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THE FACTORS INFLUENCING RETIREMENT PLANNING MANAGEMENT (RPM) AMONG SIME DARBY RESEARCH EMPLOYEES: A CONCEPTUAL FRAMEWORK

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Abstract

Retirement planning management is one of the important aspects that should be concern by every working individual for their happiness in the future. Majority Malaysian is depending on Employees Provident Fund (EPF) to support their retirement days and it is not enough. This study is taken place at Sime Darby Research and has chosen their employee from every level of position as respondent. The three factors had been considered to these research are financial literacy, social factors and investment products and service. The sample of 100 respondents will be taken to analyse a data related to the conceptual framework. Based on the literature review, the three major of independent variables is significant towards the retirement planning program. As an unexpected conclusion, all the factors will be contributed the significant of research questions among the Sime Darby Research employees regarding about their investment in the future after retirement for cheerful life.

Keywords: *retirement planning management, financial literacy, social factor and investment products and services.*

FAKTOR YANG MEMPENGARUHI PENGURUSAN PERANCANGAN PERSARAAN (RPM) ANTARA PEKERJA PENYELIDIKAN SIME DARBY: SATU KERANGKA KONSEPTUAL

Abstrak

Pengurusan perancangan persaraan adalah salah satu aspek yang perlu diberi perhatian bagi setiap individu untuk berasa gembira dimasa akan datang. Kebanyakan rakyat Malaysia bergantung kepada simpanan Kumpulan Wang Simpanan Pekerja (KWSP) untuk persaraan dan ianya tidak mencukupi. Kajian ini akan dibuat di Sime Darby Research yang mempunyai sampel kajian daripada pelbagai peringkat. Terdapat tiga faktor yang dipertimbangkan dalam kajian iaitu pemahaman kewangan, faktor sosial dan produk dan servis pelaburan. Sampel 100 responden akan diambil dalam kajian berdasarkan kerangka konseptual. Berdasarkan kepada kajian awalan, tiga faktor ini memberikan keputusan yang signifikan kepada pengurusan perancangan persaraan. Rumusan awalan kajian, semua faktor yang dikaji di Sime Darby Research bakal memberikan keputusan yang signifikan terhadap pelaburan dan kehidupan yang bermakna di masa hadapan.

Kata Kunci: Pengurusan perancangan persaraan, pemahaman kewangan, faktor sosial dan produk dan servis pelaburan.

INTRODUCTION

Background of Study.

Retirement planning management is one of the aspects that should be considered by every person as a backup for the future. First of all, everyone should know and understand what the concept of retirement planning is. Retirement itself is definite as the period where the individual do not have any income after the period of working has over. During this time, most of the individual will be depend on their saving to continue their life. The definition of retirement planning is the process of determining retirement income goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets. Future cash flows are estimated to determine if the retirement income goal will be achieved. Nowadays, there is a lot of retirement planning scheme that has been introduce by the neither government sector nor private sector. The basic retirement planning is the Employee Provident Fund (EPF). All employees in the private sector are mandated to contribute to the Employee Provident Fund (EPF) for their retirement. The Employees Provident Fund Act 1991 (ACT 452) provides retirement benefits for the members of EPF through

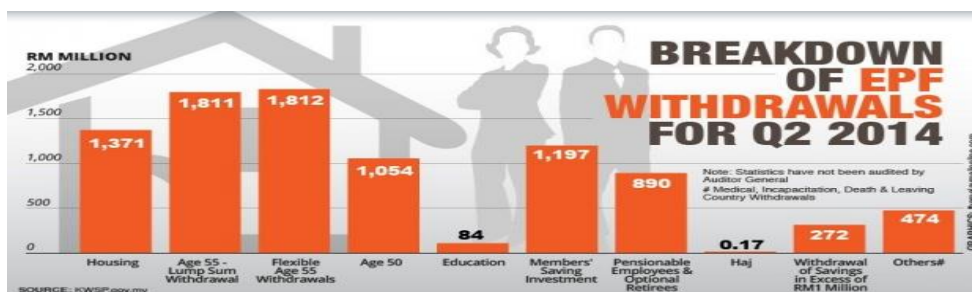
management of their savings contributions. The EPF that also is social security institution which administers their member's retirement fund using defined contribution plan. In July 2012, with the launching of Malaysia's voluntary Private Retirement Scheme (PRS) was giving much benefit for Malaysian. In short, the Private Retirement Scheme (PRS) is a defined contribution pension scheme which allows people to voluntarily contribute into an investment vehicle for the purposes of building up their retirement income. Retirement planning management is not only focus on these two sources of saving but also might affected by a few other factors such as financial literacy or also known as financial knowledge. Research has proven that people with a better understanding in financial management will have a better plan for their future. Thus, this will lead them to a retirement confident.

Problem Statement.

Retirement is the period of a person's life during which he or she is no longer working, or the commencement of that period. The standard age for retirement in Malaysia is 55 years old. In Malaysia, retirement planning is not a new things and almost everybody already aware about it. The major reasons influencing these issues is population aging, investment uncertainty, baby boomer and different retirement policies. This is supported by the statement of Joo and Grable (2005) in their research. The basic retirement planning that is Employees Provident Fund has been introduced to Malaysian since 1991. With this scheme, the retirement days might not be so hard and people can enjoy their life as nothing to be worried when the retirement days come. However, the question then is whether Malaysians, in general are sufficiently prepared for retirement? Have they saved enough during their years of gainful employment to support themselves and their families and more importantly, do they have the basic know-how to manage these funds post-retirement?

Many research has been proven that majority of the pre-retirees is not well prepared to their retirement days. Referring to Moorthy and Chelliah (2012), the pre-retirees and employees are sadly said to be unprepared for their golden retirement years. Due to this financial illiteracy, it gives bad impact to their preparation of retirement days as there is no proper saving planning for their afterlife of retirement.

According Life Insurance Association of Malaysia (LIAM) the people with the range age between 20's think that they are too young to think about retirement, while 30's and 40's tend to think that they already prepared for their retirement days because they have their Employee Provident Fund (EPF) savings. Referring to the Malay mail online (2015) reported on 15 May, below is the portion that was prepared by the EPF as the breakdown of EPF withdrawals for Q2 in the year of 2014.



(Source: Malaymail Online, May 15, 2015)

According to the recent figures from the Employees Provident Fund (EPF), it had shown the breakdown of EPF withdrawal for the quarter 2 for the year 2014. It is clearly indicate that even EPF is aim to be the saving for retirement year, however the statistic shows EPF fund is already withdrawn for certain purposes before the time it should be withdrawn. This make EPF fund decrease from the amount that supposedly retirees have during retirement days.

Retirement planning management is a very serious matter to be considered for the future. However, certain people tend to ignore this plan due to the certain social factors. According to Wong and Earl (2009), retirees neglected retirement planning because they have certain level of difficulty in adjusting retirement. This study is designed to investigate what is the exactly factors that influencing the retirement planning management among Sime Darby Research Sdn Bhd workers in Banting branch. There are major factor that were considered such as financial education, social factors and products and services.

Research Questions

The study of this research is come out with several questions that supposedly to be answered. From the study, there are several questions has been developed in line with the problem statement that happened during the study. Then, the research question is formulated.

- i. What is the factors influencing Retirement Planning Management of Sime Darby Research employees?
- ii. Is there any relationship between financial literacy, social factors and investment product and services with the factors influencing the retirement planning management of Sime Darby Research employees?
- iii. What is the most significant factors influencing the Retirement Planning Management for Sime Darby Research employees?

Research Objectives.

The purposes of doing this research are:

- i. To identify what is the factors influencing the Retirement Planning Management in Sime Darby Research employees.
- ii. To examine the relationship between financial literacy, social factors and investment product and services with the factors influencing the Retirement Planning Management in Sime Darby Research employees.
- iii. To determine the most significant factors that influencing the Retirement Planning Management in Sime Darby Research employees.

LITERATURE REVIEW

Retirement Planning Management (RPM)

Retirement is defined as a stage where a person or an individual quit from their job or permanently leaves the job place. This statement was supported by Fazli (2014) in his study before. This means that, as soon as they stop working, the source of income will stop too. However, the expenses will still incurred every day and they need to survive continue their life depending on their accumulated savings. Furthermore, Russell (2011), in his study stated that saving has been said to be the major sources of income after retired. Many of them only depends on their saving to support their retirements day. This make them responsible for making their own savings decisions in order to accumulate sufficient resources to retired in the desired age and also at the same time have an adequate retirement income.

In Malaysia, basic retirement planning has been introduced two types of pension system for employees whether in private or in public sectors. That is Employees Provident Fund (EPF) for Malaysian that working in private sectors while, Civil Service Pension for public sector. The other retirement income also come from other sources such as investment, personal savings and also support from family members.

Park and Estrada (2013), stated in their study said that public pension scheme in Malaysia is not inadequate for comfortable retirement. Many of retirees would like to continue or doing other jobs after retired from the old career. However, in the aspect of industry, they prefer a new and young energy for their company. This is supported by the statement from Datuk Steve Ong the former CEO of ING Fund Bhd (2011) mentioned that the rules of thumb based on savings when upon retirement period that an individual will be generate the same income and will be sustains the quality of lifestyle.

Financial Literacy

Financial literacy has been identified as an issue of importance when measuring individual financial wellness. Financial literacy is said to be the basis of successful retirement planning and has been proof by Andrade et al (2012) who examine the relationship between financial literacy and effective retirement planning using the National Financial Capability study. Financial literacy initiatives to provide the necessary knowledge, skill and tools for retirees to make financial decisions with confident. In order to have inadequate retirement fund, the retirees must have a financial knowledge or also known as financial literacy to help them make a better retirement planning management.

The earlier research has shown that people with higher knowledge in financial planning and finance are more capable in preparing themselves for retirement. According to Clark and Madeleine (2008), with the financial knowledge people can avoid the problem of lacking in savings by more active in retirement planning. This is supported by Sandra (2010), in his study stated that financial literacy is a skill that help people to make financial decisions more effectively based on the choices that reflect the high impact on income after retirement.

With the result of previous study and early study, Sandra (2010) believed that, there is a relationship between financial literacy with the retirement planning management. According to Clark and Madeleine et all (2008), without the proper knowledge in financial literacy, it might lead to cause of late savings. This will give negative impact to their future as they are unlikely to achieve an optimal balance between current consumption while working and future consumption in retirement. Most of the retirees seem to have extremely limited knowledge in financial markets, the level of risks associated with specific assets and how much they need to save to achieve a retirement income goal.

In this new economic environment, Malaysian have greater responsibility to determine their own retirement of income, they should possess a general knowledge and understanding of retirement savings process. The most important is that, they should have a clear recognition of the need for adequate savings have become critical to successfully achieving one's retirement objectives. Thus, Clark and Madeleine et all (2003), believes that the need for financial education to improve the level of financial literacy of individuals is an important policy issue facing our society. Better planning in financial management will also help during unexpected life events such as losing jobs or money, untimely demise, divorce and receiving windfall that will bring more problems in the future.

Suhaimi et al (2013) suggesting that people should start targets a key life event throughout life stages. Financial literacy should be introduced to an individual since in school. This will make them to have a better understanding about how important financial knowledge in our life especially for the retirement days. As in Malaysia, the government also setting strategic direction that was including a financial education into school curriculum, school adoption

programme, school financial club and also adult education via Credit Counselling and Debt Management Agency (AKPK). Bank Negara Malaysia also formulation of policies and setting strategic direction such as financial sector Master Plan 2001-2010 and Financial Sector Blueprint 2011-2020. This entire programme was targeting a school children, youths, lower income household, teachers and also publics. Bank Negara Malaysia has introduced “Buku Wang Saku” to a primary school student to encourage them in saving their money. This programme also aims to make people aware about savings fund for the future. Bank Negara Malaysia continues to drive financial education initiatives at the national level.

Social Factor

Retirement can be a tough period for an individual. However, social factors such as age, gender, living standard and the level of income and also medical status also play their role in order to determine their ways of retirement planning management.

Gender

A study done by me by the observation that the gender has a relationship with the retirement planning management. This is on the reason that the man has a more responsibility as compared to women. Majority will said that man need to have a better planning for their retirement as they need to support their family just using their accumulated saving. According to Folk and Beh (2012), man with little saving will face a serious problem as they will face heavy financial burden for their dependent children, wife and other family members. According to Jalil et.al (2013) stated in his study that in Asian that is including Malaysia prefer to have a large number of family sizes as compared to west people because based on the custom and culture and religion education especially for a man based on his responsibilities as a chief in family. However, in other opinion proved that women need more adequate saving as compare to a man. According to Paul et.al (2011), gender differences have been a significant focus of previous research with several studies finding differences in risk aversion general and in retirement investments in particular. It's also that a women show a greater risk aversion in allocation of funds for their retirement as compared to a man.

However, according to Jalil et .al (2013), previous surveys and investigation revealed that women are generally less financially knowledgeable than men. This means that, women usually are less likely to respond correctly to the information such as in the term of financial planning as compared to a man. This make man will have better retirement planning for the future.Thus, in the study done by Liam Foster (2004), changes in family formation, work and retirement reflect gendered arrangements which create and maintain difference between individuals women and men throughout the life course.In conclusion, this research will be investigate whether there are a relationship between genders with the dependent

variable that influences the retirement planning management among Sime Darby Research Sdn Bhd employees.

Age

According to Folk (2012), the life cycle theory has a suggested that age has an impact on retirement planning management especially on savings. Individuals save while working in order to support their consumption and income shortfall during retirement. The early management as the individual start to consider about the retirement planning management at the early age will allow the retirees to maintain their standard of living. The retirement preparedness still having an issue in Malaysia where by people do not really concern where should they start to plan their saving for the future especially for the day where they were no longer get paid as their source of income. According to Joo and Grable (2005) in their early research, they stated that the age population, the uncertainty of investment, baby boomer and the different of the policies retirement have all heightened the significant of retirement preparedness.

The younger is thinking that they were too young or still in the early stage for them to start thinking about retirement. They always thinking that the time for them to start saving is not yet arrived without realized that whenever they start to think about it, it might be too late for them. Whereas the older think that they cannot save more their retirement is due to the commitment to the family and also other commitment. The relationship between ages with the retirement planning is positively related. This is due to the study that has been done by Baranovich (2012), reveals that age as positively related with retirement funds but negatively related to the credit card debts. This is proven whereas older respondent 50 years old above will have more reserve funds and less credit card indebtedness. Hence this is showed that with increasing of age they will have better understanding of their cost of living and retirement expenses requirements. This will enable and educated them to have better understanding about their retirement planning management. This is also prepared them to gauge at what stage of their live they will achieve financial readiness for retired.

Investment Product and Services

As has been discussed earlier, the scenario in Malaysia those working in the public sectors mostly option for Government pension plan and some may option for Employees Provident Fund (EPF) plan. According to Dahlia et al (2012), even the most of the member is agree that Employee Provident Fund (EPF) is not sufficient for their retirement days, but yet still ignoring the decision to have other alternative of savings their money in order to get an adequate retirement funds. According to Paul Gerrans (2008), the investors always consider broker and financial advisors as the most important source in any investment decision. They do not know where they should go for the advisory of the investment.

According to Foo (2013), Malaysian is already introduce the Private Retirement Scheme in July 2012 which is literally a volunteer saving which is objectively to help the individual to have enough saving after retired. This scheme is need a contribution that have made by employer and also employees. However, the amount of contributions is not fixed and it is totally depends on the affordable of the individual. Investment in gold increase in Malaysia because of the price was stable as compared to the other value of paper money. Public Fine Global International has been introducing in February 2009. This will help the individual to buy and to sell their gold. Nowadays, gold is functioning as commodity. The price can be up and down according to the international market demand. Thus, an investor can get their return by buying the gold during the price low and sell it during the price increase.

RESEARCH METHODOLOGY

In this chapter, it will cover on a research design, data collection method, the population and sample size. In the research design, it was divided into two which are, natural of study and the types of study. As for types of study, the researcher is prefer to select the descriptive research. The researcher has defined their target of population, sampling frame, sampling units and also the subject. Then, the sample is the employees that come from the Sime Darby Research in Banting branch. The data for this study is obtained from primary and secondary data. The primary data get from the respondents that answer the questionnaire. The secondary data get from the data that already publish such as journal and other article. The method used for this study is quantitative method by distribute questionnaire to the respondents.

Research design

According to Sekaran and Bougie (2010), research design is a blueprint for the collection, measurement, and analysis of data based on the research question of the study. It's also describe research design is a master plan specifying the methods and procedures for collecting and analysing the needed information. The importance of research design includes a plan selecting sources and types of information used to answer the problem statement. It is also include a framework for specifying the relationship among variables.

Respondent

This questionnaire involved 100 respondents which will be gathering the information. All the respondents are the employees with all grade of staff, executives and also special grade. The respondent will randomly might come from various gender, status, age, period of working, races and also their grade.

Research Instrument

The researcher is using the qualitative research methodology. The instruments use to collect the data is by using questionnaire. Self-administered questionnaires are given directly to the department and reach the employees personally. The researchers choose to use a close-ended question and also open question and scale in the questionnaire. Different types of scales are used in the questionnaire such as interval, nominal and also likert scale.

Data Collection Methods

Data can be collected through primary and secondary sources such as articles, journal, master prospectus, references books and internet. Primary sources means a data collected from the first hand to subsequent analysis to find solutions to the problem researched. Secondary data means data that have already been gathered by the researchers, data published in statistical and other journals and information available from any published or unpublished sources available either within or outside the organization (Sekaran and Bougie 2010).

Data can be also collected in three basic methods which are using interview session. This means a purposeful discussion between two or more people. Second is by using a questionnaire. This means a set of question that was formulated to answer the research question and the answer will be recorded as data. Third is by using an observation. Observation means observe the individuals behaviour and events with or without videotaping or audio recording.

Primary data

Primary data is defined as data originated by the researcher from specific purpose of addressing the research problem. This is a final stage of the process of collection. For this study, data has collected at Sime Darby Research in Banting. The method used in order to collect the data is questionnaire. Questionnaire will be given to the respondent to answer the questions. The questionnaire will be given personally administered. These questions focus more on independent variables that influence directly the dependent variable.

Sampling Procedure

Population and sample size.

According to Sekaran and Bougie (2010), the population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It is a group of people, events, or things of interest for which the researcher wants to make inferences based on sample statistics. For this study, a target of population is employees from all types of position. This is including executive, staff, workers

and special grade of Sime Darby Research Sdn Bhd in Banting. Sample size means the actual number of objects or subjects which choose as a single sample to represent the population characteristics. For this study, the sample size has chosen 100 respondents from 205 employees. It is because this number is appropriate size of the best research. According to Sekaran and Bougie (2010), too large sample size that is over than 500 could also become a problem. The sample size is large than 30 and less than 500 are appropriate.

Scope of study

The study will be conduct to determine the most significant factors that influence the retirement planning management. This paper examines four variables concerning the retirement management planning. Scope of this study is concern at the employees of Sime Darby Research in Banting Selangor.

Data Analysis

Descriptive analysis.

Descriptive studies are often designed to collect data that describe the characteristics of a person, event or situation (Sekaran and Bougie, 2010). Its objectives are to describe the characteristics of a population or phenomenon. Then, to estimates the proportion of a population despite of discovery of associations among different variables. Descriptive research is either quantitative or qualitative in nature. It may involve the collection of quantitative data such as satisfaction ratings, production figures, sales figures or demographic data but it may also entail the collective of qualitative information. The accuracy is very important in descriptive research. It is based on some previous understanding of the nature of the research problem.

Reliability Analysis and Correlation Analysis.

From Sekaran and Bougie (2010), the reliability of a measure indicates that extent to which it is error free and hence ensures consistent measurement across time and across the various items in the instrument. Correlation can be defined as a single number that describes the degree of relationship which exists between dependent variable and independent variables. It is also one of the most common and most useful statistics. Furthermore, this study was conducted to examine the relationship between two variables using SPSS. This analysis can be interpreted as high, moderate and low correlation that based on the score computed. The score computed could vary from +1.00 to -1.00.

Regression Analysis, Coefficient and F-Test

It is used to determine whether that hypothesis should be rejecting or accept. H_0 is represented as null hypothesis while H_1 or H_A represented as alternate hypothesis. Coefficient of determination in other names called R-square is to measure the proportion or percentage of the total variation in dependence variable explained by the regression model. The highest the R-square the best estimated can be explained then if the lower R-square the lower or poor estimated cannot be explained. The F-test designed with null hypothesis about contains multiple hypotheses. The null hypothesis is an F-test of overall significant is that the entire slope coefficient in the equation equal zero simultaneously. The researcher decides to refer the probability of F-test cause if using F-test I will involve F-test table and automatic create double work. By looking the probability of F-test, the researcher can directly know the slope coefficients are simultaneously zero or not. The decision rule is if the probability of F-test is less than 5% level of significant the researcher can reject the null hypothesis which means significant.

CONCLUSION

As expectation of results, it will explain the independent variables which include social factors, financial literacy and investment product and services that will give the most influence to the retirement planning management among Sime Darby Research employees. Based on the studies done and the literature review, a researcher concludes that only one from three of variables is significant that refer to financial literacy. Basically, financial literacy will explain the wide range of understanding and application on the retirement planning management. The other factors such as social factors and investment products and services that based on employee assumption only regarding this matter.

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