

## Attitude towards Retirement Planning Behaviour among Employee's

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**Abstract:** This study is to examine the relationship between retirements planning behaviour with the factors affecting the retirement planning behaviour among EPF's employees. This paper, specifically focus to the individual understanding about the importance of retirement planning. The study was conducted in the Employees Provident Fund (EPF), North Zone covering Penang, Kedah and Perlis. The subjects consisted of 172 people comprising of staff positions that include a diverse group of the Professional Management Group until the Support Group working within the organization. Pearson(r), and One-way variance analysis (ANOVA) was used to analyze the data. The results identified that age group were not significant with the retirement planning behaviour. The study also revealed that the awareness among the staff personally do not significant relationships with retirement planning behaviour. This is commonly seen among the people in Malaysia as they still have lack of knowledge about retirement planning behaviour. Therefore, it is encouraged for many pre-retirement planning programs should be provided and conducted by organization and government.

**Key words:** *Reirement, Retirement Planning, Attitude, EPF*

### INTRODUCTION

Nowadays, aging is a well-known global phenomenon that is being faced by almost all countries mainly because of fertility is declining, while longevity is increasing and also due to government policies. An increasing life expectancy for both men and women on 2013 about 11.28% compare to 2012. Between 2010 and 2030, the percentages of population of older people that are aged 80 are expected to be more than triple. It is also said that Malaysia is expected to be status as "aged nation" by 2030. In an effort to move towards a developed country on 2020, the government should provide more effective pension system to support their workers retirement.

Thus, the 21<sup>st</sup> century generation is more willing to emphasise the preparation for retirement from the aspect of economic, social and demographic as compared to the previous generations. This is because with the retirement planning in place, it may give rise to feeling more confident in dealing with their life and it encourages retirees to be more positive in view of the future life [1][2][3][4]. In

order to think positively in accepting life changes dramatically after retired, the retirement planning behaviour among employees may be influenced by individual themselves, colleagues, family, employers or government policy. Ismail [5] stated that, individuals who have to make preparations prior to the retirement age will feel more secured and comfortable as compared to individuals that did not have advance planning related to life after retirement.

However, lack of knowledge on the importance of retirement planning behaviour among the workers are only realised when the retirees are faced with financial problem to managing their daily life. The main reason seen as these workers only spends their time at home without doing any other activities or others career. Malaysian workers are thinking more about well-being life with their family and want to relax the mind at age 50 and them still less knowledgeable when it comes to retirement planning [6]. The awareness about retirement planning should be available to all employees since the start of career, not when approaching retirement age.

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Joo and Pauwels [7] stated that the employers and private educators need to develop effective workplace education programs that can reach out by all of the employees. According to Maznah [8], retirement training are essential prior to retirement, as this will ensure a smooth transition between the potential retiree and new employee. The training will emphasize the importance of the role of the potential retiree, thus the retiree will feel more needed, relevant and skilled to a coach or mentor to new employees. This is line with developed countries that adopt pre-retirement training for employees 5 years prior to retirement. Thus, organisation should arrange proper training or seminar on pre-retirement planning to help employees in the organisation to increase on the awareness and knowledge to have an early planning for retirement.

Failure to prepare retirement planning ahead will badly impact the pensioner's financial status, health, mental thinking capacity and health. Murphy and Mckenna [9] revealed without proper retirement planning many the working individual have not saved enough money for life after retirement. This clearly indicates that failure of retirement planning has impact on financial instability as not having enough financial saving after retirement.

The current finding does not only represent the EPF staffs, but also the awareness about the retirement planning behaviour of all people in Malaysia. This study was conducted in the Northern area of EPF, to test the understanding of the EPF staffs on the retirement planning even though the Northern area is a developing area compared to urban areas. Although this study uses the Northern area as a sample it still able to represent the nature of job among all employees of EPF as the job specification is the same across Malaysia.

In determining employee's understanding about retirement planning, this study will examine about the important factor such as self-awareness, organization roles and environmental factors that influences the retirement planning behaviour.

### **Literature Review**

Retirement is the last phase in career development and all working people either in public sectors or private sectors will retire in the future. Johnson and Williamson [10], retirement has been defined as "an event, a formal departure from paid work that occurs on a given day, a status with new rules to learn and a process that begins the day an employee acknowledges that the worker role will end". Therefore, retirement should be viewed as a process that has great impact on life transition that will lead to a sense of emptiness, loneliness and a reduction in life satisfaction [11].

Retirement planning is important for the future but individual need to takes effort, especially when nearing to retirement age. According to Taylor and Doverspike [12], the importance of retirement planning is known as a preparation for the changes accompanying retirement that's was related to a host of affective behavioural adjustment indices. Tacchino [13], adds on with early planning of the retirement it prepares individual to be successful reaching retirement in the future.

Many researchers have been done with retired individuals to determine the relationship such as the planning for retirement the future and have found positive relationship attitude toward retirement [14][15][16][17] and satisfaction with the retirement phase of life [18][19].

Lai, Lai, & Lau [20] found that the positive attitude toward retirement among Malaysian academics and the result shows significant differences between demographic factors such as age, job position and education level against annual income levels. In separate study carried by Moorthy [21] on age differences indicated that differences age group of working individual has a different perspective towards the retirement planning.

According to Meyer, Zick and Glaittli [22], individual with defined contribution plans, have the greater responsibility for their guiding in retirement planning than individual with defined benefit plans. Therefore, they might have been expect to show the greater awareness. The awareness of retirement is an important element of financial literacy as a starter in retirement planning behaviour. Dahlia, Zuraidah and Norhidayah, [23] stated that awareness is important to understanding the retirement savings this because when self-

awareness is low, the relationship between self and any given standard, is indistinct thus makes the individual lose passion and fail in life.

Further Davies and Cartwright [24] illustrated, contribution of the psychological attitudes towards retirement and psychosocial work related to the variables in predicting preferences for retirement. However, as governments increasingly emphasises on culture, which promotes the expectation that an employee need to work longer, the early retirement culture is no longer sustainable. Self-awareness on financial expectations is derived from questions about individuals' knowledge of their own financial assets and is intended to represent a mindset that reflects the degree to which individuals monitor and to be alert of their financial situation. The following hypotheses were developed based on previous studies:

**H1 There is a significant differences between age group with retirement planning behaviour.**

**H2 There is a significant relationship between awareness with retirement planning behaviour.**

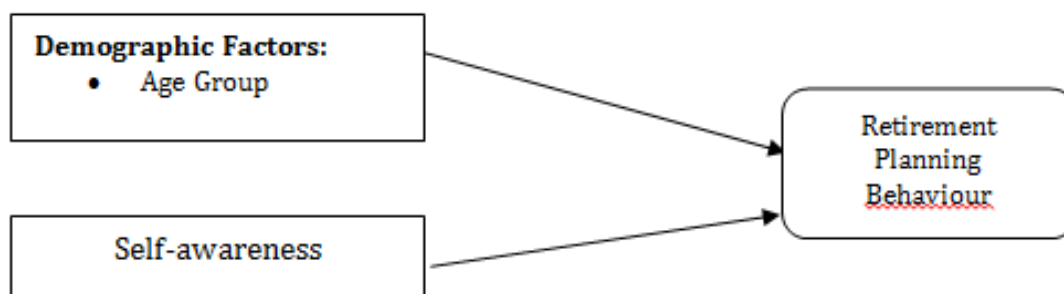


Figure 1.1: Theoretical Framework. Source: *Adapted from [21]*

### Methodology

This research is based on a quantitative method conducted by using the data that collected through self-administered questionnaires. The focus of the study is to examine the importance of retirement planning behaviour among EPF employees. This study involves staff of the EPF's from Kedah, Penang and Perlis. Samples consisted of 172 employees selected from a total 291 EPF employees. Sample selection of this study is based on random samples. Random sampling method was chosen in this study because it present for all of

Life cycle model will helps workers become more familiar on how important events over a life span were largely drive for their spending, savings, investment, and retirement needs. The life course emphasis on the importance of transitions with nature of life paths especially after retirement [25]. This life course theory is for analyzing people's lives within structural, social, and cultural contexts.

According to Donaldson [26], life course perspective in understanding of the retirement adjustment is important and it control in promoting better retirement adjustment and well-being in later life. Pre-retirement planning was not related to retirement adjustment, but the effect of post-retirement planning on retirement adjustment was mediated by mastery.

The theoretical framework of the current study consists of retirement planning behaviour as dependent variable that influence the independent variables.

group employees in EPF. The instrument was developed based on the research questions and research objectives.

### Analysis

The data collected in this study will be analysed using descriptive statistics and inferential statistics. Descriptive statistics will be used to examine the maximum, minimum, mean and standard deviation among all staff to obtain the value factors influencing pre-retirement planning.

A total of 230 questionnaires were distributed. In total, 172 questionnaires were collected which comprised of a high response rate of 74.8 %. Table 4.1 presents the demographic characteristics of respondents with regards on gender, age, ethnicity, education level, job position, work experience and how many times respondent attended retirement programs.

Analysis showed that the total number of respondents is 172, the age group of 41-50 years are the highest representation which comprises of 71 staffs (41.3%) and the least representation were of the group 18-24 years (1.7%). The age group 31-40 years comprises total of 54 staff (31.4%), followed by age group of 25-30 that consists of 27 respondents (15.7%). From this data, 51.2% of the respondents are aged between 40-50 years and above. This statistics imply that the majority of the respondents in an Employee Provident Fund is the older employees and approaching to retirement age. This would also imply that if the right approaches are put in place, such as seminars, training or courses provided to these staffs, they can raise their awareness on planning after retirement. By training or courses it will increase knowledge about retirement planning among the staffs.

There are 122 respondents (70.9%) in the current research never followed the retirement program during their tenure of work. Only 41 respondents (23.8%), attended retirement program for 1 to 3 times. It shown that, only 8 respondent joined the retirement planning program for 4-7 times and just one of EPF staff emphasizing preparation for retirement and have successfully attended more than 8 times the retirement program that have been organised. This means, majority of the staffs in EPF considers planning program that is suggested is unimportant and not to be followed. They have no awareness of the importance of planning one's life before retirement. This shows why the workers in Malaysia have less knowledge about retirement planning behaviour.

Based on the analyzed data obtained the result shown self-awareness indicates that all respondents agree that retirement planning behaviour will help adapt to retirement and it also help staff adapt to the absence of a regular income after retirement. Besides that, 171 staffs also agree that retirement

planning will help staff to changing their life after retirement. However, 7 staffs disagree that retirement planning can help staff to explore new employment after retirement compared to majority who agree with it.

Further, the analysis found that self-awareness has the highest mean of 3.462 and a standard deviation of 0.484. This explains that self-awareness is much needed for individuals in order to have initiative for future life. The importance of understanding about retirement among the individuals can motivate them to focus for saving, health and lifestyles after retirement.

Selection hypothesis testing is done using one-way of variances (ANOVA) and the result of the ANOVA shown in Table 4.5 indicates there were no significant differences between age groups with retirement planning behaviour. The value of  $F=1.639$ ,  $p>0.05$ . This finding revealed hypothesis rejected, where there is a no differences of age group among the EPF's employees on retirement planning. This means that the age group among staff aged 18-24 years, 25-30 years, 31-40 years, 41-50 years and 50 years above thinking on retirement planning behaviour at the similar perceptions.

Pearson correlation test results demonstrate that there is no significant relationship between self-awareness of retirement planning with  $r=0.068$ ,  $p>0.05$ . This means that the hypothesis is rejected. The results show that self-awareness among staff EPF's is not related with retirement planning behaviour.

### **Findings**

The first objective of this study was to identify the differences of age group has effect on retirement planning behaviour. The hypothesis 1 predicted that there are significant differences between the age group with the retirement planning behaviour. The results showed there have no significant differences between the age factors on retirement planning behaviour. This study found that there are no differences in the age group in the preparation of retirement planning behaviour.

Findings obtained by previous study by [26], noted that the factor of age groups among staff are

different in influencing retirement planning. However, this study showed no differences between younger or older age groups in influencing retirement planning behaviour among EPF staffs. Study by Moorthy [21], found that younger employees tend to contribute more in their retirement planning behaviour. This means, that the age group are independent and not influenced by each other in their preparation for retirement. Besides, younger groups always search information for their future lives based on modern technology. For example, younger staffs nowadays will buy house early in their services tenure with the hope during retirement phase they have own assets for family to stay.

Data analysis has shown that hypothesis 2 that did not have significant relationship between self-awareness with retirement planning behaviour. However, previous study results demonstrated that self-awareness has a significant relationship on retirement planning behaviour. Awareness is important in understanding the retirement savings [23]. According to Duval and Silvia [27], the success and failure attributions are moderated by self-awareness and by the ability to improve. When self-awareness is low, the relationship between self and any given standard is indistinct thus making the person lose his passion and always a failure in life.

These differ from the results obtained in this study. Even though, did not have significant relationship with retirement planning behaviour, but the awareness among EPF staffs with retirement planning behaviour still low level. Data analysis shows, the highest mean from the overall questionnaire is 3.49, namely for the awareness of EPF staffs in uses of financial rewards or EPF contributions with wisely. Based on this result, it indicated that employees in Malaysia more aware

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about financial factors, especially the rewards they will get after their services and how to spend the money. Unfortunately, awareness about other factors such as health, lifestyle and also about new careers is still lacking among workers in Malaysia.

Based on this result, it indicated that employees in Malaysia are more aware about financial factors, especially the rewards they will get after their services and how to spend the money. Unfortunately, awareness about other factors such as health, lifestyle and also about new careers is still lacking among workers in Malaysia. Self-awareness is important in determining an individual's life.

## Conclusion

Retirement is often associated with conditions that are no longer needed in the job [28]. A retirement seen as a beginning to the end of human career where much focus is given to free time and rest after a long career phase of life [29]. Therefore, to ensure that pensioners maintain the quality of their life as before the retirement, a good retirement planning and it will help the pensioners. Furthermore, in future studies can be carried out on factors such as gender, marital status, number of retirement programs attended and people who can influence retirement planning behaviour. Research can also be conducted to examine the individual behaviour toward retirement planning among public servants. This may bring forward different perceptions from the aspect of public servants. Therefore, many pre-retirement planning program should be provided and conducted by organisation and government.

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