

Investors' Perception towards Retirement Planning: An Empirical Study

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ABSTRACT

The Indian economy is growing fast, making it one of the world's quickest-growing economies. However, the country faces big problems that affect its development. One major issue is unemployment, with 80% of workers in the informal sector. The number of people aged 60 and above is increasing rapidly. Many elderly people in India don't have a formal pension, relying on their own earnings and support from their children instead. This informal system isn't reliable for providing financial security in old age and is under pressure. A recent study aims to understand how people view financial and retirement planning and their level of financial knowledge. By analyzing the data using the Chi-square test, researchers hope to draw conclusions and learn from the results. This research focuses on understanding how investors perceive and approach retirement planning.

Key Words: Retirement, Investment Planning, Superannuation.

INTRODUCTION

Retirement planning becomes an essential part of life planning, considering various factors that influence preparation for retirement. Notably, family income and retirement planning are closely connected. Research shows that starting to invest for retirement early in life leads to greater benefits in later years (Turner et al., 1994). People tend to engage more in retirement planning when they have higher household incomes and better health (Kim, Kwon, & Anderson, 2005). Various factors such as demographics, workplace environment, and health status predict the level of retirement planning (Wong & Earl, 2009).

Studies indicate that those who plan for retirement tend to accumulate more wealth through saving, investing, and possibly selling assets like a house (Lusardi & Mitchell, 2007). The stability of income is crucial in retirement planning decisions. Marital status, age, income level, and investment experience also influence how individuals plan for retirement.

The risk of mortality affects retirement decisions and the desire for financial security. Individuals with a lower perceived chance of survival tend to retire early and claim social security benefits sooner, while those with a higher perceived chance of survival delay claiming benefits (Hurd, Smith, & Zissimopoulos, 2004).

This paper explores how individuals respond to their perceptions of retirement planning. Studies suggest that planning activities contribute to satisfaction, even for those who retire involuntarily due to health issues or employer mandates (Elder & Rudolph, 1999). Factors like marriage, health, education level, profession before

retirement, and the extent of retirement planning impact the level of retirement satisfaction additionally, research indicates that colleagues' choices influence retirement savings decisions (Esther et al., 2002).

Problem Statement:

Many young working individuals today believe it is too early to consider retirement planning. Retirement often carries a negative connotation for many, with only a minority viewing it positively and with enthusiasm. However, financial literacy plays a crucial role in individuals' lives. It enables them to save for the future and achieve financial security. Consequently, individuals make various investments to secure their financial future. Hence, there's a necessity to comprehend people's perceptions regarding financial planning and retirement. A current study aims to understand individuals' views on financial and retirement planning.

LITERATURE REVIEW:

Trivedi and Soni (2021) conducted research on retirement planning among both working and retired residents of Gandhinagar city in Gujarat, India. Their findings indicated that working residents had some understanding of retirement planning concepts.

Bamboria et al. (2021) explored how working individuals are aware of investment avenues for retirement and managing finances during emergencies or for monthly expenses.

Smruti Vakil (2019) studied individual superannuation planning behavior and found that factors like family, friends, self-research, and work significantly influence people's decisions regarding superannuation planning. Many individuals feel there is insufficient knowledge about superannuation planning in the market, with only a minority investing for superannuation.

Pfau (2018) identified challenges in retirement planning in the US, emphasizing the importance of adapting financial strategies to changing circumstances.

Dorman et al. (2018) concluded that many retirement planning tools offer confusing advice and suggested improvements in tool development and input variable selection.

J and Joseph (2018) investigated investment awareness among working individuals in Chennai and found no significant relationship between demographic factors and investment patterns.

Thakur et al. (2017) studied individuals' perceptions of superannuation planning and found that many respondents considered it important, regardless of income, age, or occupation.

Brijesh Mishra (2016) examined various aspects of financial intermediation by pension fund schemes, highlighting their unique characteristics compared to other financial intermediaries.

Dwivedi et al. (2015) focused on superannuation planning for women, highlighting a lack of awareness among women regarding superannuation and common problems they face in planning for retirement.

Tame Ramya (2014) investigated the impact of old age pension schemes on tribal elderly people in Arunachal Pradesh, India, finding that pension helped alleviate poverty and restore pride in society.

Sane and Thomas (2013) recommended steps to improve the Pension Fund Regulatory and Development Authority (PFRDA) Bill, including enhancing investment choices and transparency.

Mahanti Ansuman (2013) called for reforming the pension system in Odisha, India, to improve design and delivery for old age assistance.

Alan Gustman (2012) explored how financial knowledge about social security influences wealth accumulation outside of social security.

Suresh and Devanathan (2012) investigated factors influencing employees' investment decisions in pension fund schemes, emphasizing the importance of balanced investment portfolios and scheme performance.

Gallery and Brown (2011) built on previous research on financial literacy specific to retirement investment decisions, highlighting its importance for financial well-being.

OBJECTIVE OF THE STUDY:

- To find out the gender-wise perception of investors towards retirement planning.
- To gain knowledge about the perception of individuals towards financial and retirement planning.
- To know the financial literacy of an individual towards retirement planning.

RESEARCH METHODOLOGY

Research Type: It is descriptive.

Sampling Area & Sample Size: The study was conducted in India through questionnaire circulation and the sample size was 100.

Source for Secondary data: The data sources for this study are both primary and secondary. Primary data was collected through a structured questionnaire and the secondary from published research papers and published material.

Tool for analysis: Chi-Square Test

DATA ANALYSIS AND INTERPRETATION

HYPOTHESES

H₀₁: There is no significant difference between the perception of females and males towards pension planning.

Gender	Hypothesized	Observed	Expected	CHI Square
Male	0.5	70	50	8
Female	0.5	30	50	8
		100		16
p-value	6.334			
Test Statistics	16			

Result: Since the p-value is not less than 0.05 so Null Hypothesis is rejected.

Table: 1

H₀₂: There is no significant difference between the perception of females and males towards Life Insurance Policy in retirement planning.

Gender	Hypothesized	Observed	Expected	CHI Square
Male	0.5	75	50	12.5
Female	0.5	25	50	12.5
		100		25
p value	5.733			
Test Statistics	25			

Result: Since the p-value is not less than 0.05 so Null Hypothesis is rejected.

Table: 2

H₀₃: There is no significant difference between the perception of females and males towards Health insurance policies in retirement planning.

Gender	Hypothesized	Observed	Expected	CHI Square
Male	0.5	90	50	32
Female	0.5	10	50	32
		100		64
p-value	1.2441			
Test Statistics	64.0366744			

Result: Since the value is less than 0.05 so Null Hypothesis is not accepted.

Table: 3

H04: There is no significant difference between the perception of females and males towards Financial Advisors in retirement planning.

Gender	Hypothesized	Observed	Expected	CHI Square
Male	0.5	66	50	5.12
Female	0.5	34	50	5.12
		100		10.24
p-value	0.001374276			
Test Statistics	10.24			

Result: Since the value is less than 0.05 so Null Hypothesis is rejected.

Table: 4

As shown in **Table: 1** there is a difference in the perception of males and females towards retirement planning as the null hypothesis is rejected as the p value is 6.334 which is less than 0.05. The result shows that there is a difference in perception of pension planning between males and females and also there is awareness about pension planning.

As shown in **Table: 2** there is a difference in the perception of males and females towards Life Insurance as the null hypothesis is rejected as the p value is 5.733 which is less than 0.05. The result shows that there is a difference in perception between male and female Life Insurance Policies and also there is awareness about Life Insurance Policies.

As shown in **Table: 3** there is a difference in the perception of males and females towards Health Insurance as the null hypothesis is rejected as the p value is 1.2441 which is less than 0.05. The result shows that there is a difference in perception of Health Insurance between males and females and also there is awareness about Health Insurance Planning.

As shown in **Table: 4** there is a difference in the perception of males and females towards Financial Advisors as the null hypothesis is rejected as the p value is 0.001374 which is less than 0.05. The result shows that there is a difference in perception of Financial Advisors between males and females and also there is awareness about Financial Advisor.

CONCLUSION

With the population continuously increasing, family sizes and expenses are also on the rise. This can make it difficult for people to save money for unexpected expenses during their working lives. In order to better understand people's perceptions and level of awareness about retirement planning and investment options, a study was conducted. The results revealed that the majority of respondents, regardless of their age, income, or occupation, want to retire before the age of 60. The majority of respondents also agreed that retirement planning is important, and are actively working towards it. However, many of them require guidance on monthly saving plans and investment options.

SUGGESTIONS

Planning is a crucial aspect of making any investments. One should organize your money in a way that enables you to determine what you will have to live on. Gradually reducing your spending in the lead-up to retirement will make it easier for you to adjust. It is recommended that you track down any old pensions, claim your state pension, and check what other benefits you can claim. Moreover, it is vital to understand the importance of retirement planning and all related factors for successful retirement planning. Remember, the sooner you start planning for your retirement, the better.

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