



## A STUDY ON THE GENDER DIFFERENCES IN RETIREMENT PLANNING OF IT PROFESSIONALS IN URBAN BANGALORE

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### Abstract

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. Studies have revealed that 21% of the retirees experienced a drop in income in retirement of more than 50% and 50% of the retirees felt that they continued to spend as much or more than what they did before retirement. Hence it becomes very important for every working individual to understand and realize this blatant truth. Another noteworthy fact is that women do not have the same relationship to finance as men because there are many striking differences between them. Both men and women should be financially to take appropriate financial decisions for themselves and their families. The study aims to get a clear understanding of the differences in retirement planning of women as compared to men with the objective of providing a basis for assessment as to what should be done in order to make sure that women are not financially disadvantaged. The data was collected by distributing structured questionnaires to 300 respondents in Urban Bangalore.

**Key words:** Retirement Planning, Personal Finance, Gender Finance.

### 1. Introduction

Finance is the life blood of an economy, organization and an individual and hence managing it becomes very crucial. People have realized this blatant truth and this had led to the evolution of the concept of personal finance. This realization forces them to devote their time proper management of their personal finance. Poor financial management behavior impact professional and personal life (Garman et al., 1996) An effective management of personal finance will help them to run ahead of others and grab the unbound opportunities ahead. An overall understanding of the personal finance will make an individual a happier person because they will not be stressing about money and will be prepared for the future. Managing personal finances is no child's play. The main goal of personal Finance is the efficient allocation of financial resources which in turn paves way for financial security and independence. Retirement planning is one of the main areas of personal financial management which helps an individual to achieve this financial comfort.

#### 1.1 Retirement Planning

In the words of Tenesse Williams "you can be young without money but you cannot be old without it". It is very important for everyone to identify and understand this universal fact. Here comes the need and importance of retirement. Retirement planning in simple terms refers to the allocation of finances for retirement. The main goal of retirement planning is to achieve financial independence after retirement. According to Schuler (1987) it is no longer a simple transition from work life to retirement life. He opined that such a transition is increasingly complex and needs utmost care and perseverance. Uncertainty, lack of preparedness, and unrealistic expectations can create problems during the retirement transition (Gall & Evans, 2000). Retirement planning involves the knowledge of different types of Pension Plans, profit sharing, flexible benefit plan, and other deferred compensation plans. With this the knowledge of relevant legislation is also required. Basically, Retirement planning is to choose retirement goals i.e. when to retire and probable income needed for retirement, how the present income to be used for future (NachiketBhate, Dr.Alok Bansal). The few empirical studies done on retirement planning suggest that demographic and socioeconomic characteristics such as gender, race, education and financial status may predispose individuals toward planning for retirement (Ferraro, 1990; Kosloski, Ekerdt, & DeViney, 2001; Richardson, 1993).

Some people do not believe in this since they are of the opinion that future is unpredictable and they need to live in the present but they fail to realize the fact that future is the outcome of the present and that our future depends on our present .



Hence it becomes very important to plan and make sure that one has enough money to live comfortably after retirement. Retirement planning benefits individuals in a number of ways. Proper retirement planning instills confidence in individuals in their ability to make retirement transition. Further an effective retirement planning helps in:

1. contributing towards an efficient estate planning
2. meeting unforeseen medical expenses
3. being flexible to deal with changes and challenges

### **1.2 Gender Finance**

Gender is defined on the basis of social norms, behaviours, activities, relationship, responsibilities which are assigned by the society as appropriate for male and female (WHO, 2010). There are significant differences between men and women in all aspects from biological to physical to emotional to social. Women till date face a lot of gender discrimination. Generally women have less economic opportunities to improve their lives. They often face obstacles when dealing with ownership of wealth, monetary return for their work, financial opportunities etc. The legal and cultural norms and taboos play a major role in aggravating this. Thus women face various strange and unique challenges when dealing with money and finance. In comparison to men, women share a large burden of raising families, start to work later and earn less during their careers, live longer, have inadequate pension or survivors' benefits and face more challenges in financial management (Alcon, 1999; Anthes and most, 2000; Timmermann, 2000).

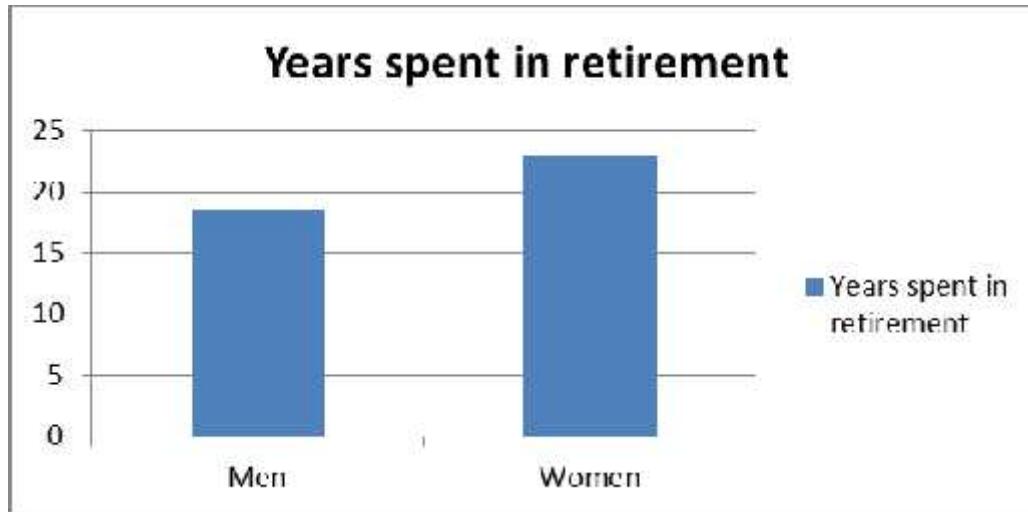
### **1.3 Women and Retirement Planning**

Powell and Ansec(1997) conducted a study and found that there are relative gender differences in retirement plans of individuals. This is because there are differences in the financial priorities between men and women. Women generally tend to take decisions keeping in mind their family and children. Women often concentrate their energies more on childcare and domestic responsibilities while men focus on being the breadwinner (Branigan, 2004). Hatch and Thompson,(1992) in their study found that women consider their personal responsibilities and families while taking retirement decisions. While personal health is as significant a contributor to the retirement decision for women as it is for men, women are more likely than men to retire due to the health of a family member (Matthews & Brown, 1988; Szinovacz&Davey, 2005)..Also women's career paths are more diverse than men's and this in turn affects their individual retirement decisions(Guillenard and rein,1993) .Less number of working years and longer life span is also a concern for women in planning their retirement. They have a longer life expectancy than men and therefore need to save more for retirement. However instead of saving for retirement, women are more likely to spend money on their children or the household(Frankel, 2008). Women are also more likely to make ends meet by foregoing spending on themselves and this includes contributing to their retirement plan (Yodanis, 2007) . Often women are in lower paid positions that have limited benefits. This causes them to retire with approximately half the retirement fund compared to men (Knight, 2009) A large portion of working women work only part-time and so do not have access to the employer's retirement plans(J. Brendan Ryan,2016).Moreover women have smaller financial incentives to retirement than men because the wage level for women is generally lower than that of men(Munnell and Jivan,2005). The predictions of women retiring in 2015 are that only 20 percent of women will have earned greater benefits than those of their husband (Foundation, 1998).Also from a planning perspective, women are less likely to have access to retirement education (Perkins, 1995).). Researchers have also found that women have lower rates of participation in retirement plans as compared with men(Sung, 1997) and are more likely to be living in poverty during retirement (Pearce, 1989).Marital status may also negatively influence women's financial status in retirement, as married women are less likely to continue working if their spouse retires, thereby further diminishing their retirement earnings potential (Mutchler, Burr, Massagli, &Pienta, 1999).Chase Lancaster and Anubhav Raj (2009) found that women are more conservative than men while allocating assets in their retirement account. They suggested that women exhibit a greater risk aversion while choosing retirement savings account .

The OECD representing the world's leading 43 industrialized economies revealed that the average length of time spent in retirement has drastically increased for both men and women, The main goal of retirement planning is to



achieve financial independence after retirement and this is very important especially for a woman because the average number of years spent in retirement is more for women than men.



Source: OECD Survey(2013)

## 2. Literature Review

Borstorff, Thomas & Hearn (2007) found that while women have made considerable advancements in regards to pay equity, positions, and power, there is still a considerable disparity between men and women when it comes to their preparedness for retirement.

**Taylor & Shore (1995)** made an attempt at understanding the retirement process. The total number of participants was 303, with 247 men and 56 women. Participants were selected by means of a random stratified sample using age, tenure, and retirement eligibility as a basis for selection. Results showed that chronological age, employee health, and self-perceptions of the ability to adjust to retirement, predicted subsequent planned retirement. It was also seen that a positive relationship existed between respondent age and planned retirement age. Results of this study suggest that people may evaluate themselves on the extent to which they may successfully make the transition to retirement, and this is a predictor of retirement planning years before the actual retirement decision. They opined that one of the most salient factors affecting retirement decision making is an individual's attitude toward retirement.

**Mutran, et al.(1997)** studied a set of older workers between 58 to 64 years of age from the Raleigh-Durham-Chapel Hill metropolitan for two years to explore their attitudes toward retirement and retirement planning. They measured retirement planning with questions addressing topics such as discussing retirement with others; reading about retirement; attending a preretirement program, lecture, or seminar; and actively planning for retirement such as calculating retirement expenses and income. They also suggested the importance for retirement fund calculation as it allows individuals to determine how much money they need to live comfortably during retirement. They opined that it is an initial step of retirement planning that lets individuals develop subsequent plans to achieve the retirement goal. They concluded that while retirement planning and earlier retirement attitudes, increased confidence and decreased depression toward retirement for retirees, retirement planning and earlier retirement attitudes improved attitudes toward retirement for those who continued to work.

**Yun Doo Lee** This paper compares and contrasts gender differences in financial preparation for retirement between American men and women who are in their age 46-59 in their positive savings periods. Analysis was conducted using data from the 2013 Survey of Consumer Finances. Data was collected from a sample of 6026 families. The findings indicate that for both sexes, work history has significantly positive effects on retirement planning but significantly negative effects on retirement plan contributions. He also noticed that when individuals



are close to their retirement like forties or fifties, they have less time to prepare their retirement compared with their twenties or thirties. He concluded that in case of women, they will need greater wealth accumulation to support a longer retirement period due to their longer average life expectancy compared to men.

**Hershey and Mowen (2000)** found that those who believe that they know more about financial planning are more likely to have prepared for retirement. They continue to suggest that training and intervention programs designed to boost financial knowledge should help to improve financial preparedness by triggering advanced planning activities. Retirement education could improve employees' knowledge and behaviors related to retirement planning, and in turn, attitudes toward retirement.

**Atchley and Robinson (1982)** in their study examined the relationship between distance from the retirement event, both before and after, and attitudes toward retirement. Data for the study was collected from 173 people in the preretirement stage and 176 people who had retired. Attitudes toward retirement were generally positive and were unrelated to distance from retirement for both samples. The postretirement sample was slightly less favorable toward retirement than was the preretirement sample. This was due to the higher incidence of disability in the postretirement sample. It was found that gender has been found to be a significant determinant of one's retirement planning behavior and attitude. They also found that males were likely to have a more positive attitude toward retirement than females. They concluded that Planning for retirement in the future has a positive attitude toward retirement in both men and women.

**J. Turner (1989)** in his study examined the ways in which males and females differ on the issues related to planning for later life. Retirement planning and attitude towards retirement was examined separately for men and women. Data was collected from 2745 respondents in the age group of 40 to 65 years across different occupation, education and income. It was found in the study that most of the respondents (76.2%) had established savings for retirement. According to them, both men and women had positive attitude towards retirement even though the retirement planning in women was affected by family considerations more than in men.

**Shaw (1984)** studied the attitude of married women in retirement planning and decisions. The data used for the study consisted of 800 married women over the age of 45. The women, who reported having plans about their retirement had higher levels of education, were currently employed and had a pension plan at their place of employment. They also were more likely to have husbands with definite retirement plans. The results indicated that women were influenced more by their husband's retirement plans than their own retirement planning. They were inclined to make the decision concerning their own retirement based on the timing of their husband's retirement plans.

**McPherson and Guppy (1979)** examined personal characteristics related to retirement planning behaviors with a sample of 360 employed men who were in the ages between 55 to 64 years old. The majority of their respondents had done little concrete planning for retirement. They suggested that those with higher levels of education, more income, and higher status occupations were more likely to plan because they had a greater sense of control and flexibility concerning the timing of retirement and their retirement life style.

**In Prentis' (1980)** study of professional and non professional working women, only 42 percent of the total sample reported having done any serious planning for retirement. There was no significant difference between the groups in the amount of planning having been done. The women's plan included a variety of areas related to life in retirement including economic concerns and leisure activities.

**Szinovacz (1987)** in her study explores retirement conditions affecting women's preferred retirement timing and retirement satisfaction. It is based on the assumption that sex differences in the retirement experience render retirement adjustment processes different for men and women, and it aims at identifying retirement conditions that are of primary importance to women. Data for the study was collected from 115 retired women. It was revealed in the study that women's life goals, sex role constancy over the years, the economic impact of



retirement, and respondents' control over determination of retirement timing were relevant issues affecting the retirement. She found women's retirement attitudes and timing of retirement to be most impacted by family needs. Such family demands sometimes led to off-time retirement. Women who retired because of family needs reported more difficulties in retirement adjustment, more income inadequacy, and a sense of lack of appropriate timing and control over their retirement decisions.

### 3. Statement of Problem

Financial experiences of women play a critical role in any economy because they are the key decision makers and caregivers in their households which ultimately have an impact on the economy as well. Financially secure and retirement prepared families are better able to contribute to vital, thriving communities and thereby further foster community economic development (Marianne A. Hilbert and Jeanne M. Hogarth, 2003). The researcher felt that both men and women should be adequately retirement prepared to facilitate this. According to Schuler (1987) it is no longer a simple transition from work life to retirement life. He opined that such a transition is increasingly complex and needs utmost care and perseverance and planning. The researcher has tried to analyse the gender differences in the retirement preparedness of IT professionals in Urban Bangalore.

### 4. Objectives of the Study

1. To highlight the importance of retirement planning.
2. To study the gender differences in retirement preparedness among respondents.
3. To give recommendations and suggestions if required.

### 5. Methodology

The study descriptive in nature and the data used is both primary and secondary. The main tools of primary data are questionnaire and personal interviews. Reports, journals and articles are the main sources of secondary data. Simple mathematical and statistical tools like correlation are used for analysis. The sample of the study includes 300 IT professionals from Bangalore city. The respondents were selected using convenient sampling techniques giving preference to accessibility and availability.

### 6. Analysis

Demographic profile

**Table 1: Bivariate Frequency Distribution of Age and Gender**

Gender	Age				Total
	25 - 30	30 - 35	35 - 40	40 or more	
Male	45	60	40	5	150
	30%	40%	27%	3%	100.0%
Female	50	60	20	20	150
	33.33%	40%	13.33%	13.34%	100.0%
Total	95	120	60	25	300
	31.6%	40%	20%	8.4%	100.0%

**Table 2: Bivariate Frequency Distribution of Gender and Marital Status**

Gender	Marital Status		Total
	Married	Unmarried	
Male	138	12	150
	92%	8%	100.0%
Female	125	25	150
	83.3%	16.7%	100.0%
Total	263	37	300
	87.6%	12.4%	100.0%





**Table 3: Bivariate Frequency Distribution of Annual Income and Gender**

Gender	Annual Income				Total
	<5,00,000	5,00,001-10,00,000	10,00,001-20,00,000	>20,00,000	
Male	5 3.3%	30 20%	65 43.3%	50 33.4%	150 100.0%
Female	4 2.6%	60 40%	55 36.7%	31 20.7%	150 100.0%
Total	9 3%	90 30%	120 40%	81 27%	300 100.0%

Table 4 Gender Dissimilarities in Factors of Retirement Planning of the Respondents:

The factor analysis resulted into only one factor for the construct Retirement Planning and hence the name was retained the same for this factor. The null hypothesis ‘there is no significant difference in the retirement planning due to gender’ was tested against the alternative ‘the retirement planning is affected significantly by gender of the respondents’ using Mann Whitney U test and the results are given in Table 4.1

**Table 4.1 Results of Mann Whitney U test**

Factor	Gender	Mean	Z	P value
Retirement Planning	Male	3.4855	-11.599	0.000
	Female	2.8742		

The null hypothesis was rejected and it led to the inference that the retirement plan is significantly affected by gender. The gender-wise item mean scores are given in Table 4.2 for detailed comparison.

**Table 4.2**

Item	Mean scores	
	Male	Female
I have never discussed retirement	3.4905	2.8441
I feel my retirement income is enough to meet my financial needs after retirement	3.4381	2.7285
I am fully aware of my financial needs during retirement	3.3762	2.7312
I have never thought about retirement	3.5476	2.9059
I am confident that I will adjust to retirement easily	3.6357	3.0403
I feel it’s too early to plan about retirement	3.5452	3.0242
I feel retirement will allow me to enjoy more leisure activities	3.6714	3.1828
I have the confidence that I will never outlive my savings	3.3262	2.7796
Retirement should be avoided as long as possible	3.3738	3.1102
My spouse’s retirement will affect my retirement plans	3.4500	2.3952

## 7. Conclusion and Suggestions

Retirement planning is an ongoing and lifelong process that takes decades of perseverance and commitment to reach the final goal. The article hopes to help women understand this .Hence the study will help them to realise the importance of reducing retirement regret and being retirement satisfied. Thus for a successful, happy and peaceful retirement, she must

1. Continue to work as long as the mind and body are active.
2. Start early.
3. Develop an alternative source of income.
4. Develop a retirement corpus fund.



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