DEMOGRAPHIC FACTORS THAT INFLUENCE RETIREMENT INVESTMENT DECISION: A CASE STUDY OF SWINBURNE UNIVERSITY OF TECHNOLOGY SARAWAK CAMPUS STAFF

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TABLE OF CONTENTS

ABSTRACT

The purpose of this study is to identify the influence of demographic factors on retirement investment decision. In order to have a comfortable retirement and to be able to realize one dream; one has to start saving or invest as early as possible to have a sufficient fund during the golden years. Recognizing the importance of this issue, 162 structured electronic questionnaires were distributed via email. The final sample consists of 144 after the account for non-replied questionnaires. Overall, the results of this research show that demographic characteristics affect the attitude towards retirement investment decision, such as age, gender, and income level. Another factor that has a significant effect in retirement investment decision is investment knowledge and experience.

CHAPTER 1

1.0 INTRODUCTION

While financial planning becomes a major concern nationwide, Swinburne Sarawak staff members are facing the same issue. This matter is practical and deserving serious consideration from all parties. More and more people are made aware of the importance of investment for retirement or at least saving for rainy days. Various approaches were made to encourage savings and planning for post-working life. Both public and private policy makers have come up with numerous plans and scheme to offer financial services to our citizens. Advertisements to capture public attention via print and electronic media, television, and billboards have also been made to create public awareness about the importance of this planning for better financial protection.

According to a study conducted by the World Health Organization (WHO) in 2007, it has found that Malaysians have a healthy life expectancy of up to 66 years. The average life expectancy of the Malaysian population is 75 years, and it is expected that these population become weak and unwell in the last 8 to 10 years of their life. The deterioration of health in the golden years of retirees will result in high expenditure of medication and hospitalization. Therefore in 2012 the government has extended the new minimum retirement age from 55 years to 60 years in the hope to help accumulate the retirement savings for the private sector employees, the new minimum retirement age is mandatory for civil servants in Malaysia. In addition to that, few initiatives introduced by the EPF to help increase members savings are:

i. Increasing the percentage of retirement savings in Account 1 from 60% to 70%.
ii. Introducing flexible age 55 years withdrawal which allows members to choose to withdraw all their saving at once, monthly, partially or combination of the choices; and

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This paper is to present the case study on the attitude of Swinburne Sarawak Campus staff towards retirement investment decision. The purpose of this topic is to discover the demographic factors such as age, gender, education background and household income have any relationship on the attitude towards retirement investment decision among staff members of Swinburne University of Technology Sarawak Campus.

2.2 DEMOGRAPHIC PROFILES

2.2.1 Age and Retirement Investment

Based on the work of (Morin & Suarez, 1983), (Friend & Blume, 1975), (Fama & Schwert, 1977) and (Schooley & Worden, 1996) cited in (Wang & Hanna, 1998) under *The Effect of Age on Individuals' Relative Risk Aversion* stated the effect of age on an individual's relative risk aversion is operationalised as the proportion of net wealth invested in risky assets. Risky assets were defined as the sum of stocks, bonds, mutual funds, real estate other than owner-occupied home, equity in own business, and loans. Morin and Suarez concluded that on average, risk aversion increased with age. The study method used was Survey of Consumer Finances (SCF). In contrast, for households with high net worth, risk aversion decreased with age. The authors concluded that both net worth and age influenced risk aversion. We find that age does not appear to be a statistically significant determinant of financial literacy (Dvorak & Hanley, 2010). In contrast, (Lusardi & Mitchell, 2007) find age positively related to financial literacy.