A STUDY ON FACTORS INFLUENCING THE PERCEIVED FINANCIAL PREPAREDNESS FOR RETIREMENT OF TEACHERS

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ABSTRACT

Purpose: *Economists predict that the coming decades an unprecedented number of Indians will enter retirement lacking adequate resources The present study was done to identify the major factors influencing perceived financial preparedness of the retirement of teachers.* ***Scope of the study:*** *Researcher has focused on theoretical, empirical and methodological papers to identify the factors influencing perceived financial preparedness of the retirement of teachers.* ***Design /Methodology /Approach:*** *Researcher taken 231 articles for his study. Majority of the papers have focused on factors namely financial literacy, financial knowledge, future time perspective, financial risk tolerance and perceived financial preparedness for retirement.* ***Expected outcomes:*** *The current study may help in understanding the dire need of major factors which influences perceived financial preparedness for retirement. across India as aging population is expected to raise rapidly during the next decade.*

Keywords: *Future Time Perspective, Financial Knowledge, Financial Risk Tolerance and Retirement Planning.*

Introduction

The expectancy of the lives of human beings is seeing tremendous growth due to the healthcare services, hygiene, sufficient food and proper access to life-saving medicines. People aged above 80 almost tripled in the last 3 decades with the total being 143 million in the year 2019. This number is estimated to reach 426 million in the year 2050 which should go to 881 million in 2100.

As we near the end of the century, there would be at least 1 in 12 people whose life expectancy will be above 80 years. When people plan to retire, they estimate their lives to be around 70 to 75 years. Average life expectancy at birth in our country is 69 years. For the urban people in the good income class, this expectancy increases to 76 years.

RBI's Indian Household expenditure report 2017 says that 44 per cent of Indian household are not expecting retirement from work. Whereas, 33 per cent are having no planning at all for retirement. On the other hand, 10 per cent of the people are planning for retirement and 13 per cent are actively planning for retirement. For majority households' children are the source of funds in retirement, followed by bank deposits, own business, provident fund, gold, wealth, financial sources, movable assets and real estate. ("Reserve Bank of India—Press Releases," n.d.)

Age of India is increasing at a comparatively faster rate than estimated which might be around 20% population aged above 60 years by the year 2050. "India Ageing Report 2017" by the United Nations Population Fund (UNFPA) mentions that the population above 60 years can grow from 8% in 2015 to 19% in 2050 ("India's ageing crisis needs attention," 2019). It is seen from the numbers that there might be a decrease in the demographic dividend of India where the occurrence may arrive of a major part of population being reliant, comprising old age, widowed, highly reliant women. In the period between 2000 to 2050, the general population of our country is estimated to increase by 56% whereas people aged above 60 will increase by 326% and there will be a 700% increase for people above 80.

As per statistics of the World Health Organisation, life expectancy in India has risen by 6 years from 2000 to 2015 and with the increasing medical assistance it's expected to rise further. This is just one factor highlighting the importance of retirement planning.

The survey also came up with the results which say that 77% of people in our country do not have post-retirement savings as the majority of them rely on their kids to support them (Vivek, 2017). The Economic Survey 2018-19 mentioned about the growing retirement age amidst increasing life expectancy rate of our country. There will be a decrease in population growth of our country in the upcoming 20 years as the growth will be less than 0.5% between 2031 and 2041 because of the decrease in fertility rate and increase in life expectancy. Currently, the retirement age of government workers is 60 years in India.

HSBC study announced that 76% of working-age individuals in India anticipate an agreeable retirement, just 33% are setting aside cash to subsidize it, discovers the HSBC Future of Retirement study. Failure to expect future monetary necessities is the primary barricade to arranging, 45% of the respondents felt that it's smarter to consume cash on getting a charge out of time now than putting something aside for retirement, 53% put something aside for transient objectives instead of longer-term plans, then again, 56% live on an everyday premise monetarily, making way for issues later. Monetary Time in September 2018 articles referenced that however 66% of working individuals have a monetary arrangement as a primary concern, just shy of three-fifths of savers looked for monetary counsel to help them plan for retirement (PTI, 2018) ET, Sep 17, 2018.

Purpose of the Paper

The paper aims to review the factors that are majorly affecting the Perceived financial preparedness for retirement of teachers.

Review of Literature:

A. Future time perspective

As per (Hershey & Mowen, 2000), Future time viewpoint is a mental measurement that is suspected to tap the degree to which people center around the future, instead of on the present and past (Cate and John, 2007). Future time perspective is an individual belief about how much time is left in his personal life cycle. Future time perspective is an independent predictor of financial planning for retirement and statistically this two are positively associated ((Noone, O'Loughlin, & Kendig, 2012), Conscientiousness and emotional stability both cardinal constructs were significantly associated with central trait measure (Hershey & Mowen, 2000). Research says among 35-88 years of age group people, the future time perspective has been associated in a positive way to self-reported financial preparedness for retirement (Hershey & Mowen, 2000). The higher level of future time perspective has a link to aggressive saving profiles (Jacobs-Lawson & Hershey, 2005a). Individuals discount future consumption is significantly associated with the level of their retirement planning and preparedness (Clark, Hammond, & Khalaf, 2019) Demographic variables (age, sex & education) complex interplay is more responsible for the declaration of individual the personality traits for future orientation). HR Professionals need to elevate the representatives who track down the high inherent compensation of work to get ready for their retirement and remind worker's retirement may be nearer than they expect (Yang and Devaney, 2011).

B.Financial risk tolerance

According to Carducci & Wong, (1998) Financial Risk Tolerance is portrayed as the most drastic action of weakness that someone will recognize when making a money-related decision, and wanders into essentially all parts of monetary and public action. "The risks that one can afford to take depend on the total financial situation, including the types and sources of your income exclusive of investment income" Malkiel, (1999).

Risk tolerance and Future time perspective interact with one another. This interaction shows an impact on retirement savings. The higher level of risk tolerance is related more to an aggressive saving profile. (Jacobs-Lawson & Hershey, 2005a). Previous researchers concluded that male was high risk-tolerant in comparison to females, older respondents were high risk-tolerant than youthful respondents, married respondents were more danger lenient than single respondent, experts were more serious risk-tolerant than the lower-pay respondents, higher-pay respondents were more risk-tolerant than the lower-pay respondent, advanced education respondents were more danger lenient than others, more elevated level of monetary information respondents was more risk-tolerant than the lower level of monetary information respondents and higher financial assumptions respondents were more risk-tolerant than lower monetary respondents (Grable, 2000). Curiously hazard resistance will increment with age when different factors are controlled. (Wang and Hanna, 1997), Female-headed families are less risk-tolerant than with a male head family or a wedded couple. (Sung and Hanna, 1996). Discoveries from the investigation propose that hazard resilience is in all probability a summed up disposition, not an area subordinate demeanour, held by people (Grable & Rabbani, 2014)

C.Financial knowledge

Knowledge has a positive relation with retirement planning activities and financial saving practices (Jacobs-Lawson & Hershey, 2005a). Financial knowledge is described as a skill to utilize financial resources for investment purposes (Ademola, Musa, & Innocent, 2019). Financial literacy should also include application of financial knowledge Huston (2010). The primary model of monetary models uncovered that character development and monetary information were critical indicators of pre-retirement arranging (Hershey and Mowen, 2000). The discoveries uncover that there is a positive and critical impact between monetary information, hazard insight, and venture choices, while a positive yet inconsequential impact was found between monetary proficiency and speculation choices (Ademola et al, 2019). More established laborers with more sure convictions about their capacity to control parts of maturing are bound to monetarily get ready for retirement; the individuals who have a discontinuous, instead of a steady, attention to the maturing interaction are more averse to make such monetary arrangements (Heraty and McCarthy, 2015). The outcomes show that parental monetary socialization, straightforwardly and by implication, impacts FPR. Besides, parental monetary conduct goes about as a positive model for the advancement of monetary proficiency and abilities and for choices about FPR. Every one of the factors expanded the clarified difference of FPR (Palaci, Jiménez, and Topa, 2017).

D.Perceived financial preparedness

Financial preparedness for retirement expresses whether a person is ready for maintaining financial reliance in their post-retirement and also looks into the type of lifestyle one was enjoying during active employment time and also focuses on whether it is achievable even after stoppage of active formal employment (Warshawsky & Ameriks, 2000). Financial preparedness can be described as a belief of current savings being enough for the post-retirement period (Hershey, Henkens, & Van Dalen, 2010). Definition of retirement preparedness utilized in this study included questions related to the possession of assets and the exercising of financial decision-making. (Lusardi & Mitchell, 2011). Retirement preparedness as the possession of specific financial assets. (Womack, 2015). In the context of the large proportion of Israeli population feel that they were unprepared for retirement (Segel-Karpas & Werner, 2014). Compared with other age groups Millennialswill have a better retirement planning, single and those who are not working full time were not prepared for retirement. (Young, Hudson, & Davis, 2017). Those who are good in financial literacy are more likely to have various forms of retirement savings (Nolan & Doorley, 2019). The substantial supporting role of psychological factors is needed in retirement planning (Hershey, Jacobs-Lawson, McArdle, & Hamagami, 2007). Various studies revealed college-educated families to have sufficient funds for retirement in comparison to the ones with high-school education families (Kyoung Tae Kim & Hanna, 2015). Respondents more confident in financial literacy proved themselves to have sufficient skills in planning for the future (Hui et al, 2016). Interestingly various surveys identified that self employed and employees save & invest remarkably, respondents good in financial literacy are also holding better diversified portfolios over the life cycle (Koh & Mitchell, 2019). Perceptions of retirement and economic living standards are very poor in females when compared to the man and this were associated with financial preparedness. (Noone, Alpass, & Stephens, 2010). Older employees had higher degrees of financial literacy and respondents who are much aware of their financial literacy are better prepared for retirement.(Righter, 2017). Higher-income, future time perspective & financial planning knowledge can predict independently the levels of retirement planning (Noone et al., 2012). A lot of families do not know of primary economic concepts that are helpful in investment decisions (Lusardi & Mitchell, 2007). Financially shrewdness participants are good in their future planning and mostly depend on the techniques like retirement's calculators & seminars, and financial experts rather than family, co-workers, and relatives (Lusardi & Mitchell, 2011). Having a clear aim is a considerable estimation of a working employee's retirement trust and preparedness (Shanmugam & Zainal Abidin, 2013). The way individuals discount future consumption is more associated with the range of their retirement planning and preparedness (Clark, Hammond, Morrill, & Khalaf, 2017). Pre-retirees are less prepared financially for retirement than current retirees (Lissington, 2018). Retirement planning is strongly associated with financial literacy (Boisclair, Lusardi, & Michaud, 2017).

E.Relationship between Financial Knowledge and Perceived Financial Preparedness for Retirement

Retirement planning and retirement preparedness are closely related to financial knowledge. Numerous studies explored the relation between financial knowledge and retirement preparedness in various contexts. For instance, in the context of African-Americans, financially literate or financially educated African-Americans are more probably prepared for retirement. Relationship between financial literacy and retirement preparedness found to be positive and significant. The other factors that affect the significant relationship between financial literacy and retirement preparedness in the context of African-Americans were age (positive), employment (negative). The findings of the study suggest the need for financial literacy courses across all disciplines as a supplement to the formal education to provide adequate financial capabilities. The findings of the study also suggested giving orientation among the younger groups who do not possess focus on preparing for retirement, even though greater benefits accrue for the early starters (Young et al, 2017). With regards to Israel, the indicator of monetary readiness was monetary information and association in monetary exercises. The examination discoveries investigated that the individuals who see having a significant degree of monetary information are less inclined to feel underprepared, whereas the Israelis chose for the investigation see themselves as readied monetarily for retirement. The financial preparedness for retirement was significantly influenced by age (positive), marriage and number of children (negative), social variables (spousal support, support from friends, support from parents, trust in employer and trust in Government) (positive). Gender ethnicity and educational level are insignificant. Findings suggest that future studies have to evaluate the relation between actual savings and perceived financial preparedness.

Economic living standards and retirement are very much associated with financial preparedness. New Zealand Health, Work and Retirement Study conducted among the sample of 55 to 70 years old who witnessed a transition from work to retirement estimated gender difference in financial planning for retirement. These outcomes show how work involvement can indirectly affect retirement but not financial preparedness. Expected retirement adjustment and anticipated finances had a positive connection but negative thinking on retirement. The economic living standards can impact the financial preparedness, estimated finances and estimated retirement adjustment. Estimated retirement time had a negative relation to retirement thoughts though it was not related to financial preparedness (Noone et al., 2010). In addition, (Lissington, 2018) found significant differences among passive retirees and active retirees towards Government-funded New Zealanders' retirement income tend to influence retirement adequacy, to cover the basic needs and avoid them to fall in debt trap. However, the degree of certainty is susceptible to change due to the changes in employment policies, income, and health factors. Furthermore, objective lucidity is the critical indicator of preparation practices and arranging, thusly, predicts investment funds propensities. Pay is found to have a critical impact on reserve funds commitment as opposed to an effect on commitments interceded through objective lucidity, as initially anticipated. Two segment factors, pay, and age were likewise uncovered to be significant components of the model, with pay representing generally 50% of the clarified fluctuation in investment commitments. The findings of the study support the viewpoint of developing age-based models of planning that also assist them in designing long-term saving strategies (Stawski, Hershey, & Jacobs-Lawson, 2007).

Increased financial knowledge enhances confidence among individuals for informed decisions towards financial preparedness for retirement. The survey results from UASCF (Understanding America Study (UAS)) using Health and Retirement Study (HRS) questionnaire that comprises of different demographics along with the data of financial literacy, retirement preparedness and awareness of social security rules found that there is no much difference in the financial preparedness among over and under-confident individuals. The study suggested that accompanying more financial literacy campaigns will increase the awareness of individual's actual knowledge which leads to increased financial competence among the overconfident and will prove that the under confident are having sufficient skills to start their financial future (Angrisani & Casanova, 2019). Also, the study among Australian Ageing Baby Boomers revealed that financial planning is significantly influenced by socioeconomic status, future time perspective and financial knowledge. The impacts of future time point of view and monetary information on monetary arranging were reliable across levels of financial variables of Australian Aging Baby Boomers. While comparable issues in monetary arranging showed up across financial status, a 'one size fits all' way to deal with retirement strategy may not be successful. All things being equal, arrangement ought to be focused on the assorted necessities of various gatherings. Raising public consciousness of future time viewpoint and monetary information may give a valuable booster as a start. (Noone et al, 2012). Retirement planning has a strong link to financial literacy. The study conducted in Australia (Ali, Anderson, Clark, Ramsay, & Shekhar, 2015) reported the young Australians demonstrated poor knowledge towards superannuation plan offered by the Australian Government. As opined by (Ali et al, 2015), young people lack understanding of operational ties of superannuation plan and do not many expectations from the retirement plan. It was also found from the study that the Australians in long-term relationships, married and repaying mortgages showed a positive relationship with the retirement plan knowledge and overall retirement plan. In addition, those people who are aware of social security benefits were productive in making informed decisions in retirement preparedness. Those individuals whose social security benefits were inadequate in terms of replacement income, they were more likely to save their incomes towards retirement plans. Therefore, the hypothesis is

F.Relationship between Financial Knowledge and Risk Tolerance

Financial risk tolerance is an important predictor of retirement savings at various levels of financial knowledge. Pertaining to the research in retirement investment planning, more study is required for evaluation of the factors affecting the retirement investment decisions like financial knowledge and risk tolerance (Larson, Eastman, & Bock, 2016**).** Empirical studies in the past revealed the significant association between financial risk tolerance and financial knowledge. The research of Hong Kong adolescents reveals that the family income, future orientation, and subjective financial knowledge had a positive relation to financial risk tolerance. Further, the study established that improving financial knowledge motivates adolescents to take financial risks when making important decisions (Zhu, 2019). Retirement Confidence Survey conducted in the US in 1999 explored that the working young men compared to women with higher levels of education and income, positive financial attitudes and risk aversion, also who received employer financial education were highly confident for their retirement preparedness (Joo & Pauwels, 2002). Using the data 2012 wave of the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation National Financial Capability Study (NFCS), the study examined the relation between risk tolerance, financial literacy, and goal-based saving behaviors of families. The study indicated that they have not calculated how much money is required during retirement. Both monetary education and risk tolerance are related with objectives based investment funds conduct, like putting something aside for crises and making arrangements for retirement among families (Chatterjee, Fan, Jacobs, & Haas, 2017). The increased ages among the baby boomers in the US, there is a need for risk management in retirement. RAND American Life Panel 2012 Well Being 186 and 193 reviews investigated the relationship between monetary information, monetary danger resilience and the vulnerability with respect to the requirement for long haul care protection among gen

X-ers. The study explored the fact that the financial knowledge is associated with the long term care insurance, further, uncertainty regarding the future needs also indicated a positive association with long term care insurance (Anderson, 2019). In a multi-method investigation study conducted among millennials (students), three set of results were explored such as a) a decrease in risk-taking for those with low trust in their monetary information b) low monetary education improves powerlessness to the impact of "sentiments as data" when settling on retirement choices c) recent college grads retirement venture decisions depended on stock riskiness, absence of monetary information, great dynamic, financial vulnerability and downturn history (Larson et al, 2016). The information from the 2012 National Financial Capability Survey in the USA showed that higher objective and subjective financial knowledge and higher risk tolerance are related to the low-interest mortgage in retirement. The findings of the study offer the multi-fold suggestions such as a) financial planners shall understand the customers' beliefs about debt while evaluating the debt-related financial strategies at the time of retirement b) increased financial risk associated with the leveraging assets, financial planners shall understand the client's willingness to take the risks c) financial professionals seek an opportunity to deliver objective financial education to the clients based on mortgage-related strategy (Seay et al, 2015). The previous studies highlighted the significant association between financial knowledge and risk tolerance, this association has been widely promoted across many empirical studies. Contrarily to the previous studies, the discoveries of an overview among 2300 retirement investment fund members in Australia, the families' self-announced perspectives, emotional standards and impression of conduct control represent a high extent of the difference in social aim and the families' danger resistance adds little to the forecast of conduct aim towards retirement plans (Croy, Gerrans, & Speelman, 2010).

G.Relationship between Financial Risk Tolerance and Perceived Financial Preparedness

Financial risk tolerance can impact the investment of people for short-term and long-term objectives like saving for a big purchase and retirement as well (Grable, 2016). Risk tolerance is a major concept of economics and finance disciplines (Xiao, Alhabeeb, Hong, & Haynes, 2001). Risk tolerance and the estimated time horizon till retirement are significant aspects of investment decision for retirement preparedness (Sung & Hanna, 1998). Risk tolerance can be perceived to be a personal issue, which detriments the risk-taking of the individuals in retirement planning contribution (Grima & Pavia, 2019). Risk tolerance is a measure which is utilized broadly by practitioners and academics on investment strategies and retirement planning (Mayer, Zick, & Marsden, 2011). In addition, a qualitative study conducted by (Mayer, Zick, & Marsden, 2011), it was examined that the risk tolerance has relevance and rationale in assessing the retirement preparedness decisions (Adami, Carosi, & Sharma, 2018). The results from the previous studies evidence the role of investors risks tolerance level on the portfolio decision in retirement funds. It was also evident that the long-run potential of stocks deems fit for retirement planning. Earlier, psychological determinants like future perspective, financial knowledge, and financial risk tolerance are associated with the knowledge of retirement planning (Leon & Pringganingrum, 2018). Furthermore, determinants like age, education, income and wealth also significantly influences the risk tolerance of individuals towards retirement planning (Wang, 2009).

It is also pertinent to understand insufficient retirement planning is quite severe, both economically as well as individually (Cravo, França, & Amorim, 2019). With less argument, there needs a substantial place for selection of appropriate investments understanding the financial risks and their perceived risk tolerance in a realistic manner (Yao, Sharpe, & Wang, 2011). Future perspective, locus of control, financial risk tolerance and retirement goal clarity are observed as the determinants of retirement planning. Besides financial knowledge is a significant predictor in explaining the financial behaviors and risk tolerance towards retirement planning (Fisher & Yao, 2017), an attitude of individuals outlook that also influences retirement planning behavior (Kumar, Tomar, & Verma, 2019). To make the individuals oriented towards long term objectives such as retirement planning, financial planners have a significant role in highlighting the significance or retirement planning. The attitudes of individuals are also reflected in how individuals seek help from professionals. Those individuals who are also risk tolerant were more likely to seek assistance and guidance towards retirement planning decisions from professionals. Among the other factors, income has a significant impact on the pre- and –post-retirement planning. It is also assumed that the retired people who possess very less income could be more conservative and takes less risk with lower risk tolerance during retirement.

H.Relationship between Future Time Perspective and Perceived Financial Preparedness for retirement

Future time perspective, alternative also termed as future orientation is considered as a psychological variable that received considerable attention in the financial planning literature (Jacobs-Lawson & Hershey, 2005b). Time perspective is also considered as cognitive process that splits the past, present and future temporal references (D'Alessio, Guarino, De Pascalis, & Zimbardo, 2003). Future time perspective is referred to in many researches (Denton et al, 2004; ; Jacobs-Lawson, Hershey, & Neukam, 2004). The future time perspective, financial awareness and financial risk tolerance have significant importance with regards to comprehension of people's retirement saving practices. Future time perspective influences a person's behavior because of anticipating to have more outcome from the activity due to time spent on that particular activity. Future orientation measures to what extent the people look forward to the future in comparison to past and present. Review of past studies reveals that the future orientation is significant suggesting that the people who think about the future and anticipate the future outcomes from their financial planning are more financially literate and vice-versa (Kadoya & Khan, 2019). Researches of relationship between future time perspective and savings or planning behavior also proved how the people who consider the future to be nearer will be very ready (Yang & Devaney, 2011). Seminal works done by Hershey and Mowen (2000) observed solid future direction decidedly affected both information and inclusion in monetary arranging just as retirement readiness. (Manturuk, Dorrance, & Riley, 2012).Despite the fact that the financial knowledge and its involvement in financial planning have significant role, studies pertaining to retirement planning or preparedness assume people will retire at a fixed age with a presumption that they retire with an enrollment in any social security or pension system or changing attitudes towards retirement and less emphasis on future orientation (Kock & Yoong, 2011). *"Why is the public so underprepared for retirement?* To answer this question, large cross section data of adults in UK was examined to investigate the age differences anto understand what motivates the adults to save across adulthood. The study findings reveal that future orientation added with adequate financial knowledge necessitates the younger adults to save for their post-retirement (Rolison, Hanoch, & Wood, 2017). Furthermore, due to lack of retirement preparedness among the individuals in American context, the studies in American context concluded that perceived financial awareness had a link with perceived financial preparedness along with future orientation (Davis & Chen, 2008)

Conclusion

1. **Theoretical Gap:** The review of past studies emphasizes more on financial literacy and retirement planning. The findings related with the relationships between financial literacy and retirement planning are controlled by socio-demographic and psychological factors. For example, the findings from the studies conducted in the US and UK as well as Australia are not similar due to the varying controlling variables. Furthermore, the variables like financial risk tolerance, future time perspective and financial knowledge were independent to a larger extent, the combination of financial risk tolerance, future time perspective and financial knowledge that influence the perceived financial preparedness for retirement were conducted to a marginal extent. Integration of the variables like financial risk tolerance, future time perspective and financial knowledge adds to the theoretical contribution given the contextual factors prevailing in India.
2. **Empirical Gap**: The extensive research evinces that a lot of researches were conducted in Western context. Few studies were explored in Malaysian and Japan context. In addition, few studies were also conducted to study the impact of psycho-bio-socio context and health indicators on retirement planning. Considering the growing ageing population in India which triggered panic button on the escalating social security budgets, this study addresses the gaps pertaining to the financial knowledge, risk tolerance for retirement planning and future orientation towards long term financial plan.
3. **Methodological gap:** From their view of past studies, the majority of the studies adapted either convenience sampling method or random sampling method. Few studies adopted the data collected by US Agencies on a large scale or the country-specific agencies data. Those studies that are dependent on the first-hand information collected by the researchers follow smaller sample sizes ranging from 110- 580 approximately. Inconsistency and non-uniformity in methodological considerations lead to dissimilar results in various contexts and this forms the basis of this study to define methodology context-specific.
4. **Population gap:** The review of literature also points out that the population for the studies are pre-retirees or post-retirees and adults (youth) in various contexts. Given the scenario of growing aged population and changing demographics with varied occupational and revised budgets by the Governments for social security schemes, it is pertinent to consider the population of the study to be context-specific. Therefore, this study considered the population which satisfies the specific criteria as mentioned in the methodology section.

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