Factors Influencing Retirement Preparation (Study Case Pamulang University)

Diana Riyana Harjayanti[1*], Angga Rovita[2], Ifa Nurmasari[3], Dony Oktariswan[4]

Faculty of Economics and Business, Pamulang University, Indonesia
[4] Universitas Asa Indonesia Jakarta, Indonesia

[*]Email: : drharjayanti@gmail.com, anggarovita@gmail.com, dosen01550@unpam.ac.id, dony@asaindo.ac.id

ARTICLE INFO	ABSTRACT
Keywords: Retirement Preparation, Financial Literacy, Attitude and Financial Behavior	Individuals are expected to have adequate preparation to face retirement. Financial literacy can provide important information for individuals to plan for retirement. This study will examine social demographics (age, education, income, gender), financial literacy level, individual attitudes and behaviors and their impact on retirement preparation represented by lecturers at Pamulang University. One profession that is considered to have good financial literacy is lecturers. Therefore, it is expected that lecturers have good knowledge and understanding of financial planning, investment and retirement preparation. This study uses quantitative research methods. This study conducted a questionnaire survey using a sample of lecturers at Pamulang University, South Tangerang, Indonesia. Data processing using SPSS then using multiple linear regression tests, significant tests and obtained results that social demographics (age, education, income, gender), financial literacy has no significant effect on retirement planning. While individual attitudes and behaviors have a significant effect on retirement planning.

INTRODUCTION

Every individual is expected to assume responsibility for their own financial well-being in old age. However, surveys of individuals in various countries show that a large number of people are unable to manage their financial well (Agarwal et al., 2022). Although much evidence of this positive relationship has been found in developed countries, such as the Netherlands and the United States, (Van Rooij et al, 2011), however, things are different in developing countries, where many individuals tend to pay less attention to financial literacy and well-being in retirement, thus posing a greater threat. Demographic challenges in Asia than in other regions of the world exacerbate these financial conditions and Indonesia is one of the most populous countries in Asia.

Indonesia is experiencing a significant increase in life expectancy coupled with a sharp decline in fertility, indicating that the country is facing an unprecedented phenomenon regarding retirement rates. The dramatic social and economic transformations demonstrated by shrinking family sizes, shifting social norms, and increasing labor mobility have made traditional family support systems for the elderly unsustainable. In addition, because an effective welfare system has not been well established in Indonesia, government support for welfare in retirement is also inadequate. So that pensions society are limited in scope and less benefits.

Many studies concern about financial bankruptcy among people during retirement. The sustainability of public and private pension provisions is threatened due to financial deficit (Farrar's, 2019). Research shows that by 2020, 25% of the population in OECD (global population) countries will be over 65 years old. However, research also shows that only 25% of individuals worldwide save for old age with a saving rate of 35% of their income in (Demirgüç-Kunt's, 2016). A lack of savings, major population shift to old age, creates significant liabilities on the pension system, resulting in the risk that many retirees will have low financial resources to support them during retirement (Farrar, 2019).

However, the unanswered question is, "why do so few people save for retirement?" The answer lies in the psychological mechanisms underlying saving planning and behavior. According to (Hershey, 2004), demographic factors influence retirement planning behavior, but it is psychological constructs, which provide a direct/proximal influence.

Diana Riyana Harjayanti[1*], Angga Rovita[2], Ifa Nurmasari[3], Dony Oktariswan[4]

A study by (Moorthy et al, 2012) which is based on a cross-sectional study of 300 working individuals in the age group of 26 to 55 years shows that working individuals have different perspectives on retirement planning behavior. Working individuals realize that early retirement planning allows working individuals to have a strong financial plan to secure them in their later retirement. The results showed that three factors (environmental, individual and psychological) such as age, education level, income level, attitudes towards retirement and potential conflicts in retirement are factors that influence retirement planning behavior.

(Yuh et al., 1998; Lusardi, 1999, 2003; Ghilarducci et al. 2015) there are many evidence that people in both developing and developed countries are not ready for retirement due to insufficient savings and lack of planning (Shum and Faig, 2006; Ebbinghaus, B., 2021; Hinrichs, K., 2021) shows evidence that individuals with lower levels of risk aversion are more confident in facing retirement.

Behavioral studies show that individuals, on average, tend to overestimate the chances of success and underestimate the chances of failure or risk (Han, B., Hirshleifer, D., 2022). So that individuals are too confident as conveyed (Naiwen, 2021) who analyze investors who are too confident, can lead to complex and negative decisions related to age and decision uncertainty. So that there is a tendency for individuals with high trust to make aggressive decisions in making investments that offer quicker returns in the short term compared to long term retirement preparations.

Various studies in the field of psychology agree that clear and well-defined goals are very important because they influence individuals to be involved in planning activities, which in turn increases the contribution of savings (Foster, 2018; Zhu, AYF, & Chou, KL., 2018; Tomar, S, 2021).

Financial literacy is one of the determinants of a person in making financial decisions. Research conducted by (Xu, L., & Zia, B., 2012) produced data on the benefits of financial literacy in various countries and contributed to development policies.

Lecturer as teaching staff are expected to have good knowledge and understanding regarding financial planning, investment and retirement preparation. A good understanding of financial literacy will make financial planning, management and control better. (Sobaya et al., 2016; Soejono, 2019) found a significant effect between financial literacy and financial planning. Low financial literacy can increase the possibility of individuals making mistakes in planning their financial allocations and ultimately have an impact on decreasing their welfare. The opposite results are conveyed in research (Kusumaningtyas, 2022) found different things financial knowledge has no effect on investment planning.

Lecturers are expected to be able to provide good education to students and the wider community. There has not been much research on the level of financial literacy of lecturer. (Mendari and Soejono's research, 2018) examined the level of financial literacy of lecturer based on gender and age factors. Financial literacy is interesting to discuss, not only related to gender and age factors, but also interesting to discuss other factors. (Surendar, G., & Sarma, S., 2018) found that the majority of educators have a high level of financial literacy, educators are also aware of various aspects of personal financial planning and are able to plan finances.

METHOD
A. Research Methods

This study uses quantitative research methods. According to (Saragih, 2019). (Sugiyono, 2018) quantitative data is a research method based on positivistic (concrete data), research data in the form of numbers that will be measured using statistics as a calculation test tool, related to the problem under study to produce a conclusion.

B. Data Collection

The research was carried out primary data based on guidelines and directions in collecting data through distributing questionnaires and secondary data can be obtained through journals that are relevant to the research. In this study, questionnaires were distributed with research respondents being a sample of the lectures population at Pamulang University. Questionnaire assessment uses 5 Likert scale where scale 1 is strongly disagree and scale 5 is strongly agree.

Diana Riyana Harjayanti[1*], Angga Rovita[2], Ifa Nurmasari[3], Dony Oktariswan[4]

RESEARCH MODEL

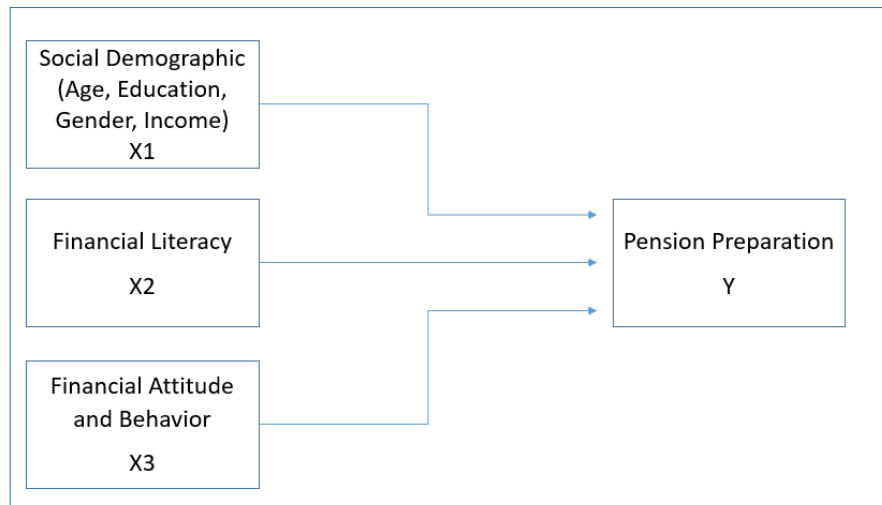**FACTORS INFLUENCING RETIREMENT PREPARATION**

Figure 1. Research Model

Figure 1 shows this research model, namely Social Demographic (X1), Financial Literacy (X2), Financial Attitude Behavior (X3) affect Pension Preparation (Y).

RESULTS AND DISCUSSION

Based on the data obtained from the survey results, it is processed using SPSS with the results of statistical analysis as follows:

A. Multiple Linear Regression and Significant Test

Table 1. Multiple Linear Regression and Significant Test

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
1 (Constant)	.827	2,212		.374	.711
Age	.029	.029	.117	.986	.331
Education	.386	.640	.073	.602	.551
Income	.267	.198	.166	1,351	.185
Gender	-.514	.611	-.102	-.841	.406
Literacy	-.325	.354	-.105	-. 917	.365
Behavior	.649	.122	.626	5.304	.000

Based on the multiple linear regression test in table 1, the results obtained are age, education, income, attitudes and behavior positively related to retirement preparation, while financial literacy is negatively related to retirement preparation. Financial literacy is negatively proportional to the possibility that the higher the individual's financial literacy, the higher the risks taken in investment decisions so that they tend to ignore retirement preparations. Table 1 also presents the significant test results obtained social demographic variables (age, education, income, gender) have no significant effect on retirement planning because the ρ value > Sig.0.05. Financial literacy is obtained ρ value > Sig.0.05 then financial literacy also has no significant effect on retirement planning. Financial attitudes and behavior, the value of ρ value < Sig.0.05 is obtained financial attitudes and behavior has a significant effect on retirement planning.

Diana Riyana Harjayanti[1*], Angga Rovita[2], Ifa Nurmasari[3], Dony Oktariswan[4]

B. Simultaneous Significant Test (Test F)

Table 2. Simultaneous Significant Test Results (F Test)

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	145,213	6	24,202	7,246	.000b
	residual	116,906	35	3,340		
	Total	262,119	41			

Berdasarkan hasil pengujian pada tabel Uji F di atas, nilai ρ value < Sig.0,05 hal ini menunjukkan bahwa terdapat pengaruh yang signifikan secara simultan antara sosial demografi (usia, pendidikan, pendapatan, jenis kelamin), tingkat literasi keuangan, sikap dan perilaku terhadap persiapan masa pensiun.

C. Determination Coefficient Test (R Square)

Analysis of the coefficient of determination is intended to determine the percentage strength of the relationship between the independent variables and the dependent variable in this study. The following is the result of calculating the coefficient of determination processed with the SPSS program as follows:

Table 3. Results of Analysis of the Coefficient of Determination Simultaneously

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.744a	.554	.478	1828

Based on the test results in the table above, an Adjusted R-square value of 0.478 is obtained, it can be concluded that the social demographic variables (age, education, income, gender), financial literacy level, financial attitudes and behavior towards retirement preparation are 47.8% while the remaining is 47.8% 52.2% is influenced by other factors that are not conducted research.

CONCLUSION

Based on the results of the analysis and discussion of the influence of social demographics, literacy levels, financial attitudes and behavior in planning for retirement on lecturers at Pamulang University, South Tangerang, social demographics have no significant effect on retirement planning decisions. While financial literacy has no significant effect on retirement planning decisions. The results of the influence of different and more recent literature show that emotional and psychological factors such as fear, greed, and overconfidence also play an important role in financial decisions. Respondents who have positive financial attitudes and behaviors have a significant influence and tend to be more confident about their retirement planning. The results in the F Test table, it can be concluded that retirement preparation can be influenced by socio-demographic variables (age, education, income, gender), financial literacy level, financial attitudes and behavior by 47.8% based on the Adjusted R-square value.

Diana Riyana Harjayanti[1*], Angga Rovita[2], Ifa Nurmasari[3], Dony Oktariswan[4]

REFERENCES

Agarwal, S., Zhang, J., & Zou, X. (2022). Household Finance: A Review.

Demirgüç-Kunt, A., Klapper, L., & Panos, G. A. (2015). Determinants of saving for old age around the world.

Ebbinghaus, B. (2021). Inequalities and poverty risks in old age across Europe: The double-edged income effect of pension systems. *Social Policy & Administration*, *55*(3), 440-455.

Foster, L., & Heneghan, M. (2018). Pensions planning in the UK: A gendered challenge. *Critical social policy*, *38*(2), 345-366.

Farrar, S., Moizer, J., Lean, J., & Hyde, M. (2019). Gender, financial literacy, and preretirement planning in the UK. *Journal of Women & Aging*, *31*(4), 319-339.

Ghilarducci, T., Papadopoulos, M., & Webb, A. (2017). Inadequate retirement savings for workers nearing retirement. *Schwartz Center for Economic Policy Analysis and Department of Economics, The New School for Social Research, Policy Note Series*.

Hershey, D. A., Jacobs-Lawson, J. M., & Neukam, K. A. (2002). Influences of age and gender on workers' goals for retirement. *The International Journal of Aging and Human Development*, *55*(2), 163-179.

Hinrichs, K. (2021). Recent pension reforms in Europe: More challenges, new directions. An overview. *Social Policy & Administration*, *55*(3), 409-422.

Kusumaningtyas, I., & Hakim, L. (2022). PENGARUH LITERASI KEUANGAN DAN INKLUSI KEUANGAN TERHADAP PERILAKU INVESTASI GURU EKONOMI SMA/MA KOTA SURABAYA. *Jurnal Ekonomi Pendidikan dan Kewirausahaan*, *10*(2), 141-154.

Lusardi, A, & Tufano, P 2008, Debt Literacy, Financial Experience, and Overindebtedness, New York: Harvard Business School.

Moorthy, K., Chelliah, T. D., Sien, C. S., Leon, L. C., Kai, N. Z., Rhu, W. C., & Teng, W. Y. (2012). A Study on the Retirement Planning Behaviour of Working Individuals in Malaysia. International Journal of Academic Research in Economic and Management Sciences, 1(2).

Naiwen, L., Wenju, Z., Mohsin, M., Rehman, M. Z. U., Naseem, S., & Afzal, A. (2021). The role of financial literacy and risk tolerance: an analysis of gender differences in the textile sector of Pakistan. *Industria Textila*, *72*(3), 300-308.

Poterba, J. M. (2014). Retirement security in an aging population. *American Economic Review*, *104*(5), 1-30.

Shum, P., & Faig, M. (2006). What explains household stock holdings?. *Journal of Banking & Finance*, *30*(9), 2579-2597.

Sugiyono. (2018). Metode Penelitian Kuantitatif, dam R&D. Alfabeta: Bandung.

Surendar, G., & Sarma, S. (2018). Financial literacy and financial planning among teachers of higher education-a study of critical factors of select variables. *International Journal of Pure and Applied Mathematics*, *118*(18), 1627-1649.

Tomar, S., Baker, H. K., Kumar, S., & Hoffmann, A. O. (2021). Psychological determinants of retirement financial planning behavior. *Journal of Business Research*, *133*, 432-449.

Van Rooij, M. C., Lusardi, A., & Alessie, R. J. (2011). Financial literacy and retirement planning in the Netherlands. *Journal of economic psychology*, *32*(4), 593-608.

Xu, L., & Zia, B. (2012). Financial literacy around the world: an overview of the evidence with practical suggestions for the way forward. *World Bank Policy Research Working Paper*, (6107).

Yuh, Y., Montalto, C. P., & Hanna, S. D. (1998). Are Americans prepared for retirement?. *Financial Counseling and Planning*, *9*(1).

Zhu, A. Y. F., & Chou, K. L. (2018). Retirement goal clarity, needs estimation, and saving amount: evidence from Hong Kong, China. *Journal of Financial Counseling and Planning*, *29*(2), 328-342.