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A Study on Financial Planning: Perspective towards Individual Retirement Planning Behaviour

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Abstract

The study is explanatory research that aims to identify the various goals of retirement planning and investors' preferences for particular asset classes in order to meet those goals. According to the study, there is a connection between retirement planning and the various factors that influence it. 1144 working people in all, representing various age groups, had taken part in the study. Age, occupation, and income level were among the relevant characteristics that the research identified in the prediction of working people's retirement planning objectives and investing preferences toward asset classes. The study's findings will be useful in understanding working people's goals and preferences for retirement.

KEY WORDS: Financial Planning, Retirement planning, investment avenues for retirement, t test.

1 Introduction

The process of creating a personal road map for your financial security is known as financial planning. The following are the inputs used in financial planning: your goals, which include your present and future financial demands, as well as your risk tolerance, as well as your resources, which include your income, assets, and liabilities. A personal financial plan that outlines how to spend your money to accomplish your goals while taking inflation, actual returns, and taxes into consideration is the result of the financial planning process. Financial planning, in its simplest form, is the process of methodically organising your resources in order to realise your short- and long-term life objectives.

1.1 Retirement Planning

Planning for retirement is making preparations for your future so that you can continue to achieve all of your objectives and desires on your own. Setting your retirement goals, calculating how much money you will require, and making investments to increase your retirement savings are all included in this. Every retirement strategy is different. In light of the fact that you can have quite particular plans for your retirement, for this reason, it's crucial to have a plan that is created precisely to meet your unique requirements.

Work is what you retire from, not life. You might have new aspirations for your life after retirement. You could also wish to continue living your normal life without worrying about money at the same time. You may outline the route to achieving your life goals without relying on money if you prepare beforehand. The benefits of retirement planning is to fulfil Retirement Goals, beating inflation and leaving legacy to the inheritors.

2 Review of literature

This study will help working people understand the significance of retirement planning in life. To create a research problem, numerous investigations have been conducted. Antoni, X. L., Saayman, M., & Vosloo, N. (2020) Lack of financial literacy is among the most frequent causes of improper retirement planning by individuals. A closed-ended questionnaire was utilised in a quantitative research design to gather the respondents' primary data. Exploratory factor analysis and Cronbach's alpha were used to assess the validity of the factor of retirement planning. Multiple regression analysis was employed to determine the association between financial literacy and retirement planning. Thakur, S. S., Jain, S. C., & Soni, R. (2017) The goal of this descriptive study was to comprehend how people see retirement planning. 1144 respondents in all, from various age groups and occupational groups, took the poll. The study's findings have management implications for comprehending human behaviour. The findings revealed numerous important elements in the retirement planning forecast. Thakur, S. S., Jain, S. C., & Soni, R. (2017) The goal of this study is to identify the various goals of retirement planning and investment preferences toward different asset classes in order to meet those goals. In the study, the relationship between retirement planning and the various elements influencing it is established. 1144 working people in all, representing various age groups, had taken part in the study. Age, occupation, and income level were among the relevant characteristics that the research identified in the prediction of working people's retirement planning objectives and investing preferences toward asset classes. The study's findings will be useful in understanding working people's goals and preferences for retirement. Lusardi and Mitchell (2007) shown that planners have a higher wealth accumulation rate than non-planners due to their propensity to save, invest, and sell their homes in order to fund their retirement. Turner et al. (1994) found that the earlier you intend to retire, the more you'll be able to benefit from it later in life. Kim, Kwon, and Anderson (2004) found that people tend to plan for retirement more aggressively than other people if their household income is higher and they are in better health. According to Wong and Earl (2009), seniors who experience trouble transitioning to retirement often ignore retirement planning. The research's conclusions indicate that (1) organisational place; and (2) demographics (3) Better retirement planning is predicted by health. Petkoska, J., & Earl, J. K. (2009) The authors looked at how much planning for retirement was being done by employees in the areas of finances, health, relationships and leisure, and employment, as well as whether demographic and psychological factors encouraged or impeded preparation in each of these areas. Each domain's planning was affected by a different set of factors. Goals have become a reliable and effective predictor of planning. Health and interpersonal/leisure planning were explained by gender; however, income had a negative impact on work planning behaviour. Elder, H. W., & Rudolph, P. M. (1999). The relationship between retirement preparation and retirement enjoyment is examined in this essay. Do people consider and make plans for retirement? Do they use financial planning services if they do? Are those who plan their retirement happier than those who don't? An ordered probit model is used to evaluate data for 1,781 retired people from the first wave of the Health and Retirement Study (HRS). The results show that even when income, wealth, marital status, and health are taken into account as explanatory variables, thinking about retirement and attending planning meetings had a considerable beneficial impact on contentment.

3 Objectives of the Study

1. To Determine individual’s retirement Planning Objectives.
2. To Determine the Investment Asset Classes to achieve above Retirement Planning Objectives.

4 Analysis and Interpretation

The survey approach was applied to collect data successfully and perfectly. A questionnaire was created in order to apply the survey approach professionally. The questionnaire was created to assess the many elements or aspects that influence how individuals plan for retirement. A validity test was performed based on the responses to determine the instrument's reliability and validity. Bartlett's test of sphericity, the Cronbach Alpha coefficient, and the KMO measure of adequacy were used. Cronbach Alpha was found to be 0.875. The KMO value was 0.726, and the Bartlett's test produced results that were significant, therefore the instrument was approved for further investigation.

4.1 Establishing Retirement Planning Goals

The following table displays the respondents' overall preference for the goals of retirement planning.

To determine the statistical significance, Z-Test was used. To determine the respondents' choice for the retirement planning objectives, a mean comparison for statistically significant retirement objectives was also conducted.

One Sample t test (Test Value = 3)						
Retirement Objectives	**t**	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
preserving the standard of living from before retirement.	30.12	1143	0	0.90385	0.845	0.963
maintaining financial independence both during and after retirement.	44.06	1143	0	1.15385	1.103	1.205
Minimizing Taxes at the time of Retirement and afterwards	17.56	1143	0	0.59615	0.53	0.663
reducing taxes both during and after retirement	15.93	1143	0	0.46154	0.405	0.518
At the time of retirement or after, providing for/ensuring the financial security of dependents	38.84	1143	0	1.07692	1.023	1.131
retiring early and living comfortably afterward	17.93	1143	0	0.58654	0.522	0.651
Create your own home when you have a retirement plan.	22.93	1143	0	0.83654	0.765	0.908
Plan for the marriage of children and grandchildren	20.77	1143	0	0.67308	0.61	0.737
Higher Education of Children	33.43	1143	0	1.07692	1.014	1.14
Start Businesses After Retirement	6.574	1143	0	0.23077	0.162	0.3
After Retirement, Family Will Have Regular Income	46.73	1143	0	1.23077	1.179	1.282
Greater Savings Today (Tendency of Saving)	26.45	1143	0	0.81731	0.757	0.878
After retirement, travel and pilgrimage	28.59	1143	0	0.875	0.815	0.935
and meeting medical expenses are priorities.	41.52	1143	0	1.17308	1.118	1.229

For all of the retirement goals, the one sample t-test with alpha=0.01 was shown to be significant.

Following table shows the ranking of the respondents based on mean response analysis is presented below.

Retirement Objectives	**Mean Difference**	**Rank**
After Retirement, Family Will Have Regular Income	1.23077	1
and meeting medical expenses are priorities.	1.17308	2
maintaining financial independence both during and after retirement.	1.15385	3
At the time of retirement or after, providing for/ensuring the financial security of dependents	1.07692	4
Higher Education of Children	1.07692	5
preserving the standard of living from before retirement.	0.90385	6
After retirement, travel and pilgrimage	0.875	7
Create your own home when you have a retirement plan.	0.83654	8
Greater Savings Today (Tendency of Saving)	0.81731	9
Plan for the marriage of children and grandchildren	0.67308	10
Minimizing Taxes at the time of Retirement and afterwards	0.59615	11
retiring early and living comfortably afterward	0.58654	12
reducing taxes both during and after retirement	0.46154	13
Start Businesses After Retirement	0.23077	14

It was found that After Retirement, Family Will Have Regular Income was the most preferred objective amongst the respondents and start business after retirement was the least preferred retirement objective.

4.2 Preference towards investment Asset Class

The respondents' general preferences for various investment asset types are shown in following table to determine the statistical significance, Z-Test was used. To determine which asset classes the respondents preferred, a mean comparison for statistically significant asset classes was also carried out.

One-Sample Test (Test Value 3)					
Investment Asset Classes to achieve retirement planning objectives	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference

					Lower	Upper
Insurance	9.576	1143	0	0.31731	0.2523	0.3823
Pension Plan	17.717	1143	0	0.52885	0.4703	0.5874
FDs	9.705	1143	0	0.32692	0.2608	0.393
Gold	7.459	1143	0	0.25962	0.1913	0.3279
Rental Income	33.667	1143	0	0.97115	0.9146	1.0278
Shares	7.246	1143	0	0.25	0.1823	0.3177
Atal Pension Yojna	-2.23	1143	0.026	-0.0769	-0.1446	-0.0093
New Pension Scheme	5.714	1143	0	0.18269	0.12	0.2454
POST office Savings	7.598	1143	0	0.24038	0.1783	0.3025
PPF	15.756	1143	0	0.52885	0.463	0.5947
EPF	13.182	903	0	0.49779	0.4237	0.5719

The test was determined to be significant for all the asset classes at alpha=0.01

The following table presents the respondents' preference rankings determined by mean answer analysis:

Investment Asset Classes to achieve retirement planning objectives	**Mean Difference**	**Ranking**
Rental Income	0.97115	1
Pension Plan	0.52885	2
PPF	0.52885	3
EPF	0.49779	4
FDs	0.32692	5
Insurance	0.31731	6
Gold	0.25962	7
Shares	0.25	8
POST office Savings	0.24038	9
New Pension Scheme	0.18269	10
Atal Pension Yojna	-0.07692	11

According to the survey, each respondent identified rental income as the most important factor in achieving their retirement goals, followed by pension plans annuities and the Atal Pension Yojna was not at all considered.

5 Conclusion

Respondents were asked to respond to a structured questionnaire in this article using a five-point Likert scale (Strongly Disagree to Strongly Agree). The purpose of the questionnaire was to find out each person's preferred retirement planning goals as well as their preferred investing asset classes to help them reach those goals. The study does not examine the performance of the preferred investment asset classes or the effects of various demographic characteristics on various retirement goals or investment asset classes after this point. Of the 14 various retirement planning objectives, regular income after retirement was the one that respondents said they preferred the most. • According to the respondents, starting a business after retirement was the least desired retirement goal. The Atal Pension Yojna was found to be the least preferred investment asset class for achieving desired retirement objectives, and house property investment was shown to be the most preferred investment asset class. The survey is available for additional analysis of the effects of various demographic factors on the chosen retirement planning goals and investment asset classes.

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