RETIREMENT PLANNING: AWARENESS AMONG INDIVIDUALS

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Abstract

Savings for retirement is a wise course of action. Every retiree should have a variety source of income to protect themselves from retirement savings deficit. The financial requirement during retirement has been covered by three common sources, namely social security payments, workplace pension benefits and personal savings, in industrialized nations such as the U.S. The three sources were commonly compared to a three-legged stool that many financial planners called "three-legged stool model." The three sources. Saving and investments are two major macro factors that play an important part in economic growth. Savings allow individuals to cope with emergencies and to reduce peak revenues and expenses, invest in households, families and companies and support the ageing. Savings is the surplus money invested by the people in various avenues. It is the difference between income and consumption (Abdus Salam and Umma Kulsum, 2002). It can be in the form of an investment in land, gold, insurance, financial instruments etc. Savings is important for an individual, organization and the economy as a whole (Ananda Vikatan, 1999). Savings is a habit specially embodied to women (Gnana Desigan C, KalaiSelvi S, Anusuya, April 2006). Savings will help the people to safeguard themselves from any risk in the future. Savings will also help an economy to generate more funds which will help business to flourish. The main aim of this paper is to understand the level of awareness individuals, have regarding retirement planning and to study the factors that affect their retirement planning using convenience sampling method by considering 150 responses from individuals of Delhi NCR district only.

Keywords: Retirement planning, savings, investment, financial needs and risk

1. Introduction

Saving for retirement is extremely important. Everyone expects to spend happy years after retirement. Most nations have their own pension schemes and the system differentiates between public workers and private workers (Hassan et al, 2015). Only 11% of the overall Indian population have a regular pension plan. Employees in the public sector that joined before 2004 would get a monthly pension. However, there is no similar arrangement for individuals who joined the workforce after 2004 and those who work in the private sector. There is an important necessity for pension planning in such conditions. In India, retirement plans have just become quite important among the working population, and they have never felt as important as they are now. Everyone expects to spend happy years after retirement. Retirement financial planning involves several actions to acquire wealth to meet life's demands after retirement. Pension scheduling is vital for: preparation for

unforeseen events, maintenance of good life perspectives, successive inflation, investing in top-class medical services, The future of the safe family, Keep informed and safeguard your savings in retirement programmes and perks. Not only do people, but their extended families, have the negative repercussions of insufficient preparedness for pensions. Retirement planning is the process through which pension income objectives and measures and decisions are determined for the achievement of those objectives. To ensure a secured life after retirement, it is important to have a well-designed and realistic retirement plan. In the Indian context, one cannot retire before fulfilling their household duties. Therefore, the retirement planning process in India is a holistic process covering; savings, tax and investment; debt and risk management and estate planning. In a basic way, retirement planning is the strategy to be prepared for life after paid employment, not only economically but in every element of life. Non-financial considerations are lifestyle decisions, such how to retire, where to live, when to totally stop working, etc. All these topics are covered by a comprehensive approach to pension planning. Future research could also assess if certain employees in the public sector see their defined benefits plans as a surrogate of fixed incomes and are thus prepared to assume higher investment risk with managed pension funds.

2. Review of literature

Biswajit Acharjya S., (2018) Reviewed and explained the application of these theories in various sectors and the existing financial theories such as Personal Financial Planning Theory (PFP), Family Financial Planning Theories [FFP], Life Cyclic Hypothesis(LCH) Modern Portfolio Theory (MPT) and Capital Pricing Model(CAPM), Efficient Market Hypotheses(EMH). The theories are changing in the light of the changings in investors, updating markets and evolving with financial markets and with the entire eco-system of behaviour finance. The detailed framework of theory given by different writers is gathered in order to enhance the researchers' financial understanding in competency finance with their practical implication. Munnell, Anek, and Geoffrey (2018) have investigated the need for the employees of today to build greater savings as the retiring environment changes. A number of adjustments to current plans are required to improve the work of portability and to protect small accounts, the protection of transfers from work to IRA and leakage reduction. **Stephen and Lachlan (2018)** examined the impact of tax and transfer system on decisions associated with retirement. The study highlights the central role that housing plays in retirement planning and the importance of the tax and transfer system. The major implication of the study is the role of housing as one of the pillars of the retirement income system **Antoine, Luc, René and Bernard (2018)** Analyzes the consequences of public pension deferment and options to transform private savings efficiently into public safe inflation-indexed pensions. The study finds that giving new possibilities does not significantly help the status of pensioners if they are not used by anybody. Reforms with education will result in more public support and a deeper sense of ownership of these programmes, which in turn will help 40 play an important role in the healthy and sustainable development of the social security components of Canada. Kim, Pak and Hyun (2018) studied the link between the usage by financial planners and the establishment of a savings target for retirement by utilising data from the 2010 and 2013 Consumer Finance Survey. They discovered that households that visited a financial advisor report retirement as a reason to save. The study shows that financial advisors assist clients accomplish their long-standing financial goals by emphasizing the importance of pension planning. G. Srinivasa

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Rao (2018) studied in his report the prevalence and status of Andhra Pradesh's personal financial planning profession. Qualitative information were utilized to analyses career possibilities, work characteristics, difficulties and the demand for state financial plan experts. The research found that a career in personal financial planning is full of rising market difficulties, and provides strong chances for growth in economic jobs. A review of Indian financial literacy was carried out by Naidu (2017), utilizing material gathered from several secondary sources, including online sites, journals, research papers and articles. The research showed that financial literacy in India is extremely poor and requires effort to change the literacy level. The impacts of financial literacy on financial readiness for the retires between permanent and pensionable workers in state-run businesses in Kenya have been examined by Mourine A et al., (2017). The study revealed that financial literacy had a favorable impact on retirement financial readiness. The study indicates that financial instrument knowledge was not relevant whereas retirement computing was significant. The results showed that positive statistical relevance existed in both demographic and financial variables. Murat Cinko (2017) investigated the relationship between academic students' financial awareness and demographics in Turkey. The study showed important disparities in financial and gender literacy, faculty, classroom, revenue, accommodation. The study concludes that males have higher literacy level than females. The students who are living with their families have shown lowest level of financial knowledge and those who are living with roommate in a separate house have shown the highest literacy levels, as they have more financial challenges like paying rent, utility, etc, which is directly their responsibility than the students who live with their families as they may not be

carrying any financial obligations. **Vibhuti Shivam Dube1 (2017)** The financial literacy of Uttar Pradesh in the pre-financial inclusion situation was evaluated and Uttar Pradesh's level of financial literacy compared with other Central Zone countries The research offers an overview of key financial literacy elements in the Indian setting and the function of financial literacy through use of the secondary data. They discovered that much still has to be accomplished in India in the field of financial literacy. Financial alphabetism among all strata of the Indian people is low that is shown in many research. Serious legislative measures must be adopted in order to increase both the fundamental and the advanced level of financial literacy, so that a person may save and invest more safely in multiple market pathways. The research suggests that further efforts must be made to remove barriers in the area of financial literacy. **Yuanshan Cheng and Philip Gibson (2017)** provided empirical evidence on the use of data from the Health, Retreatment and Activity Postal Survey (CAMS) to spend time in retirement. The data reveal that pensioners spend their time on average during retirement, not considerably different. Most of the tasks such as reading the paper or magazines, listening to music, playing sports or exercising, visiting others, and house cleaning are similar among retirees in different age groups. It was also demonstrated that retirees had a medical expenditure increase at the end of retirement on average. The relationships between financial literacy and obtaining financial guidance were studied by **Martin Kim, Stuart (2017).** The research indicated that the financial literacy and the usage of financial planners for the purposes of retirement planning were favorable. Henning Cordes, Thomas Langer (2017) explores how the attractiveness of the investment and hence the delay of consumption is impacted by different kinds of inflation communication. In an experimental

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investigation, the researcher utilized a unique method to experiments that imitated a decreasing conversion rate mechanism as the distinction between nominal wealth and real buying power. The investigation showed systems that are sophisticated comportamental patterns rather than undeveloped perceptions. **Thakur and Jain (2017)** studied the preferences of the individuals to achieve the retirement planning objective in India. The survey showed that Atal Pension Yojna was no choice for investing by the respondents. In his research on individual perceptions of retirement planning, Shailesh Singh et al. (2017) discovered that financial guidance impacts saving for retirement targets. The respondents were positive towards retirement planning irrespective of age, income and occupation. **Preeti, Somesh and Aruna (2016)** focused on post retirement intention to work. The study shows intention to work after retirement is increasing and is positively led by the future prospects and is affected by the relationship with the company, colleagues and passion to work.

3. Research Methodology
Primary Data

4. Data Analysis and Interpretation

1. Occupation:

OCCUPATION	NO. OF REPONDENTS(%)
SELF-EMPLOYED	27
GOVERNMENT EMPLOYEES	11
PRIVATE SERVICE	59
OTHERS	3

The data is collected from the respondents with the help of questionnaire. The questionnaire is consisting the questions related to the personal details like age, gender, occupation, qualification, income, and questions related to the respondent's financial awareness along with the preference level are included. It is focused to have the data considering the objectives of the study.

3.1 Data Collection Method
The Survey was conducted through Questionnaire – Google Form for collection of data. The respondents were approached individually as well as the questionnaire was circulated among the working individuals from different professions.

3.2 Sampling Method
In this study, we have used convenience sampling method by considering the 150 responses from individuals of Delhi NCR district only.

3.3 Objectives
The following are the objectives of this study;
1. To understand the level of awareness individuals, have regarding retirement planning.
2. To study the factors that affect their retirement planning.

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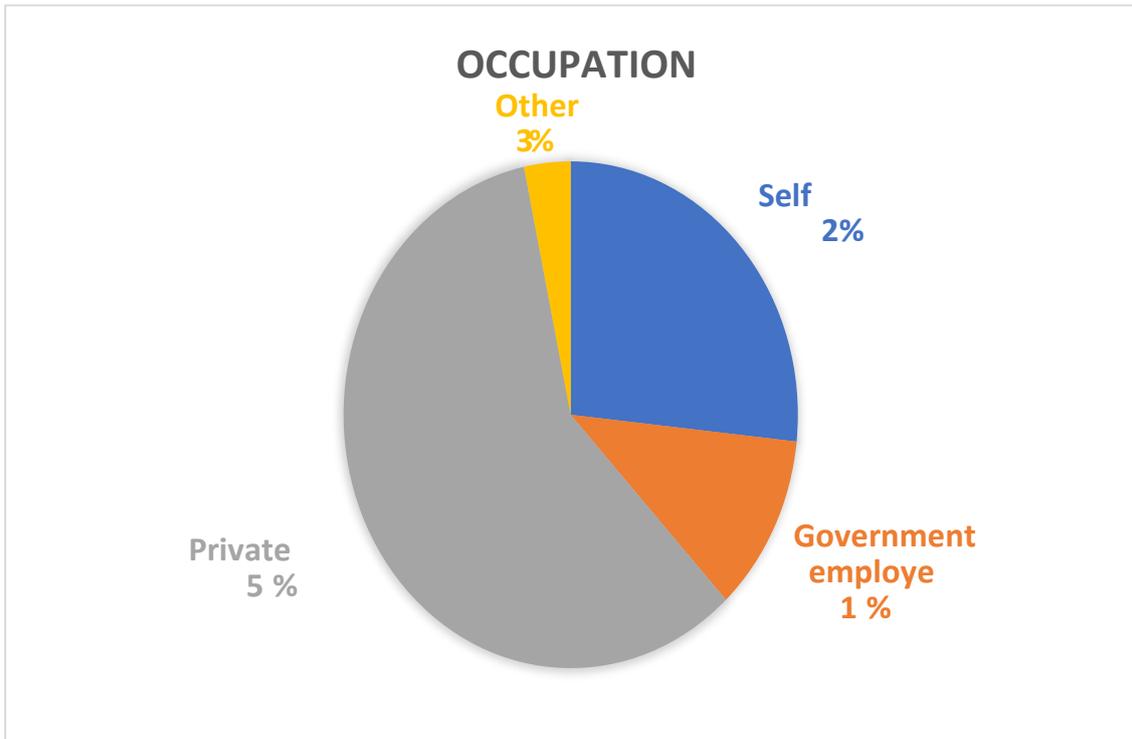
(Source: Self-Research) 150 respondents

2. What age you plan to retire?

PLAN FOR RETIREMENT(AGE)	NO. OF REPONDENTS(%)
NEXT 1-4 YEARS	16
NEXT 5-10 YEARS	10.66
NEXT 11-15 YEARS	9.33
NEXT 16-20 YEARS	13.33
MORE THAN NEXT 20 YEARS	50.66
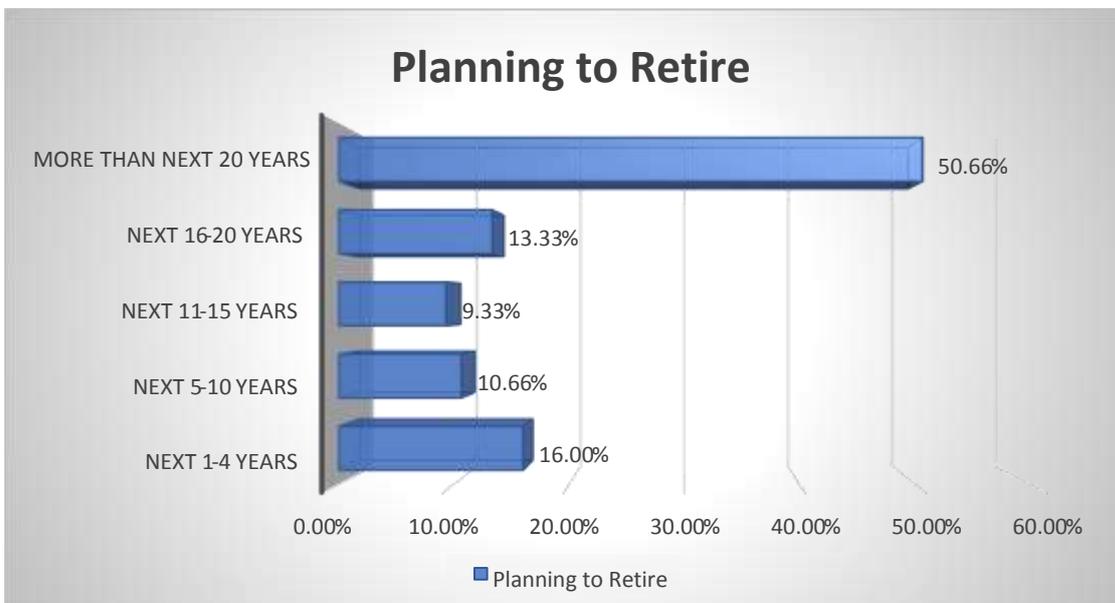
(Source: Self-Research) 150 respondents
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3.Salary/Income:

SALARY/INCOME	NO. OF REPONDENTS(%)
LESS THAN 2 LAKHS	29
2-4 LAKHS	31
5-7 LAKHS	23
>7 LAKHS	17
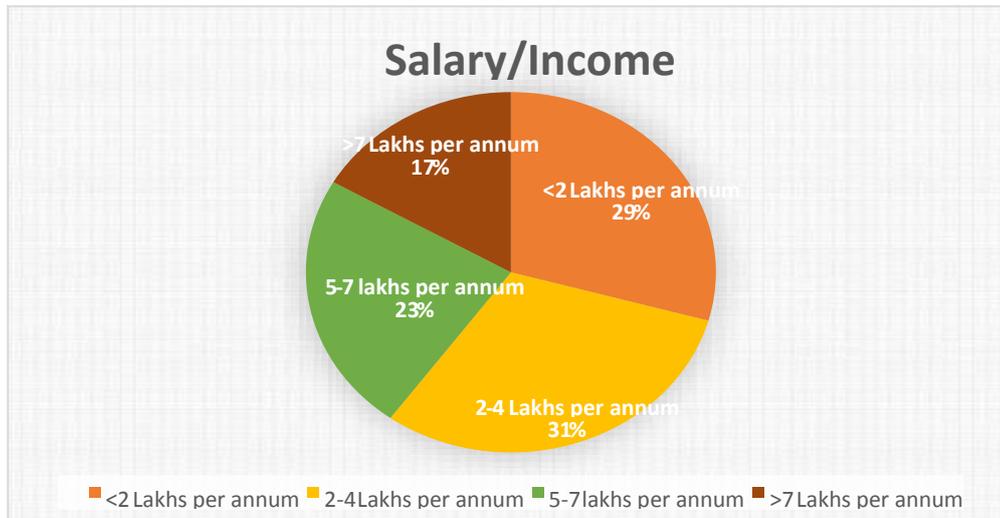
(Source: Self-Research) 150 respondents

4.Have you started saving for retirement?

SAVING FOR RETIREMENT	NO. OF REPONDENTS(%)
YES	**59**
NO	**41**

(Source: Self-Research)   150 respondents

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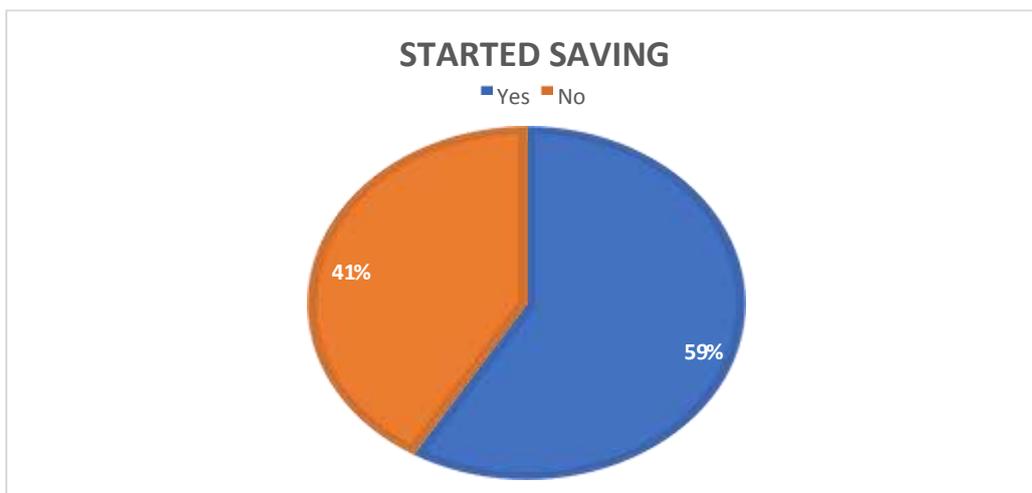
5. **Why haven't started saving for retirement?**

NOT STARTED SAVING FOR RETIREMET	NO. OF REPONDENTS(%)
LESS INCOME	8
FAMILY EXPENSES	12
OTHER LOANS	12
HAVEN'T PLANNED YET	68
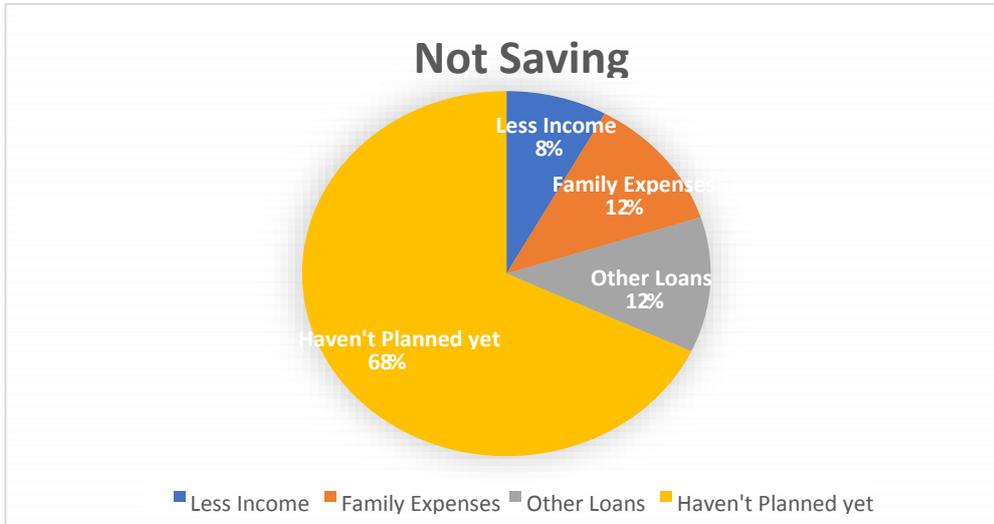
(Source: Self-Research)

6. **what percent of income you save currently as retirement saving?**

%OF INCOME AS RETIREMENT SAVINGS	NO. OF REPONDENTS(%)
<10%	28
10-25%	49
25-35%	15
35-45%	4
>45%	4
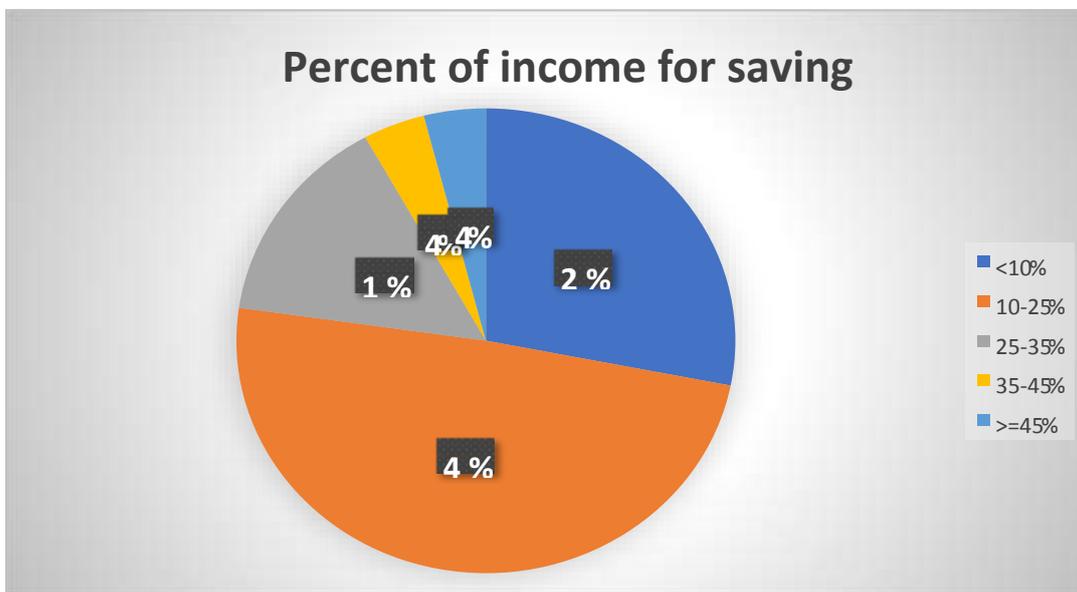
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(Source: Self-Research)

7.Who provides you with retirement planning advice?

| FINANCIAL ADVISOR	NO. OF REPONDENTS(%)
FRIENDS AND FAMILY	23
FINANCIAL ADVISOR	19
SELF-RESEARCH	58
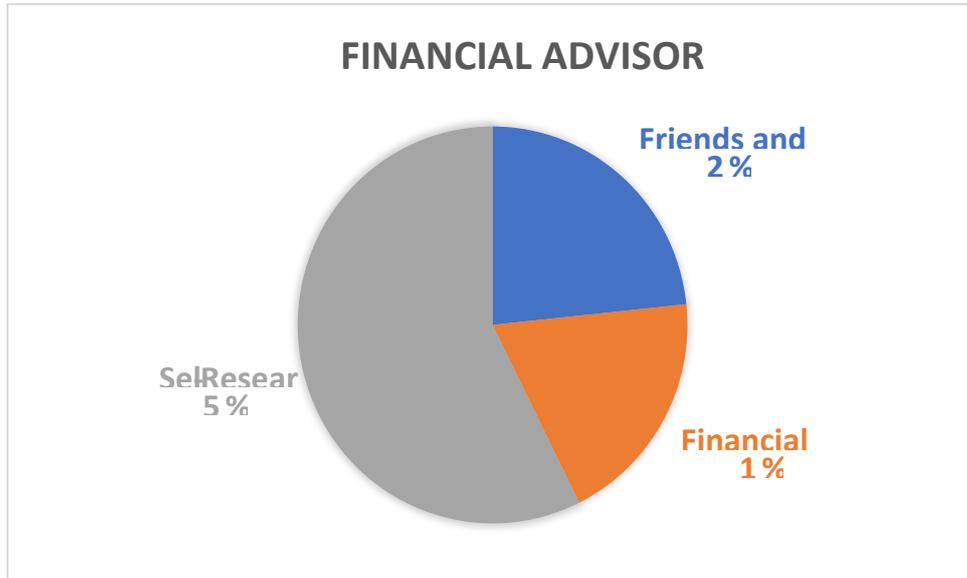
(Source: Self-Research)

8. Among the following which are the different plans you are aware about and them according to your preference?

1. Bank fixed deposits
2. National pension scheme
3. Public provident fund
4. Life insurance plans
5. Post office Monthly Income Scheme
6. Equities
7. Mutual fund
8. Government bonds
9. Real Estate

(Source: Self-Research)

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Interpretation: Form the above listed different plans, through the data it was found that individuals mostly prefer bank fixed deposits, Monthly revenue programme for the Public Provident Fund and postal office and are well aware of this. The least preferred plans are equities and government bonds. The likely preferred or the second preference investment plans are national pension scheme, life insurance plans and real estate.

9. **Why you prefer the above plans for retirement investment?**

WHY THE ABOVE PLANS	NO. OF REPONDENTS(%)
LESS RISK	15
HIGHER RETURN	28
TAX BENEFITS	17
SECURITY	28
OTHERS	12
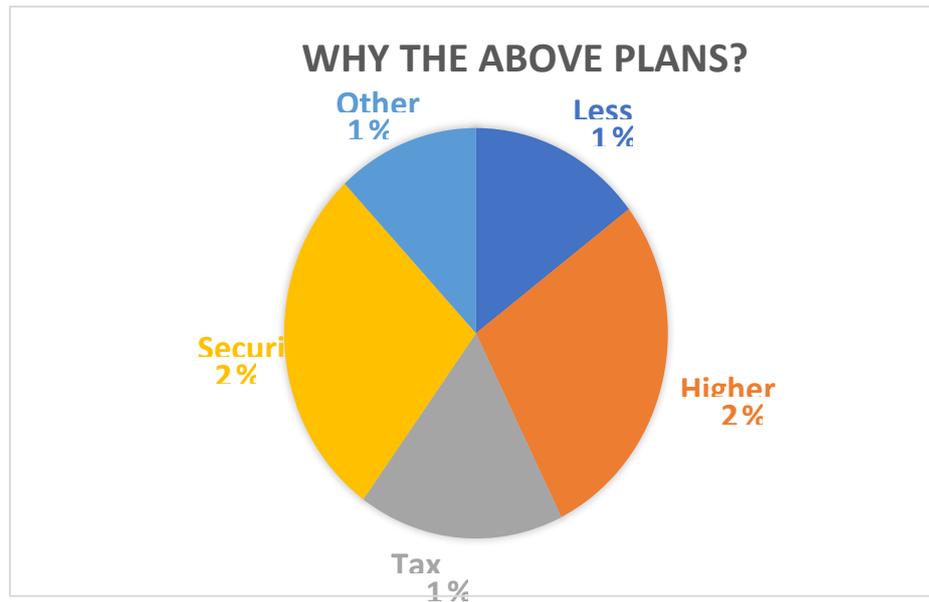
(Source: Self-Research)

10. **Which of the following are the factors that affect your retirement planning?**

(Source: Self-Research)

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Interpretation: According to the data the major factors that affect the retirement planning of individuals are Present and future needs of family and healthcare.

11. What is the most and least significant concerns for retirement for you from the following?
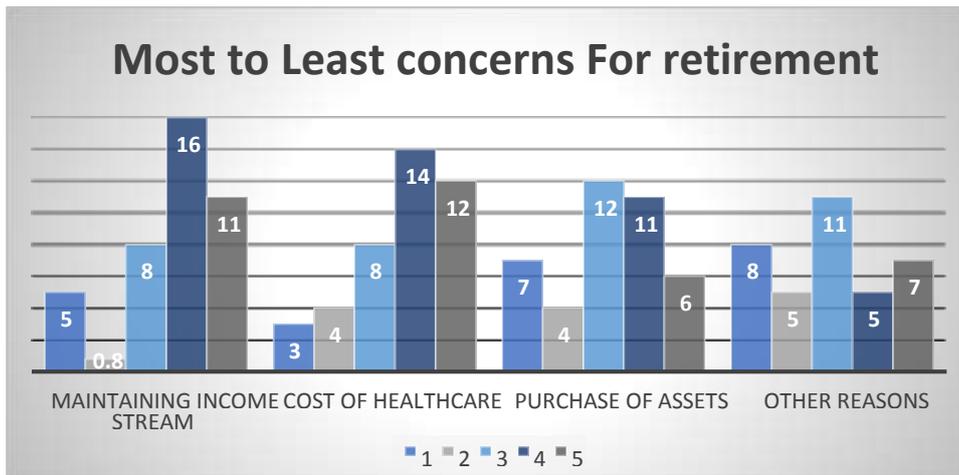

(Source: Self-Research)

Interpretation: From the data collected it was analysed that maintaining an income stream after retirement is the major concern for the individuals to save/ invest for their retirement.

**12. Are you eligible for government pension plan?**
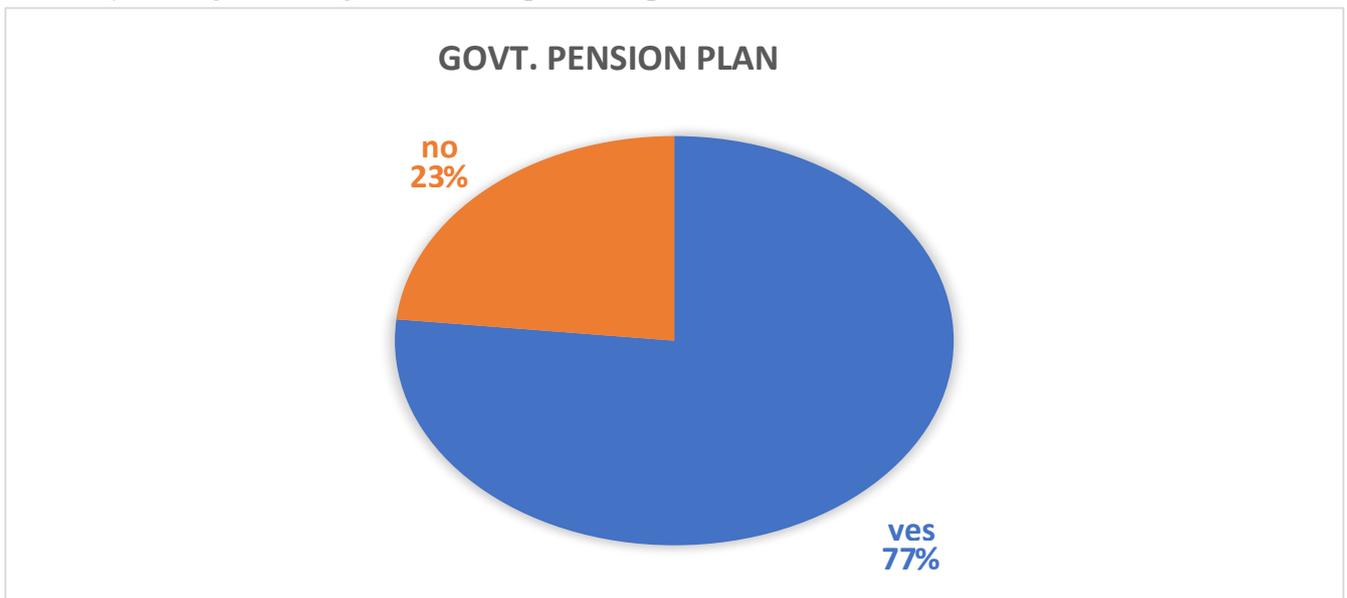
(Source: Self-Research)

13. **If yes, then what will be the amount of pension you will receive after retirement monthly basis?**

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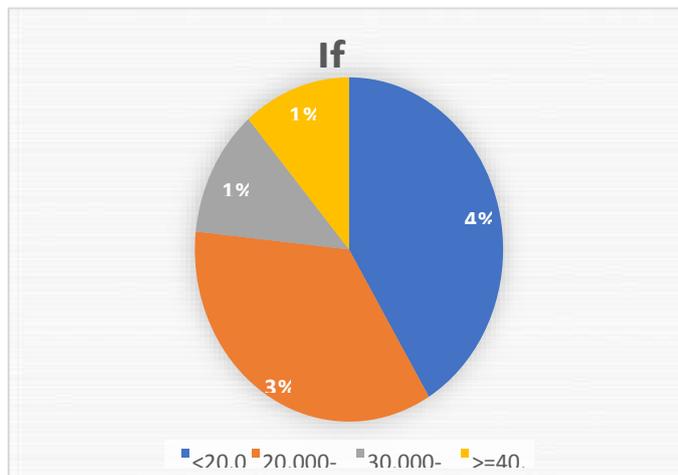
(Source: Self-Research)

14. **If no, then what is the monthly income that you expect from your retirement saving plans?**
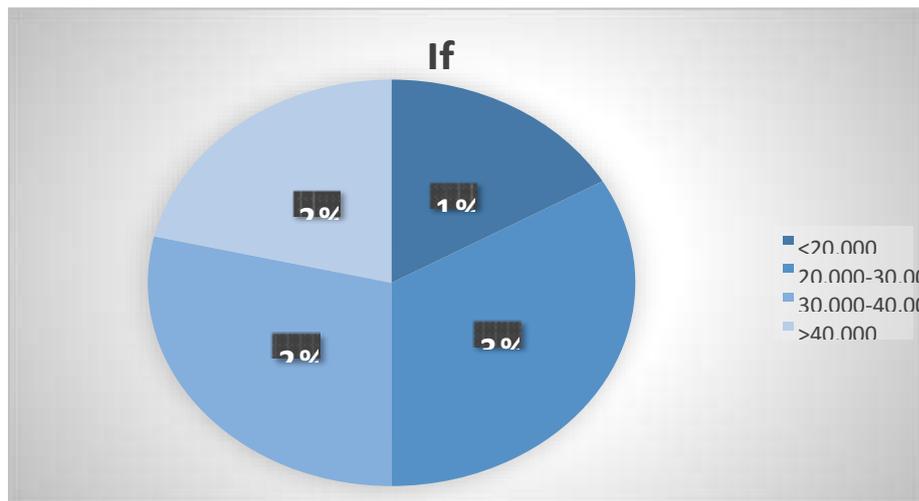
(Source: Self-Research)

15. **Which of the following you prefer the most to have your retirement investment in?**

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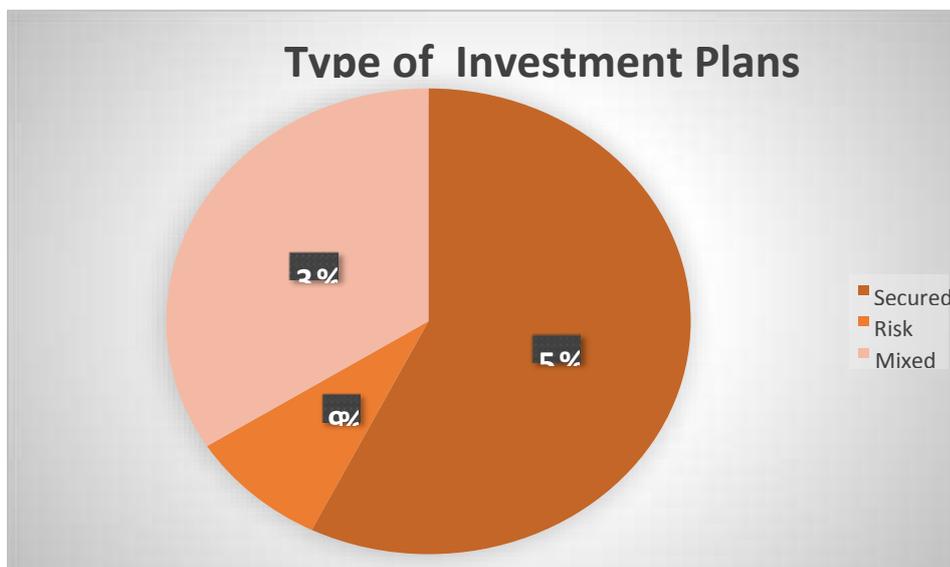
(Source: Self-research)

16. **Which are the secured plans you prefer to have investment in?**
    1. Government bonds   4. Life insurance plans
    2. Post office saving scheme   5. Mutual funds
    3. Bank fixed deposit
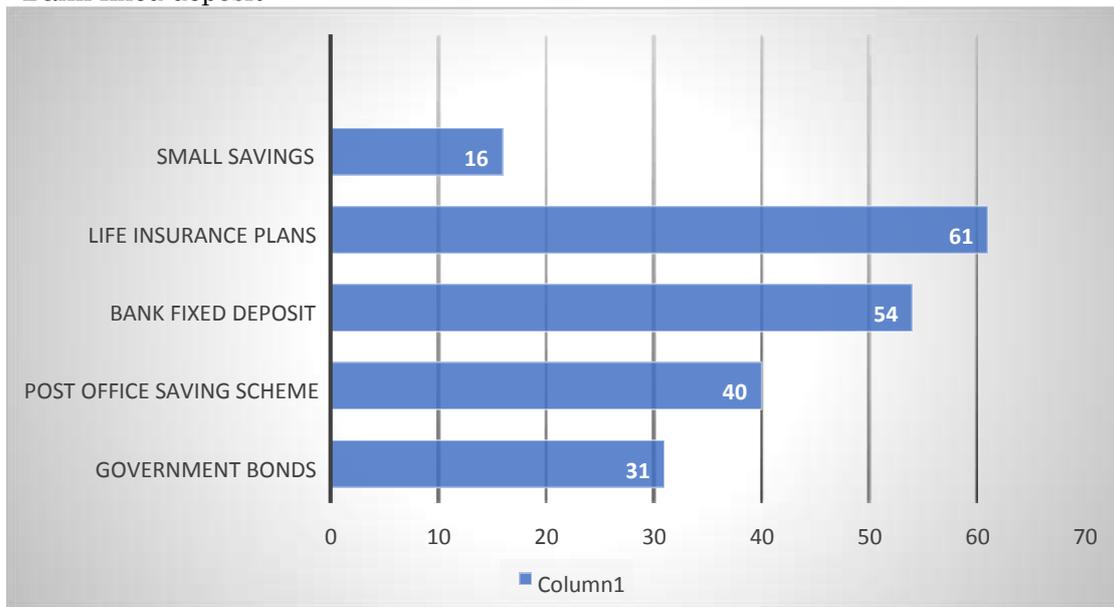
(Source: Self-Research)

Interpretation: From the data that we found, it was analysed that bank fixed deposit and life insurance plans are the most preferred secured investment plans by the individuals.

Findings

1.It has been found that the individuals of 30-35 age group are more concern about retirement planning. Apart from that as compared to females, males are more aware and plan for their retirement.

2.It has also been seen that the level of financial literacy for retirement planning varies with occupation and qualification among individuals, as individuals having private jobs i.e., 59% of the total are more involved with their retirement planning. And graduates and postgraduates are likely to focus more towards retirement as compared to others.

3.93%of individuals prefer to save for retirement and out of that only 58% have started saving for it. While remaining i.e., 41% haven't planned yet while some of them have ongoing loans and other family expenses.

4.Out of the total 49% of individuals save 10-25% of their annual income for their retirement.

5.From the total individuals who prefer to or have started to save 57% prefer self-research for retirement planning advice.

6.It has been seen that individuals likely to invest in bank fixed deposits, The public provision fund and the postal monthly pension scheme owing to greater returns and security for their pension plan. And also prefer to invest in national pension scheme, life insurance plan, mutual funds, and real estate. While equities and government bonds are least preferred for their retirement investment plan.

7.Future and present needs of family and healthcare are the major affecting factors of the individual's retirement planning. And maintaining an income stream after retirement is the major concern for the individuals to save for their retirement.

8. During the study it was found that 77% individuals are eligible for government pension plan. And 41% individuals expect to earn <20,000 monthly basis through pension.

9.It was analyzed that 57% individuals prefer secured investment plans for their retirement, whereas 34% individuals prefer to have mixed investment plans (Risk and Secured).

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10. Out of individuals those who prefer secured investment, 70% individuals are more likely to invest in life insurance plans and 62% to invest in bank fixed deposits.

6. Conclusion

The study reveals that awareness of retirement planning is mostly found more in male as compared to female and also individuals having private service/jobs are more involved in retirement planning. It also shows that education and occupation doesn't go hand in hand for retirement planning. That means the awareness level varies with age, education, qualification and gender, thus our null hypothesis of hypothesis 1 got rejected. The study has also concluded that there are some of the factors that affect the retirement planning of individuals such as future and present needs of family and healthcare, with this it concludes that our null hypothesis of hypothesis- 2 got accepted, which shows that there is impact of different factors affecting on retirement planning. Many of the individuals are eligible for government pension plans and those who are not they mostly prefer secured investment plans such as Bank fixed deposit, Life insurance plans, post office monthly schemes because of higher return and security as compared to other investment plans. many of them prefer to do self-research when it comes to investment plans selection. Equities and government bonds are least preferred investment plans according to the study.

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