A STUDY ON PERCEPTION AND AWARENESS TOWARDS RETIREMENT PLANNING

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ABSTRACT:

Retirement is defined as seclusion or privacy or withdrawal from work due to age. Increasingly, individuals are being required to take more responsibility for their own retirement saving. Lifecycle theories of resource allocation provide a frame work to examine work, retirement, consumption and saving decision.

However, optimal decision making requires adequate knowledge of financial mathematics, risk and returns properties of investments. This paper explores the response of working individuals of all type of sector within Vadodara location. Very few individuals have a documented plans and saving pattern that will allow them to achieve the goal of early retirement.

Retirement planning is ideally a life-long process. You can start at any time, but it works best if you factor it into your financial planning from the beginning. That's the best way to ensure a safe, secure—and fun—retirement. The fun part is why it makes sense to pay attention to the serious and perhaps boring part: planning how you'll get there.

KEYWORDS:

Retirement plan, Working individual, Perception of retirement planning, Investment, Retirement life.

INTRODUCTION:

Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program, and managing assets and risk. Future cash flows are estimated to determine if the retirement income goal will be achieved.

In the simplest sense, retirement planning is the planning one does to be prepared for life after paid work ends, not just financially but in all aspects of life. The non-financial aspects include lifestyle choices such as how to spend time in retirement, where to live, when to completely quit working, etc. A holistic approach to retirement planning considers all these areas.

In one word, retirement is an end to the daily struggle for the salaried persons. If you take a pension plan, you will be financially independent and free in this beautiful phase of life even if there is no incoming salary. Thus, every individual who dreams of enjoying financial independence and a blissful retired life will agree why retirement planning is crucial. More importantly for people in private jobs, a proper plan for retirement would help you determine retirement income goals, and then design an achievable path to enjoy the benefits.

OBJECTIVES OF THE STUDY

1. To analyse the habit of saving a sum on monthly basis.
2. To understand the impact of demographic factors on saving for retirement.
3. To identify behavioural factors.
4. To assess the impact of behavioural factors on saving for retirement.

LITERATURE REVIEW:

1. **Joy and Douglas (2003),** designed to complement that line of work by exploring the extent to which demographic factors (age, income, gender, and educational background) are related workers' perceptions of financial stability in retirement. Results revealed that demographic variables were associated with individuals' perceptions of how difficult it will be to fund their retirement, and perceptions of the importance of income from personal savings, pension plans, Social Security, and family members. Findings are discussed in terms of how perceptions of income are related to income patterns experienced by current retirees. Altogether, the results show that the need to develop public policy initiatives and tailored retirement intervention programs is that it meets the needs of subgroups of workers.

2. **M Krishna Moorthi et.al. (2012)** Understand influence of demographic factors and psychological factors on retirement planning behavior. The authors have considered three demographic factors namely - age, education and income. Besides these two psychological factors such as goal clarity, potential conflicts in retirement planning and attitude towards retirement are considered for the study. Primary data is collected from 300 respondents between the ages of 25 to 55 years. Statistical tools such as correlation, one-way ANOVA and regression used to analyse the data. The authors conclude the research paper by stating that demographic factors, education and income have significant influence on retirement behavior. Psychological factors namely goal clarity, attitude toward retirement and potential conflict in goals also has impact on the retirement behavior of the individual.

3. **Nurul Faezah Mohd Talib et.al. (2017)** The research regarding retirement behavior was carried out among the employees of 'Employees Provident Fund' (EPF). The study is interesting as EPF is a government agency in Malaysia, which is in charge of managing savings of private sector employees for retirement. The study considered 'self-awareness', 'organization role' and 'environmental factors' as independent variables, dependent variable being 'retirement planning behavior. It is worth noting that 71 percent of the respondents never followed any retirement plan even though all of them agreed that retirement plan would help them to have secured retired life with regular income. There is no correlation between self-awareness and retirement planning as employees are aware of the financial needs after retirement but have very little financial literacy.

HYPOTHESIS:

Null Hypothesis H0: There is no relation between Age and Years to retire.

Alternative Hypothesis H1: There is significant relation between Age and Years to retire.

RESEARCH METHODOLOGY:

1. Research Design: This research is based on primary data. Primary data were collected through Questionnaires and Surveys.
2. Sources of data: For this research, data were collected by circulating questionnaires towards the target sample. Some data is collected through internet.
3. Data collection method: The data were collected by circulating questionnaires towards the target sample of working individuals of all type of sector within Vadodara location.
4. Population: In this research we have assumed total population within Vadodara.
5. Sample: For this research the sample size is 100, which includes working individuals of Vadodara.
6. Data collection method: In instruments we used Questionnaire for Primary Data.
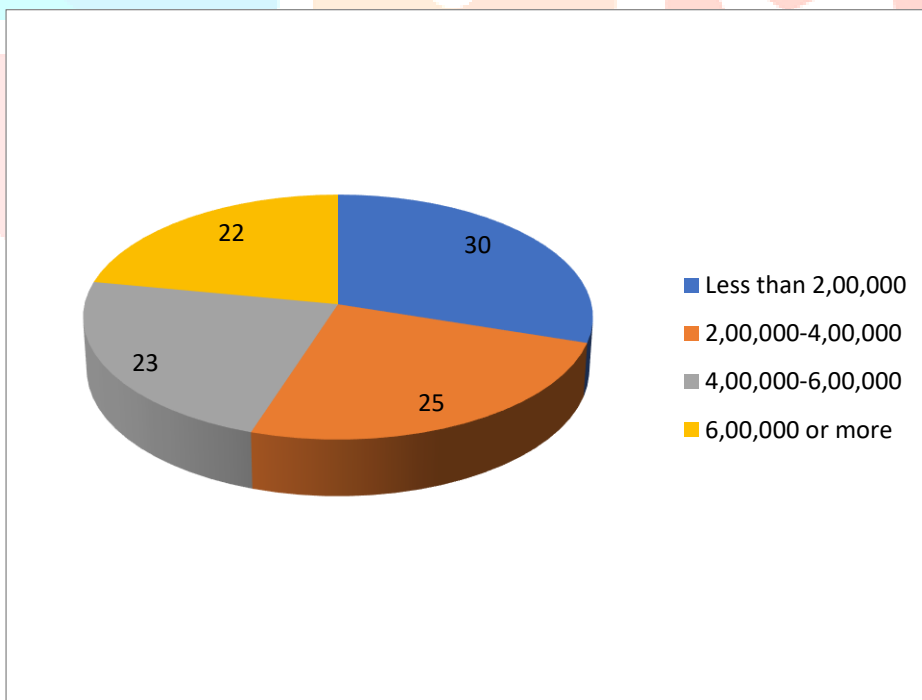
DATA ANALYSIS:
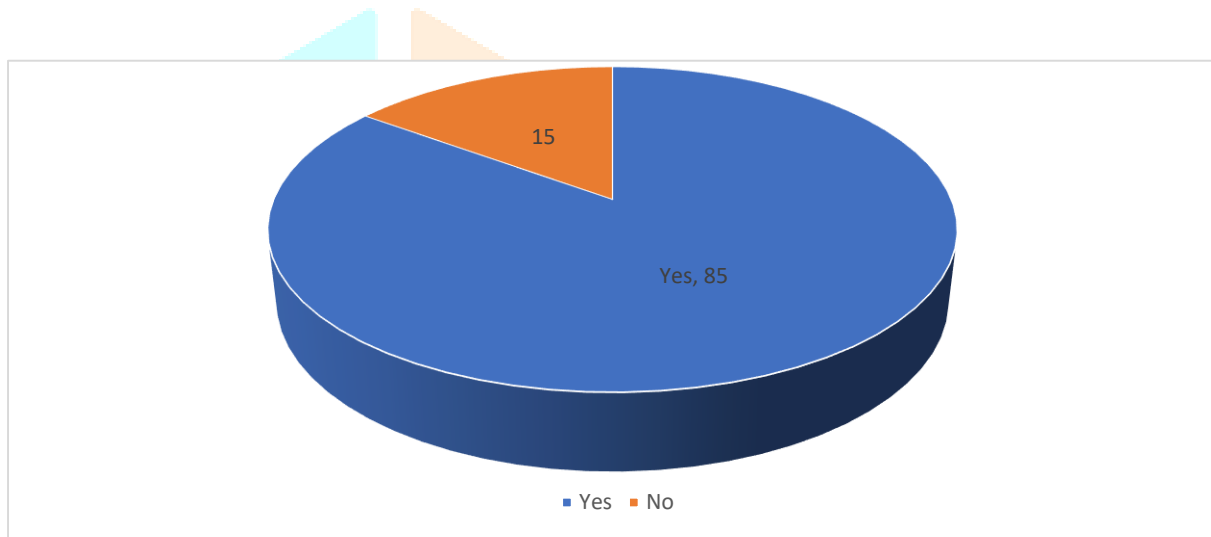
1. Gender of respondents:
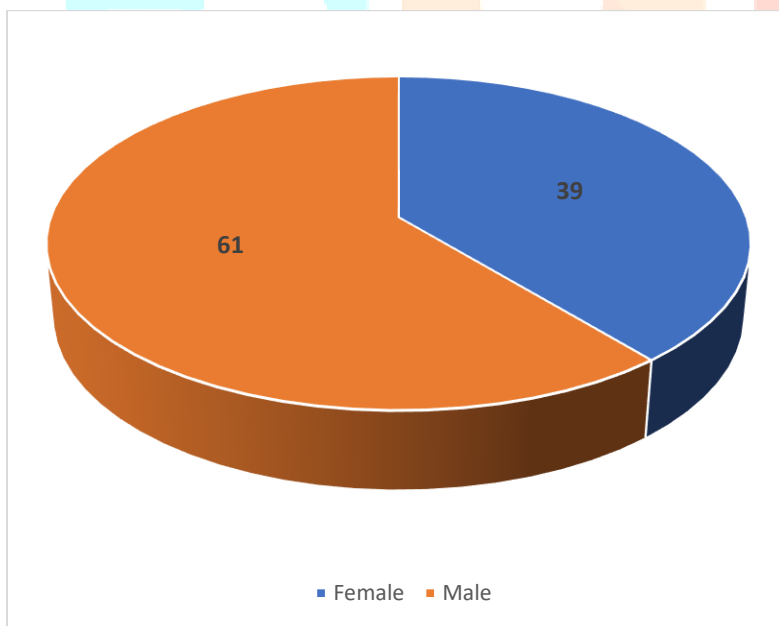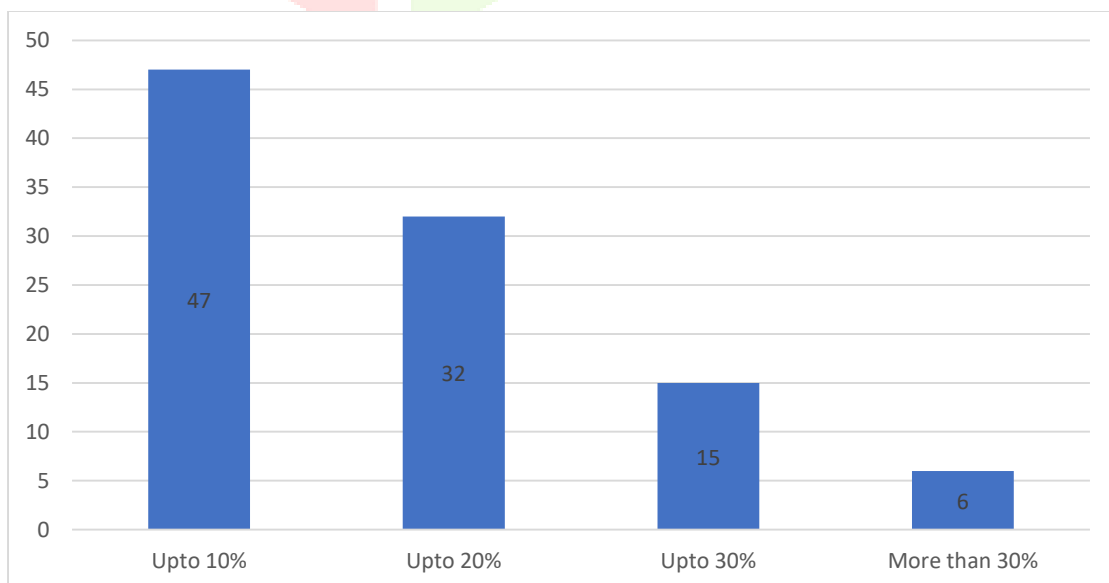
2. **Age of respondents:**
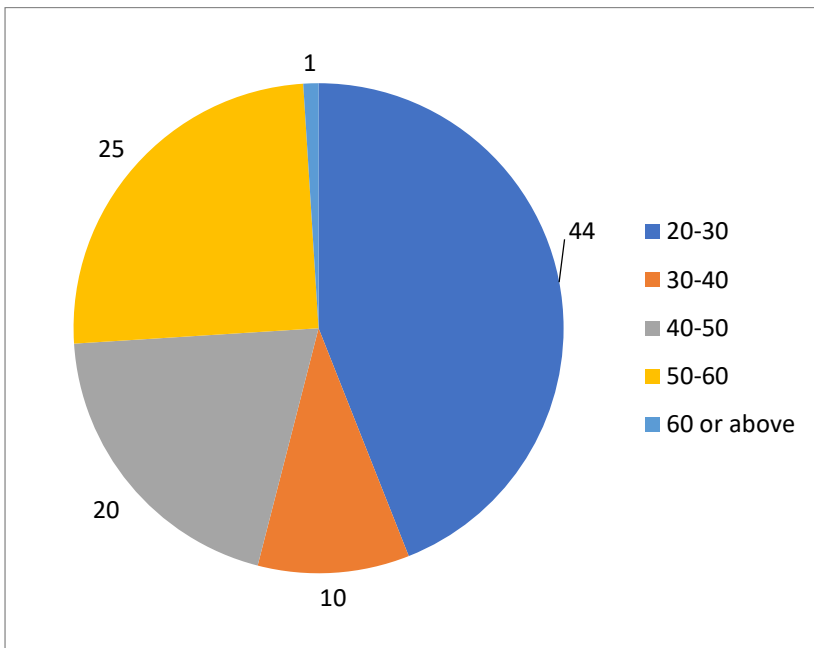
3. **Income of respondents:**

4. In how many years do you want to retire?

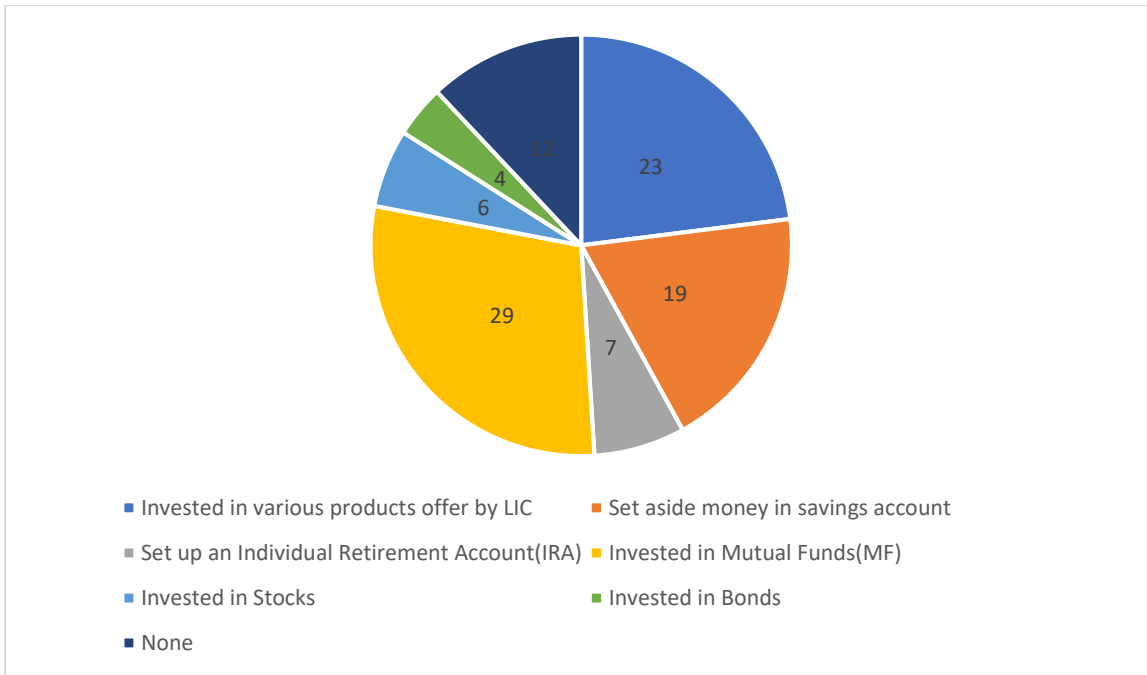| Age	Years to Retire						
	5-10	10-15	15-20	20-25	Over 25 From Now	Don't Know	Total Respondents
20 - 30	2	4	3	12	17	6	44
30 - 40	1	2	3	4	0	0	10
40 - 50	3	6	9	1	0	1	20
50 - 60	14	9	1	1	0	0	25
60 or Above	1	0	0	0	0	0	1
Total	**21**	**21**	**16**	**18**	**17**	**7**	**100**

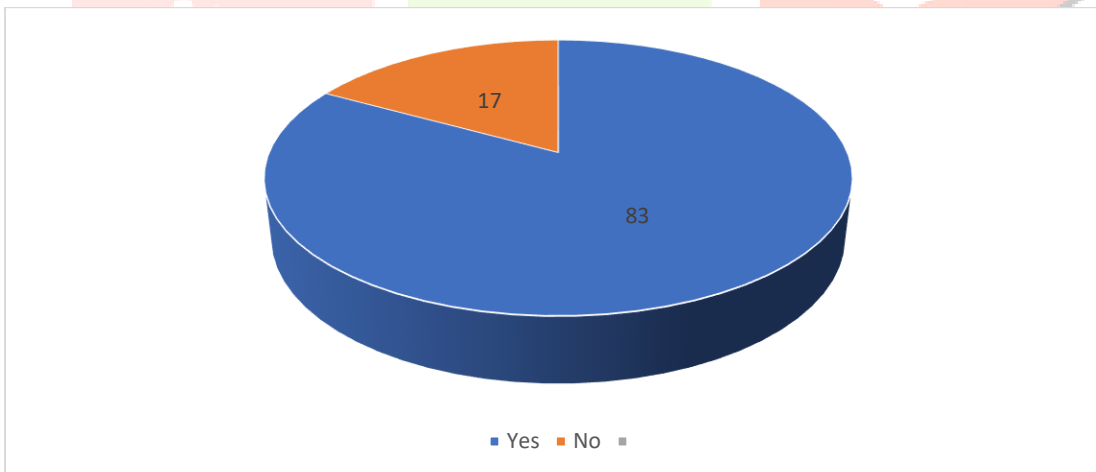**5. Are you investing/saving towards your Retirement Planning?**

6. What percentage (%) of your income do you actually save for your Retirement Planning?

7. What financial Steps have you taken for Retirement?

Legend:
- Invested in various products offer by LIC
- Set aside money in savings account
- Set up an Individual Retirement Account(IRA)
- Invested in Mutual Funds(MF)
- Invested in Stocks
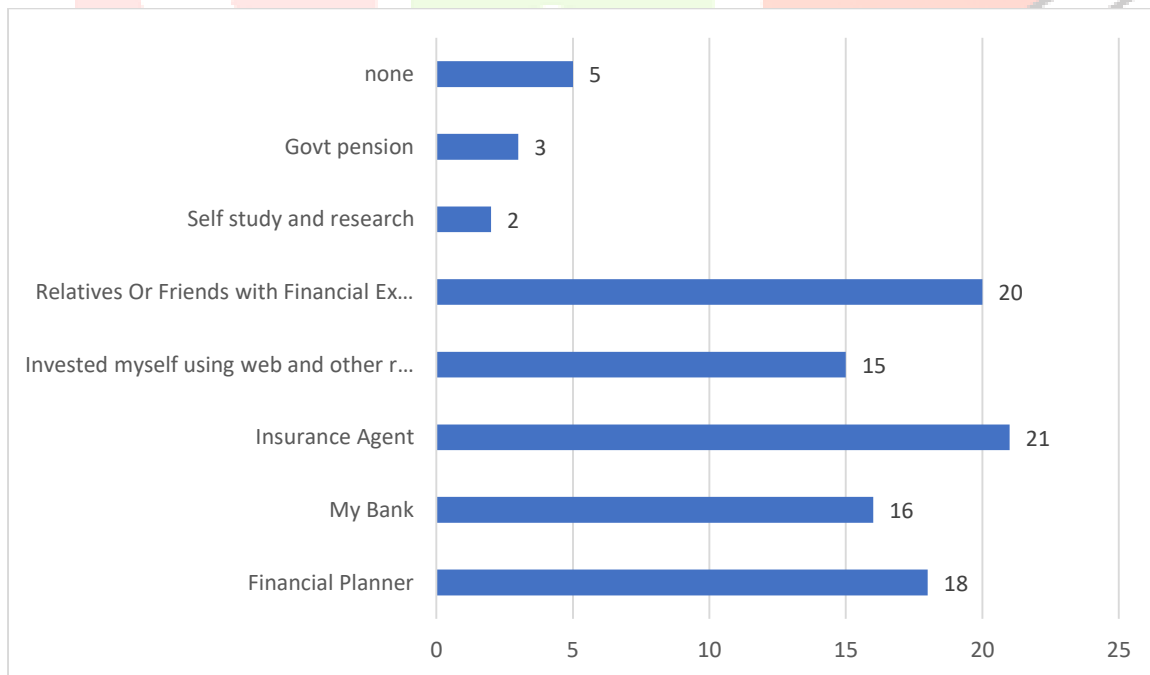- Invested in Bonds
- None

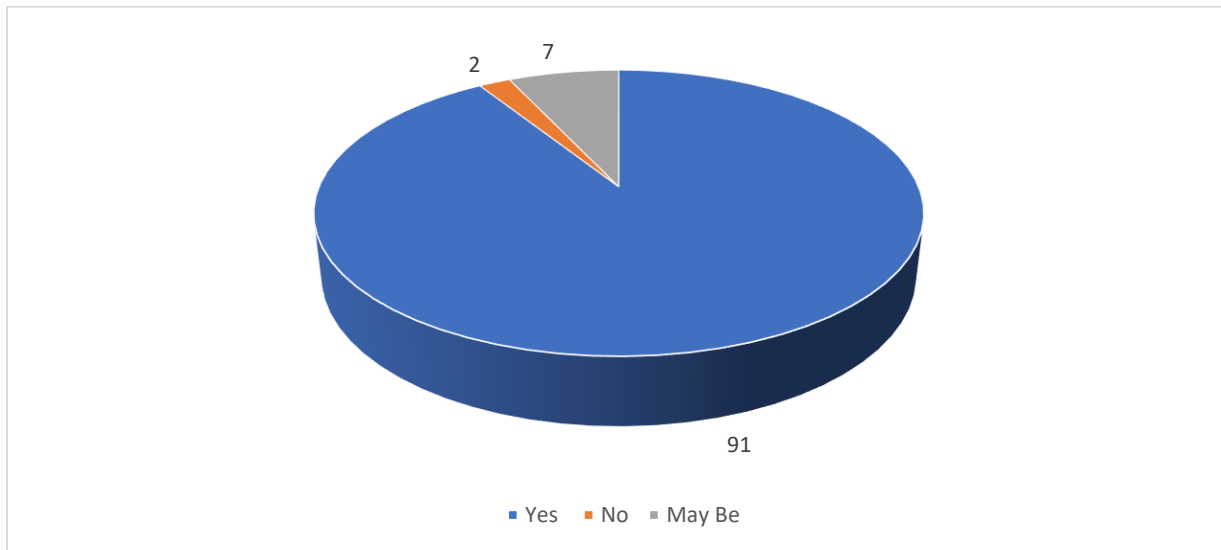## 8. Do you know about various products offer by LIC?

Legend: Yes • No •

9. Do you invested in any products of LIC?
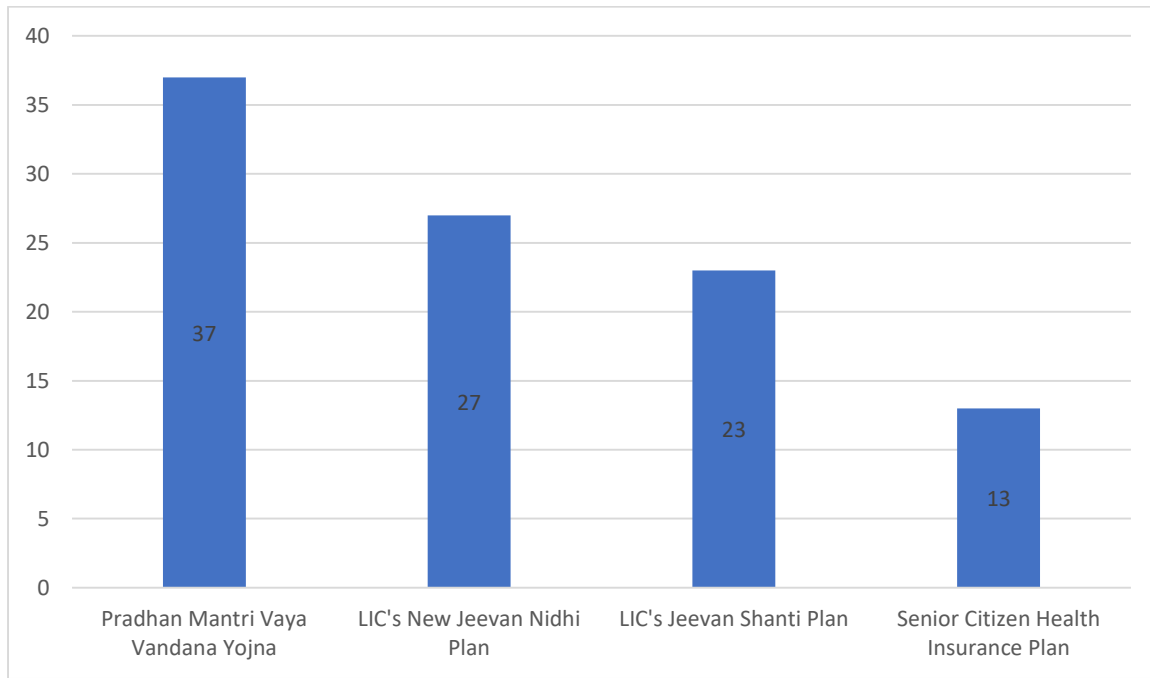
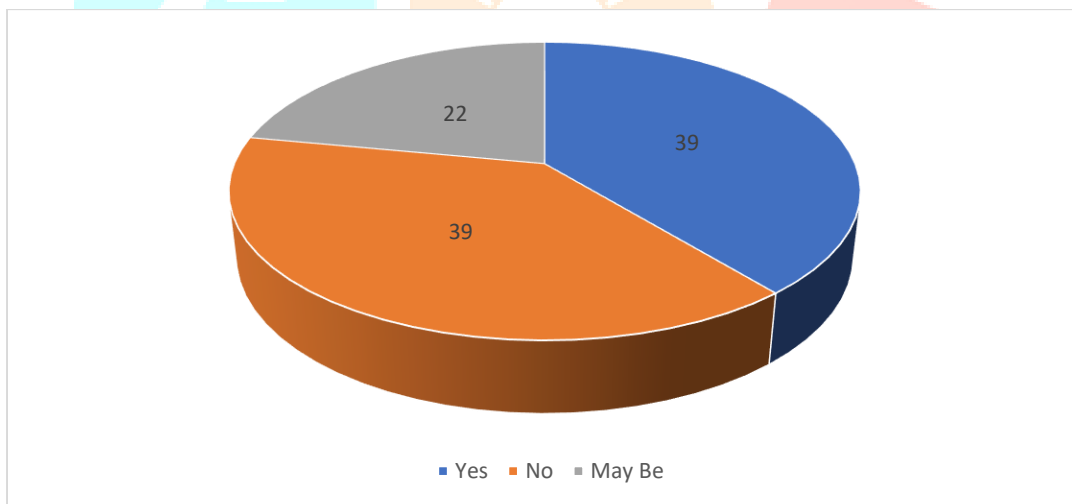
10. Who have you contacted for Retirement Financial Advice?

11. Will you provide support to children or parents when you retire?

12. Do You Plan to relocate or purchase a different home for Retirement?

13. Annually, how much will you spend once you Retire?
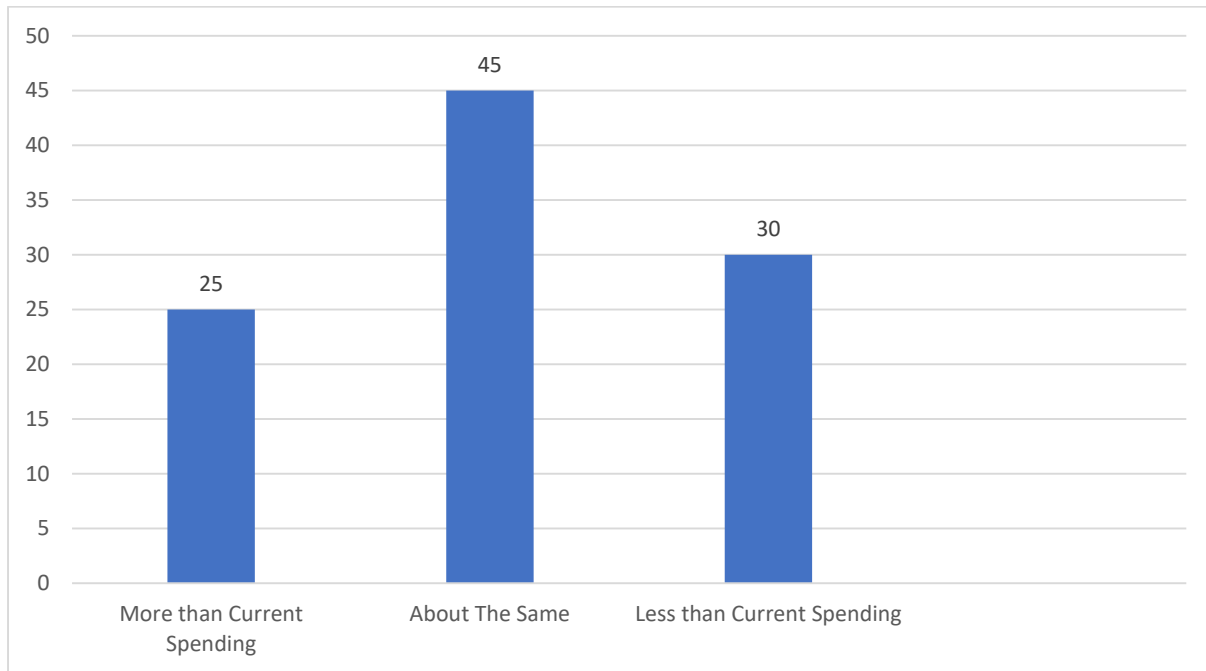
HYPOTHESIS:

CHI-SQUARE TEST OF RELATION BETWEEN AGE AND YEARS TO RETIRE

Age	Years to Retire						
	5-10	10-15	15-20	20-25	Over 25 From Now	Don't Know	Total Respondents
20 - 30	2	4	3	12	17	6	44
30 - 40	1	2	3	4	0	0	10
40 - 50	3	6	9	1	0	1	20
50 - 60	14	9	1	1	0	0	25
60 or Above	1	0	0	0	0	0	1
Total	**21**	**21**	**16**	**18**	**17**	**7**	**100**

Null Hypothesis H0: There is no relation between Age and Years to retire.

Alternative Hypothesis H1: There is significant relation between Age and Years to retire.

CHI-SQUARE TEST:

Age	Years to Retire					
	5-10	10-15	15-20	20-25	Over 25 From Now	Don't Know
20 - 30	9.24	9.24	7.04	7.92	7.48	3.08
30 - 40	2.1	2.1	1.6	1.8	1.7	0.7
40 - 50	4.2	4.2	3.36	3.6	3.4	1.4
50 - 60	5.25	5.25	4	4.5	4.25	1.75
60 or above	0.21	0.21	0.16	0.18	0.17	0.07

CALCULATION OF X^2:

Observed Values (O)	Expected Value (E)	(O-E)	(O-E)2	(O-E)2 / E
2	9.24	-7.24	52.42	5.67
4	9.24	-5.24	27.46	2.97
3	7.04	-4.04	16.32	2.32
12	7.92	4.08	16.65	2.10
17	7.48	10.48	109.83	14.68
6	3.08	2.92	8.53	2.77
1	2.1	-1.1	1.21	0.58
2	2.1	-0.1	0.01	0.005
3	1.6	1.4	1.96	1.23
4	1.8	2.2	4.84	2.69
0	1.7	-1.7	2.89	1.7
0	0.7	-0.7	0.49	0.7
3	4.2	-1.2	1.44	0.34
6	4.2	1.8	3.24	0.77
9	3.36	5.64	31.81	9.47
1	3.6	-2.6	6.76	1.88
0	3.4	-3.4	11.56	3.4
1	1.4	-0.4	0.16	0.11
14	5.25	8.75	76.56	14.58
9	5.25	3.75	14.06	2.68
1	4	-3	9	2.25
1	4.5	-3.5	12.25	2.72
0	4.25	-4.25	18.06	4.25
0	1.75	-1.75	3.06	1.75
1	0.21	0.79	0.62	2.95
0	0.21	-0.21	0.04	0.19
0	0.16	-0.16	0.03	0.19
0	0.18	-0.18	0.03	0.17
0	0.17	-0.17	0.03	0.18
0	0.07	-0.07	0.0049	0.07
			Total	**85.365**

Degrees of freedom = (Columns-1) (Rows-1)

$$= (6\text{-}1)\ (5\text{-}1)$$

$$= 20$$

Significant level = 0.05

X^2 Tabular = 31.410

X^2 Calculated = 85.365

X^2 Calculated > X^2 Tabular (or called as X^2 critical)

So that, we reject null hypothesis, and accept alternative hypothesis.

Alternate Hypothesis: There is significant relation between Age and Years to retire of

respondents.

SUGGESTIONS:

Planning is important while making any investments. Organize your money so you can work out what you will have to live on. Gradually reducing your spending in the lead up to retirement will make it easier to adjust. Track down any old pension, claim your state pension and check what other benefits you can claim.

FINDINGS:

It is a crucial decision when an individual wants to get retire. Although the respondents are of different age, occupation and income group, majority of the respondents want to get retire in next 5 to 15 years.

Almost 69% of the respondents started planning for their retirement and rest of the respondents have not started planning for their retirement.

Almost 79% of the respondents are investing towards their retirement and rest of the respondents are not investing towards their retirement or they are not sure about it whether their investments are towards their retirement or not.

The source of information is a key for prudent retirement planning. Although respondents seek financial advice from various sources, most of them rely on their insurance agent to invest towards their retirement goals.

The level of investment towards the retirement planning shows the determination and discipline of the investors. The persistent investment will ultimately lead to the fulfilment of the retirement objectives. Most of the respondents invest their money in mutual funds for their retirement planning.

The analysis shows that 47% respondents save upto 10% for their retirement planning, 32% respondents save upto 20%, 15% respondents save upto 30% and 6% respondents save more than 30% for their retirement.

Almost 83% respondents have knowledge about various products offer by LIC and majority of them (37%) invested in Pradhan Mantri Vaya Vandana Yojna.

The analysis shows that majority of the respondents (91%) will provide support to children or parents when they retire. There are equal respondents (39%) who want to relocate or purchase a different home for Retirement and who don't want to relocate or purchase a different home for Retirement. 45% respondents will spend about the same once they get retire.

LIMITATIONS OF THE STUDY:

1. The data were collected randomly from all type of working sectors where the study was not confirmed to figure out which sector of people are more aware in planning their retirement life.
2. A convenience sample of this study was selected from Vadodara city.
3. The sample size is limited to 100.
4. Respondent's bias could not be ruled out in questionnaire method.

CONCLUSION:

As the population is increasing day by day, the family size also increases automatically where the expense ratio also gets high because of this may fail to save a part of amount at their current stage of working life in order to bear any expenses which arises at any point of time. This study is done to find out how working individuals are aware and in which avenues they opt to invest for their retirement life as well as to utilize the fund at any emergency time or for handling their monthly expenses.

The analysis revealed that majority of the respondents irrespective of the age; income and occupation want to retire in next 5 to 15 years. Majority of the respondents found positive when asked the question do you think retirement planning is important irrespective of their income, age and occupation.

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