



## ARE YOU MAKING YOURSELF RETIREMENT READY – A STUDY OF SALARIED INDIVIDUALS?

**Prof. Suyog Chachad\***

**Dr. Komal Singh\*\***

*\*Assistant Professor, Indira School of Business Studies, Pune.*

*\*\*Associate Professor, Indira School of Business Studies, Pune.*

### **Abstract**

*This research focuses on the need and importance of retirement planning. There are considerable changes in the saving and investment behaviour of individuals in India over the last couple of years. We do save and invest for rainy days, but have not actually give due importance to the retirement focussed plans.*

*Retirement planning is essential part of Financial Planning of an individual. The awareness about retirement planning is must for every single individual. The research paper highlights the behaviour pattern of salaried individuals towards retirement planning. To do so, paper seeks to evaluate awareness of 130 working individuals towards investment approach for retirement. The result of the survey will test the awareness level and behaviour towards investment pattern for retirement planning.*

**Keyword: Retirement, Planning, Investment, Investment Products, Inflation.**

### **Introduction**

Generally, we take retirement planning as negative word and the word which makes us feel old. Young generation think it is too early to plan for retirement. In today's world, Life style of individuals changing drastically. This change is due to increase in earning level or dual income of family. Change of life style has increased the expenses level of family. Day by day people are increasing their living standards and also they are trying to maintain it, if not possible to increase it further. This will continue till there is any strong income source exists. However, what after retirement? Every individual wants to spend his post retirement life luxuriously or at least he wants to maintain his pre-retirement standard of living. Hence, Retirement Planning is crucial part of every individual's life.

Every individual is seeking financial security in his old age. For that he tries to save and invest money in available investment products and instrument. However most of the time it is observed that people have not planned their retirement. They are just investing randomly in available and most secured investment instruments & Products. This random investment, they do it with the help of agents or sometimes they just follow their close friends and relatives who may not be qualified enough to advice on the particular investment products. This type of practice leads to short fall in target amount or the locking of the investment for the longer period. This happens due to factors which were not considered at the time of investment like Inflation, Retirement Age, Life Expectancy for both husband & wife, Medical Emergencies in old age, Household Expenses after retirement, Retirement Corpus, etc. These factors plays important role in Life after Retirement. If Individual wants to maintain their living standard, then they need to plan the Retirement as early as possible.

### **Review of Literature**

**Retirement** means giving up job or work because of age. Previously people were thinking for work until 60 or as per their profession or work place. Now the definition of the retirement is changing. Because of the work culture and pressure young generation is looking for the Early Retirement but never think of a proper planning to do so. Hence, the Retirement planning need has been increased last decade in India.

**Retirement Planning** is nothing but an effort put to find out the sum of money need to be invest per month or per year to achieve the required Retirement Corpus for Comfortable Retirement. Every Individual wants safe and happy retirement.

The retirement is un-avoidable part of our life and every single individual is planning for his/her own retirement. It is a proven fact that there is impact of financial advice on investment pattern towards Objectives of Retirement & individual still invest on their own belief which is not at all recommended (Shailesh Singh Thakur, Dr. SC Jain and Dr.Rameshwar Soni 2017).

Some factors like Defined Contribution plan design, Phased Retirement, Post-Retirement Medical expenses, Debts, etc. having high impact on Financial Planning for Retirement. These factors affect lot on the retirement corpus of an individual. Retirement Advisors must note of these things, so that they can give proper advice to their clientele (Danielle Azzollini&Kenn Beam Tacchino 2016).



Most of the salaried individuals are looking Pension from employer as their retirement income, however changes in pension policies by Employer and Government, only two options left i.e. savings for retirement and private pension plans. It was found that financial literacy is always associated with retirement planning. (Sharanjit Uppal2016).

Financial Planning for Retirement is nothing but cultivating long term saving and investment habit. Most of the Indians have this habit, however they are not able to mobilize their savings effectively to generate more return from their savings and investments. Intermediaries will be having opportunities to play a great role in creating more awareness amongst individuals and provide solution based Product selling. (Dinesh BansilalShendkar, 2016)

There is a general approach towards the Financial Planning, that individual consider it as investment planning and invest in the available investment opportunities, with or without having awareness about Financial Planning, Products & its awareness (Dr. Sunil Karve&Mrs.HemaDeogharkar 2015).

Because of increase in employment in the big cities like Pune, working women are also looking for Financial Independence. Most of the women unable to manage their portfolio efficiently due to lack of knowledge in Financial Literacy. Most of them are Risk adverse (Prof.PriyaVasagadekar 2014).

It is proven fact that Married Women are more active than unmarried Women in terms of Saving, Invest & awareness on Financial Planning towards retirement. However, they don't take much risk and invest in low to moderate risk instruments (Gargi Pant2013).

Every individual must plan for the income after his/her retirement. They should not be reluctant towards financial planning for retirement. Seminars and workshop on Financial Literacy program have change the thinking of the people towards Financial Planning for retirement. Arranging workshops on Financial Literacy or Financial Knowledge or on awareness are very much needed to the society. (Jennifer Potts2013).

Most of the time, People start thinking about financial planning for retirement and end-of life care only when they came across incidents like sudden death of the earning person of family or any person from family/ relatives/ friend suffering with major illness in his/her old age and lost most of his/her savings in treatment, etc. (Today's Research on Aging,Issue 24, January 2012).

Financial Education Programs like seminars, written communications and website information are effectively influencing the retirement planning and saving behaviour amongst individuals. Females and Younger individuals are not utilising the educational Knowledge about Financial Planning for retirement effectively and efficiently. (Michael Ntalianis& Victoria Wise2011).

Very few people succeed in achieving their retirement corpus on the basis of financial knowledge and planning. Financial literacy and planning are both interdependent things. Due to lack of Financial Awareness & Planning most of the individuals didn't reached to their financial goals. (AnnamariaLusardi and Olivia S. Mitchell 2005).

**Objectives of the Research:** The basic objective of the study is to examine the awareness level and behavioural pattern of salaried individuals towards retirement planning. The specific objectives are:

1. To find out the pattern and awareness level about retirement planning
2. To analyse if demographic factors e.g. age and marital status have any bearing on retirement planning of the respondents.
3. To study the factors influencing retirement planning.
4. To offer valuable suggestions for various awareness programs based on study.

### Hypothesis

1.  $H_0$  = There is no effect of marital status on retirement planning.  
 $H_1$  = There is a significant effect of marital status on retirement planning.
2.  $H_0$  = There is no significant effect of age on retirement planning.  
 $H_1$  = There is a significant effect of age on retirement planning.

**Sample Size & Design:** A sample size of 130 is taken from Pune district using convenience sampling. Pune is a place with various industries working in its region. Further samples are taken from people working in different areas like companies, education sector, business sector etc.



**Research Methodology:** The research is a fact-finding investigation as it focuses on particular aspects of the patterns and behaviour of the private sector salaried employees.

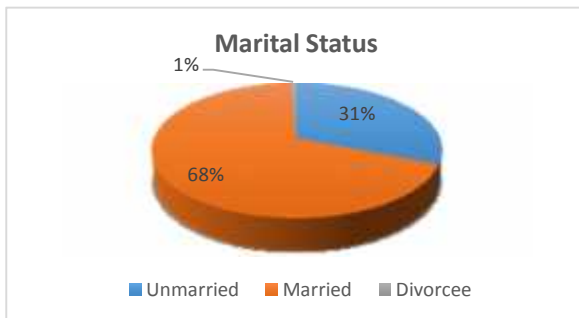
1. Conduct a literature review on topic.
2. Interview respondents to clarify and provide insight into patterns of using disposable income. I will attempt to conduct these interviews shortly after conversations of interest. While the interviews will not be formal or structured, the general strategy for the interviews is to start with broad questions and follow up on the interviewee's responses, to capture her or his meanings and to avoid imposing my meanings on the interviewee.
3. Collect primary data with the help of a questionnaire designed to fulfil the objectives of the research.
4. Analyse the results based on various statistical tools like percentage, average, chi-square test etc.

**Limitations:** This study is conducted in the Pune district of Maharashtra state only because of time constraint.

**Future Scope:** The study could be further extended to various parts of the state and then to whole nation, which would then help to find out the requirement for various programs to be introduced to create positive impact in the sector of retirement planning.

**Data Analysis:** Data is collected through a questionnaire and it was analysed using charts, tables as well as chi-square to find out whether age or income of respondents have any impact on their retirement planning.

### 1. Marital Status



Status	Number
Unmarried	40
Married	88
Divorcee	1
Total	129

### 2. Number of Dependents



Dependents	Number
0	28
1	22
2	45
3	27
4	7

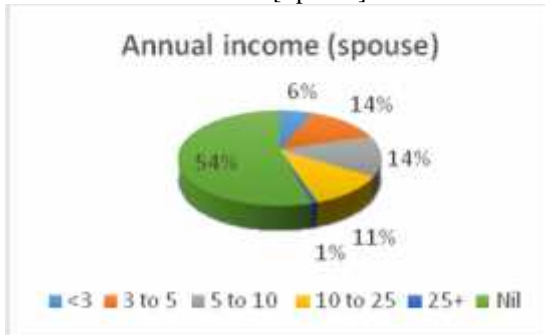
### 3. Annual Income [Self]



Income(Lac)	Number
<3	30
3 to 5	37
5 to 10	38
10 to 25	19
25+	1
Nil	4



4. Annual Income [Spouse]



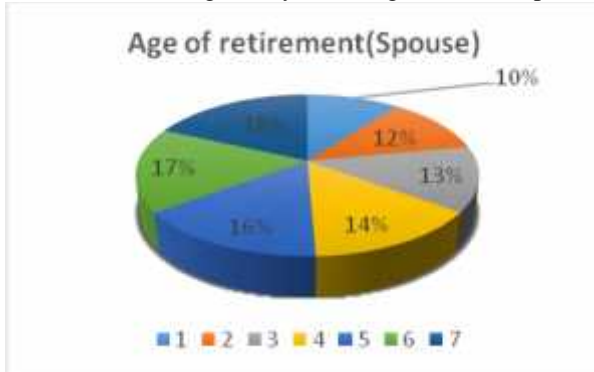
Income(Lac)	Number
<3	8
3 to 5	18
5 to 10	18
10 to 25	14
25+	1
Nil	70
<b>Total</b>	<b>129</b>

5. At what age, Do you want get Retire? [Self]



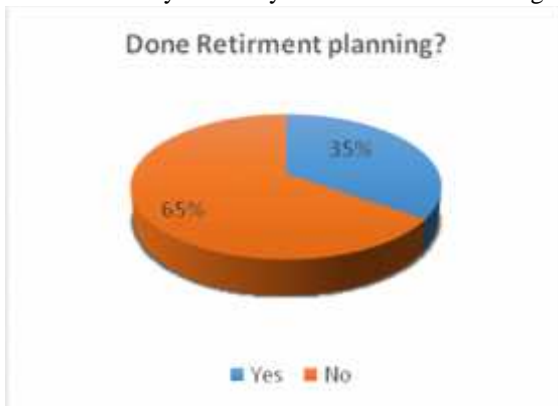
Age	Number
40	5
45	6
50	13
55	14
60	74
65	12
70	5
<b>Total</b>	<b>129</b>

6. At what age, Do you want get Retire? [Spouse]



Age	Number
40	12
45	9
50	11
55	15
60	73
65	5
70	4
<b>Total</b>	<b>129</b>

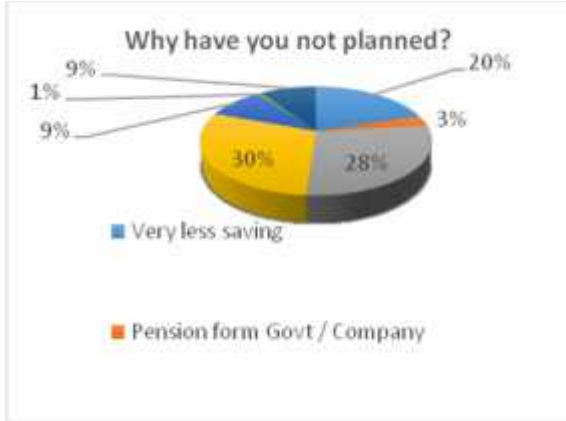
7. Have you done your Retirement Planning?



Response	Number
Yes	45
No	84
<b>Total</b>	<b>129</b>



8. If "No", why you have not planned yet?



Reason	Number
Very less saving	26
Pension form Govt / Company	4
Not Applicable	36
We are going to plan in near future.	38
Lack of knowledge	12
Not approached Agent/adviser/Investment consultancy/Company	1
Not Needed	12

**Hypothesis Testing Chi Square test**  
 Marital Status

Marital Status	Yes	No	Total
Married	36	52	88
Unmarried	8	32	40
Divorcee	1	0	1
Total	45	84	129

Marital Status	Yes	No	Total
Married	30.69	57.3	87.99
Unmarried	13.95	26.04	40
Divorcee	0.34	0.65	1
Total	45	84	129

Fo	Fe	Fo-Fe	Fo-Fe <sup>2</sup>	Fo-Fe <sup>2</sup> /Fe
36	30.69	5.31	28.1961	0.918739003
52	57.3	-5.3	28.09	0.490226876
8	13.95	-5.95	35.4025	2.53781362
32	26.04	5.96	35.5216	1.364116743
1	0.34	0.66	0.4356	1.281176471
0	0.65	-0.65	0.4225	0.65
				7.242072713

Calculation of DOF (Degree of Freedom)-

DOF = (R-1)\*(C-1), Where R= Number of rows, C= Number of columns  
 = (3-1)\*(2-1) = (2)\*(1) = 2



The table value of 2 DOF at 95% accuracy is 5.991

Calculated value is greater than table value therefore it is concluded that there is a significant effect of marital status on retirement planning.

**2. Have you done your retirement planning?**

Age Group	Yes	No	Total
18-30	12	34	46
31-40	20	38	58
41-50	9	10	19
51-60	4	1	5
60+	0	1	1
Total	45	84	129

Age Group	Yes	No	Total
18-30	16.04	29.95	45.99
31-40	20.23	37.76	57.99
41-50	6.62	12.37	18.99
51-60	1.74	3.25	4.99
60+	0.34	0.65	0.99
Total	44.97	83.98	129

Fo	Fe	Fo-Fe	Fo-Fe <sup>2</sup>	Fo-Fe <sup>2</sup> /Fe
12	16.04	-4.04	16.3216	1.017556
34	29.95	4.05	16.4025	0.547663
20	20.23	-0.23	0.0529	0.002615
38	37.76	0.24	0.0576	0.001525
9	6.62	2.38	5.6644	0.85565
10	12.37	-2.37	5.6169	0.454074
4	1.74	2.26	5.1076	2.935402
1	3.25	-2.25	5.0625	1.557692
0	0.34	-0.34	0.1156	0.34
1	0.65	0.35	0.1225	0.188462
				7.900639

= (5-1)\*(2-1)

= (4)\*(1) = 4

The table value of 4 DOF at 95% accuracy is 9.488

Calculated value is lesser than table value therefore it is concluded that there is no significant effect of age on retirement planning.

**Conclusion**

So, it can be concluded that most of people do not plan their retirement. There is a great need for the awareness of the same along with the factors affecting their decisions. Financial education programmes needs to be conducted. It's very imperative for salaried people to know what exactly their financial requirements will be after retirement to maintain their standard of living. Now days youngsters have started investing but they don't have concrete plans as to the total corpus required and its



alignment to their specific planning. It's very important to plan for retirement age and work on that plan to have smooth transition.

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