from Investment in Public Provident Fund (PPF): -
- 16 respondents are Highly Satisfied, 8 respondents are Satisfied, 4 respondents are neutral and no respondents are Dissatisfied with the factor- "High tax benefits" that an individual may get by making investment in PPF.
- 8 respondents are Highly Satisfied, 11 respondents are Satisfied, 7 respondents are neutral and 2 respondents are Dissatisfied with the factor - "Serves as a mode of Collateral" for PPF.
- 13 respondents are Highly Satisfied, 6 respondents are Satisfied, 8 respondents are neutral and 1 respondent is Dissatisfied with the factor - "Easy withdrawal facility" for PPF.

#### CONCLUSION:

One big reality of life is retirement, and planning for retirement is still a nascent concept in India. Although it is thought about and talked about all over, but the actions for retirement planning are still not focused by individuals. Retirement planning is very dynamic process and is affected by numerous factors. Individuals need to keep an eye of the social, economic and political factors along with his requirements while planning for retirement. Retirement is a comprehensive component of the normative life cycle stage, so it is very important to plan for the golden years of life. Deciding when to retire may be one of the most important decisions an individual makes during his or her lifetime.

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