

RETIREMENT PLANNING AMONG PRIMARY SCHOOL TEACHERS IN SELANGOR

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Abstract: The current economy is very challenging, and people hardly save or plan for their retirement. Are teachers wise enough to keep for their retirement days? This study aims to investigate the factors influencing retirement planning among primary school teachers in Selangor. A total of 155 questionnaires were collected from four (4) selected schools: Sekolah Jenis Kebangsaan (Tamil) Ladang Midlands, Sekolah Kebangsaan Seksyen 7, Sekolah Jenis Kebangsaan (Cina) Pin Hwa and Hicom Primary School. The Statistical Package for the Social Sciences (SPSS) 20.0 is employed to identify the relationships of financing matters with retirement planning among primary school teachers. Data are primarily quantitative. The research questions were answered through descriptive statistics, correlation, and linear regression procedures. The research findings show that only two independent variables of monetary goal setting and financial literacy are significantly related to retirement planning. The most influential factor that influences retirement planning is financial literacy. This finding is a piece of empirical evidence that teachers need to be aware of the importance of managing their financial situation in determining a great and peaceful future during retirement.

Keywords: Retirement planning; Monetary goal setting; Financial literacy; Saving behaviour

1. Introduction

Retirement planning is crucial for every working person to ensure that they could have a stable financial situation by the end of their service since they no longer enjoy the total salary they used to have. At the same time, the costs associated with their daily life continue to remain high in many cases. Retirement planning determines retirement income goals and the necessary actions and decisions to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program, and managing assets. The minimum retirement age act 2012 (MRA Act) came into effect on the 1st of July 2013, stating that the minimum retirement age of an employee shall be the age of 60 years old. Teachers are no exception as the MRA is also applicable to them. Statistics Department of Employee Provident Fund (EPF) database (2017) declared that the amount of retirement benefit does not last more than 3 to 5 years because the average amount withdrawn by the retirees is about RM50,000 per year (Department of Statistics, 2017). The retirees spend this amount of money to survive during their entire retirement.

Every employee will retire one day but are we financially and mentally prepared to retire? Most people depend entirely on retirement benefits earned to cover life after retirement. The Department of Statistics Malaysia in 2011 reported that the life expectancy of the Malaysian population is estimated at 72 years for males and 77 years for females. Due to the increasing human life expectancy, issues may arise on whether the money raised for retirement or pension is sufficient to cover the desired quality of life, coupled with rising medical and living costs. Therefore, whether a person plans to retire at the age of 55 or earlier and vice versa, what is essential is that people need to equip themselves with financial planning that can ensure a satisfying life and be free from the burden of debt after retirement. Islam demands that its people manage their finances well and use their property wisely and organised. Allah S.W.T has said in Surah Yusuf, verse 47, which means, 'Let you sow earnestly seven years in a row, then what you reap leave him on his stalks; except a little of the portion, you make for food'. The verse emphasises the importance of an individual to make initial preparations before facing something and be wise in managing life to enjoy a comfortable life in the future (Al-Qur'an Al-Karim Mushaf MufiqTafsir, 2020).

In Malaysia, results of the Manulife Investor Sentiment Index (MISI) survey reveal that even though the top priority of Malaysians is to have savings for retirement, there is a lack of financial planning among them since the current ratio of Malaysians' debt is 68%, marking the highest proportion of all markets in Malaysia. It is even worse when the inflation rate increases, and it causes the value of ringgit Malaysia to decrease. Therefore, they need to ensure they have enough capital to survive until 85 years old based on an average year of life. Retirement can be understood and conceptualised in various ways. This study examines three variables: monetary goal setting, financial literacy, and saving behaviour related to retirement planning among primary school teachers in Selangor who represent Malaysian government employees.

2. Literature Review

A fundamental reason for our exploration is to focus on explaining and discussing the review of the study and to present a clear picture of retirement planning among primary teachers in Selangor. There are many determinants of retirement planning, specifically in our research, the variables are monetary goal-setting, financial literacy, and saving behaviour.

2.1 Retirement Planning

The rising cost of spending every year and market uncertainty have invited prospective retirees to increasingly challenging lives. Typically, preparation for additional retirement gives joy to this group for the same lifestyle habits as before retirement. On the other hand, worries and anxieties have been created with the volatile economy and unnecessary savings. Apart from inflation, Malaysians must see increasing health issues and expenses. Malaysian Health Insurance says the price doubles every year, rising by 15% every year. Therefore, it is significant for prospective retirees to consider taking retirement options without worries. They need to wisely spend their spending as consumers who can probably last 20 years after retirement at the end of the year.

Efforts to ensure that retirees can lead a peaceful life after retirement need to be enhanced over time. Thus, according to a study by Husain, Kamdani, Ayob, Rashid, Nor, Ibrahim, and Yusof (2017), the government needs to have policies and legislation that can provide social security so that senior citizens are protected, for instance, a plan such as the Senior Citizens Policy. The country offers welfare homes for the elderly, provides the percentage of income tax relief for children caring for parents, etc. The government can also offer incentives to employers such as tax relief to employers who provide infrastructure for the elderly or health packages to their former retired employees. In addition, the government also needs to promote the Healthy Lifestyle Campaign seriously.

Stable financial needs are essential for retirees to ensure social well-being in old age. In this context, these people need to ensure that finances are sufficient to support their lives. Retirees desperately need money to provide their daily needs and health care. Furthermore, the study of Suridah Ali (2016) found that solid finances are essential to ensure the well-being of life after retirement, especially in old age. Many people take their health for granted, wanting more when they think they still have decades to live. Although World Health Statistics of the World Health Organization (2017) states that the life expectancy in Malaysia is 75 years, there is a possibility that anyone will live longer than that.

Retirement planning is the process of determining retirement income goals and the necessary actions and decisions to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a saving program, and managing assets and risk. Clark, Hammond, and Khalaf (2019) stress that individuals must understand how to plan for retirement as it is crucial to determine whether they will achieve their retirement goals soundly. Selvadurai, Kenayathulla, and Siraj (2018) conclude that retirement planning is the planning to be prepared for life after paid work ends, not merely financially but in all aspects of life. Husin, Munir, and Rajain (2017) researched 120 working people in Selangor and found that knowledge plays a vital role in determining sound retirement planning. The truth of retirement is that only 69 percent of workers feel that they and their spouses have made sufficient savings for retirement (Pokorski & Berg, 2017). Retirement can be a very challenging period of life for anyone who fails to save. Without enough retirement savings, one might need to start work again, and worst still in a different career. The focus of this study is to analyse and understand the needs of retirement planning for better financial stability after retirement by having sufficient savings after that.

2.2 *Monetary Goal Setting*

Holistically, the monetary goal-setting process firstly establishes the current financial state of an individual by gathering his relevant financial information, thereby positioning realistic goals and values in place. The following procedure involves identifying and estimating the requirement after adjusting for inflation. If a person plans and sets the goals in advance, managing and controlling his finances is easier. Any short-term temptation to divert funds towards immediate and discretionary needs could be directed (Selvadurai et al., 2018). Establishing short-term, mid-term, and long-term financial goals is a crucial step towards establishing financially stable conditions. Winnell (1987) argues that the purpose of an

individual is to have long-term values that would help a person have a strong direction, coherent, and sensible meaning of life. It can be done by setting a monthly withdrawal amount limit, planning expenses wisely, avoiding making loans within five years before retiring; in other words, debt-free. Apart from that, prospective retirees should be wise in making investments that can bring potential savings returns at a higher rate. Retirees can also invest part of their savings to make a profit, and adhere to long-term investment strategies while at the same time seeking profitable investment opportunities such as i-Invest introduced by the Employees Provident Fund (EPF) in September 2019.

According to the EPF, i-Invest, launched in August 2019 is a digital platform that offers flexibility, functionality, and facilities for members to make investments and transactions and monitor unit trust investments anytime and anywhere. One should have immediate savings, and it is not a must-have amount but a guide for one to plan their finances for the future. Therefore, an individual needs to create a rough budget to record how much they spend now. This habit will give a rough idea of the cost of living after they stop working and start saving. Expenses do not necessarily decrease after retirement while some retirees want to go on vacation and increase costs. It depends a lot on the desired lifestyle, the level of health, and the condition of a person after retirement. Not to be outdone, some are tested with health that requires high expenses. If one wants to ensure comfort, they can start taking care of their finances today seriously. For long-term planning, one should not forget to stop shopping for things that only give temporary satisfaction. What matters in life is the need and not will.

The dynamic change in the economic climate has influenced consumer expectations in the future. Among the concerns are expectations about future interest rates, inflation rates, and potential returns on assets. If the inflation rate is high, some investors will probably suffer from negative returns on their savings. Such negative returns on savings will negatively affect the real income of regular savers, particularly retirees, who rely strongly on savings in bank accounts. Ayuso, Jimeno, and Villanueva (2019) examine household consumption after introducing tax incentives towards saving for retirement. They find that most contributions for retirement funds come from older and high-income individuals. Panel data is employed on a consumption survey spanning a period between 1985 and 1991 to see substantial heterogeneity in the response of household savings to tax incentives. The saving of respondents is different significantly across age groups: between 56 and 65 years of age, the group that most actively contributed to the plan; there are minimal consumption changes; among the group of households between 46 and 55 years of age, the decrease in saving spending is worse off. Based on the above discussion, the researchers formulate a hypothesis;

H1: Monetary goal-setting influences primary school teachers' retirement planning.

2.3 Financial Literacy

Financial resources are crucial in determining retirees' quality of life (Husin, Saad, Mariyanti, & Razak, 2021). To maintain the purchasing power of money, make sure it grows at least at the same rate as the inflation rate to offset the adverse effects of inflation. The retirees are assumed to maintain lifetime retirement savings and save the principal amount for themselves and their children. On the other hand, if they do not mind spending retirement

money, the money needed is much less. However, at the same time, be careful in financial planning. Avoid spending money arbitrarily and make sure it is sufficient to cover expenses until the end of their life. Organization for Economic Co-operation and Development (OECD) (2014) defines financial literacy as knowledge and understanding of financial concepts and risks. The skills, motivation, and confidence to apply such knowledge and experience to make effective decisions across a range of financial contexts, enhance the financial well-being of individuals and community, and enable participation in economic life Education. Financial literacy would lead to misleading decisions on retirement planning among older adults. Many aging people face a quandary of not having sufficient money to maintain their living upon retirement, and this problem is becoming worse over the period (Selvadurai et al., 2018).

According to Lusardi and Mitchell (2011), education and financial planning are essential to making a retirement plan. As a result, individuals who have and implement retirement plans can accumulate wealth three times more than those who do not have a specific plan for retirement purposes. Furthermore, Ismail and Vellymalay (2018) postulated that the course of Personal Financial Management for prospective retirees is to provide awareness of the importance of income management for expenses and savings. The preparation is to ensure the continued well-being of life. In addition, such courses should be given to prospective retirees to make adequate financial, physical and mental preparation before retirement. Such efforts need to be paid attention to by the relevant parties because retirees and prospective retirees can feel considerable positive implications in the context of well-being after retirement. Early planning can add value to future retirees in ensuring better quality and prosperous life after retirement.

Nonetheless, financial literacy education has currently been discovered as contributing factor towards successful retirement planning. Nolan and Doorley (2019) state that financial literacy is knowledge of basic economic concepts. Doing simple financial calculations is a vital skill required to ensure adequate financial safeguard during older age. Almenberg and Säve-Söderbergh (2011) reveal that many adults in Sweden have low financial literacy. It is lower among the young, the old, and women with low income or low educational achievement. It is found that the employees who have tried to strategise for retirement have higher stages of financial literacy. An understanding of risk diversification is strongly correlated with planning for retirement. Based on the above argument, the researchers design a hypothesis;

H2: Financial literacy influences primary school teachers' retirement planning.

2.4 Saving Behaviour

Saving behaviour is essential for retirement (Tan & Singaravelloo, 2020; Jais, & Asokumar, 2020). Realising that retirement is a national socio-economic issue, it is a critical time for every Malaysian to save more for their retirement needs. Alkhawaja and Albaity (2020) did a study on retirement saving behaviour on 370 people of the United Arab Emirates in the higher education sector and discovered that knowledge of retirement financial planning had a significant favourable effect on retirement saving behaviour. Working people, financial

advisors/financial planning experts, financial institutions, and government/policymakers can all benefit from better understanding and activities around retirement planning

Thus, savings are an essential element in raising retirement funds. Retirees must prepare for retirement to maintain their current lifestyle when they retire. Saving behaviour for retirement is one issue of growing concern everywhere, and proper planning is needed to make sure that retirees have enough to support themselves in the future. Some of the fundamental needs of retirees include a place to live, money to cater for day-to-day expenses, medical expenses, and emergencies. Every public policy encourages people to save to gather wealth for their retirement, while most people hold based on their projected lifetime income.

The policy of the Malaysian government makes it obligatory for all its working population to set a minimum wage of their salary into the Employee Provident Fund (EPF) (Ibrahim et al., 2012). This policy is very significant to ensure that employees have adequate savings to cover their living maintenance after retirement. They are required to allocate 20% of their monthly income credited to their EPF accounts while the employer and employee contribute 12% and 8%, respectively. The researchers reiterated that Malaysian employees should be educated on the need of retirement savings; otherwise, once they have the lump sum amount upon retirement, they will run out of money in a few years. Most employees typically will sense that their retirement future is safeguarded merely by looking at the figure 1/5 of the salary (Lusardi & Mitchell, 2011). Meanwhile, Pokorski and Berg (2017) point out that the three main categories for most people to save are retirement (59%), investments (38%), and buying or progression property (29%). Tin (2000) points out that the saving behaviour of individuals also varies according to demographic characteristics such as income, age, gender, marital status, and more during various stages of one's life. Based on the above discussion, the researchers conjecture a hypothesis;

H3: Saving behaviour influences primary school teachers' retirement planning.

2.5 Conceptual Framework

Based on the above argument, a framework is developed to indicate the relationship between saving behaviour, monetary goal setting, and financial literacy with retirement planning, as shown in Figure 1 below.

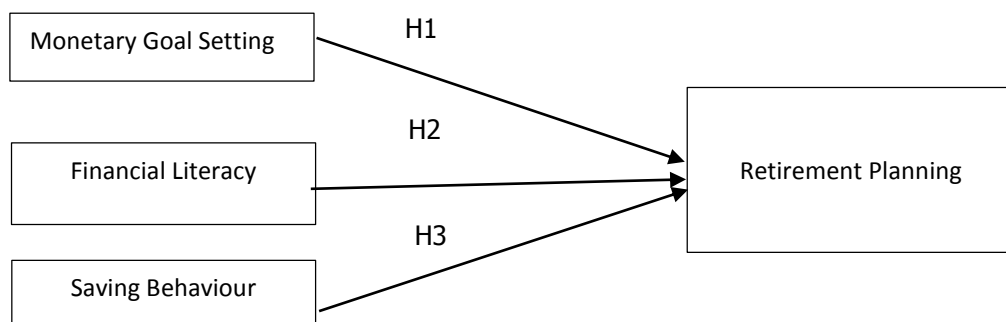


Figure 1: Research Framework

3. Methodology

This study adopts a quantitative approach to collect and analyse its data. The data are collected from primary sources via 155 questionnaires distributed personally to the primary school teachers. Data that have been collected are analysed by utilising the Statistic Package for the Social Sciences (SPSS) to carry out the descriptive and statistical inferential analysis. The questionnaire has five (5) sections as follows: the first section is demographic data consisting of information such as gender, age, marital status, race, income level, and education level, and they are measured by using a nominal scale. Questions for the dependent variable (retirement planning) and independent variables were adopted from Monetary Goal-Setting (Selvadurai et al., 2018), Financial Literacy (Lusardi & Mitchell, 2011), and Saving Behaviour (Ibrahim et al., 2012). A 5-point Likert scale is utilised to quantify all the factors. The respondents must demonstrate their degree of statements on a 5-point Likert Scale, ranging from strongly disagree (1) to agree (5) strongly. The information was examined utilising a Statistical Package for the Social Sciences (SPSS) to conduct descriptive and statistical inferential analysis.

4. Findings

4.1 Demographic Analysis

Table 1: Demographic Characteristics of Respondents (n=155)

| Items | Frequency | Percentage (%) |
|------------------------|-----------|----------------|
| <i>Gender</i> | | |
| Male | 50 | 32.3 |
| Female | 105 | 67.7 |
| <i>Age</i> | | |
| 21-30 | 95 | 61.3 |
| 31-40 years | 31 | 20.0 |
| 41-50 years | 18 | 11.6 |
| 51-60 years | 11 | 7.1 |
| <i>Marital status</i> | | |
| Single | 90 | 58.1 |
| Married | 64 | 41.3 |
| Widow/Widower | 1 | 0.6 |
| <i>Race</i> | | |
| Malay | 53 | 34.2 |
| Chinese | 24 | 15.5 |
| Indian | 75 | 48.4 |
| Others | 3 | 1.9 |
| <i>Education level</i> | | |
| Degree | 130 | 83.9 |
| Master | 23 | 14.8 |
| PhD | 2 | 1.3 |
| <i>Income level</i> | | |
| RM1000-RM3000 | 71 | 45.8 |
| RM3000-RM5000 | 53 | 34.2 |
| RM5000-RM7000 | 22 | 14.2 |
| RM7000 ABOVE | 9 | 5.8 |

As shown in Table 1, the respondents' demography comprises 67% and 32.3% of females and males, respectively. Most of them are from the age group of 21-30 years (61.3%), followed by the age group of 31-40 years (20.0%) then 41-50 years (11.6%), and the lowest is 51-60 years consisting of only 7.1%. The majority of the respondents are single (58.1%), followed by married (41.3%) and 0.6% who are widows/widowers. Most of the respondents are Indian (48.4%), followed by Malay (34.2%), Chinese (15.5%), and 1.9% are from other races. From the total number of respondents, 83.9% of them have a degree, 14.3% have a Master's, and only 1.3% possess a Ph.D. The data shows that 45.8% of them have an income of RM1,000-RM3,000, 34.2% have an income of RM3,000-RM5,000, and 14.2% have an income of RM 5,000-RM 7,000 5.8% of the respondents has an income of RM7,000 and above.

4.2 Reliability Test

Table 2 shows the Cronbach's Alpha, where N represents each dependent variable's number of items and status. The reliability test analysis shows the reliability result of the Cronbach's Alpha for the dependent variable retirement planning at 0.825, followed by the independent variable monetary goal setting at 0.867, financial literacy at 0.789, and saving behaviour at 0.80. Thus, confirming the items are all reliable.

Table 2: Reliability Test

| Items | No. of Items | Cronbach's Alpha | Result |
|-----------------------|--------------|------------------|-------------|
| Retirement Planning | 5 | 0.825 | Very strong |
| Monetary Goal Setting | 5 | 0.867 | Very strong |
| Financial Literacy | 5 | 0.789 | Strong |
| Saving Behaviour | 5 | 0.801 | Strong |

4.3 Descriptive Analysis

Table 3: Descriptive Analysis of Retirement Planning (n=155)

| | N | Mean | Std. Deviation |
|---------------------------------------------------------------------------|-----|------|----------------|
| 1. I will enjoy strong health during retirement. | 155 | 4.81 | 1.163 |
| 2. My retirement is a pleasant one. | 155 | 4.55 | 1.254 |
| 3. I will share more time with my old friends after retirement. | 155 | 4.70 | 1.135 |
| 4. I will fully understand how to spend my excess time during retirement. | 155 | 4.70 | 1.180 |
| 5. I will have enough money after my retirement. | 155 | 4.59 | 1.328 |

Questions were asked on 5-point Likert scales to measure retirement planning (Table 3). The overall statement shows that the average retirement planning is in the range of 4.81 to 4.55. Most teachers believe that they will enjoy robust health during retirement age (M-4.81, SD – 1.163). It is followed by the statement "I will share more time with my old friends after retirement" and "I will fully understand how to spend my excess time in retirement." (M-4.70, SD – 1.135) and (M-4.70, SD – 1.180) respectively. The respondents also believe that

they will have enough money after their retirement (M=4.59, SD = 1.328), respectively. The lowest mean value is 4.55 with a SD of 1.254 for the question is "My retirement is a pleasant one."

4.4 Correlation Analysis

Next, a linear correlation was tested using the bivariate correlation. It ensures that the correlation between the variables is a linear correlation to proceed with further regression analysis. The finding, as shown in Table 4, indicates that all the variables tested are linear correlations. The results indicate that there are moderate and statistically significant relationships between Monetary Goal-setting ($r=.592$, $p<0.01$), Financial Literacy ($r=.676$, $p<0.01$), Saving Behaviour ($r=.385$, $p<0.01$), and Retirement Planning.

Table 4: Correlation Coefficient Analysis

| | | Retirement Planning | Monetary Goal-setting | Financial Literacy | Saving Behaviour |
|------------------------|------------------------|------------------------|--------------------------|-----------------------|---------------------|
| Retirement Planning | Pearson Correlation | 1 | .592** | .676** | .385** |
| | Sig. (2-tailed) | | .000 | .000 | .000 |
| | N | 155 | 155 | 155 | 155 |

** . Correlation is significant at the 0.01 level (2-tailed)

4.5 Multiple Regression

A standard multiple regression was performed between monetary goal-setting, financial literacy, saving behaviour, and retirement planning as the dependent variable in the final analysis. Table 5 explains the regression analysis of correlations between the variables. The standardised Regression (β), R^2 , and adjusted R^2 are discussed. The study's Coefficient of Determinant (R^2) is 0.463, indicating that 46.3% of the variation in factors influencing retirement planning among primary school teachers in Selangor is explained by monetary goal setting, financial literacy, and saving behaviour. The other 53.7 percent may come from other factors that are not examined in this study.

Table 5: Multiple Regression Analysis

| Model Summary | | | | |
|---------------|-------------------|----------|-------------------|---------------------------|
| Model | R | R Square | Adjusted R Square | Std Error of the Estimate |
| 1 | .688 ^a | .474 | .463 | .68213 |

a: Predictors: (Constant), Retirement Planning, Monetary Goal-setting, Financial Literacy, Saving Behaviour

Based on Table 6, the Adjusted R square (.463) indicates that the three variables substantially explain the variance in the Retirement Planning. Among the three relationships tested in the model, the standardised coefficient indicates statistically significant between Monetary Goal-setting and Retirement Planning ($\beta= 0.195$, $p< 0.05$). Also, there is a statistically significant between Financial Literacy ($\beta= 0.528$, $p<0.05$) and Retirement Planning. There is no significant relationship between Saving Behaviour ($\beta= 0.005$, $p>.000$) and Retirement Planning. Considering the three hypotheses discussed earlier, only two hypotheses H1 and H2, are supported, and H3 is not supported.

Table 6: Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients Beta | t | Sig |
|-----------------------|-----------------------------|------------|--------------------------------|-------|------|
| | B | Std. Error | | | |
| (Constant) | 1.009 | .402 | | 2.508 | .013 |
| Monetary Goal-setting | .203 | .096 | .195 | 2.122 | .036 |
| Financial Literacy | .551 | .095 | .528 | 5.780 | .000 |
| Saving Behaviour | .006 | .090 | .005 | .064 | .949 |

a: Dependent Variable: Retirement Planning

5. Discussion And Conclusion

Based on the findings from this study, only monetary goal setting and financial literacy are the factors that can be considered the key drivers that affect retirement planning among primary school teachers in Selangor. This finding is consistent with the studies conducted by Husin et al. (2021) and, Selvadurai et al. (2018). Somehow, this study is in contrast with Ibrahim et al., (2012) study. This could be due to their wisdom and not saving behaviour, knowing that they would have pension money after retirement. Teachers are indicated to be wise individuals who foresee that they need to be well-prepared financially for their retirement. The knowledge and realisation in setting monetary goals and financial budgeting are cultivated in the mind of the teachers since they first started working. Since Selangor is a very robust state and requires careful planning in one's financial planning, the teachers are prudent to know retirement planning. Though there are many retirement packages and products offered by financial institutions, the initiatives to save for retirement are step-sided by other retirees but not to teachers. The majority of civilians think that private companies provide a retirement plan that is sufficient to cover their golden year's spending.

Nevertheless, many studies have shown that money saved in companies and government pension plans may not be adequate for future consumption. This study has its limitation in that it only covers Selangor primary teachers as the respondents. Other variables such as awareness, attitude, and family support towards retirement planning are not yet explored. Discussion on retirement issues scenario in Malaysia needs to filter and provide an understanding to people that future assurance such retirement is a basic need same as safety and security of an individual. It is hoped that changes can be made to see some light on the retirement issues in Selangor. Future research can be carried out by zooming into the working individuals with other professions such as bankers, doctors, accountants, engineers, and lawyers on their retirement planning behaviour. Future studies could also include other independent variables such as attitude, awareness, and behaviour towards retirement planning. This probably contributes better findings that could further explain professionals' retirement planning behaviour.

In conclusion, the retirement plan is an effort for individuals to live a comfortable life after retirement and benefit after retirements, such as a pension scheme or the EPF. With the implementation of the stated pre-retirement planning, it is hoped that prospective retirees will realise that retirement is a fascinating period of life and opens new opportunities that are

more interesting and fun. Inevitably, to employees, retirement will be realised and as prospective retirees, they have sacrificed a lot, sowed devotion, and contributed to the service and the country, then as appropriate, they will also be able to continue to contribute to the family, religion, race, and government until the end of life. Various parties are advised to pay due attention to the implementation of the retirement planning plan and ensure that all prospective retirees can plan their future with security. A wise individual in managing finances will realise the importance of financial planning in the long run and be fully prepared for the future.

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