

THE INFLUENCE OF DEMOGRAPHIC FACTORS ON
RETIREMENT PLANNING AMONG TEACHERS IN
THE DISTRICT OF BEAUFORT

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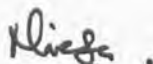
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DECLARATION

I hereby declare that the materials in this thesis are original except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

THE INFLUENCE OF DEMOGRAPHIC FACTORS ON RETIREMENT PLANNING AMONG TEACHERS IN THE DISTRICT OF BEAUFORT

The main objective of this study is to understand the influence of demographic factors on retirement planning for teacher's survival in the golden age. Not everybody is ready for retirement planning. Teacher's saving attitudes towards retirement might not be alike. Hence, the study is conducted to find out whether teacher's age, gender, income and education level are influencing their plan for retirement. Unlike the previous study, school teachers were been chosen as tested population for this study. As a developing small town in west coast of Sabah, Beaufort was been taken as the focus area for this study. In research methodology, demographic factors which are consisting of age, gender, incomes and education level are independent variable (IV). Dependent variable (DV) is retirement planning. There were 300 distributed questionnaire and only 230 were returned and analyzed using SPSS 17. For hypothesis testing, there were five hypotheses that have been tested to find out the significant relationship between demographic factors and retirement planning. As for findings, the multiple regressions showed that the two hypotheses are rejected and three hypotheses are not to be rejected. All the independent variables were significantly correlated with the dependent variable; retirement planning. After the discussion has been made, the implications, limitations and recommendations are also been discussed for future study to make it more relevant and reliable for the appropriate result and findings that can achieve the objectives of the research.



ABSTRAK

PENGARUH FAKTOR-FAKTOR DEMOGRAFI TERHADAP PERANCANGAN PERSARAAN DI KALANGAN GURU-GURU DI DAERAH BEAUFORT

Objektif utama kajian ini adalah untuk memahami pengaruh faktor-faktor demografi terhadap perancangan persaraan di kalangan guru-guru untuk meneruskan kehidupan dalam usia emas. Bukan semua orang bersedia untuk perancangan persaraan. Sikap menyimpan wang ke arah persaraan mungkin tidak serupa. Oleh itu, kajian ini dijalankan untuk mengetahui sama ada umur, jantina, pendapatan dan tahap pendidikan guru-guru sekolah mempengaruhi rancangan mereka untuk persaraan. Berbeza dengan kajian sebelumnya, guru-guru sekolah telah dipilih sebagai populasi yang diuji bagi kajian ini. Sebagai sebuah pekan yang sedang membangun yang terletak di pantai barat Sabah, Beaufort telah diambil sebagai kawasan tumpuan untuk kajian ini. Dalam metodologi penyelidikan, faktor-faktor demografi yang terdiri daripada umur, jantina, pendapatan dan tahap pendidikan adalah pemboleh ubah bebas (IV). Pemboleh ubah bersandar (DV) adalah perancangan persaraan. Terdapat 300 soal selidik diedarkan dan hanya 230 telah dikembalikan dan dianalisis menggunakan SPSS 17. Untuk pengujian hipotesis, terdapat lima hipotesis yang telah diuji untuk mengetahui hubungan signifikan antara faktor-faktor demografi dan perancangan persaraan. Penemuan analisis menunjukkan bahawa kedua-dua hipotesis ditolak dan tiga hipotesis yang tidak ditolak. Semua pemboleh ubah bebas adalah lebih berkait rapat dengan pemboleh ubah bersandar; perancangan persaraan. Selepas perbincangan dibuat, implikasi, batasan dan cadangan juga telah dibincangkan untuk kajian masa depan untuk menjadikannya lebih relevan dan boleh dipercayai untuk hasil penemuan yang boleh mencapai objektif penyelidikan.

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CHAPTER 1

INTRODUCTION

1.1 Overview

Everyone would like their retirement years to be an enjoyable stage of life. Most of them have dreamed of hobbies and activities that they hope to pursue once entering into the golden years. However, in order for these dreams to become a reality, it is necessary to plan well financially into the future. A failure to do so may result in one's retirement considerably less rewarding or in some cases may delay it from taking place.

The nature and meaning of retirement are changing profoundly. Historically, work and retirement were considered to be two antithetical conditions. For this reason, retirement used to be seen as automatic and other-directed change from full-time employment to non-work, and it was traditionally defined as a definitive exit from the labor force (Zaniboni, Sarchielli and Fraccaroli, 2010). Retirement is viewed as a change of life expectation and belief that some of the best years are ahead. For some people, retirement is a time for travel, leisure and realizing dreams. But some of them defined retirement as a lengthy and complex process, a specific form of psycho-social transition regulated by a set of social norms and economic constraints, but also laden with symbolic meanings for the individual, the organization and society (Fraccaroli and Sarchielli, 2002).

1.2 Background of the study

Malaysia, especially Sabah is experiencing a demographic transition due to the changes in fertility and mortality rates. This has led to the rise of "new generations" which refers to the growth in the youthful and the aged population in the country. Population demographics indicate that Malaysia will achieve the aged nation status by year 2035 where more than 15% of the population will be comprised of people aged 60 years and above (Hamid and Masud, 2010).

Many people choose to retire when they are eligible for private or public pension benefits, although some are forced to retire when physical conditions don't allow the person to work anymore (by illness or accident) or as a result of legislation concerning their position. In most countries, the idea of retirement is of recent origin, being introduced during the 19th and 20th centuries. Previously, low life expectancy and the absence of pension arrangements meant that most workers continued to work until death. Germany was the first country to introduce retirement in the 1880s.

But nowadays, most developed countries have systems to provide pensions on retirement in old age, which may be sponsored by employers and/or the state. In many poorer countries, support for the old is still mainly provided through the family. Today, retirement with a pension is considered a right of the worker in many societies, and hard ideological, social, cultural and political battles have been fought over whether this is a right. In many western countries this right is mentioned in national constitutions. In Malaysia, the government has established two pension systems to provide pensions for its retired employees. They are Employee Provident Fund (EPF) and Government Pension Scheme. The objectives are intended to provide financial security for retired public and private employees.

The statistics indicate that life expectancy differs among various ethnic groups in the country. Hamid and Masud, 2010 stated that fertility and morality rates amongst Malaysia's population have contributed different variants of ageing in the country. The average life expectancy at birth for Malaysia was 71.6 for males and 76.4 for female and life expectancy at age 60 in 2005 was 17.2 years for males and 19.6 for females (Hamid and Masud, 2010). As from the statistics, Malaysian government has decided the ideal retirement age for private and public employees is 58 (2010) from the previous 55 (2009) although there was an issue rose by other non-government organizations to extend the retirement age to 60. In order to prevent young employees in the public sector from switching to the private sector, Malaysian government undertakes salary revision from time to time as well as introducing other incentives to ensure that the public sector remuneration remained competitive.

People are investing their own assets and personal income efficiently to ensure that their economic security can be guaranteed, not only during their working life but also after retirement. The gradual increase in the aged population, together with a longer life expectancy, points to the need and importance of competent personal financial planning. However, little attempt have been conducted to provide comprehensive evidence in measuring attitudes toward personal financial planning and retirement issues (Lai and Tan, 2009).

1.3 Research Problem

Retirement planning has been the major concern for many years and it is still the main issue facing policymakers nowadays (Yao, Hanna & Montalto, 2003). According to the Great Eastern Life Assurance (M) Berhad executive vice-president and chief marketing officer, Loke Kah Meng, almost 99.90 percent of the Malaysian citizens have the tendency to withdraw their savings one lump sum from

Employees Provident Fund (EPF) once they reach 55 years old (Hunt,2009). Even more worrying, 70 percent of them would spend the whole amount within three years after withdrawal.

Belonging to different ethnic groups, the Sabahan teachers are dissimilar from West Malaysian and Sarawakian in many aspects, including lifestyles, cultural beliefs, religions, and habits. Not everybody is ready for retirement planning. Against this backdrop, the teachers' attitudes towards retirement planning might not be alike. As such, teachers who are high educated society are perceived to be able make wise decision in solving their financial planning activities. Therefore, the study is conducted to understand whether the demographic factors of age, gender, income and education level do influence the retirement plan among teachers.

Why school teacher? Teacher is an earlier educator in school instead of parents at home. Unlike previous study, there was no research on teachers towards retirement plan. Most of it focuses on older workers, nurses, university's lecturer and regular workers. The focus area of Beaufort was chosen as it is a developing town in West Coast of Sabah. There was no study on retirement plan focuses in a small town. Thats the uniqueness of this research to be studied.

Unlike previous studies on personal financial planning, the study focuses explicitly on retirement planning. The study will be more focus in its scope by examining the demographic factors or variables which represent the financial planning patterns of the group. The further study on the factors that most influenced the decisions will be explored. After all, the findings are important to raise public awareness especially teachers, the critical need for retirement planning and to help outline strategies to encourage early financial preparation for retirement.

1.4 Research Question (s)

Based on the problems being stated, this study tries to answer research questions, such as:

- a) Do demographic factors influence the retirement planning?
- b) Do teachers have different patterns of retirement planning according to their demographic factors?

1.5 Research Objective (s)

The purpose of the study is;

- a) To understand the influence of demographic factors on retirement planning for teachers' survival in the golden age.
- b) To study the patterns of financial planning of teachers towards their plans for retirement.
- c) To identify which items of demographic variables that most influenced the teachers' retirement planning.

1.6 Scope of the study

The study is to examine the influence of demographic factors on retirement planning among primary and secondary school teachers in Sabah. Demographic factors consist of age, gender, marital status, income and educational level. Quantitative Survey Data will be collected by using a set of questionnaire which will be distributed to selected primary and secondary schools in Beaufort area. This questionnaire will be sent directly to the listed schools and will be self-collected by the researcher. Respondents will be notified that all information given is

confidential and anonymous. Only the researcher is entitled to access the data for this study.

1.7 Significance of the Study

This study provides interesting and additional descriptive evidence to factors that influence retirement planning, and managing personal financial planning in different environment setting of schools. The findings will be extremely useful for effective financial plan in tailoring the needs of individuals to help outline strategies to encourage early preparation. It is hoped that the findings of this study contributes to the critical need for competent financial planning in order to survive after retirement.

1.8 Summary and Organization of Remaining Chapter

This dissertation is organized into five (5) chapters. Chapter One (1) is Introduction which briefly explained and overviewed the background of the study which consists of the problem statement, objective, scope and significance of the study. Chapter Two (2) is the Literature Review which provides relevant sources related to the study. Chapter Three (3) discusses about Theoretical Framework and Research Methodology that is used to conduct the study. Chapter Four (4) is Results of the Study where it comes out the results and analysis of data collection. Finally, Chapter Five (5) summarizes the results, conclusions, limitations and suggestions for future study.

CHAPTER 2

LITERATURE REVIEW

2.1 History of Research

Over the past years, retirement issues have been studied in Malaysia. As noted in many discussions, retirement concerns have emerged as one of the main topics as the world population continues to age. Recognizing the importance of retirement planning, Tay, Tan and Lim (2011) have conducted a research on the influence of investment experience and demographic factors on retirement planning intention. 300 structured questionnaires were administered and only 216 questionnaires were taken into account. As Malaysia represents a unique platform due to its multiracial cultures, the results show that demographic characteristics of marital status, age and income level have influenced the retirement planning intention. The second result of investment experience is significantly affected retirement intention.

Retirement concept has been studied in many countries around the globe. Zaniboni, Sarchielli and Fraccaroli (2010) have conducted study on 196 public-sector older workers to explore the psychosocial factors that related to retirement intentions. The results show that older workers were positively related to full retirement intentions and negatively related to job mobility. In addition, there were negative relationship between job developmental opportunities and full retirement intention, whereas the positive relationship between anticipation of lost social integration upon retirement and engaging in part-time retirement and job mobility. The results indicated that retirement preparation and various psychosocial factors should be explored more.

In Canada, Warren and Kelloway (2010) studied retirement timing intentions for a sample of 277 older Canadian workers. In this study, the researchers attempted to predict planned retirement age by examining social policy influences and perceived control over retirement decisions, as well as pre and post retirement financial well-being. Age perceptions, life satisfaction, attitudes toward work and their colleagues were also studied. As for results, the attitudes toward people at work or colleagues predicted older workers attitude toward work. In turn, attitude toward work predicted age and life perceptions. Age and life perceptions then predicted perceived control, which then predicted social policy influences and finally social policy influences planned retirement age.

In Singapore, Lim (2003) examined the attitudes of older workers towards work and retirement, retirement planning and their willingness to continue working after retirement and to undergo retraining. Data were collected via questionnaire surveys. Respondents consisted of 204 individuals aged 40 and above who attended courses at local institute of labor studies. Findings suggested that work occupied a salient part of the respondent's lives. In general, respondents also held rather ambivalent attitudes with regard to the prospect of retirement. They were nevertheless anxious about certain aspects of retirement. Results also suggested that majority of respondents preferred to remain employed in some ways even after they have officially retired from the workforce while part of them preferred for full retirement.

In USA, Pengcharoen and Schultz (2010) examined various work and non-work related factors that influence bridge employment behaviors. The study was using longitudinal data over ten-year period from a sample of 2,869 older workers from the United States health and Retirement Study (HRS). The finding shows that work and non-related factors of demographic characteristics significantly improved



employment status prediction over ten-year period using multinomial logistic regression analyses.

According to Jacobs and Hershey (2005), financial knowledge is important when it comes to understanding individual's retirement saving practices. For those who have high or low financial knowledge, there are significant relationships between risk tolerance and saving tendencies. Among individuals that have high in future orientation and knowledge, there will be low risk tolerance that influence on saving practices. Hence, for those who have high in future orientation and low in knowledge, in contrast, risk tolerance exerts a relatively strong effect on savings.

In Europe, Hershey *et.al* (2009) found that there were clear differences across nations in the amount of pension worry and propensity to save for future. Scandinavian countries and the Netherlands are characterized low levels of pension worry, whereas individuals living in Eastern European countries report high worry levels. Their analyses revealed that high pension-related worry levels are associated with being female, being in poor health, poor educated, being married and having a low income adequacy. As such, worry levels for future pensions are highest among those who find themselves in a particularly vulnerable socioeconomic position. The analysis of pension savings revealed similar findings with respect to individual-level predictors, with the exception of the impact of chronological age. Relative to younger individuals, older adults reported being more likely to save for their future retirement.

According to Lusardi *et.al* (2010), the quality of schooling may influence financial literacy among young people, consistent with the finding of Lusardi and Mitchell (2009) that those who lived in states mandated financial literacy and spent more on education per pupil were more likely to display higher financial knowledge

later in life. Family characteristics were also important determinants of financial literacy. Parent's education was a strong predictor of financial literacy. Family financial sophistication and retirement savings were also played an important role.

2.2 Review of Key Studies

2.2.1 Demographic Factors

Retirement planning is influenced by several factors including age, gender, race, education level, marital status, annual income, job status and financial attitudes. Templer, Stassen and Cattaneo (2010) found that the demographic variables were predicted the financial motive for continuing to work. Tuan Woan, Nya and Ying (2011) found that demographic characteristics affect behavioral intention. Investment experience is another factor reported to have significantly affected retirement planning intention.

2.2.2 Age

As individuals approach retirement age, they experience more concern and apprehension regarding their preparedness. Ekerdt, Kosloski and DeViney (2000) found that workers age 51 to 61 who considered themselves to be within 15 years of retiring showed extended involvement with retirement. Tan, Tay and Lim (2011) found that respondents from 20-29 years old are less concerned about retirement planning. In contrast, people from age group of 40-49 and 50-59 consider retirement planning as a more serious issue. Phua and McNally (2008) individuals financial planning increasingly involves more ageing-related concerns. Their view of financial planning merges with that of preretirement planning as they age. Although age or life stage affects individuals' prioritization of concerns in their financial planning, several other non-age-related factors influence when individuals can start saving or investing and whether they can consistently do so over time. Therefore, from these perspectives, it can be concluded that older and middle-age

workers are mostly related and prepared for retirement planning than its counterparts, young workers.

2.2.3 Gender

So and Pauwels (2002) has determined the factors affecting male and female workers' retirement confidence. The result found that men and female showed similar demographic characteristics, except for marital status, income and retirement confidence. Female workers tended to be non-married and have lower levels of retirement confidence compared to their male counterparts. Gough (2004) found that personal pension ownership and a requirement for flexibility and pension portability as the key reasons for non-membership. The dominant reason given by women was the expectation that a partner would provide in retirement. Grace, Weaven and Ross (2010) indicated that males and females adopt different perspectives when it comes to retirement planning. Men tend to adopt an individual choice perspectives, whereby it is assumed that retirement will be another stage in life which will provide for a lifestyle conducive with their current standard of living. Women, on the other hand, adopt very much a life course life perspective, which makes no assumptions or predictions about future life stages, but one that views outcomes as contingent on the circumstances of one's life. So from the perspectives of gender, it can be summarized that men and women have different view and adjustment towards retirement planning. Men are well-prepared for retirement plan than women.

2.2.4 Education Level

Level of educational attainment also affects retirement confidence. Employees are making investment decisions regarding their retirement. In a study concerning retirement and level of education, Mastin (1998) found that those who had less education were less knowledgeable about both general and specific retirement

concepts, such as investment return on bonds and stocks, mutual funds, and specific benefit provider information at their workplace. The 2000 Women's Retirement Confidence Survey showed education affects women's retirement confidence. Those who have higher levels of education reported higher levels of retirement confidence (ASEC, n.d./2001). Therefore, it can be stated that the higher of education level the better retirement plan awareness and preparation.

2.2.5 Marital status

Szinovacz and DeViney (2000) found that marital status affects retirement decisions. Marital status is an economic factor in retirement decisions. Married couples with both husband and wife working see retirement as more economically feasible. For example, Szinovacz and DeViney (2000) found that husbands tended to retire from work if their wives had a long history of employment, which reflected wives benefit eligibility. Wives' retirement was contingent on the couple's income, and for many women, retirement income was based primarily or exclusively on husband's earnings. Marital status also affects retirement investment decisions. Sundén and Surette (1998) found that marital status significantly affects asset allocation in defined-contribution plans. They also found that single women have a higher probability of having a defined contribution plan than single men and married women have the least likelihood of having defined contribution plans among all groups (i.e., single women, single men, married women, and married men). Therefore, married couples are more likely to plan for their retirement in future. Most young adults are reasonably to have less commitment since they are still single (Tay *et al* 2011).

2.2.6 Income

Income is another factor that affects retirement confidence. Malroutu and Xiao (1995) studied the perceived adequacy of retirement income of preretirees and

found that those with low incomes (between \$10,000 and \$19,999) were less likely to perceive their future retirement income to be adequate. Junk and her associates (1997) found that for both men and women pre-retirees, income were positively related to the number of retirement income sources. The 2000 Women's RCS showed those women with higher income tend to have high levels of retirement confidence (ASEC, n.d./2001). For a point of view, those who have higher income will have an adequate saving for retirement and plan for retirement competently.



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