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# IMPACT OF DEMOGRAPHIC VARIABLE OF RETIREMENT PLANNING BEHAVIOR OF GEN Y

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## Abstract

The focal objective of the research is to explore the role of the demographic profile in the shaping of the retirement planning behavior among the Generation Y. This study has try to find out the relationship between gender, age, income and education level with the retirement planning behavior. 394 samples were select through non-probability convenience sampling method. This study conclude that gender, income, education and age all have the major impact on the retirement planning behavior and also conclude that Male have do more retirement planning compare to female, income and education is positively related with retirement planning behavior where age is negatively related to retirement planning behavior.

## Introduction

Whilst the Indian people is presently the youngest people of the planet, it is going to face difficulty of more older men and women in public essay in retirement and future will probably arrive at the forefront as a public policy dilemma in addition to emerging among the principal financial preparation problems. The association between the activities to arrange for retirement and the degree of impact of variable of an individual is examined. Do individuals think of and plan for retirement? Exactly what all elements donate to build this behavior when they do? Are those variable actually influence their retirement planning behavior?

Retirement planning is so that behaviors can be commissioned which are intended to meet those aims, and goals to the article utilization phase are created. It might be constricted in scope, including just one like money

related planning, or it might be wide-ranging in character, surrounding numerous domain names. Retirement planning frequently talked about within the context of retirement planning include: financing, health care, societal and social relations, recreation and relaxation, home, the timing of the work force depart, post retirement job (like bridge labour ), and productive behavior (e.g., volunteerism). And although perhaps maybe not many folks participate in organized retirement planning actions before departing the job, it's been contended that acting this can help smooth out the evolution from work into retirement, supply a sensible set of opportunity how poster life may spread out, and also help make certain a decent standard of living at older age.

### **Literature Review**

Retirement planning isn't a concept, but it's a collection of various behavior which different from person to person. In the normal term retirement panning has intention of being relaxed mentally as well as financially. Financial relax depended on the effective retirement planning. Various researchers have reported many factors which make influence on the retirement planning behavior. Devancy et al., (1997) concluded that marital status and income tend to have a substantial impact on the amount of cash saved for retirement. Where Yuh and Devaney (1996) said that the higher the income, the more years of employment, better education, acquiring an experienced job, and being White are positively related with the defined contribution retirement fund degrees. Gender also emerged as the influencing factor on the retirement planning behavior (Van Derhei and Olsen, 2000). Such a way many factor make influence on the retirement panning behavior but among them Gender, income, education level and age are most significant which are discussed below in details.

#### **2.1 Gender**

In the retirement planning literature, Gender emerges as one of the important factor which contributes significantly. Gap of Gender is one of the powerful factors which determine the early retirement planning as male and female normally behave differently (Yakoboshi and Dickemper, 1997). Glass & Kilpatrick (1998) argued that such difference is due to money gap, Female have lack of sufficient money than men. They often found to be more financially and internally weak in retirement planning and are prejudiced by numerous variables like inadequate financial availability, retirement strategy, low wage, gender bias in retirement saving behavior. Hence Men emerged as better prepared and ready with their retirement planning in comparison to women (Lusardi & Mitchell, 2008).

Contrast to the previous study, Lusardi (2007) and Duflo & Saez (2002) recorded that if person is literate, have sufficient money and risk taker then it has positive decision towards the retirement planning behavior irrespective of their gender. In line of this, Joo and Grable (2001) highlighted that Gender gap do not bring any effect into the decision making on retirement as the likelihood of genders' behavior on expert retirement assistant for would be the same, but women participation pace in pursuing help from practitioner are marginally greater compare to men if they are provided a chance. Female who has the good enough financial

knowledge, they performed excellent in their retirement planning (Lusardi, 2004). Furthermore, Lusardi and Mitchell (2008) added that girls are less equipped with financial knowledge and financially literature contrasted with men and due to that she rely on the support in their family and friends during retirement age and many of time women would not have any idea and plan to do their own retirement planning. Women and men usually do not think, comprehend, and behave for retirement planning in exactly the exact same way (Grace et al., 2010). Hence following hypothesis established:

.Hypothesis 1: Gender has the significant impact on the retirement planning behavior.

## 2.2 Education Level

Generally, there are also wide-ranging researches on retirement covering education level. Hogarth (1985) concludes that retirement preparation influenced through the education level and Joo and Pauwels (2002) also founded the same. They further more conclude that Intention towards retirement influence through the source of advice and information of education. Preparation of the retirement planning is operated through the level of education of the person as it provides the wider perspective for the future (Devaney, 1995). Generally age and education level has same direction fluctuation.

Higher level of the education boosts the confidence in the retirement planning and due to that they achieve more accurate goal in retirement planning. Person who has lower educational back ground founded prone of under confidence compare to the higher education person. Women generally have the lower education, particularly older women and because of that they performed poor in their retirement planning ( Lusardi, 2004). Lack of financial knowledge and education is result in to the low or not significant retirement behavior among the female (Lusardi & Mitchell, 2008). Bernheim (1994), education may make potential of improving and researching additional understanding and evidence on retirement for people.

Moreover, Joo and Garman (1998) provide a fantastic overview that education degrees are very important to emphasis for forthcoming monetary edification. Generally have a tendency to own and obtain investment awareness on retirement planning in comparison to those who are more literate. Therefore, following hypothesis can be established:

Hypothesis 2: Education level has a Significant impact towards retirement planning

## 2.3 Income

Income level is another demographic variable which is discussed in this study. Income is important in shaping perception regarding retirement as once will need to have enough money or riches resources to generate

retirement job (Richardson & Kilty, 1989). As stated by Ruhm (1989), individual's prep on retirement income fluctuates by each other. Pinpointing adequacy of income throughout retirement age isn't a simple job. Furthermore, Joo and Grable (2001) recognized that amongst further socio economic factors, majority of the time income level influence the attitude of assistance from professional for the retirement planning behavior. The research demonstrates that person having more income tend to be far more motivated to get professionals assistance seeing choice. Income level significantly makes influence on the overall attitude and behavior of the retirement planning (Kim et al., 2005).

A study by Joo and Garman (1998) indicate that different income level seeks different type of financial knowledge. Worker who has the higher income or belonged to the upper class prefer training or education on property planning where worker who has low income or belonged to the lower class more prefer education on debt clearance, mortgage budgeting and purchasing. Overall it can be said that retirement planning influenced through the income level hence following hypothesis can be formulated:

Hypothesis 3: Income degree has a significant effect towards retirement planning

#### 2.4 Age

Some research examines the impact of Age on retirement revealed that age to be associated to retirement program. Age may help pre-retirees people in understating procedure for planning (DeVaney, 1995), which lead to enhance the positive attitude, retirement confident and help to understand changes (Joo & Pauwels, 2002). Age person growing and has higher income he/she motivated to take retirement action (Lee and Law, 2004).

De Vaney (1995) established that education level; income level, age as well as size are inter elated to their retirement planning behavior but age is also reported negatively to the saving behavior, regular saving is the most popular methods for younger respondents. Joo & Garman (1998) concluded that age has also proven to be essential in the area of future educational application. On the flip side, Xiao (1995) recommend that diverse respondents' age is likely to give unique perception on income adequacy. Hence, the age could be hypothesized as below:

Hypothesis 4: Age has a significant Impact towards retirement planning

#### **Research Methodology**

This study has adopted 1 descriptive research design method. Samples were chosen for the study through non probability convenience sampling methods. Sample size is 394 individuals. Individuals who has the age groups between 26-40 years (Gen Y). Secondary data were collected from research journal, book, and websites and primary data collected through the questionnaire. Questionnaire mainly focuses on the demographic of the

respondents and response of the individual towards the retirement planning behavior.

### Analysis

Retirement planning behavior is measured on the five point Likert scale. First hypothesis and objective of the study was to find out the impact of the gender on the retirement planning behavior. For that Two independent sample T test was applied.

<b>Table 1 Independent Samples Test (Gender)</b>			
	<b>t</b>	<b>df</b>	<b>Sig. (2-tailed)</b>
Value	3.168	392	<b>.002</b>
<i>Testing Variable : Retirement Planning Behavior</i>			
<i>Group variable : Gender</i>			
<b>Mean of male : 3.1961, Mean of Female : 3.0659</b>			

Table 1 provides the outcome of the t test which indicate that there is significant difference in the mean score of the male and female towards the retirement planning behavior as the p value for the test is less than 0.05 with t value of 3.16 and degree of freedom 392. Through the t test it can be conclude that male and female are differently acted in their behavior regarding retirement planning. Further mode mean score of the male was 3.19 which is higher than the mean score of female which is 3.06. Hence it can be said that male do more retirement planning comparing to the female.

<b>Table 2 ANOVA (Education)</b>					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.580	3	.527	3.456	.017
Within Groups	59.451	390	.152		
Total	61.032	393			
<i>Testing Variable : Retirement Planning Behavior, Group variable : Education Level</i>					
<b>Group Mean Score : Higher secondary = 3.06, Bachelor = 3.19, Master = 3.20, Other = 3.09</b>					

Second objective and hypothesis of the study was to find out the impact of the education level on the retirement planning behavior. ANOVA test was applied for the same as grouping variable has more than three categories and testing variable was scale. Sig value for the test is 0.017 which is less than 0.05 so null hypothesis for the test rejected at 5 percent level of the significant and conclude that there significant difference in the mean score with respect to the education level of the individual. Observation of the group wise mean also indicate the same. Furthermore group wise mean indicate that master level of education and graduation level of the education respondents has the higher mean score compare to the lower education responded. Hence it can be said education level retirement planning behavior has the positive relationship. If person has the higher education he/she will do more amount of retirement compare to the low education person.

<b>Table 3 ANOVA (Income)</b>					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.618	3	.873	5.825	.001
Within Groups	58.414	390	.150		
Total	61.032	393			
<i>Testing Variable : Retirement Planning Behavior, Group variable : Income Level</i> <i>Group Mean Score : Up to 200000 = 3.03, 200001 to 400000 = 3.15,</i> <i>400001 to 600000 = 3.16, Above 600000 = 3.28</i>					

Third objective and hypothesis of the study was to find out the impact of the income level on the retirement planning behavior. Income group also has the more than 2 groups so ANOVA test was applied. P value for the test is 0.001 which is less than significant level 0.05 so here null hypothesis is rejected at 5 percent level of the significance. As null hypothesis rejected so it can be said that respondent having difference income group has significantly different mean score. Close observation of the group wise mean score indicate that income level and retirement planning behavior has the positive relationship. Person who has the higher income, he/she has more inclination towards the retirement planning behavior.

<b>Table 4 ANOVA (Age)</b>					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.288	3	.429	2.803	.040
Within Groups	59.744	390	.153		
Total	61.032	393			
<i>Testing Variable : Retirement Planning Behavior, Group variable : Age</i> <i>Group Mean Score : 26-29 year = 3.23, 30-33 year = 3.17,</i> <i>34-37 year = 3.12, 38-40 year = 3.06</i>					

Fourth and last objective and hypothesis of the study was to find out the impact of the age groups on the retirement planning behavior. Age group also has the more than 2 groups so ANOVA test was applied. P value for the test is 0.040 which is less than significant level 0.05 so here null hypothesis is rejected at 5 percent level of the significance. As null hypothesis rejected so it can be said that respondent having difference income group has significantly different mean score. Close observation of the group wise mean score indicate that age and retirement planning behavior has the negative relationship among Gen Y. Person who has the higher age, he/she has less inclination towards the retirement planning behavior. Age group 26-29 year has the highest mean score where age group 38-40 year has the lowest mean score.

### Conclusion

The main objective of the study was to find out the effect of demographic variables namely gender, education, income and age on the retirement planning behaviors among generation Y. This study conclude that gender

has the significant impact on the retirement planning behavior. Father more this study conclude that male are positive towards retirement planning compare the female. This study also conclude that education level and income level has the significant impact on the retirement planning behavior. Education level and incomes are positively related to the retirement planning behavior. Higher education level and higher income level people have more inclination towards the retirement planning activities. Where in this study age funded significantly related with the retirement planning behavior but relationship between both variable is negative. As lower age group 26-29 year has recorded the higher mean score of retirement planning behavior and age group 38-40 year has the lowest mean score.

### **Implication**

The present study suggests the many implications for marketers and companies. From this study, it can be said that different people behave differently with reference to retirement planning. Gender, education income and age all are very crucial for the marketers. Financial companies can formulate their strategies as per the demographic profile of their target audience. Apart from the companies, finding of this study also helpful to individual to understand their behavior regarding retirement which will reduced the cognitive dissonance issue among the individuals. Government and policy maker can also get more insight in to the retirement planning aspect of the generation Y which will be helpful to them to formulate the future policies.

### **Limitations of the Study and Further scope of the study**

The study is limited to area of Major cities of Gujarat only and specific sample size. This study has taken demographic variables like gender, age, education and income but future study can be conducted by taking other demographic variables like occupation, family, no of earning persons, financial stability, no of household person etc. . Psychographic variables also can be included as study variables and comparative analysis can be done between different cities and state also.

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