



FINANCIAL PLANNING FOR RETIREMENT: SYSTEMATIC REVIEW OF LITERATURE AND FUTURE RESEARCH AGENDA

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ABSTRACT

Financial planning is a series of efforts made by an individual to accomplish financial goals. Financial planning for retirement consists of series of activities involved in the accumulation of wealth to cover needs in the post retirement stage of life. Demographic factors like age, gender , marital status , income, profession and education do affect the financial planning for retirement. At the same time , financial literacy also plays an important role in retirement planning. The objective of this paper is to study the various research work done in this field to identify the research gap. A systematic review of literature is carried out to know the existing knowledge on financial planning for retirement which is being used to identify the research gap and the scope for future research.

1.INTRODUCTION

Retirement is considered as the most important milestone in the lives of all working people. Planning towards retirement is very critical because once we retire, our income stops but expenses continue. Financial planning for retirement consists of series of activities involved in the accumulation of wealth to cover needs in the post retirement stage of life. Financial planning for retirement is the integral and most vital part of financial planning for any individual.

2. CONCEPTUAL FRAMEWORK

Financial planning for retirement is the most important planning for the people when they begin their work. People would like to enjoy their retirement life. Retirement is the point in time when an individual stops working because they reach the standard retirement age, which is defined by each country's pension rules. In India the retirement age varies from 65 years to 56 years.

Financial planning is a process of preparing for future financial requirements in an organized manner. It is based on various principles. They are

1. Investment planning
2. Insurance planning
3. Retirement planning
4. Tax planning
5. Estate planning.

An individual's financial life stages can be divided into Pre retirement stage and Retirement stage. Financial situation in retirement stage is an outcome of various measures and practices followed by an individual during the earning phase of life. It is very important that an individual must start thinking about retirement early in life and should take steps necessary towards saving and investing early for retirement life. Individual must analyze the various saving and investment options available and select various assets and instruments like shares, debentures, mutual funds, fixed deposits, provident fund schemes, post office schemes etc. for setting up a corpus for retirement.

3. OBJECTIVES OF SCHOLARLY REVIEW

Literature review helps to get deep insights about the research area. The review of conceptual and empirical literature gives knowledge about theoretical framework, research methodology and findings in the area of research. The important aspect of review of literature is that it helps to identify research gap based on previous studies. With this objective in mind, this study is being carried out. The study is undertaken to understand the various factors influencing the financial decision making for retirement. The study is carried to present the various types of review papers relating to financial planning for retirement. The aim of the study is to evaluate the research articles to understand the factors influencing the financial planning for retirement.

3. RESEARCH METHODOLOGY

For the present study , research articles , doctoral theses, reports pertaining to financial planning for retirement were reviewed from books, national and international journals and online sources like Google scholar, Research Gate, SSRN, National Digital Library .

4. SCHOLARLY REVIEW OF RESEARCH LITERATURE RELATED TO FINANCIAL PLANNING FOR RETIREMENT.

Retirement is considered as the most important milestone in the lives of all working people . Retirement planning is the integral and most vital part of financial planning for any individual. Retirement means the end of fulltime working life and the beginning of a different life but without the identity, prestige and status . Atchley (1989) termed retirement as “ *socially accepted means of withdrawing from one’s occupation or business in later life to cope with health problems or problems in finding a job or to enjoy more leisure and freedom.*” Montalto, Yuh and Hanna describe retirement as ‘*the cessation of full-time employment*’ (Montalto, C.P., Yuh, Y. & Hanna, S, 2000). Financial Planning for Retirement basically involves series of steps undertaken to ensure financial security after retirement. It consists of considering retirement planning as an important component of overall financial planning, thinking about retirement, determining amount required after requirement, attending seminars/workshops on retirement planning, gathering information about retirement financial products, setting specific goals of retirement financial planning, investing money in suitable financial products, reviewing investments made for retirement and seeking the advice of financial planners for retirement financial planning. Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals.

Retirement planning is vital for smooth transition, adjustment and success during retirement (Noone et al., 2009). Even though retirement planning is of much significance, many people approaching retirement are unprepared. (Bruggens et al., 2017). The financial unpreparedness of people approaching old age might not only lead to societal problems and adverse welfare effects but also hampers people’s overall well-being. (Van Praag and Frijters , 2003)

4.1 Objectives of Financial Planning for Retirement

Financial Planning for Retirement should be done by keeping specific goals in mind. Retirement goal clarity helps in selecting financial products and also in accumulating retirement corpus.

There are various studies which indicate that people undertake retirement financial planning with varied objectives. As per the study by Bhatu (2020) inculcating saving habits and medical emergencies are two main reasons for planning and saving for retirement.

A study by Shinde (2021) highlighted that financial security after retirement, health concern and leisure time with family are major objectives for planning for retirement.

Dhiraj Jain and Parul Jain(2012) analyzed the savings and investment pattern of school teachers of Udaipur District of Rajasthan. The study revealed that individuals know the importance of money and majority of the school teachers save their money for the determination of their children’s education, marriage and as security after retirement.

Further it was found that regular income after retirement and financial well-being are the most preferred objectives behind saving for retirement (Thakur, 2017; Power and Hira, 2004).

4.2 Demographic factors and financial planning for retirement

Many studies have examined the influence of **demographic variables** like age, gender, marital status, education and profession etc. on financial planning for retirement. Studies conducted by Shukla(2015) ,Kaushal(2018) ,Saritha (2019) have identified demographic factors as important predictors of financial planning for retirement. Hasan et al, (2016) conducted a study among private sector employees in Malaysia to understand the factors affecting the retirement planning behavior. The main factors which affect the retirement were higher education, income , financial literacy and goal clarity.

Age of an individual influence the desire to plan for financial security. Zhou and Chou(2018) in their study found that retirement goal clarity and retirement savings were found to be higher among older respondents. Topa et.al.,(2018) , Singh and Kumar (2014) and Moorthy(2012) observed that retirement goals and retirement planning behavior of an individual varies with age. As the proximity to retirement increases , there is high tendency to think about retirement and retirement savings (Saeed and Sarwar ,2016). Kaushal (2016) found that individuals who were nearing their retirement showed greater involvement in financial planning for retirement. In a study conducted by Patel and Acharya (2017), they found out that there is no significant difference between age group and retirement saving behavior. Keele (2014) in their study indicated that age is not a significant factor of retirement goal clarity and financial knowledge of retirement planning. Paul Ali et al.,(2016) conducted a study of superannuation knowledge, behavior and attitudes among adult population in Australia. The study found that the young population are poorly informed about the age at which they can access superannuation and the various investment options.

Gender is considered to be one of the major factors affecting financial planning for retirement.(Singh and Kumar , 2014) Many research studies have compared the financial planning for retirement among men and women. In a study by Grace(2010), it is revealed that there is fundamental difference in the way male and female think about financial planning for retirement. Men have optimistic view towards life after retirement and women have pragmatic approach for financial planning for retirement. Wills (2006) found out in his study that gender significantly influences the involvement of financial planning for retirement. Noone(2010) viewed that women are financially less prepared for their retirement . Hershey et.al., (2002) observed that retirement goals of male respondents are different from female respondents.

Marital status of an individual is a determining factor in financial planning for retirement. Shukla(2015) remarked that marital status of an individual has great impact on the accumulation of retirement savings. Gargi Pant (2013) examined the awareness of female faculty members towards investment for retirement planning. The study found that married women are more aware about retirement planning and planned more for retirement when compared to unmarried women. Knoll(2012) observed that more married young adult

have retirement as one of the important goals for saving. Chahad and Singh (2018) found out that there is significant effect of marital status on retirement planning . At the same time study by Vinmalar and Joseph(2018) found that there is no association of marital status with investment pattern of retirement. Hsu(2016) also pointed that marital status was not a significant factor influencing retirement savings.

Education level of the people influences financial planning for retirement. Afthanorhan et al.,(2020) have observed in their study that educated people give importance to financial planning and they seek advice from financial planners. Chahuhan and Indpurkar(2017) found out that savings of a person is greatly influenced by education. Moorthy et.al.,(2012) studied the relationship between education and retirement planning . Kim and Hanna(2015) found out that households with higher education levels were having adequate retirement preparedness. Saritha(2019) observed that there is positive correlation between education and retirement confidence. Hasan et al, (2016) conducted a study among private sector employees in Malaysia to understand the factors affecting the retirement planning behavior. The main factors which affect the retirement were higher education, income , financial literacy and goal clarity. Lucia et al , (2015) studied the potential driving factors of saving for retirement in Portugal and Spain. The study concluded that the decision to save for retirement is positively related to level of formal education, job situation, , area of residence and home ownership.

The relationship of **profession** and financial planning for retirement are studied by many researchers. Shinde(2021),Swaminathan(2019) ,Kaushal (2018) has examined the relationship of profession and financial planning for retirement and concluded that it is highly related. Pereira et al,(2016) conducted a study to assess the retirement planning among dental professional in Mumbai. The study revealed that early financial planning is the most important factor for sound retirement life. The study found that dental professionals are well prepared for retirement.

4.3 Financial literacy and financial planning for retirement

Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a life time financial well-being. According to the OECD, “Organisation for Economic Cooperation and Development- International Network on Financial Education” (INFE) (2011, 3), financial literacy is “*A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well- being*”. Various studies conducted worldwide have suggested that financial literacy can have a strong influence on a wide range of financial behaviours. As per National council on Economics Education (2005) financial literacy is the familiarity with basic financial and economic principles, knowledge about the economy and understanding of a few important economic terms. Lusardi and Mitchell (2007) are of the view that financial literacy is the acquaintance with the most elementary economic concepts required for making investment decisions.

Lusardi and Mitchell (2009) and Hershey et al., (2010) stated that financial knowledge is linked to retirement savings. Lusardi and Mitchell (2011) stated that financial literacy is essential for a good level of retirement

planning. They narrated that the individuals who have a large score on the measurement scale used for ensuring financial literacy concepts are better at planning for their retirement compared to those who are not good at financial concepts. Prast and Soest (2016) stated that financial literacy is momentous element for influencing the quality of the pension and retirement decisions. Surendhar and Sarma (2018) stated that financial literacy is meaningfully connected to the financial planning done by the individual. In order to have good financial planning, a higher level of financial literacy is essential. Kenayathulla and Siraj (2018) conducted their research in Malaysia and stated that financial literacy along with demographic variables are essential for retirement planning. Kumar, Tomar and Verma (2019) viewed factors like financial literacy, socio-demographic factors, economic forces are significant elements of financial planning done by women for retirement. Githui and Ngare (2014) are of the view that financial literacy is really linked with retirement planning in a positive way. They feel that there is a need to invest in financial literacy programs to enlighten people about retirement financial planning. Agnew, Balman and Thorp (2012) concluded that financial literacy is connected to the planning for retirement in a positive manner. J.C.Hauff et al., (2020) found out that policies increasing financial literacy are important in different phases of the life cycle.

Anne Nolan and Karina Doorley (2019) studied the relationship between financial literacy and preparation for retirement. The major finding of the study was that the higher financial literacy had an association with having various supplementary pension cover. Mourine A et al., (2017) studied the effects of financial literacy on financial preparedness for retirement among the employees in Kenya. The study found that financial literacy influences financial preparedness for retirement. Nural and Halimah (2017) examined the relationship between financial literacy and retirement planning behavior. The study was conducted in Malaysia. The study concluded that financial education and awareness does not have any significant impact on retirement planning behavior. Lusardi (2011) studied financial literacy and retirement planning in United States. The study showed that people who score higher on the financial literacy are also much more likely to plan for retirement. Klapper and Panos (2011) analyzed the relationship between financial literacy and retirement planning in Russia. It was found that only 36% of respondents in the sample understood the basic financial aspects of calculation of compound interest and only 50% could understand the concept of inflation.

5. RESEARCH GAP AND SCOPE FOR FUTURE RESEARCH

The financial services sector is highly diversified offering the investors with wide range of investment avenues. A person can increase his personal wealth with proper investment strategies and financial planning. Studies relating to retirement planning and investment behavior analyzed the various factors affecting the retirement planning behavior among the individuals. The researcher has found out that the number of research works

done in respect of retirement planning in India are few. The retirement planning behavior of Guest faculty members / ad hoc faculty members is an under researched area and as such it calls for a comprehensive, integrated empirical examination of the behavioral study of Guest faculty members in relation to financial planning for retirement.

6. CONCLUSION

Retirement is a big reality in life and the concept of financial planning for retirement is still a nascent concept in India. Retirement planning is a dynamic process and is affected by numerous factors. Individuals need to understand the social, economic and political factors along with his/her requirements for future while planning for retirement.

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