

FINANCIAL LITERACY EDUCATION AND RETIREMENT PLANNING AMONG CIVIL SERVANTS IN JOHOR

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1. INTRODUCTION

Retirement is an important life event that everyone goes through, and a good retirement necessitates careful planning. With the growing number of senior people, the issue related to retirement has become increasingly important, and governments all over the world are prioritizing financial retirement planning (Selvadurai et al., 2018). However, retirement planning does not only become essential to the retirees but to other individuals too. Therefore, once start working, the employees must begin saving for retirement at a young age to take advantage of the time value of money (Universiti Putra Malaysia, 2018). It is because this will determine their financial status after working life. Thus, to have successful retirement planning, individuals must have vital financial literacy education.

There have been numerous studies on financial literacy education and retirement planning readiness. For instance, a study conducted by RinggitPlus reveals a lack of retirement planning among Malaysians. The study found that 60 percent of their respondents believe that their EPF savings only can last for ten years, while 70 percent believe that EPF saving is not enough for their retirement. Even though they have such fears yet almost 50 percent of the respondents still do not start any retirement planning (RinggitPlus, 2020). Thus, apart from excellent health and a joyful, meaningful life, the EPF board listed financial security as one of the three essential elements of a peaceful retirement (Tan & Singaravelloo, 2020). In addition, according to a 2017 survey done by Credit Counselling and Debt Management Agency (AKPK), 55 percent of 1000 Malaysian respondents may not be ready to retire due to financial concerns, with inadequate financial planning being blamed (Shah, 2017).

The American's social security retirement has moved from traditional pensions to individual savings. This shift has worsened American's retirement gaps. This is because retirement wealth has not expanded but struggling to keep up with an aging population and other developments (Morrissey, 2019). In addition, according to studies conducted in the United Kingdom in 2012, respondents who had no resources for later life were more likely to be struggling financially and to indicate they couldn't afford to put money aside for retirement (MacLeod et al., 2012). In addition, the fact that people have trouble carrying out their retirement plans shows that education alone may not be sufficient. Rather than simply providing financial education, it is critical to provide the employees with the tools they need to modify their behaviour towards retirement (Annamaria Lusardi & Mitchell, 2007).

In the Malaysian context, there are several protections such as EPF, Social Security Organization (SOCSO), Old Age Benefit Scheme for the Armed Forces, and the Government

Pension Scheme for Civil Servants (Yin-Fah et al., 2010). The aging population in Malaysia is expected to reach 15 percent of the total population by 2035, and most Malaysians' current Employees Provident Fund (EPF) are insufficient for a comfortable retirement (KS, 2017). Yin-Fah et al. (2010) found that some of the older Malaysian continued to work due to financial constraints. This is supported by a study of Universiti Putra Malaysia (2018) which was funded by Kumpulan Wang Persaraan (Diperbadankan) (KWAP), whereby they found that one-third of pensioners continued to work for compensation after retirement due to economic circumstances. This could be due to a lack of financial education, which results in the workers saving too late in life and saving too little to reach their retirement goals (Clark & Carolina, 2003). Furthermore, Malaysian civil servants have been identified as a significant debtor category. They spend more than half of their monthly salary on debt repayment and leaving just a little money for emergency expenses (Sabri et al., 2019).

Consequently, Lifecycle Saving and Investing Theory drives this research. According to Chaffin (2013, as cited in Selvadurai et al., 2018), this theory can help people better understand how they spend and save money based on their life expectancy, income, retirement goals, and intergenerational transfer motives. As per the government of Canada (2005, as cited in (Selvadurai et al., 2018), this is the most popular theory because, in recent years, individuals have been obliged to take greater responsibility for their financial problems, which demands some financial literacy to make effective financial planning decisions. Hence, this study has three research objectives as follows:

1. To identify a significant relationship between financial planning and retirement planning.
2. To identify the relationship between goal clarity and retirement planning.
3. To identify the relationship between saving attitude and retirement planning.

The following are the research question of this study

1. Does financial planning have a significant relationship with retirement planning?
2. Does goal clarity have a significant relationship with retirement planning?
3. Does attitude of saving have a significant relationship with retirement planning?

2. METHODOLOGY

The focus of the study is to explore the influence of financial literacy towards retirement planning among civil servants in Johor, a survey questionnaire was developed based on past studies. The questionnaire form was adopted from Afthanorhan et al. (2020), Hassan et al. (2016), and Ali et al. (2013). Due to the impact of the Covid-19 pandemic, the data was collected using an online survey. Google Form was utilized to collect the data from the respondents. The respondents of this study are the civil servant in Johor Bahru. This study occupied multistage sampling technique where stratified sampling technique and convenience sampling technique were used. 400 survey was mailed to the sample, and 254 questionnaires were returned. The data was analyzed using Statistical Package for Social Sciences (SPSS). Pearson Product Moment Correlation was used to analyze the relationship between an independent variable and a dependent variable.

3. RESULTS AND DISCUSSION

Based on the findings, the study shows that there is no significant relationship between financial planning and retirement planning among Johor Bharu civil servants ($p= 0.077$). The findings are similar to previous studies in Western countries where a civil servant is found to have a low degree of financial literacy (Lusardi, 2011). The findings, however, contradict from findings by Shanmugam and Abidin (2010), whereby they found that if an individual has been given the information, he or she will be able to practice appropriate financial behaviour. The report by the Credit Counselling and Debt Management Agency (AKPK), on the other hand, denies our findings, whereby they found in their study that half of Malaysians are unprepared for retirement due to lack of financial savings and prudent spending (Shah, 2017). In addition, 34 percent of the respondents from Zulfaka and Kassim (2021) study mentioned that planning for retirement is a burden for them.

Furthermore, there is a substantial and positive link between goal clarity and retirement planning among public workers in Johor Bharu ($p=0.000$). Clear and detailed goals not only improve performance and provide a benchmark against which people can assess their accomplishments, but they also provide direction for the future. The finding is similar to the finding by Stawski et al. (2007), whereby they also found that the retirement goal clarity is an important characteristic that determines a person's willingness to invest in retirement. In addition, Shanmugam and Abidin (2010) added that in the retirement planning process, goal clarity is vital, and clearer retirement goals are linked to a more active pattern of retirement planning behaviours. Furthermore, there is a significant relationship between saving attitude and retirement planning among public servants in Johor Bharu ($p=0.000$). This study is supported by a study by Liyana et al. (2020), whereby they found that only 8 percent of their respondents had good retirement planning and less than 1 percent prepared for afterlife retirement. This result is alarming because this situation may lead them to fall into poverty or have a terrible life after retirement if they do not receive adequate support.

4. CONCLUSION

In conclusion, the connection between financial planning, goal clarity, and saving attitude about Johor civil servants' retirement planning was examined in this study. The findings have shown that there is a correlation between financial literacy and retirement planning. Two of the three independent variables, which are the goal clarity and saving attitude, are connected to the dependent variable, retirement planning. On the other hand, financial planning has no relationship with the dependent variable. Since this study only covers the public servants in Johor, thus future research can conclude and conduct studies on financial literacy education and retirement planning for all civil servants in Malaysia. The findings might have a major impact, allowing people to discover how well-informed Malaysian government workers are regarding financial literacy and retirement planning. Since the study is only limited to Johor civil servants, therefore, future study should focus on the impact of financial literacy education, with an emphasis on all government employees. Apart from that, future studies might expand the scope not only limited to the elder worker but all the employees at their young age because retirement planning should begin as early as the individual joining the workforce. It is hoped that this research may help spread awareness about retirement planning as well as increase public servant preparedness.

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