Study of Financial Planning for Retirement amongst individuals in select age group of 25 years to 45 years in Pune city

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Submitted By

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Under the guidance of

Dr. Ashok Vasant Kulkarni

October, 2016

CERTIFICATE

This is to certify that the thesis entitled **Study of Financial Planning for Retirement amongst individuals in select age group of 25 years to 45 years in Pune city** which is being submitted herewith for the award of the Degree of Vidyavachaspati (Ph.D.) in faculty of Management of Tilak Maharashtra Vidyapeeth, Pune is the result of original research work completed by **Dinesh Bansilal Shendkar** under my supervision and guidance. To the best of my knowledge and belief the work incorporated in this thesis has not formed the basis for the award of any Degree or similar title of this or any other University or examining body upon him.

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May god bless all these wonderful peoples in every walk of life.

DECLARATION

I hereby declare that the thesis entitled **Study of Financial Planning for Retirement amongst individuals in select age group of 25 years to 45 years in Pune city** submitted by me for the degree of Doctor of Philosophy is the record of work carried out by me during the period from Aug 2012 to October 2016 under the guidance of Prof. Dr. Ashok Vasant Kulkarni. This work is completed and written by me has not previously formed the basis for the award of any degree or other similar title upon me of this or any other university or examining body.

Dinesh Bansilal Shendkar

(Research Student)

Place: Pune

Date:

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List of Abbreviation

Sr No.	Abbreviation	Long form
1	BPL	Below Poverty Line
2	CAPM	Capital Asset Pricing Model
3	CFP	Certified Financial Planner
4	DB	Direct Benefits
5	DC	Direct Contribution
6	EDLIS	Employees' Deposit Linked Insurance Scheme
7	EPF	Employees' Provident Fund
8	EPFO	Employee's Provident Fund Organization Schemes
9	EPFS	Employees' Provident Fund Scheme
10	EPS	Employees' Pension Scheme
11	ERISA	Employee Retirement Income Security Act
12	FPSB India	Financial Planning Standard Board of India
13	GOL	Government of India
14	HSBC	Hongkong and Shanghai Banking Corporation
15	IRDA	Insurance Regulatory and Development Authority
16	MPT	Modern Portfolio Theory
17	NOAPS	National Old Age Pension Scheme
18	NPS	National Pension Scheme
19	OECD	The Organization for Economic Co-operation and Development
20	PFRDA	Pension Fund Regulatory and Development Authority
21	PPF	Public Provident Fund
22	SEWA	Self-Employed Women's Association
23	UGC	University Grants Commission
24	ULIP	Unit linked Insurance Plans

ABSTRACT

on

"Study of Financial Planning for Retirement amongst individuals in select age group of 25 years to 45 years in Pune city"

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1 INTRODUCTION

> ***How is that people are motivated to go to a doctor but not motivated to go to a financial counselor" if individuals are ultimately responsible for their own financial health***
>
> (Bowditch, 2005)

The quote stated above touches on two central and divergent aspects of individual financial planning behavior for retirement. The lack of motivation to engage in financial planning, and the increasing responsibility of the individuals for his/her financial situation in retirement. These observations triggered the researcher's interest in researching individual retirement specific financial behavior; encompassing both the perspectives an individual has on his financial situation in retirement and the specific financial planning actions the individual takes. The simultaneous investigation of these two aspects of individual retirement specific financial planning behavior is becoming increasingly important in academic world and in practical life as relevance of financial provision for retirement is rising for the individual, companies, policy-makers and for society as a whole

Background of the study

The world's population is steadily growing older. The prospect of enjoying a retirement lasting 20 to 30years is already a reality for many (Twigg, 2013). In the 34 countries which make up the OECD (The Organization for Economic Co-operation and Development), a study showed average retirement currently lasts over 18 years (Twigg, 2013). With life expectancy still on the increase, the need to save and plan for retirement is becoming ever more critical.(Williams, 2013) Retirement planning may no longer consist of simply putting money aside each month. The future of retirement is expected instead to see a fundamental change in people's lifestyles with a growing aspiration to combine work and leisure to help manage the costs of longer life expectancy.

With over 50% of its current population under 25 years of age, India's great demographic "dividend" needs to change a few habits immediately or it may be too late. India is on its way to becoming the most populous nation in the world by 2028, surpassing China. By 2050, the number of Indians above the age of 65 will cross 200 million from about 80 million currently, while the number of Indians above 80 years of age will be at 43million, second only to China (Sharma, 2012).

According to a survey by HSBC titled, "The Future of Retirement--It's Time to Prepare," by 2050 India's elderly will equal the number of its children for the first time ever. Further, a United Nations study points out that, in line with the global trend of increased life expectancies and declining fertility rates, old-age dependency ratios will increase, particularly in developing countries like India.

Statement of problem

Retirement financial planning is affected by external factors like social and economic factors and also individualistic factors like financial awareness, financial literacy, saving habits, risk taking ability etc. The external factors are out of influence of the individual but the individual factors can be altered for better retired life. Hence it is important to understand the practices followed by the young Indians for retirement financial planning. And going a step ahead it is equally important to understand the factors influencing individuals take action towards investment for retirement planning. A strong intermediary channel bridges the gap between the individuals and financial institutions offering retirement products and services, the current role played by intermediaries needs to be scanned thoroughly. Along with this understanding the individuals' awareness about available retirement planning and products and services can be provide guidance on future actions and course corrections.

2 CONCEPTUAL BACKGROUND AND LITERATUTRE REVIEW

Researcher has studied in details the concept of retirement by reviewing the earlier studies. Researcher has tried to achieve in depth understanding of various concepts related to retirement planning like financial planning process, evolution of financial planning, life of financial planning and financial life cycle based on financial objectives etc.

Researcher found numerous research studies pertaining to retirement financial planning. Lot of researchers studied various critical issues/factors affecting the well being during retirement. Bulk of research has taken place on financial literacy levels of individuals, calculation of income for retirement and social security benefits across the world. However there aren't any studies analysing the practices followed by individuals for retirement planning.

3 OBJECTIVES AND HYPOTHESIS OF STUDY

The following are the objectives of the study: -

a) To examine retirement planning practices followed by individuals in wealth creation stage.

b) To study the levels of awareness amongst the individuals in wealth creation stage with regard to financial planning for retirement, instruments for financial planning for retirement and about the institutions/intermediaries.

c) To study the role played by financial intermediaries especially the Certified Financial Planners (CFP) in influencing the decisions of individuals in regard to their financial planning for retirement.

d) To study the factors influencing individual's action towards investment for retirement planning

Hypotheses

The following hypotheses have been framed for testing on the basis of available data.

a. The level of awareness about retirement planning product / services varies with gender, age, occupation, education of individuals in wealth creation stage.

b. The extent of retirement planning activities followed by individuals is associated to saving – spending attitude.

c. Funds allocation for retirement financial planning is associated with occupational and family factors.

4 RESEARCH METHODOLOGY

The nature of study is descriptive.Such methods of research were used for this study which will facilitate researcher to accurately portray phenomenon under the study. As this study is primarily focused onpractices followed by individuals for retirement financial planning and Pune city being having a right mix of individuals required for the study ,it was carried out in Pune cityPrimary data was collected from individuals through a survey questionnaire.

Research Methodology at a glance

Survey of individuals	
Population base	All individuals in age group 25 to 45 years of age with annual income more than 2.5 lakhs
Sample population	9,34,338
Sample Size	394
Sample size determination method	Nargundkar, R. (2003). Marketing Research: Text and Cases . New Delhi: TATA McGraw Hill
Sampling Method	Purposive – Quota
Research Instrument	Questionnaire

Various sources like journals, government reports, PhD Thesis, books, magazines, and internet are explored to collect secondary data.

Researcher has set interpretation criterionfor testing of hypothesis which is as follows:

If p value is less than 0.05 - null hypothesis is rejected and alternate hypothesis is accepted.

If p value is greater than 0.05 - null hypothesis is accepted and alternate hypothesis is rejected.

Various measures of central tendency (mean, mode, median) and measures of dispersion (standard deviation) are used appropriately. For measuring reliability of the instrument,researcher used Cronbach's Alpha Reliability test. Various statistical tests like Spearman Rank Correlation, T – test (Paired), one way ANOVA and Chi Square Test are also used.

Researcher took help of statistical package for the social science (SPSS) and Microsoft Excel to test the hypothesis and analyse the data.

5 ANALYSIS OF THE DATA & TESTING OF HYPOTHESES

The fourth chapter analyse the data obtained from individuals. The analysis is carried out under various headings.

- Sample Description
- Profiling of individuals
- Determing financial literacy, risk profile and reitrement planning awareness of individuals
- Practices followed by investor's & intermediary willingness towards building relationship with each other individuals for reitrement financial planning
- Levels of awareness amongst the individuals in wealth creation stage with regard to financial planning for retirement, instruments for financial planning for retirement and about the institutions/Intermediaries.
- Role played by financial intermediaries especially the Certified Financial Planners (CFP) in influencing the decisions of individuals in regard to their financial planning for retirement

- Factors influencing individuals actions towards investment for retirement planning.

Testing of hypothesis

H1-The level of awareness about retirement planning product / services varies with gender, age, occupation, education of individuals in wealth creation stage

Hypothesis	Statistical Test	P value	Result
$H1_A$	One way ANOVA	0.000	Researcher hypothesis is accepted
$H1_B$	One way ANOVA	0.004	Researcher hypothesis is accepted
$H1_C$	One way ANOVA	0.001	Researcher hypothesis is accepted
$H1_D$	One way ANOVA	0.118	Researcher hypothesis is rejected

Thus hypothesis H1 is partially accepted.

H2- Extent of retirement planning activities followed by individuals is associated to saving – spending attitude

Hypothesis	Statistical Test	P value	Result
$H2_A$	One way ANOVA	0.000	Researcher hypothesis is accepted
$H2_B$	One way ANOVA	0.000	Researcher hypothesis is accepted
$H2_C$	One way ANOVA	0.000	Researcher hypothesis is accepted
$H2_D$	One way ANOVA	0.000	Researcher hypothesis is accepted
$H2_E$	One way ANOVA	0.000	Researcher hypothesis is accepted

Thus hypothesis H2 is accepted.

H3- Funds allocation for retirement financial planning is associated with occupational and family factors

Hypothesis	Statistical Test	Significance	Result
$H3_A$	Chi-Square	0.000	Researcher hypothesis is accepted
$H3_B$	Chi-Square	0.000	Researcher hypothesis is accepted
$H3_C$	Chi-Square	0.008	Researcher hypothesis is accepted
$H3_D$	Chi-Square	0.000	Researcher hypothesis is accepted

Thus hypothesis H3 is accepted.

6 FINDINGS

- It is found that financial literacy for individuals in wealth creation stage is 6.11 on scale of 3 to 9.
- It is found that saving spending attitude for individuals in wealth creation stage is 22.1 on scale of 5 to 30. So these individuals are balanced on saving and spending attitude.
- It is found that individuals in wealth creation stage have a moderate risk profile with score of 5.73 on scale of 3 to 12.
- It is found that the top three objectives for the individuals in wealth creation stage are protection against medical emergency, ensuring comfortable retirement and provision for children’s education or marriage.
- It is found that 33 % of individuals in wealth creation stage always think about retirement, 60.9% sometimes think about retirement and 6.1 % never think about retirement. Male population thinks more about retirement planning than females. Thinking about retirement is influenced by age and income. Individuals with low income and age think less about retirement.
- Newspapers are playing a major role in talking about importance of retirement financial planning compared to financial planners, insurance agents and other channels.
- Individuals in wealth creation stage have desire to retire at 55.6 years of age. About 25% of the individuals even desire to retire at the age of 50 years.

- It is observed that 69% of the people invest in some or other form for retirement financial planning.
- The percentage of male population investing for retirement planning is on a higher side. Amongst the four age groups under study, three age groups 31-35 years, 36-40 years and 41-45 years have higher percentage of respondents investing for retirement planning where as in the age group 25-30 years the percentage of respondents not investing for retirement planning is higher. In education and income groups, individuals with higher income and higher education do better than the individuals with lower income and education.
- It is found that major of the individuals in wealth creation stage is starting for investment early in their life. However, the group that fare the best is professional and postgraduates. These results are also in line with investing for retirement behavior where professionals and graduates are seen to investing for retirement.
- In regards to allocation of investable surplus for retirement planning, female score slightly better than males. Amongst the age group individuals with higher age are able to allocate more funds for retirement planning. Professionals are seen to do better than graduates and undergraduate and higher income groups doing better than the lower income groups
- The highest preference by individuals is for equity mutual funds followed by public provident fund and national pension scheme. Based on the demographic profile individuals in wealth creation stage, public provident fund is looked upon as the most preferred investment instrument for investment for retirement planning followed by equity mutual funds.
- The investment option preference of the individuals is well in line with the risk profile and financial literacy of the individuals. However the concern here is there not much preference for national pension scheme as retirement planning product.
- The average risk coverage by the individuals is very low. This is surprising as this is not in line with risk profile of the individuals. The individuals in wealth creation stage have a moderate risk profile but are taking much more risks than their risk appetite. Also in the financial objectives, protection against medical emergency is rated as highest priority but this risk is not covered by the individuals. So although individuals are thinking on this objective the execution is still questionable.

- Only 38% of the individuals planning for retirement are comfortable with the retirement planning practices followed by them. One fourth of the individuals are not at all secure about their retirement planning practices and 38% are unsure whether the practices they are following are sufficient to have a comfortable retirement.
- Individuals in wealth creation stage are adequately aware about the eligibility for enrolling to NPS i.e. they are aware that non-government employee or employees who are not formally covered by any pension scheme can invest in NPS.
- There respondent fare just above average for the distribution coverage of the national pension scheme.
- It is found that the individuals in wealth creation stage are highly unaware about the most important feature of the scheme i.e. the lowest cost for fund management which is 0.0009 percent.
- Regarding awareness on regulators it is found the awareness on mutual funds, insurance and fixed deposits is more and for NPS it is very low.
- The awareness on individuals in wealth creation stage about basics of pension is critically low.
- On the front of investment, individuals are cost conscious. They are aware about the high cost product. However on contrary they are not aware about the low cost product which is NPS. Even on a widely promoted product like mutual fund the awareness is above average
- The average score for the entire individuals in wealth creation stage on the scale of 12 to 36 is found to be **27.16**
- The awareness level for retirement planning is found to be higher in the males as compared to the females. Across the various age groups the awareness level is found to be lowest in the age group 25-30 years. Post thirties there is a jump in the awareness levels of the individuals and difference in awareness levels is relatively lower. On comparison of awareness levels across the various occupations the highest level of awareness is found in the professionals.
- The formal channel i.e. financial intermediary, whose core responsibility is to provide advice or influence financial decisions, is not the most preferred options by the individuals, instead, family and friends influence to a greater extent.

- Only about one fourth of the individuals investing for retirement financial planning avail professional advice. Out of those availing profession advices, 50% individuals utilize services of certified financial planners.
- The intermediaries play a limited role in the retirement financial planning process. Intermediaries are not able to succeed in their core activity of triggering the need for retirement planning. Also they fail to create confidence about the retirement planning they carried out.
- Financial intermediaries fail in the most important activity triggering the need of retirement financial planning amongst the individuals.

7 SUGGESTIONS

It is found that financial literacy, awareness about retirement products, role played by intermediaries in retirement financial planning, popularity of NPS needs to be improved in the immediate future. That's the reason; researcher would like to suggest some initiatives towards improvement of these areas here. The suggestions would be aimed at following

1. Improving awareness of individuals
2. National Pension Scheme
3. Policy changes by Government
4. Intermediaries
5. Responsibilities of employers

Improving awareness of individuals

- Embed basics of investing and financial planning like present value, future value, returns risks right from the higher secondary school curriculum.
- Instead of having multiple agencies and regulators donning the role of investor educator (Present regulators are creating awareness not the knowledge) researcher would like to suggest a central government agency which will plan, implement and coordinate investor education initiatives throughout the country.
- Government agencies can even consider incentivizing employers to educate their employees about financial services, investments as such.

Changes in National Pension Scheme

National Pension Scheme was considered to be similar to the 401(K) plan in United States. However there is no sufficient awareness about the scheme, so following efforts to popularize the scheme must be taken up. Also certain changes in structure of needs to be discussed

- Television, social media, and print media must be used create awareness about NPS.
- Employers and individuals in privite sector must be incentivized to open NPS account inline with current practice of opening EPF account.
- Changes in NPS structure from a perspective of individual taxation, like making it from a Exempt- Exempt- Tax to an Exempt-Exempt-Exempt scheme similar to PPF and insurance.
- Changes in withdrawal structure to permit pre-mature withdrawal in case of emergency sitiuations needs to be taken up. Currently pre-mature withdrawal is not possible. Although pre-mature withdrawal may look like defeating the purpose of the scheme , however, to increase the popularity there must added flexibility in the current scheme.
- The investment model of NPS can be changed to a hybrid model with a component of insurance along with the retirement benefits. This can help to make the scheme more attractive and also will serve dual purpose for individuals.

Policy changes by Government

- Government of India must take immediate steps towards development of an annuity market in India like promoting the retail investments in debt market.Currently individuals have limited access to debt market as result there is an underdeveloped retail debt market in India and it inturn is not helping to grow the annuity market in India.
- A drive on national level to drive National Pension Scheme on lines of Jan Dhan Yojana is required to increase the subscriber based in NPS.
- Fund management under NPS must be re-looked. Current multiple asset management companies model is good to in order to ensure better performance on

returns owing to the competition but due to distribution of corpus advantage of economies of scale is being missed.

- Intermediary channel for distribution of NPS must be incentivized and also must be mandated to push the scheme.
- Re-look at the reverse mortgage product regulations and some mandatory lending by banks in this product to be made mandatory.

Intermediaries

- Intermediaries should focus on increasing awareness of the prospective customers towards retirement planning rather just focusing on selling of financial products.
- Intermediaries should impose strict actions on their channel partners and staff to prevent mis-selling of financial products.
- Reverse mortagage as an important financial product must be suggested by intermediaries as current awareness of individuals in this area is very low.

Responsibilities of Employers

- For the individuals employed in organised sector, employers make small constibution towards NPS, making a part of company provided retirement plan.
- Activities to increase awareness about financial planning for reitrement must be made a part of staff-welfare activities.
- As per findings, it has been observed that individuals in age group 25 to 30 years think less about retirement,so employers should include a training or awareness program for employees in the age group of 25 to 30 years.

8 CONCLUSION

One big reality of life is retirement, and planning for retirement is still a nascent concept in India. Although it is thought about and talked about all over, but the actions for retirement planning are still not focused by individuals. Retirement planning is very dynamic process and is affected by numerous factors. Individuals need to keep an eye of the social, economic and political factors along with his requirements while planning for retirement. It is that demographic factors affect all the areas of retirement planning. The most important thing to realize before it's too late is that everyone himself has an onus to plan for his retirement. The social security measures, employer benefits and family support are unreliable.

The entire world is attracted by the financial markets in India. However the participation of common man in markets is very low. Also it is thought to sentiment driven and maturity of the market has been questioned on numerous occasions. One major concern from retirement planning perspective is the underdeveloped pension market in India. The annuity options are very limited and individuals lack faith in them. The governments key initiative of National Pension Scheme is not seen picking up pace to the desired level. No doubt two most important feature of NPS, the withdrawals and taxation need to be reformed as soon as possible.

The Indian values are helping individuals to be in better state as far as savings is concerned. The habit of saving is certainly exists amongst the Indians but channelization of these saving to earn decent returns and this saving achieving long terms financial objectives of individuals in the need of the day. For this the intermediaries needs to put up their hands and create awareness and focus on more solution selling than product selling.

9 SCOPE FOR FUTURE RESEARCH

The goals and objectives of this study were decided and studied accordingly. Since in depth studies in these areas have long term socio-economic dimensions and repercussions, the scope of the investigations can be further expanded as follows:

- A detailed similar analytical / comparative study can be taken up for the age group 45 years to 60 years of age.
- The work has been restricted to the geographical corners of Pune city only. A comparative study of equivalent cases across various cities in the country can be taken up.
- The further research is also possible by employing new research methods like mystery audit to understand the knowledge levels of intermediaries, to address ethical issues of selling insurance products as retirement planning products.
- An analytical study of National Pension Scheme as reitrement planning solution.

1. CHAPTER: INTRODUCTION

1.1 Introduction

How is that people are motivated to go to a doctor but not motivated to go to a financial counselor" if individuals are ultimately responsible for their own financial health

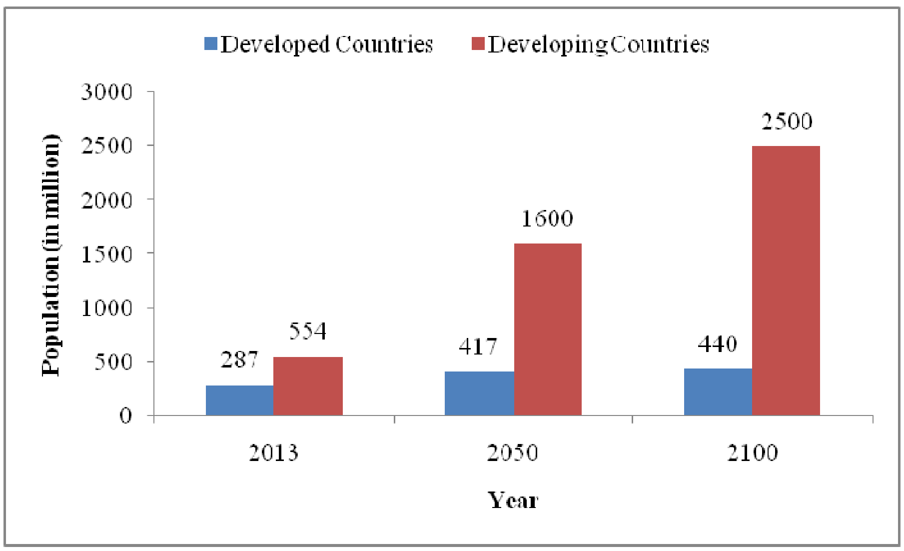
(Bowditch, 2005)

The quote stated above touches on two central and divergent aspects of individual financial planning behavior for retirement, firstly the lack of motivation to engage in financial planning, and secondly the increasing responsibility of the individuals for their financial situation in retirement phase. These observations triggered the researcher's interest in researching individual retirement specific financial behavior; encompassing both the perspectives an individual has on his financial situation in retirement and the specific financial planning actions the individual takes. The simultaneous investigation of these two aspects of individual retirement specific financial planning behavior is becoming increasingly important in academic world and in practical life, as relevance of financial provision for retirement is rising for the individual, companies, policy-makers and for society as a whole.

1.2 Background of the research

World population is increasingly growing older. The panorama of enjoying a retired life lasting 20 to 30 years is by now a reality (Twigg, 2013). In the 34 countries which make up the "The Organization for Economic Co-operation and Development" (OECD), a study showed that the average retired life presently lasts over 18 years (Twigg, 2013). By the middle of the twenty-first century, it is perfectly realistic to predict this will become the custom in all developed as well as developing countries across the world.

Figure 1.1 Population above 60 years in million



Source: (United Nations, 2013)

As shown above in figure 1.1, in the more developed countries, the population aged 60 years and more is projected to grow at 1.0 per cent annually prior to 2050 and 0.11 per cent annually from 2050 to 2100. Further it is estimated to grow by 45 per cent by the middle of this century, growing from 287 million in 2013 to 417 million in 2050 and to 440 million in 2100. On the other side, in the less developed countries, the population aged 60 years or more is presently growing at the fastest pace ever, 3.7 per cent annually in the period 2010-2015 and is projected to increase by 2.9 per cent annually before 2050 and 0.9 per cent annually from 2050 to 2100. These numbers are expected to rise from 554 million in 2013 to 1.6 billion in 2050 and to 2.5 billion in 2100 (United Nations, 2013).

In response to the changes seen in the population above 60 years of age in the developing as well as the developed countries, all the countries in the coming decades will need to develop new approaches to make sure that retirement incomes will be both sustainable and adequate. Against this backdrop, the roles of the government, the employers, the family and the individual are already being redefined; so is the conventional dependence witnessed on the 'pension' as the main source of retirement income in many developed countries, as the financial risks facing households turn out to be more intricate.

With life expectancy still on the rise, the need to save and plan for retirement is becoming ever more critical. (Williams, 2013) Retirement planning possibly will no longer consist of merely putting money aside every month. The outlook of retirement is anticipated instead to see a primary change in individual's lifestyles with a mounting aspiration to combine work and leisure to help deal with the costs of longer life expectancy. Employment by now forms part of many individual's retirement plans as huge gap is seen in numerous countries between state retirement ages (the age at which people become eligible for any social security entitlements) and the 'effective' retirement age (the age at which individuals essentially discontinue working). However, in current times we have seen an acknowledgement among those in their early 30s and 40s that working in retirement is, and may have to be, part of their formal retirement plans. (Twigg, 2013) With employment now being a part of a flexible retirement plan, it is clear that the labor market will need to acclimatize and health and long-term care policies need to be formulated aimed at promoting more active and healthy life styles among older workers.

The impact of the economic meltdown shows how shielding incomes and assets against unanticipated life events, like as of unemployment and ill-health, should play a primary role in protecting individuals' ability to accumulate wealth for the long-term during their earning phase in life. Protecting family assets against the rising cost of a frail retirement, present an additional financial challenge. As the majority of people in developed countries can now expect to live into their 80s and beyond, many of those people will need added long-term care provided through the state, families or other private sources. Efforts to elevate awareness about the risks of retirement income shortfalls need to carry on.

1.3 Background of the research –Indian context

Nearly half of their present populations being under the age of 25 years, India has a huge demographic "dividend" which need to alter a few habits with immediate effect or it may be too late. India is on a path of becoming the most populous country in the world by 2028, overtaking China. By 2050, the Indian population above the age of 65 will surpass 200 million from about 80 million now, while the Indian population above 80 years of age will be at 43 million, next only to China (Sharma, 2012).

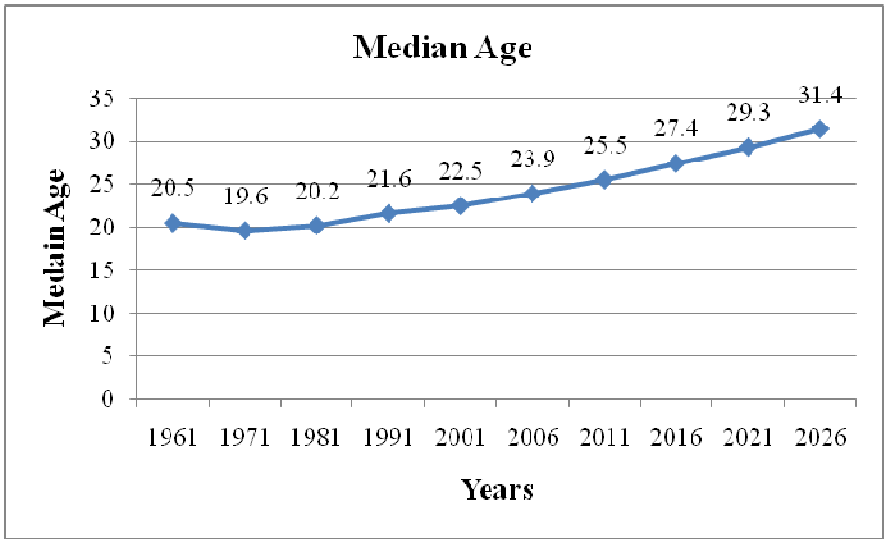
According to a survey by Hong Kong and Shanghai Banking Corporation (HSBC) titled, "The Future of Retirement--It's Time to Prepare," it is likely that by 2050 for the first time, India's elderly will equal the number of its children. Along with this, a study by the United Nations suggest that similar to the global trend of enhanced life expectancy and declining fertility rates, old-age dependency ratios will rise, mainly in developing countries like India.

This makes it quite evident that greater resources will be required to be set aside for the elderly population. “There is a significant requirement for retirement planning, both at the individual level and for the Indian population as a whole," says Canara HSBC OBC Life Insurance Company's appointed actuary Chirag Rathod. This needs increased awareness of the whole society about the necessity for appropriate retirement planning and the threat of outliving your savings. Given the sheer scale of this impending demographic shift, India's plan or the lack of one to take care of its elderly, deserves a closer look.

1.3.1 Changing trend in Median Age

The growing population dynamics in India arising out of the combined effect of declining fertility and growing longevity and subsequent shifting of the population age structure cannot be overlooked.

Figure 1.2 Trend for median in age (in years) for population of India



Source: (Registrar General and Census Commisioner of India, 2006)

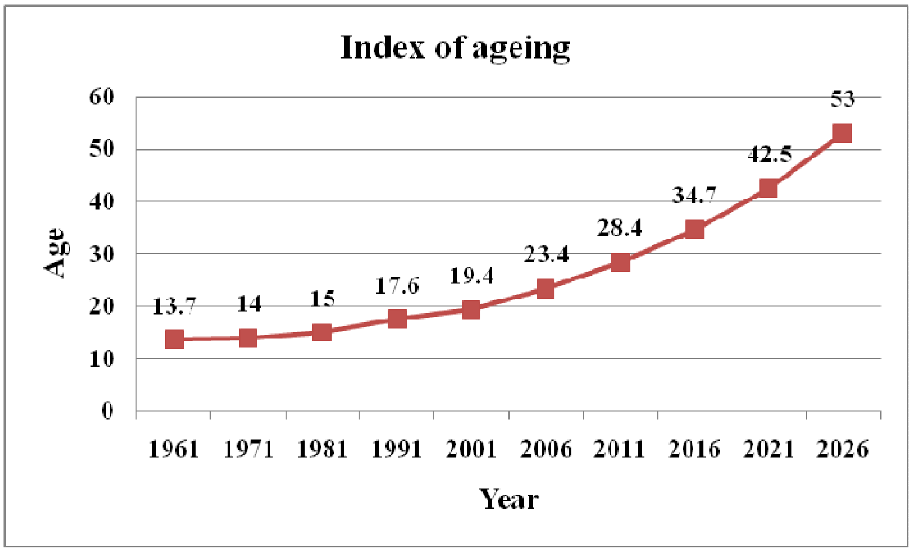
The figure 1.2 above put forth's the trend in the median age (in years) of the population for the period from 1961 to 2026. Until recently, India, like the developing countries, had a population structure which was young with the median age hovering at around 20 years from 1961 to 1981, and rising marginally to 22.5 years in 2001. However, the projections suggest that the country is slowly but surely transitioning away from a young age structure with a steady rise in the median age to 31 years by 2026.

This median age will further increase beyond 2026. As a result, more percentage of population will be dependent on the young population. This is will also have adverse effects on the productivity of the nation.

1.3.2 Index of ageing

The index of ageing is the shift in the balance between the younger and older population and is expressed as the number of people above 60 years for every 100 children below the age of 15 years.

Figure 1.3 Index of ageing



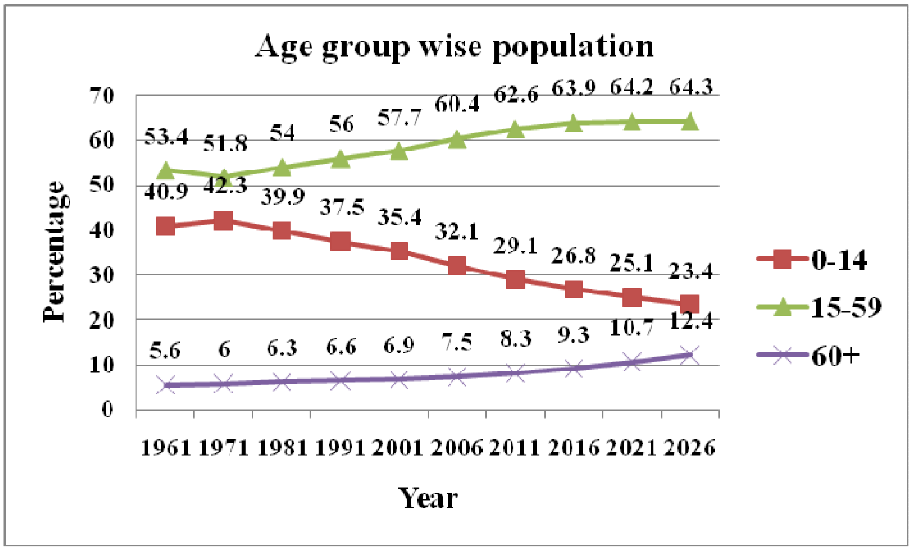
Source: (Registrar General and Census Commisioner of India, 2006)

As shown in figure 1.3 above, in India, the index of ageing increased slowly between 1961 and 2001, but is projected to rise more rapidly in the following 25 years. In 2001, the index of ageing was 23.4 elderly persons for every 100 children but this number is expected to rise rapidly to 53 elderly persons for every 100 children by 2026, signifying an increasing pace of ageing in the coming decades.

Thus, being aware, that nuclear family structure in country is becoming weak, individuals will now need plan for their own retirement well being. Also the government which is already burdened with huge pension payments will have additional reasons to be worried.

The trends in index of ageing are also seen to be applicable to the trends in the distribution of the Indian population by three broad age groups.

Figure 1.4 Population by broad age groups India, 1961-2026



Source: (Registrar General and Census Commisioner of India, 2006)

Figure 1.4 above shows the proportion of population aged 15-59 and 60 years and above is expected to rise, while that of the 14 and below age-group is expected to fall rapidly. While the age group of 15 to 59 years will stay the leading group up to the year 2026 as a consequence of fertility levels in earlier years, this trend appears to be plateauing. The projections by the UN population show that shortly after the year 2050, the population of the elderly in the country will surpass the number of children (United Nations, 2010). This tipping point is expected to take place in India just about five years ahead of the less developed regions as a whole.

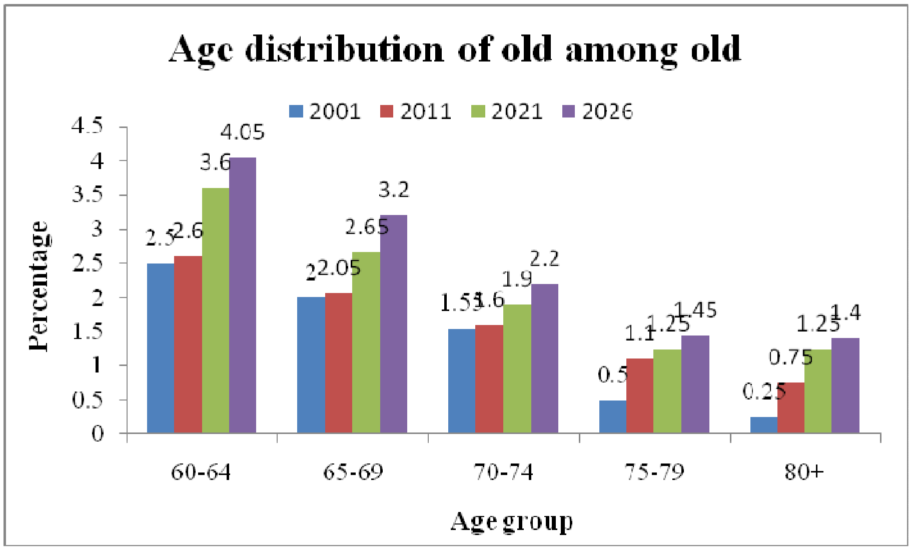
One noticeable development among the older population as a result of improvements in health and life expectancy is the rising numbers of oldest old or the population above 80 years.

Table 1.1 Distribution of oldest among the old in India

Age group	2001	2011	2021	2026
60-64	2.5	2.6	3.6	4.05
65-69	2	2.05	2.65	3.2
70-74	1.55	1.6	1.9	2.2
75-79	0.5	1.1	1.25	1.45
80+	0.25	0.75	1.25	1.4

Source: (Registrar General and Census Commisioner of India, 2006)

Figure 1.5 Distribution of oldest among the old in India



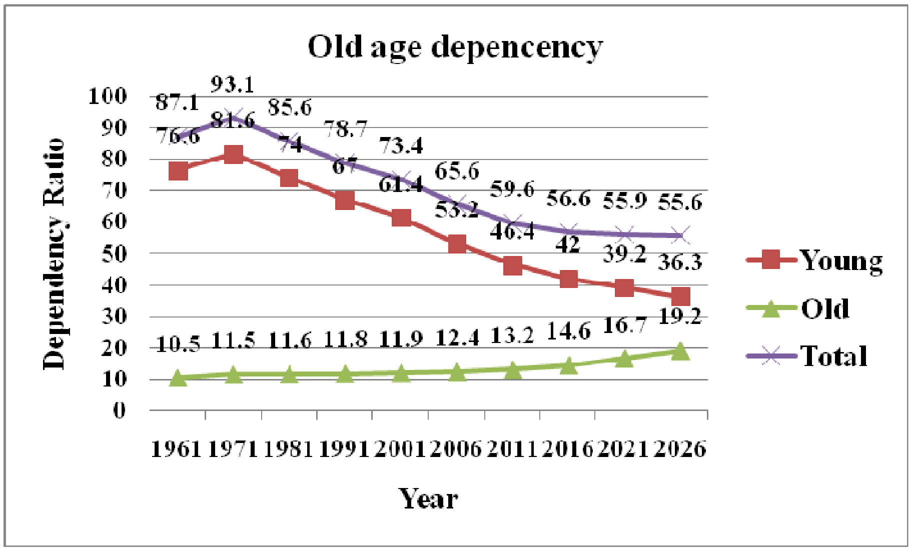
Source: (Registrar General and Census Commisioner of India, 2006)

The age wise distribution of the older population is presented in figure 1.5 above. The data illustrate that each age group within the elderly population is estimated to grow considerably over the next 15 years. While the number of older persons in general is rising, the increase among the oldest old of 80 years and above, who will have special needs for health and support is principally very sharp.

1.3.3 Increasing Old Age Dependency

Dependency ratio is defined as the ratio of the dependent population to that of the working age population. Dependency ratio is a key indicator of the economic burden carried by each working person. The young age dependency ratio reflects the dependency burden from children below 15 years of age. Similarly, old age dependency is the ratio of persons aged 60 years and above to the working age population.

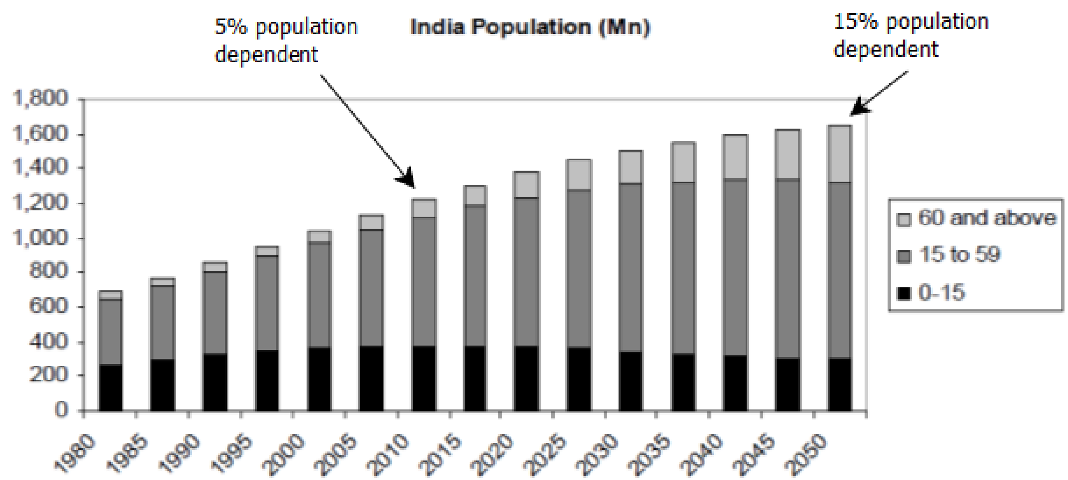
Figure 1.6 Dependency ratio in India



Source: (Registrar General and Census Commisioner of India, 2006)

As seen in figure 1.6, in 2001, the total dependency ratio (from both the young and the old age-groups) was considerably high (73 per cent) but is estimated to fall to 56 by 2026. The young age dependency ratio is normally much higher than the old age dependency ratio due to the young population age structure in India. While the young age dependency ratio is projected to fall by 25 percentage points to 36.3 by 2026, the old age dependency ratio shows a rising trend and is estimated to rise by about 7 percentage points through the same time.

Figure 1.7 India Population by age 1980-2050 (Million)



Source: (Population Division of the Department of Economic and Social Affairs of the United Nation Secretariat, World Population Prospects)

Figure 1.7 above presents the comparative historical data and future projections on the dependency of the Indian population from year 1980 to 2050. It can be seen that the percentage of dependent population has slowly increased in period from 1980 to 2015. However, from the period 2015 to 2050 the percentage of dependent population is expected to increase at a higher rate. In 2050, India is likely to have 15% of the old population being dependent on the earning population.

Although, the transition from a young to an older age structure reflects a successful and pleasing outcome of health improvement, the rate of ageing and the size of the older population with varying needs and resources creates numerous challenges for policy makers. The percentage of elderly has risen and is projected to rise further, while the percentage of the young age-group is falling, making in a slow but sure shift to an older population structure in the country. Further, the shift from a young age structure is not homogeneous all over the country. A growing older population means the requirement for a higher quantity and quality of elderly services, provisions of income security and enhanced quality of life on the whole. The need for social pension payments and consequential financial outlays to meet the rising old age dependency and falling support base are more significant for policy consideration now and in the future. Further, older persons and their families will have to deal with challenges arising out of increased longevity (Antony, 2009).

1.4 Current Pension Systems in India

In India, the concept of old age security and old age income support system has a long tradition and dates back to the 3rd century B.C. According to Sukraniti, a king had to pay half of the wages for people having completed service of forty years (Ayanendu Sanyal, 2013). The evidence of practices of civil service pension is found from as early as in 1881, the time of the British colonial rule. At that time the retirement benefits were provided by the Royal Commission on Civil establishments. Additional provisions were made by the Government of India Acts of 1919 and 1935. Further a consolidation and expansion of these schemes were done to provide retirement benefits to the entire public sector working population. Several provident funds were also set up in the post-independence era, to enhance the coverage among the private sector workers.

India currently lacks a broad social security plan similar to the United States; however the policymakers have created some retirement-focused savings financial instruments. The old age security system in India can be classified as follows-

1. Civil Service Schemes
2. Employee's Provident Fund Organization Schemes (EPFO)
3. Occupational Pension Schemes
4. Public Provident Fund
5. National Old Age Pension Scheme
6. National Pension Scheme
7. Micro-pensions and Other Alternatives

1.4.1 Civil Service Pension Schemes

These schemes provide pension to Central and state government employees. The pension payment under these schemes is in form of a defined benefits plan and is related to final salary. The pension payments are made out of current revenues of respective central and state governments. In the last decade these schemes are changing from Direct Benefit (DB) scheme to a Direct Contribution (DC) scheme, for the new entrants (New Pension System) whilst for the employees who joined the civil service prior to 2004 and armed forces continue to avail pension benefits based on old schemes.

1.4.2 Employee's Provident Fund Organization Schemes (EPFO)

On November 15, 1951, the Employees' Provident Fund (EPF) came into existence. It was replaced by the Employees' Provident Funds Act, 1952. A tri-partite Board known as the Central Board of Trustees, Employees' Provident Fund manages the scheme. It consist of representatives of Government (both Central and State), employers and employees. The Board manages pension scheme, a contributory provident fund, and an insurance scheme for the workforce engaged in the organized sector in India. Based on the clients and the volume of financial transactions undertaken by it, it is one of the world's largest organizations. The Board is assisted by the EPFO and operates following three schemes:-

a) Employees' Provident Fund Scheme (EPFS), 1952 which is a mandatory saving scheme for old age/ contingencies.
b) Employees' Pension Scheme (EPS), 1995 which provides pension to members, widows, widower, children, orphans, physically disabled members and dependent parents or nominee.
c) Employees' Deposit Linked Insurance Scheme (EDLIS), 1976 which makes provision for insurance benefits to beneficiaries of members who died in harness.

All the workers in the formal sector with monthly earnings of Rs.6,500 or less at firms with 20 or more members in defined industries are compulsorily covered by the EPFO.

The EPF has its own problems. The first and foremost is reach: Only the organized sector, formally employed segment of the working population is covered by EPF. There is a huge portion of the Indian population including entrepreneurs, agricultural labor force self-employed businessmen, and others work in the so-called "unorganized" sector. As per the PFRDA report, on March 31, 2013, a total of 7.43 lakhs establishments have been covered by EPFO with an enrollment of 887.62 lakhs members. About 44 lakhs pensioners enrolled with EPFO are being paid monthly pension. (PFRDA Annual Report 2014).

In addition, although the government offered a high rate of interest in the early years of the plan, yields have since come down. And even though the EFP's automatic contributions implant investing discipline on workers, participants can withdraw their savings after leaving their current job in lieu of transferring their account to their next employer, in the process dealing a big blow to their retirement savings potential.

1.4.3 Occupational Pension Schemes

The civil servants have similar type of pension arrangements like the public sector enterprises. These systems are now undergoing a change and the majority of them have turn into contributory schemes. The private sector enterprises as well provide pensions and contribute in these types of schemes. However, the mode of payment of pensions varies from enterprise to enterprise. The enterprises occasionally manage the fund themselves and at times jointly with pension providing companies.

1.4.4 Public Provident Fund

In 1968, the Public Provident Fund (PPF) was initiated and its stands as a voluntary tax-advantaged direct contribution saving scheme using personalized accounts. This scheme is open to all citizens (excluding Non-Resident Indians) but as income tax benefits is used as key incentives for participants, mainly formal sector workers are attracted to the scheme, who pay income taxes. The minimum contribution and the maximum contribution is Rs 500/- per annum and Rs.1,50,000/- per annum respectively. Withdrawals are permitted from the sixth year and a subscriber is allowed to withdraw the entire fund at the expiry i.e. after period of fifteen years. It extends loan facilities from third financial year up to fifth financial year.

1.4.5 National Old Age Pension Scheme

In 1995, the Indira Gandhi National Old Age Pension Scheme (NOAPS) was launched for the population aged above 65 years and above, and below poverty line (BPL). It consists of pension amount of Rs. 200 per month from the central government with additional contribution by the state, according to the discretion of the State Government. In 2011, the eligibility age was reduced to 60 years and the central governments contribution was increased to Rs. 500 per month for persons above 80 years.

1.4.6 National Pension Scheme (NPS)

From December 22, 2003, as step to move away from the defined benefit EPF, the Indian government established the National Pension Scheme (NPS) for all new recruits of central government (excluding armed forces) joining service on or after January 1, 2004. The NPS was established based on the Old Age Social and Income Security project (GOI, 2000), Report of the Working Group (GOI, 2001) and Report of the High Level Expert Group (GOI, 2002) commissioned by the Central Government. Further to these reports Pension Fund Regulatory and Development Authority (PFRDA) was set up in October 2003 and PFRDA bill was introduced in the parliament in 2005. On May 1, 2009, an extension of the NPS occurred when this scheme was extended to all citizens of India. This was an attempt to create a defined contribution plan along the lines of the 401(k) in the United States. The voluntary pillar was introduced on December 1, 2010. NPS-Lite was introduced in order to widen the coverage. These schemes are all contributory schemes with individual retirement accounts and do not provide a guarantee of pension. To encourage people from unorganized sector to open a pension account, government has started a new initiative, '*swavalamban*', under which government contributes Rs. 1000 per annum for each NPS account in 2010-11 to 2012-13.

It is widely accepted that the NPS is a broad step in the right direction but still a few wrinkles need ironing. NPS is the cheapest financial product launched by government, setting a charge of just 0.0009% in management fees. Even though the low fees are great for investors, it's no wonder the government-appointed funds for running the NPS aren't especially motivated to promote wider adoption of the scheme.

Second, the mandatory requirement of purchasing an annuity upon reaching the retirement age goes against the scheme for the simple reason there aren't any annuity providers to speak of due to an under-developed annuities market in India, which further complicates the matter.

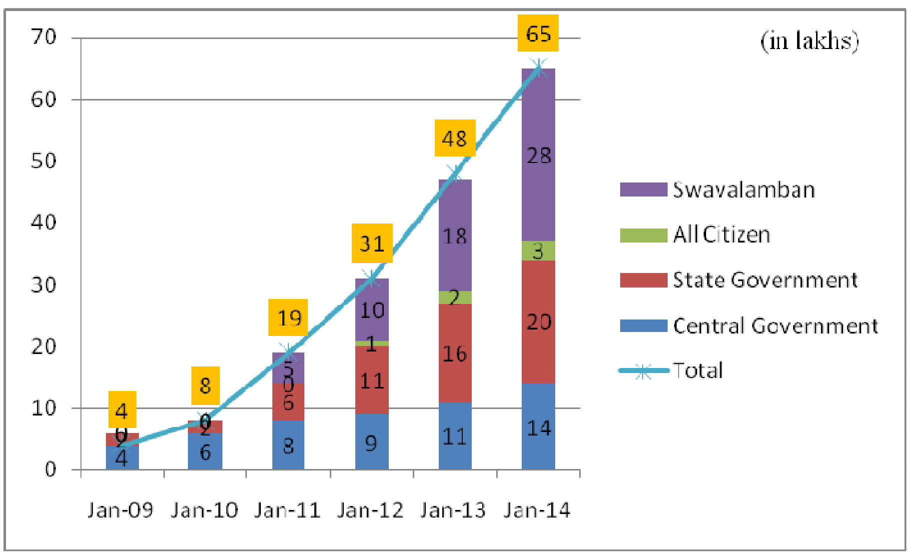
Table 1.2 below presents the details of the subscription the ambitious National Pension Scheme from the year 2009 to 2013. The number of members of NPS in the year 2013 stands at 65 lakhs.

Table 1.2 Number of subscribers under NPS (in lakhs)

Year	Central Government	State Government	All Citizen	Swavalamban	Total
2009	4	2	0	0	4
2010	6	2	0	0	8
2011	8	6	0	5	19
2012	9	11	1	10	31
2013	11	16	2	18	48
2013	14	20	3	28	65

Source: (PFRDA Annual Report, 2013-14)

Figure 1.8 Number of subscribers under NPS



Source: (PFRDA Annual Report, 2013-14)

As seen in the figure 1.8 above, the rise in subscription for NPS over a period of 5 years is not very encouraging. The scheme covers less than 0.5 % of the entire population. Also the participation of the normal citizens is found to be very low. Researcher through his survey would like to explore the probable reasons for the low response for the very important scheme.

1.4.7 Micro-pensions and Other Alternatives

Micro-pensions are provided by microfinance institutions. In recent years Micro-pensions have gained considerable relevance in India with the development of MFI's and NGO's. Micro-pensions adhere to the needs of very specific individual groups or local communities in exchange of low contributions and low premium. In terms of coverage, one of the most successful example is Self-Employed Women's Association (SEWA). In 2009, 50,000 self-employed women were enrolled in SEWA's micro-pension scheme. Nevertheless, micro-pensions are targeted to specific groups and can certainly be regarded as a measure to reach certain economically disadvantaged groups but not the masses. Other alternatives are long-term saving options offered by banks, and pension schemes offered by insurance companies that provide the investor with a choice of funds.

After studying the various available pension schemes in the country, researcher tried to find the coverage of the pension network in the country. Table 1.3 below presents the coverage of the various available schemes in India.

Table 1.3 Coverage of Indian Pension Network

Scheme Name	Up to Year	Coverage (in Millions)
EPFO[a]	2011-12	85.5
Civil Servants[b]	2009-10	2.6
State Government[c]	2009-10	7.4
Local bodies[d]	2009-10	2.1
Central Government and Autonomous Bodies[e]	2009-10	3.5
State Government and Autonomous Bodies[f]	2009-10	2.4
Defence[g]	2012-13	1.3
PPF[h]	2009-10	1.0
NPS(excluding bcdef)[i]	2013-14	2.2
NOAPS[j]	2004-05	2.2
Formal Sector coverage outside EPFO[k]	2009-10	5.0
Micro-pension and other Private pension[i]	2011-12	2.1
Total		117.1

Source :(a) EPFO Annual Report, 2011-12;(b)(c)(d)(e)(f) http://mospi.nic.in;(g) World Military Balance 2013;(j) Estimated from NSSO 61st Round and Tendulkar Report on poverty(k)Stelten 2011 ;(l)Stelten (2011)(Stelten, April 2011)

EPFO is the scheme which has highest number of subscribers and is around 72% which is followed by the state government pension schemes. On the whole only around 1% of the population is covered by some kind of pension scheme. Thus the coverage of pension schemes remains to be very low in the country.

In India there are multiple target segment oriented pensions schemes. However coverage of all the schemes still remains to an issue. For the private organized sector employees NPS can be a very good an additional option along with EPFO.

1.5 Need of the study

It has been largely discussed that India will enjoy the benefit of a 'demographic dividend' in the medium term, especially in comparison to other Asian countries like China and Japan. Over the next thirty years, India's young population is projected to ring down the 'dependency ratio' i.e. higher proportion of working population which will result in increased average savings rate.

> ***"By providing financial protection against the major 18th and 19th century risk of dying too soon, life insurance became the biggest financial industry of the century. Providing financial protection against the new risk of not dying soon enough may well become the next century's major and most profitable financial industry,.."***
>
> Peter Drucker

However, over the next few decades, India is also expected to face the same demographic challenges like its peers. The dependency ratio is likely to increase when the next generation of working population approaches retirement. And hence India is also likely to face the challenges of an ageing population. With the increasing life expectancy, the retirement gap will further widen. The gap between the retirement age and average life expectancy is termed as retirement gap. The wider the retirement gap results in the higher the financial burden for the individual as well as the government (Fried, 2011).

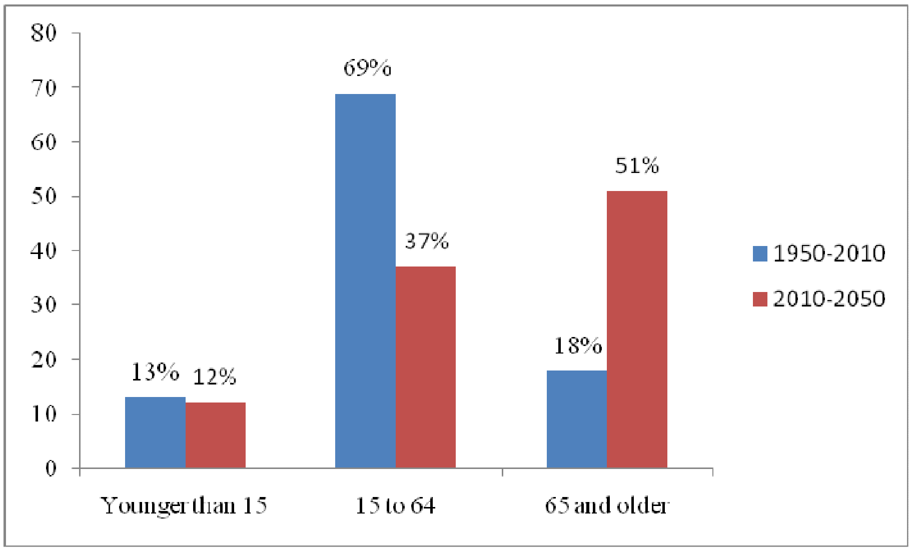
Baby boomers are the people born between the years 1946 and 1964 i.e. after the Second World War. These people age between 51 and 70 years as of 2016, so it important to understand their demographics. These people may have either retired or will be approaching retiring over next few years. Retirement planning is important for every generation; a person is never too old or too young to plan for retirement, however, researcher feels special discussion must be carried out about these people as this generation represents roughly 27 percent of the population. This set of people has progressed through the various phases of life cycle. The issues or challenges faced by these can be lessons to the coming generations. To understand the implications of these demographics on retirement researcher has considered the following findings in the study in the United States carried out by McKinsey Global Institute , Talkin About My Generation : The Economic Impact of Aging US Baby Boomers, 2008:

- It estimated that about two-thirds of baby boomers are unprepared for retirement.
- It also reported that the saving rates for baby boomers did not peak during prime earning years as they did in previous generations. Thus it indicated there is an overall lack of savings.
- An EBRI survey reported that 68 percent of all workers between the ages of 45 and 54 have less than $100,000 in total savings and investments (excluding value of residence). The same is true for 59 percent of all workers 55 years of age and older (Employee Benefit Research Institiute (EBRI), 2009).
- EBRI survey also reported that a over 50 percent of all workers over age 45 have not calculated the amount required to be saved for retirement.

Certainly, there will be rise in the demand for products and services used by the retirees. This might lead to increase in prices of certain products and services which are basic necessity like the medical facilities. Considering the fact that many boomers have not calculated their retirement income needs, indicates a lack of awareness and overall preparation to provide even a basic level of retirement income. Consequently, baby boomers need to focus intensely on planning for retirement.

Figure 1.9 presents the age group wise population during the baby boomer phase in the US. The percentage of population in the different age groups in the US during the baby boomer phase is used with view of understanding similar kind of phase in India.

Figure 1.9 U.S. Population growth accounted by age groups 1950-2050



Source: (United Nations, 2013)

Considering the above figure 1.9 it is clear that the baby boomer phase did not co-exist in Indian context from 1946 to 1964.Looking at table 1.4 below it can be said that probably currently India is in a similar baby boomer stage with the large segment of population being young and working. However when the current workforce is at stage of retirement or nearing retirement, it is very likely that India will face the similar issues as US is facing in recent times. India today can be compared to US with 10 year ahead of its baby boomer phase. The percentage of workforce in age 14-59 years was around 69 % for US and compared to that of India to around 67 %.

Table 1.4 Percentage of Population in selected age groups India 1991 to 2011

Age group (years)	Census 1991	Census 2001	Census 2011
0-4	12.2	10.7	9.3
5-9	13.3	12.5	10.5
10-14	11.8	12.1	11.0
15-59	55.4	56.9	67.3
60+	6.8	7.4	8.6
Age not stated	0.6	0.3	0.4

Source: (Registrar General and Census Commisioner of India, 2006)

The survey results of McKinsey for the baby boomers can be a wakeup call for Indian workforce. If the similar situation exists in India too, we can proactively take actions for a big chunk of the population for their well-being in retirement. With this background the researcher understands that the current age group of 25-45 years is segment which is likely retire or have retired over next 25 to 35 years. This is set of the population who might be the first to face the issue due the change in demographics. So the researcher feels it is utmost important to understand the preparation of this segment for the retirement.

1.6 Critical Issues for Retirement Planning

After understanding that there is need of further study in the area of retirement planning, researcher felt, it to be the pre-requisite to understand on larger canvas the critical factors or issues that affect the well-being of an individual in retired life. Researcher then studied the various critical issues affecting or impacting retirement planning identified by various researchers all over the world including the developed countries. Then researcher has tried to understand relevance of these issues in Indian context.

1.6.1 Demographic factors Age, Education, Gender, Income and Retirement Age

Among the factors related to retirement planning plans, age, education level, gender, and household income are characterized as important demographic factors toward individual retirement preparation (Asian Social Science, 2016).

1.6.1.1 Age

Researcher has come across numerous studies and reports that have tried to examine the effect of retirement age on retirement planning and all the studies have shown that age to be associated to retirement planning. Richardson and Kilty has stated that age is an important and consistent factor driving human behavior with regards to retirement planning (Richardson & Kilty, 1989). Also, Lee and Law (2004) have suggested that individual's motivation level for taking actions for retirement planning increase with increase in age and income. (Mohd Fitri Mansor1, 2015). This view is also supported by Montalto, Yuh and Hanna (Montalto & Hanna, 2000) who suggested that income and age are found to be correlated in influencing individual's behavior towards planning for retirement.

1.6.1.2 Education Level

There is wide-range of studies on retirement planning considering the education level. Joo and Pauwels in the findings of their study suggested that education level is one of significant factors affecting preparation for retirement planning (Joo & Pauwels, 2002). Further according to their study, the sources of information will influence individual's attitude, decisions and intention towards retirement planning and the information of education can also help individuals to explore more regarding their retirement planning. Also, DeVaney in his study stated that education levels can serve as a motivator or provide guidance to individuals for commencing their retirement planning activities. Furthermore, Joo & Pauwels suggested that individuals may experience and exhibit elevated confidence level in their retirement planning if they have superior education level. Individuals with higher education credentials tend to be more confident and perform better in their retirement planning as compared to people who had received lower levels of education. Thus it exhibits that education levels and confidence for retirement planning are found to be positively associated.

1.6.1.3 Gender

Along with age and education level influencing on retirement planning, gender difference is also a major predictor in retirement planning studies. As per Lusardi and Mitchell "Men are found to be better prepared and ready for their retirement planning as compared to women". (Lusardi, A., & Mitchell, O., 2008). In addition, women are found to be less prepared of their retirement planning due to lack of adequate financial resources than men. Quite a lot of earlier findings discovered that individuals regardless of gender, individuals who possess higher financial literacy and money tend to be more tolerant to risk. Also there studies which suggest that gender difference does not have any effect on to the decision making on retirement and the likelihood of both genders' behavior seeking professional services for retirement are the same.

1.6.1.4 Income

Another demographic variable that is often studied in regards to retirement planning is income level. It is certainly an important parameter. The simple reason for importance of income is that individual's must possess enough wealth or money sources in order to plan for retirement (Richardson, V., & Kilty, K. M., 1989). According to Ruhm, every individual's preparation is different from another individual. Understanding the requirements of money during retirement age is a difficult task. Also the attitude to seek professional services for retirement planning are influenced and controlled by income factor. It has been statistical found that people with higher income have higher motivational level to seek professionals help in regards to investment decision, but the people from lower income group having less income are unlikely to seek professional services for retirement planning. Due to this reason, income is considered highly associated to the retirement planning (Richardson & Kilty, 1989).

The above discussion raises a question in the mind of researcher, that in what way does these demographic factors age, education, gender, income and occupation affect the various practices followed by individuals for retirement planning. Also all the above researchers have studied all these factors separately so what will be the collective effect of these factors on retirement financial planning.

1.6.2 The Three-Legged Stool

In developed countries like the United States, financial needs during retirement are met from three primary sources, often referred to as the legs of a 'three-legged stool'.

Figure 1.10 Retirement planning sources (developed countries)

Source: (www.impromed.com, 2015)

The sources are Social Security benefits, employer-sponsored pension benefits, and personal savings. In the United States, the observers have rightly focused considerable attention on the impending depletion of the Social Security Trust Funds. But less well known, yet also vitally important, are the precarious deficiencies in projected retirement assets in the form of employer-sponsored pensions and personal savings for a large segment of current workers. Shortfalls are forecast for all three legs of the retirement stool, making the financial prospects for many future retirees shakier than secure (Befort, 2007).

Figure 1.11 Retirement planning sources (India)

Source: (www.impromed.com, 2015)

In the Indian context the situation is scary, the non-existent social security and majority of workforce lacking employer provided retirement benefits, the three legged stool practically has only one leg. Thus for majority of the people in the country, retirement is a highly shaky affair with lot of onus on individual for his /her retirement.

The above discussion emphasizes that every individual must take timely actions and plan for retirement. Even then the majority of the people in India do not have a comprehensive plan for retirement. Researcher is fervent to understand the factors which enhances willingness or makes an individual inert towards retirement planning.

1.6.3 Need for Education and Advisors

As per the Urban Institute paper on retirement planning, in the United States from 1979 to 2006, the percentage of non-government employees subscribing a defined benefits pension plan declined from 39 percent to 20 percent. On the contrary, during that same time, the percentage of private-sector employees participating subscribing in a defined contribution plan improved from 15 percent to 43 percent. This reveals that over last three decades employers have been transferring the investment risk associated with retirement planning to employees. Unfortunately, this transference of responsibility has left many workers to manage their retirement portfolios with little or no education about retirement planning and investments. This presents a huge opportunity for the professional in financial services to provide education on retirement planning and enhancing financial literacy.

Even in India the government has moved away from defined benefits scheme to a defined contribution scheme for pension (National Pension Scheme).This schemes provides a choice to the individual to select a specific portfolio of investments amongst the available options provided by the scheme. However the NPS has not gained the subscription and popularity that was expected. On the other side in India, the insurance sector has demonstrated an impressive growth from 2001 to 2011.

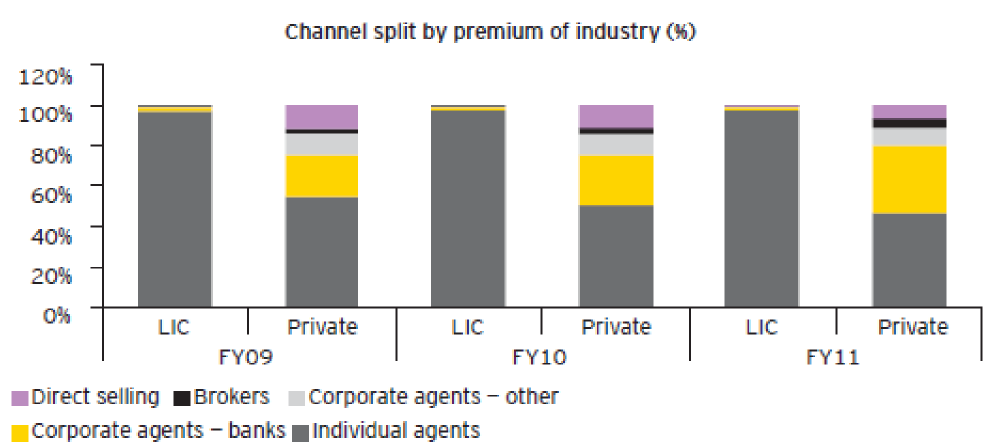
For last two decades, insurance has been projected as a retirement planning instrument. The insurance business in the country is mainly driven by the insurance agents. Table 1.5 below presents the growth in insurance premium in India from 2001 to 2013. There has been consistent growth in the insurance premiums till 2011. It is often said that “Insurance is sold and not brought”. So it will be important to study the various channels of collection of insurance premium to understand the role of intermediaries.

Table 1.5 Total Life Insurance Premium collected during 2001- 2012

Sr No.	Year	Premium of life insurance industry (Rupees in crore)	Percentage of change over previous year
1	2000-01	34898.47	---
2	2001-02	50094.46	43.54
3	2002-03	55747.55	11.28
4	2003-04	66534.75	19.56
5	2004-05	82854.80	24.31
6	2005-06	105875.76	27.78
7	2006-07	156075.84	47.41
8	2007-08	201351.41	29.01
9	2008-09	221785.47	10.15
10	2009-10	265447.00	19.69
11	2010-11	291638.64	9.87
12	2011-12	287072.00	Negative 1.57

Source: (IRDA Annual Report, 2012-13)

Figure 1.12 Distribution channel wise premium



Source: (IRDA Annual Report, 2012-13)

The major channels for distribution for the life insurance in India is the individual agency channel, corporate agencies, banks, broking houses and online. However the agency channel is most dominant in the insurance industry with 90% of the total premium collected is from the agency channel. This trend is majorly due to the LIC's business model which collects around 98% premium from this channel. On the other side the private sector insurers are more balanced in terms of business sourced from different channels, with agencies contributing 47%, banks contributing 33%, corporate agents 9%, brokers 5% and direct sales 6%.(IRDA Annual Report, 2012-13)

As seen in the previous section that individuals have an onus for retirement planning. However due to varying levels of financial literacy, individuals will need a support from intermediaries to hold their hands on this difficult journey. In India with the agency channel being the strongest in distribution of investment products, researcher is keen to understand the degree of influence intermediaries make in retirement financial planning decisions taken by individuals.

1.6.4 Financial literacy

Decisions related to retirement planning decisions are steadily becoming multifaceted, and elderly people are required to make vital financial choices. Developing plans for retirement which can maximize well-being during retirement is based upon their awareness of financial markets and financial calculations, understanding of their employer's retirement benefits, social security benefits, and medical benefits. Possibly the most vital decision a person needs to make is to determine economic well-being in retirement is the optimal retirement age. Making appropriate choices, however, requires higher level of financial literacy. As per Lusardi "On account of lack of financial literacy individuals do not engage in retirement planning". (Lusardi, 2008).Various surveys in the U.S. population have demonstrated very low levels of financial literacy.

In India, according to Harsha Jariwala (2013) in her research on financial literacy in Gujrat, India put forward that "Since last decade, the Indian economy has witnessed a number of structural and fundamental changes in the financial markets. While Indian economy is on a growth path, there is a strong realization amongst the players in financial markets that for this growth in Indian economy to be sustainable, a corresponding deepening of financial sector must precede. This is possible only when the financial literacy amongst individuals and households increases. Indian policymakers have understood that financial literacy as an essential life skill. (Jariwala, 2013).

Financial literacy around the world is found to be low as measured by various studies including the OECD survey study carried out across 13 countries. In India, the levels of financial literacy are poor even by the low global standards, according to some studies such as the VISA International Financial Literacy Barometer 2012 (Sobhesh Agarwalla;Samir Barua;Joshy Jacob;Jayanth R. Varma, June 2012).

1.6.5 Life Expectancy

"Forecasters, regardless of the techniques they use, have consistently underestimated how long people will live."

International Monetary Fund (IMF), 2012

It is found to be difficult to predict the number of years of retirement. This is an experience of individuals who have to plan their own retirement as well as by governments and financial institutions who model pension and entitlement program expenses. The financial impacts of this are very large. For the anticipated average life span increase of 3 years by 2050, the 'cost of ageing' would increase by 50% as per the predictions of the International Monetary Fund (IMF, 2012). There is not much data on individuals thinking about longevity or the reasons about the choice for selection of a particular estimation for their own lifespan. How long an individual will live is an important in context of longevity risk in retirement planning. The longevity data used for planning activities tends to underestimate life expectancy. Commonly used planning tools fail to provide help to the individual either by being too simplistic or by failing to provide the requirements with regards to customization.

Table 1.6 Longevity Trends 1970-2050 (in years)

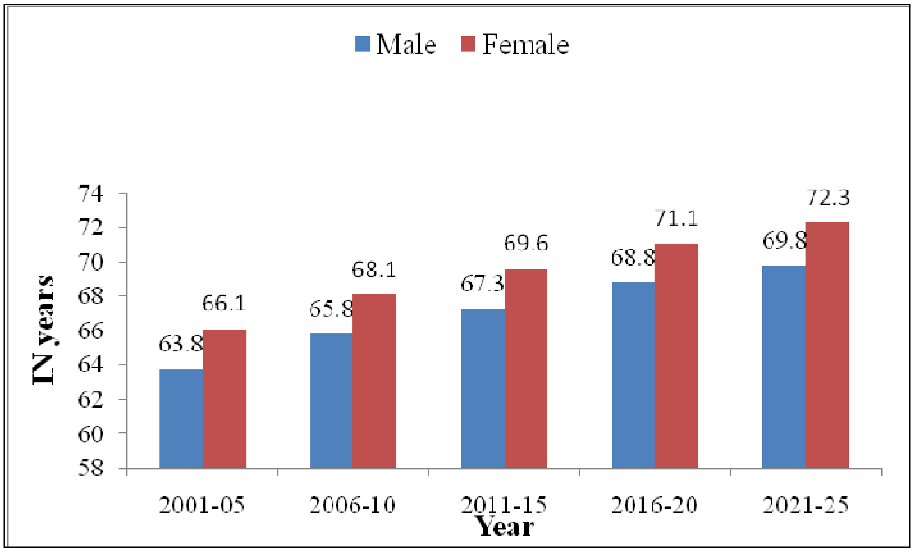
	Observed			**Projected**	
Change in life expectancy at birth	**1970-2010**	**Increase per year**	**Standard deviation**	**2010-2050**	**Increase per year**
United States and Canada	8.2	0.20	0.14	4.3	0.11
Advanced Europe	8.6	0.21	0.13	4.7	0.12
Emerging Europe	1.1	0.03	0.36	6.8	0.17
Australia and New Zealand	10.8	0.27	0.27	4.9	0.12
Japan	10.8	0.27	0.23	4.6	0.11
Changes in life expectancy at age 60					
United States and Canada	4.9	0.12	0.11	3.1	0.08
Advanced Europe	5.7	0.14	0.13	3.7	0.09
Emerging Europe	0.6	0.02	0.18	3.8	0.09
Australia and New Zealand	7.2	0.18	0.23	3.7	0.09
Japan	7.7	0.19	0.15	3.7	0.09

Source: (Retirement Planning in the age of longevity conference proceedings, May 9-11, 2012)

Table 1.6 above, provides the details of increase in longevity across the most developed countries in the world. The rate of increase is expected to rise till 2050. As seen earlier the life expectancy being underestimated by various institutes, the actual figures are likely to be higher than this figures posing more complexity to the problem.

As per the projections of the technical group of population projections, life expectancy in India is also on rise in line with trends in the other part of the world. Figure 1.13 below shows that in period from 2001 to 2025 life expectancy in India is projected to rise by around 6 years for both male and females. This means that the individuals will now need to plan for additional 6 years of retirement which is an uphill task.

Figure 1.13 Projected Values of Expectation Of Life at Birth 2001-2025



Source: (Report of Technical Group on Population Projections, May 2006)

Without any doubt life expectancy is a critical factor for retirement planning. However, this being a global phenomenon which is affected mainly by the external factors than the individual's intrinsic factors. Also it will be difficult for individuals to predict their own life expectancy; hence researcher is not planning to take up this factor in the research design.

1.7 Statement of research problem

Earning money is one of the prime motives of every individual's life. Money is a vital necessity of life. However, there is only specific phase in life during which he earns money i.e. from around 25 years to 60 years. In the childhood phase the individual is dependent on his parents and the retirement phase the individual is dependent on the results of his decisions related to retirement planning during the final phase of life. Everyone is set to retire at some point of time in his life.

For most of the individual's hope that the amount they are saving should be adequate, while some think that it is too difficult to predict whether their savings are sufficient or not (FSA, 2002). Willmore found that "Individuals' fail to understand their pension predictions, or they considered to be irrelevant sighting retirement is still a long way off". Willmore estimated that nearly 85 percent of the households in the world and 90 percent of its working-age population are devoid of any formal plans for retirement income in order to secure their old age income security (Willmore, 2007).

To have a comfortable retirement in the future, it requires individuals to sacrifice some comforts today. The main objective that is important for retirement planning is having a sustainable income flow and not having the stock of wealth (Bodie. Z, 2003). The most critical shortcoming of self-retirement planning is that it transfers the various retirement-planning risks like shortfalls in saving, incorrect choices of investment instruments, outliving savings to individuals who are untrained to handle these risks and often do not have the time, orientation or ways to manage them.

"Retirement planning is the most important financial goal for people in the 30-55 year age group, ahead of other goals like buying a house, education of children and marriage"

The above concept is supported by the results of the pan India "Retirement Survey" conducted by Reliance Capital Asset Management (RCAM), a part of Reliance Capital in collaboration with IMRB International, one of India's largest research agencies.

In current time there is a lot of economic movements which on a large extent impact the way people save, spend, handle risks and invest to protect their living standards in their retirement years (McNeil & Hunter, 2014). Globalization and rising urbanization elevate concerns regarding the future abilities of traditional family systems of support to provide for the increasing elderly population. Westernization due to the process of globalization will lead to an erosion of family support. With greater advancements in medical field, life expectancy of Indians has improved.

Realistically about one of the great achievements of the modern society is the increasing life expectancy. But this increase in life expectancy imposes considerable economic consequences for the individuals and country. Individuals are more likely to outlive their working years. With this increase in the number of years spent in retirement higher are the requirements for retirement income (Peglow, 2010). The financial sustainability of the social security systems in the country may get imperiled due to longer time spent in retirement.

The combined effect of increasing life expectancy and young population of India while looking around 30 years ahead may bring some factors which will be worry some. This thought is also echoed by Himanshu Vyapak, Deputy Chief Executive Officer, RCAM.

Shri Himanshu Vyapak said "India is a young country with the median age of its population under 30 years. We have around 100 million people today above the age of 60 years, which is expected to triple to 300 million by 2050. This will pose a huge economic challenge for the country, if we do not plan for providing right retirement options today. With this study, we have made an attempt to understand the mindset of the consumer towards retirement planning,"

S. Raman Whole Time Member of Securities and Exchange Board of India on 22nd May 2014 has raised a similar point while speaking on Retirement Planning Issues and Challenges in the Indian Context at IFIE /IOSCO Global Investor Education Conference, Washington DC.

"Well, having a developed financial market with various products to ensure income for retirement and saving from young for retirement may look to be a simple solution and theoretical. However this is not something which can be achieved in a short time. Also individual awareness about this possible problem is a key factor. Lack of effort and commitment on the part of employers and perception that retirement planning is merely restricted to long term savings and insurance products is major reason for slow growth in Pension sector in India "

On the backdrop of increasing life expectancy, changing population and family structure, insufficient coverage of pensions schemes, financial planning for retirement has become an important aspect of everyone's life. Retirement financial planning is a dynamic process and is affected by external factors like social and economic factors and also individualistic factors like financial awareness, financial literacy, saving habits, risk taking ability etc. The external factors are beyond the influence of the individual but the individual factors can be altered for better retired life. Hence it is important to understand the practices' followed by the young Indians for retirement financial planning. And going a step ahead it is equally important to understand the factors that influence individuals towards taking actions for financial planning for

retirement. A strong intermediary channel bridges the gap between the individuals and financial institutions offering retirement products and services, the current role played by intermediaries needs to be scanned thoroughly. Along with this understanding the individuals' awareness about available retirement planning and products and services can be provide guidance on future actions and course corrections.

1.8 About Pune city

Researcher intended to carry out the above research problem in Pune city based on following rationale.

- Pune city is a one of the major city in India with population exceeding 32 lakhs, as per 2011 census.
- Pune city has corporate offices of several companies from diverse fields like IT, media, automobile ancillary and consultancy, etc.
- Pune has offices of all the major of the financial institutions, wealth management companies, asset management companies and insurance companies.
- Pune city has rich cultural values and the people from almost all of states in India reside here, this will offer a good mix of population to source the appropriate sample.
- People here possess more time in comparison to metro cities to spend on investment planning related decisions. This factor allows / supports researcher to study retirement financial planning amongst individual in wealth creation stage.
- Above features make Pune city suitable for the study.

1.9 Significance of the Study

The study will help to bring out the practices followed by the individuals for retirement financial planning based on the various demographic factors. In most of the earlier studies, these factors were studied in isolation; this will study the combination of impact of all these factors. Research will also focus on the key concepts which are very important and have significant influence on retirement planning .The study is proactive assessment of the problem which is round the corner. The findings in the study can serve as guide rails for policy makers, individuals and financial institutions.

The most important aspect about the study is that it is relevant to every individual as everyone will retire at some point of time.

1.10 Chapter scheme

Research comprises of seven chapters in all. Chapter I will sketch out introduction, background of the study, overview of research problem, research questions and its significance. Chapter II will focus on the conceptual background and will review literature to comprehend the existing research carried out in this field. In Chapter III, researcher will present research methods and detailed research methodology. Analysis of data and testing of hypotheses will be presented in Chapter IV and Chapter V respectively. Chapter VI will summarize the major findings and will present suggestions. Post conclusion, this chapter will also discuss further scope of research.

Conclusion

The study so far has helped the researcher to understand the current landscape for financial planning for retirement on global and India level. It has also blown the researcher with various research questions which he needs a detailed study and help formulation of the research problem. Further study of areas around the key concepts, critical issues around the research problem should serve as guide rails to the researcher. In the subsequent part of the study, researcher plans to develop understanding on the key concepts and review the literature in the areas of study.

2 CHAPTER: CONCEPTUAL BACKGROUND AND LITERATURE REVIEW

Introduction

In chapter 1, researcher has presented the discussion on various aspects of study on financial planning for retirement like the background of study, current pension systems critical issues, significance of the study and research problem. This chapter will focus on following areas.

1. Concept of retirement
2. Concept of financial planning
3. Review of previous studies
4. Review of research methodologies.

Firstly this chapter presents the efforts taken for collection, scanning, analysis and comprehension of past studies which are pertinent to the current study undertaken. Researcher presents thoughts process that string together with references rationally across a variety of broad sub-sections. The purpose of this chapter is to unfurl the concept retirement planning and associate it to the study undertaken. Apart from this researcher would review the previous studies in this area and also try to find research methodological clue for conducting this study.

2.1 Concept of Retirement

The conventional idea of retirement is undergoing a transformation. As per the earlier concepts, life was classified into three distinct phases: childhood phase, working or earning phase, and retirement phase. Today, retirees opt to carry on working even after their retirement (American Association of Retired Persons, 2002). For few, retirement could mean taking up part-time employment. Many elderly workers are continuing to work post retirement; either in the same job or taking up another employment. About 70 percent of older workers in a study in the US are expected to continue to work after retirement (American Association of Retired Persons, 2003).

Montalto, Yuh and Hnna describe retirement as 'the cessation of full-time employment' (Montalto, C.P., Yuh, Y. & Hanna, S, 2000).

Feldman (1994) define retirement as a state of exit from a existing job that has been held for some time, with the intent of less obligation to work, and a decision that is taken sometime after the individual's middle age . Retirement has historically been defined from an economic perspective (Gustman, A.L., Mitchell, O.S. & Steinmeier, 1995). For most people, retirement means the end of a full-time working life and the beginning of a different life, but without the identity, prestige and status (American Association of Retired Persons, 2003). In sum retirement is a normative shift in the life course.

Some studies suggest that retirement should be seen as one of numerous transitions in the life of individuals that are embedded in historical, social, and personal context (Moen, 1996, 1998). That is retirement is affected by the macro-social phenomena, such as how pension systems operate and ruling norms in society concerning the right timing of retirement, and the employment patterns of spouse and other family members. The theory primarily states that retirement should be considered as a gradual process in which the individual, interacting with societal norms, may experience rupture or continuity in well-being as a consequence of retirement (Jaeger and Holm, 2004).

Decreased work hours among older people often substitute the demand for leisure (Hamermesh, 1984). As people transition from the usual highly organized and habitual work routine to retirement, they may find themselves having to take more personal responsibility for planning their daily living and new routine and ongoing relationships (Hartford, 1984). Changes that come with retirement are: self-identity, sense of importance and value as an individual and member of the community, relationships with family and friends, daily activities, financial status, and living arrangements (Hornstein and Wapner, 1985). Adequate retirement planning should include inter alia the psychological and social aspects as well (Tan and Folk, 2011).

As per Munell, retirement age and life expectancy are the two factors that determine the retirement span. In a life-cycle savings context, retirement age determines the period for saving and for dissaving (Munnell, 2006). The increase in the retirement span among Indians reflects improved life expectancy – individual retiring at say 60 years old will spend another 15 years or more in retirement. Every individual has various responsibilities with regards to retirement security including making an approximate estimation of his/her life span, along with from other vital factors such as – returns on retirement investment, expenses in later years, and rise in the cost of living. Consequently, individuals encounter the prospect of having to sustain themselves for an elongated time on their accumulated retirement savings. A practical option for most of the individuals may be to be engaged in job for longer time known that more Indians are living longer and healthier lives and that employment has shifted from physically-demanding goods producing jobs to less tough service-oriented jobs.

In most of the developed countries currently have a retirement age of 65 years. A few countries like as Sweden is planning to increase the retirement age to 67 years, other countries such as Japan and Germany are increasing their retirement age from 60 to 65 years (El- Hamidi, 2006). Most of the time its individual's financial position that determines his retirement age, rather than his personal choice (Salter, 2003). Hansson *et al.* (1997) identified the three key influences on the retirement decisions: financial position, physical condition and health status that hinder a person's ability to work, and psychological factors such as diminished job attachment, satisfaction with career attainment, and anxieties about separation from the workplace. Phillipson (2004) found that financial circumstances influenced the decision to continue working or to retire. Gustman and Steinmeier (1994) identified that pension-plan incentives (financial) and physical limitations and health problems influenced the retirement decision.

Most retirement planning programs focus on the material aspects of transition from employment into retirement. Not enough attention has been given to the psychological factors that are of increasing importance. Retirees, who made a gradual transition into retirement as opposed to immediate retirement, have been found to have greater satisfaction during retirement (Quinn, 1981). Gradual retirement creates less discontinuity in an individual's life than a sudden retirement.

Retirement age is important as it determines the duration of a person's working life and therefore how many years he has to earn income and build up the financial security for the future. This in turn determine the duration of the post-retirement period and the number of years the person will need to finance himself after his retirement.

Post reviewing the retirement definitions from researchers all over the world, researcher views retirement as an inseparable part of everyone's life with full or partial stoppage of regular income. A very dynamic phase in life affected by social, psychological, physiological, political, economic and financial factors. Although all the factors are equally important, researcher focuses on the financial part as the area of study. Also as understood from the above discussion that retirement age determines the post retirement life span. So researcher is keen to understand what is that age at which individual's plan to retire so will include a question in survey.

2.2 Concept of Financial Planning

The study revolves around the financial planning and retirement. So after understanding definitions and concept of retirement, researcher now tries to understand the concept of financial planning in the subsequent section. Following are the areas of discussion in this section.

1. Evolution of Financial Planning
2. Theories of Financial Planning
3. Financial Planning as Strategic Management: The Financial Planning Process
4. General Principles of Financial Planning
5. Individual Financial Life Cycle
6. Financial Life cycle and Objectives
7. Financial Literacy-A Factors affecting Financial Planning
8. Financial Literacy and Retirement Planning
9. Measurement of factors influencing Retirement Planning

2.2.1 Evolution of Financial Planning

Financial planning is a process of preparing for future family financial requirements in a well-organized manner. Financial planning must have existed in rudimentary form from the time people had choices for their resources. Sophisticated planning, however, was reserved for the affluent. In the twentieth century, a wealthy family might retain an accountant, lawyer, banker, insurance broker and, perhaps, an independent investment manager to advise them on their financial matters. However, personal financial planning (PFP) has grown rapidly over the past quarter century. During that time, it has established itself as the financially related discipline that is most useful to the average American. Although the fields of economics and finance have both engaged in thought and research that is close to parts of PFP, neither has dealt with the subject head-on. Moreover their approaches have been very different. The steady rise in the standard of living, the increased complexity of financial instruments and taxation, and the boost in processing power occasioned by the computer, created an environment conducive to PFP development among the middle class. PFP, whose initial efforts were heavily product sales oriented, began to mushroom in the early 1970s. The College for Financial Planning (College), which provided training for the CFP® degree, began in 1972; the International Association for Financial Planning (IAFP), a trade organization, was founded in the late 1960s; and the National Association of Personal Financial Advisors (NAPFA), an organization of planners compensated solely by fees ("fee-only"), began in 1983 (Altfest L, 2004).

Researcher himself being a Certified Financial Planner from Financial Planning Standard Board India (FPSB India) and having worked in Financial Services sector nearly for a decade has always felt the concept of holistic financial planning and paying financial planner for the advice is still a budding concept in India. Researcher feels a need to understand the overall role played by the intermediaries in the financial planning process. For this researcher intends to include questions in study which help to bring forward the information as to "Are people taking services of intermediaries and if yes which services are they availing, are the individuals confident about their financial planning even after availing the services.

2.2.2 Theories of Financial Planning

Subsequent to presenting concept and evolution of financial planning, in pursuit to develop a greater understanding, researcher studied various theories of financial planning. Out of these, three theories have been presented to understand the different aspects and views of the concept.

1. Theory of Home Economics

Researcher found few articles that identified themselves as discussing financial planning theory. The most comprehensive article appeared in *American Economist* (Altfest, 2004). Altfest traces origins of financial planning theory to Modigliani, Becker and Markowitz (among others) and to the classical economics of choice. Altfest pointed out that in the first half of the twentieth century, some economists started to apply classical economic theory to the management of the household, using the term "home economics." Milton Friedman, in his Nobel Laureate autobiography, says this concerning his work in 1937:

The catalyst in combining my earlier consumption work with the income analysis in professional incomes into the permanent income hypothesis was a series of fireside conversations at our summer cottage in New Hampshire with my wife and two of our friends, Dorothy S. Brady and Margaret Reid, all of whom were at the time working on consumption (Friedman, 1976, p. 11).

Margaret Reid and Dorothy S. Brady are considered to be the leaders of modern home economics. In the 1930s, home economics started to focus less on domestic arts and more on consumption economics, although there are examples of financial planning in earlier home economics literature as well. Like them, many home economists were either professor of economics or government economists (Grossbard-Shechtman, 2001). Research in the Hearth archives in the Cornell library reveals many examples of early literature on financial planning. This early literature, despite the economic background of its authors, was largely pragmatic and did not concern theory

This background resulted in the long-standing inclusion of advice on consumer economics in Department of Agriculture programs, and financial planning programs in the human sciences departments of universities. Yet, financial planning as the profession is currently seen, traces its origins to a meeting of financial services executives in Chicago in 1969. Thus, there are two traditions that contribute to financial planning today: one from the consumer economics field, and the other from the finance and financial services field.

2. Theory of Expenditure, Savings, and the Life Cycle

One more early theoretical foundation for financial planning mentioned by Altfest (2004) was Franco Modigliani. In 1985, he was awarded the Nobel Prize for his study on savings and the life cycle. Modigliani presented the postulate that decisions on saving and consumption were made by the individual based on estimated lifetime earnings and consumption, not just on that year's needs (Modigliani &Brumberg, 1954). This principle would clarify the almost universal consumption beyond their means by young people, not in terms of immaturity but in their towering expectations. This theory has huge implications for the national economy, one of which is that how much the population of a nation saves does not depend on actual national income, but on the public's perceived rate of growth of national income, since it assumes its own income will grow accordingly. In 1957,Milton Friedman presented the Permanent Income Hypothesis, which is similar to Modigliani's work. Subsequently, economists have tested this premise econometrically (Kotlikoff, Spivak, & Summers, 1982) with varying results, although most have tended to validate it. A corollary of Modigliani's life cycle premise is that the rise of Social Security benefits has been a contributing factor to the decline in savings in the United States since pension wealth tends to reduce savings (Attanasio and Brugiavini, 2003).

This life-cycle view is the basic premise on which financial planning bases retirement planning, turning the premise from an economic theory of how people will naturally behave into a guideline. Textbooks in financial planning implicitly use Modigliani's theory when doing capital needs analysis to determine the amount a client needs to save and invest for retirement (Dalton, Dalton, Cangelosi, Guttery, & Wasserman, 2003; Mittra, Kirkman, & Seifert, 2002).

One difference in life cycle theory in economics and in financial planning is in perspective. Like Becker, Modigliani appears to have been more interested in the implications for macroeconomics and public policy than is a financial planner who is trying to maximize the utility of the economic and financial resources of one client. An article that combines in its assumptions both Becker's theories of decision making and Modigliani's life cycle analysis with the pragmatic concerns of the practicing financial planner appeared in the *Journal of Financial Planning* in 2001 (Opiela, 2001). That article discussed the "tough choices" of saving for retirement and saving for college, and suggested that it was best to counsel saving for retirement. In 2004, a retrospective study of household income and retirement (Lahey, Kim, & Newman, 2003) indicates that the concept of life cycle consumption patterns is an entrenched part of retirement planning in financial planning practice. Furthermore, the determination in this study that 40% of post-retirement income is earnings of other family members is consistent with financial and economic theories of altruism and choice as proposed by Becker (1965). Those theories were sustained in a quantitative study of transfers of money and time within households (Schoeni, 1997). Thus the financial planning literature supports Altfest's (2004) assertion that financial planning is firmly grounded in economic theory.

3. Modern Portfolio Theory and the Capital Asset Pricing Model

Modern Portfolio Theory (MPT) (Markowitz, 1952) is another foundational theory (Black Jr., Ciccotello, & Skipper Jr., 2002). MPT is a normative theory that asserts that investors should choose investments based on discounted future expected returns and that for maximum risk adjusted returns investors should diversify across industries and asset classes. The theory is simple, but application requires many variations and refinements to accommodate circumstances and can be quite difficult to achieve.

It was in 2001, when a precise application and implementation of MPT in personal financial planning appeared. It was a methodology for creating balanced portfolios using alpha, beta and R-squared statistics that was published in *Financial Planning* magazine (Israelsen, 2001). These three statistics are the cornerstones of most implementation of MPT. Foreshadowing today's focus on income distribution in retirement, the express purpose of Israelsen's methodology was to make it possible for an investor to always have a fund available for withdrawals that would be up in the current market, thus avoiding permanent loss of value due to bad timing (Israelsen, 2001). MPT was further refined by Sharpe and Tobin into the Capital Asset Pricing Model (CAPM) (Sharpe, 1964; Tobin, 1958). In the CAPM, mean variance analysis by investors is assumed. The CAPM decomposes the risk of an investment into two kinds of risk, systematic and specific. In the CAPM, Sharpe said that the market does not reward specific risk, since specific risk can be offset by diversifying the portfolio. In contrast to the normative nature of MPT, the CAPM is a descriptive theory of equilibrium relationships between expected rates of return and risk. Basically, the CAPM says that the premium return on an asset (the expected rate of return on the asset minus the rate of return of a riskless asset) is proportional to its beta, a measure of the sensitivity of a security's rate of return relative to changes in the overall market. All investors seek to find the point of greatest return for their acceptable level of risk.

The problem for financial planners is that the CAPM has some rather heroic assumptions, in addition to the assumption that the investor performs mean–variance analysis. It does not take into consideration taxation or transaction costs, is interested in securities over only one period, and assumes riskless borrowing. The CAPM was further refined (Black, Jensen, & Scholes, 1972) by empirical testing from which emerged a modification that did not assume riskless borrowing. Over time fine tuning has improved the model. In the financial planning literature, one discussion listed seven assumptions that should be remembered when applying the CAPM (Oviatt, 1989).

This theory and its refinements, particularly a widely-quoted article that asserts that 90% or more of the return of a portfolio is due to the allocation among asset classes (Brinson, Hood, & Beebower, 1995), were fully accepted in the finance community and form the foundation of many decisions in institutional investment, asset allocation and portfolio management. However, Markowitz (2005) himself has recently challenged the ascendancy of the CAPM, saying that it is based on unrealistic assumptions and that when those assumptions are replaced by ones that more closely reflect the real processes of the market the results are less dramatic. While some recent articles using three-factor theory tend to confirm asset allocation as the primary driver of investment performance, there are also challenges to the fundamental conclusions of the Brinson, Hood and Beebower article, so the jury is still out on active vs. passive management. For example, choosing the location of certain classes of assets in different accounts based on their tax status has been shown to yield 20 basis points higher return than the common practice of allocating the asset classes equally across a person's or family's multiple accounts (Daryanani& Cordaro,2005). Therefore, while the CAPM may be useful in designing institutional portfolios, it is less appropriate for the individual and family portfolios that characterize personal financial planning. This conclusion is further reflected in personal financial planning articles that discuss tax efficiency in mutual fund portfolios (Opiela, 2002; Riepe, 2000).

Another expression of the relevance of MPT to financial planning is evident in a discussion of issues facing financial planning and of financial planning theory in the *Financial Services Review* (Black Jr. et al., 2002). The authors of that article claimed that financial planning was well-grounded theoretically, but that research that would guide the application of theory was lacking. Modern portfolio theory was cited as the foundational theory, based on a larger view of the decisions concerning consumption and deployment of net worth into assets of all types, not just securities, including the residence, personal possessions and other use assets. Although this theory is plausible and makes theoretical sense, as the authors themselves stated, no empirical research substantiating it appears to be available.

Modern portfolio theory is explicitly mentioned in dozens of articles in the *Journal of Financial Planning* over the past 20 years. Nawrocki (1996) discussed the use of portfolio theory and the limitations imposed by the mathematical Godel's Theorem of Incompleteness on ever getting to the bottom of a system of mathematics. Nawrocki (1997) later discussed the limitations of the Capital Asset Pricing Model and application by the financial planning practitioner.Despite the fact that there is some concern about applying modern portfolio theory in the form of the CAPM, it is still the main theoretical basis for portfolio management in financial planning. Expanding the theory to include all assets, as suggested by Black, Ciccotello and Skipper (2002), to include use assets and human capital expands MPT beyond its basis in finance into theory and application that is unique to financial planning.

Therefore, from the accessible literature, regardless of concerns about the predictive nature of MPT and its aptness to individuals' portfolios, modern portfolio theory and the capital asset pricing model can be added to Modigliani's and Becker's theories as being foundational theories of financial planning.

2.2.3 Financial Planning as Strategic Management: The Financial Planning Process

"The process of financial planning is a goal and values driven strategic management of the financial resources, a derivative of the process of strategic planning is well known in both the organization and management field and the finance literature" (Overton, 2007). This assertion of origin appears even more likely when an examination is made of the business literature of the time when the financial planning process was conceived. If the financial planning process is a special form of strategic planning and strategic management, then the financial planning process is now theoretically defined. Furthermore, there are more than 50 years of theoretical writings concerning strategy in the organization and management literature that could immediately be used to further refine the financial planning process.

In 2005, strategic planning for the family business was the topic of an article in the *Journal of Financial Planning* (Jaffe, 2005).On examination of the business environment of the late 1960s, the period when financial planning was founded; it is clear how strategic planning evolved into financial planning. As per Lerner (1999), corporate America was "obsessed" with strategic planning in the 1960s and 1970s. In 1966, for instance, the use of strategic planning for small businesses was discussed in the *California Management Review* (Gilmore, 1966). In 1968, a version of the strategic planning process that is very similar to the financial planning process appeared in *Banking* (Gibbs, 1968). An article dealing with the problem of strategic plans being ignored by managers was also published in 1968 (Hekimian & Mintzberg). In the same year, an article describing the problems of the strategic planner appeared in *Harvard Business Revi*ew (Mainer, 1968). Ansoff's classic *Toward a Strategic Theory of the Firm* was published in 1969, building on earlier work by Chandler (1962). The interest in strategic planning and its attendant process continued throughout the 1970s. Because of the ubiquitous discussion of strategic planning in business journals and magazines, any group of successful businesspeople in the late 1960s could be presumed to be familiar with the strategic planning process. In April of 1969, some 6 months before the meeting that established the financial planning profession and the CERTIFIED FINANCIAL PLANNER™ certification, the task of the corporate planner was identified as making "a study of the organization's environment, (opportunities and threats), its resources (strengths and weaknesses), its personal values and its ethical and social responsibility." (Mason, 1969, p. 109). Note that there was already concern over values, ethics and responsibility, and also note the anthropomorphic transformation of the organization into a person.

From an environment permeated by strategic planning, the application of its concepts to personal financial resources would be a seamless transition. Interviews with founders who attended the meeting that founded the Certified Financial Planner™ certification and the College for Financial Planning have confirmed that fact (Overton, 2007). One of the most important techniques transferred from strategic planning was the environmental scan and analysis of resources, organized into four categories, strengths, weaknesses, opportunities and threats. This "SWOT analysis" is characteristic of the prescriptive design school of strategy (Mintzberg, 1990) and is still explicitly mentioned in two of the more widely used textbooks of financial planning (Dalton et al., 2003; Mittra et al.,2002). One further illustration of the relationship of financial planning to strategic planning is stunningly evident when the steps in the financial planning process (minus the recent addition of establishing the relationship) are compared to the steps in the strategic planning process as stated more than 25 years ago (Bourgeois III, 1980). Table 2.1 compares the steps of each process. Based on these comparisons, the origin of the financial planning process is evident.

Table 2.1 Comparison of Strategic Planning and Financial Planning

Strategic Planning Process (Bourgeois III, 1980)	**Financial Planning Process (CFP Board of Standards, 2006)**
Environmental Scanning :Objective Setting	Collecting data, adding goals.
Distinctive Competency Selection	Analysis and evaluation of financial status
Power Distribution: (Within the organization, finding who will have authority and subordinate relationships).	Developing and presenting financial planning recommendations and/or alternatives. (What to do and who will do it.)
Allocation of Resources (Deployment of financial and physical resources to carry out the strategy.)	Implementing the financial planning recommendations. (Allocating resources between investment and consumption in accordance with the plan. Allocating resources earmarked for investment among investments.)
Monitoring and Control of Outcomes recommendations.	Monitoring the financial plan

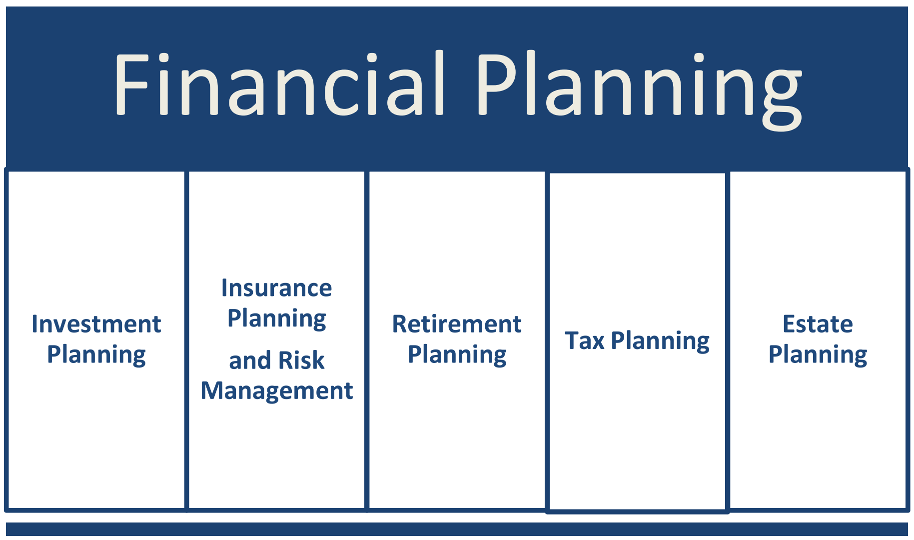
Source: (JPF, 2008)

Post study of financial planning as process, researcher further presents that different principles applied to the financial planning of individuals.

2.2.4 General Principles of Financial Planning

Financial planning on individual level is based on various principles. These principles are guideline for the development of an individual financial plan. Financial Planning includes but is not limited to following principles.

Figure 2.1 General Principle of Financial Planning



Source: Researcher Illustration

1. Investments Planning

Investment planning considers way and means to accumulate adequate money for big purchases and various life events is what most people believe to be financial planning. Key reasons to accumulate assets include, buying a house or car, capital for starting a business, paying for expenses towards education, and saving for retirement.

2. Insurance Planning and Risk Management

Insurance planning is the analysis of how to protect a household from unforeseen risks. These risks can be divided into, death, liability, disability, health, property and long-term care. Some of these risks may be self-insurable, whilst few will need the purchase of an insurance cover. Calculation of the extent of insurance to get, in the most cost effective manner, needs knowledge of the available personal insurance market. Athletes, business owners, professionals, and entertainers require specialized insurance professionals to adequately protect themselves. Insurance also provides certain tax benefits, utilizing insurance investment products may be a significant piece of the overall investment planning.

3. Retirement Planning

Retirement planning is the process of estimating the expenses to live at retirement and preparing a plan to distribute assets to meet the shortfall in income if any. Retirement planning includes taking into consideration the prevailing tax benefits of government allowed structures to manage tax liability. It involves the knowledge of different types of pension plans, profit sharing, flexible benefit plan, and other deferred compensation plans.

4. Tax Planning

In general, the income tax is the sole largest expenditure for many individuals. Tax planning is not a consideration whether or not taxes will be paid, but ‘when’ and ‘how much’. Government provides various incentives by way of tax deductions and credits, which can be used to lessen the tax liability. Most of the modern governments employ a progressive tax. Usually, as individuals’ income grows, a higher marginal rate of tax is required to be paid. Understanding how to take advantage of the myriad tax breaks when planning one's personal finances can make a significant impact.

5. Estate Planning

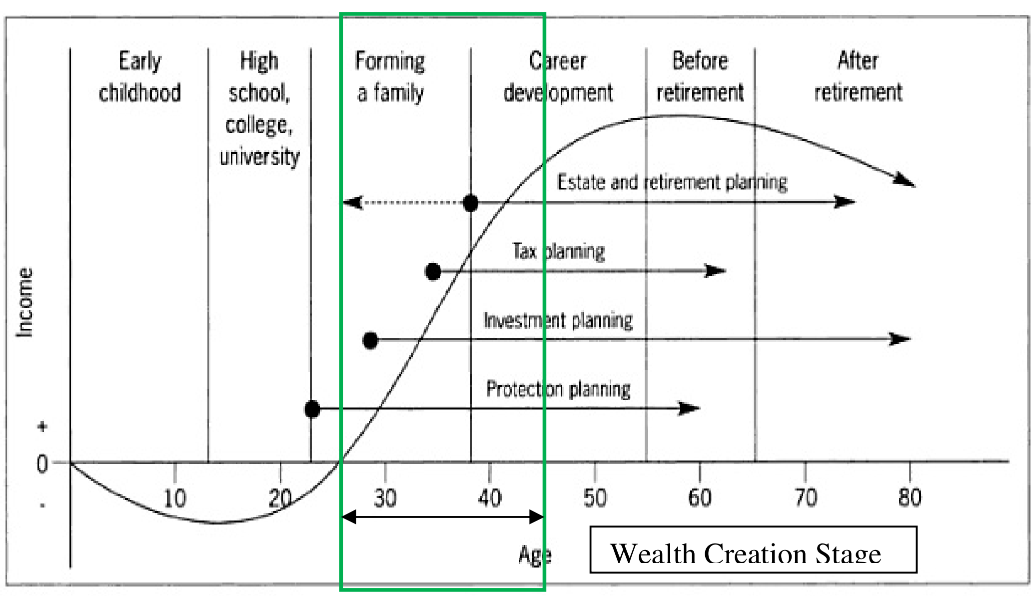
Estate Planning is a process of arranging and planning a person’s succession and financial affairs. An Estate Plan which incorporates a person’s wishes about his estate could be regarding Estate Management, Estate Preservation and Estate Legacy during and post life. The primary goal of estate planning is ensuring that the estate of the individual passes to the estate owner’s intended beneficiaries, often including efficient tax and succession planning and avoiding or minimizing court proceedings in succession matters and obtaining probates. Though earlier India had estate tax, today we have no estate tax or estate duty unlike many advanced market economies.

2.2.5 Individual Financial Life cycle

Financial Planning is the most important sector while planning finances. Compared to money matters, all the other matters are secondary. Finance helps in the smooth movement of all the aspects of life. Personal finance refers to the financial management of which an individual or a family unit is required to make, to obtain, budget, save, and spend monetary resources over time, taking into account various financial risks and future life events.

Financial planning is the process of developing a personal roadmap for one's financial well-being. The inputs to the financial planning process are: Personal finances, i.e. income, expenses, assets, and liabilities, personal goals i.e. current and future financial needs and personal appetite for risk. The output of the Financial Planning process is a personal financial plan that tells how to use the money to achieve the goals, keeping in mind inflation, real returns, and taxes. In short, financial planning is the process of systematically planning ones finances towards achieving his/her short-term and long-term life goals.

Figure 2.2 Individual Financial Life cycle



Source: Researcher Illustration

Figure 2.2 represents a relationship between individual's earnings and the different stages of life based financial planning. An individual commences earning in his early twenties. As the age increases, the earnings, responsibilities and liabilities also rise. In the early stage of earning phase individual's primary objective is plan for contingency, risks, along with tax planning. An individual starts family in late twenties, and then the major planning activity is focused on children's education and property (mainly residential) planning. This gives rise to additional financial liabilities.

The career progression continues and an individual has a steady income till about 60 years of age. During this period his income as well as expenses also increases. Saving and investment planning is an integral part of individuals earning phase. Major portion of these investments is directed towards planning children's education and estate planning. Retirement phase which starts post 60 years of age is very crucial as income reduces or stops at this age. A person has to depend on children, savings or investments made for retirement during the earning phase. This phase becomes very challenging because of changes in socio-economic structure in India. With erosion in family structure, dynamic economic factors and financial markets there is a risk that senior citizens may outlive their savings and investments. Increasing medical cost may lead to wiping out of savings in old age.

An individual's financial life stages can be divided into two important phases as "Pre-retirement or accumulation phase" and "Retirement phase". Life stage based financial planning is helpful in managing important elements of an individual's life like- income, savings, cash flow, capital, family security, investments, standard of living, and assets.

Financial situation in retired life is an outcome of various practices followed in the earning phase of life .It is imperative that an individual must start thinking about retirement early in life and take steps towards saving and investing in very early earning age for retirement planning. Individuals must wisely select various assets and instruments like Mutual Funds, Equity Shares, Retirement Plans, Real Estate, Gold, Silver, Provident fund (PF), Life Insurance Plans, Bonds, and Deposits etc for setting up a corpus for retirement. It is highly essential to sought advice of professional financial planners for selection of investment instruments, asset allocation, tenure etc. Diversification of investments into these assets so as to reduce risk and get optimum returns. Retirement planning of an individual should focus towards creating monthly income streams for retirement phase. Risk management with regards to life, health, assets is also a key part of retirement planning. There are many retirement planning models are available along with exclusive retirement planning models. An individual should calculate the income or expenses requirement for the retirement phase at regular interval considering various factors like age, life expectancy, time to retire, current savings, current assets, expenses, rate of return, and rate of inflation. All these practices above should instate confidence and comfort regarding financial situation in retired life.

2.2.6 Financial Life cycle and Objectives

There are certain commonalities in a typical financial life cycle such as the need to protect your family against risk; accumulate wealth; and distribute your wealth and provide for an orderly transition of your assets. Lifestyle situations will affect your financial situation and requirements at different stages in life.

The lifestyle situations include but are not limited to the following:

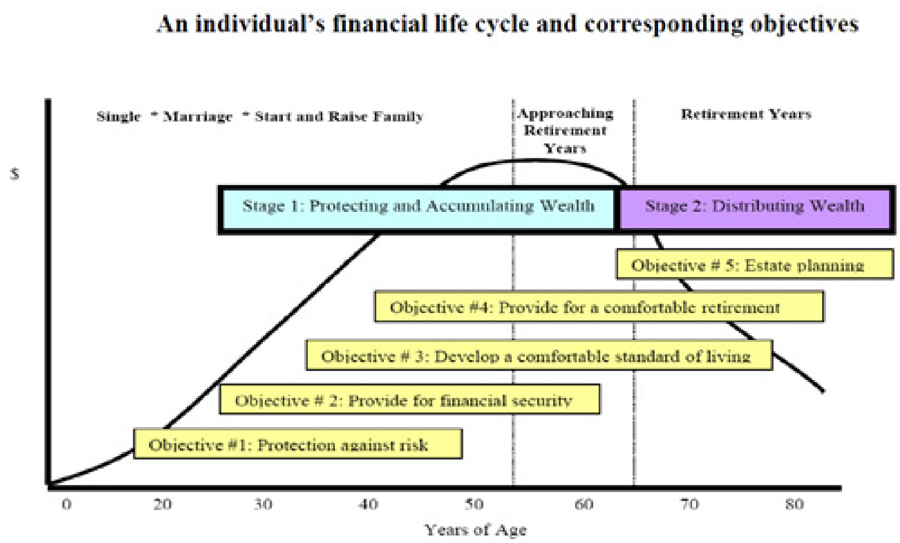
Table 2.2 List of various life style situations

Life style situations	
Marital Status	Single, married, divorces, widowed
Employment Status	Employed, unemployed, facing unemployment
Age	Age groups
Number of Dependents	Children, spouse, parents, other family members
Economic Outlook	Interest rates, employment level
Education	Education level of family members and education for children

Source: (Jariwala H. , 2013)

Although each person sets specific financial goals throughout one's life cycle, five basic financial objectives apply to most people. Individual's financial life can be divided into various stages. The stage of life from 25 to 45 years is called as Wealth Creation Stage.

Figure 2.3 Individual's Financial Life Cycle with Objectives



Source: (Gordan, 2001)

To succeed on the uphill task of successful financial planning, an individual needs to have utmost clarity on various aspects of his own life. These are the factors which are very individualistic in nature. At this juncture, researcher feels that following aspect of the individual financial planning as suggested by the Financial Planning Standard Board as below must be a part of the study.

- Individuals' key financial objectives
- Various factors that influence financial decisions
- Savings habits
- Preparation of emergency needs
- Risk coverage

Thus it can be seen that financial planning is a complex and individualistic activity. Also there are various factors affecting financial planning which are discussed in subsequent section.

Table 2.3 Stage of Life Cycle corresponding Objective- Needs and Requisite Financial Behavior

Objective	Need	Proposed Financial Behavior
1	Protection from risks of unforeseen situation and the risk related to human life, physical, disability, health etc.	Setting up of emergency fund or to risk mitigation by way of sufficient insurance cover.
2	Provision for financial security of family members, fulfilling the requirements for education and other social needs	Provision for sufficient financial security while ensuring no undue stress on one's resources which may result in financial crises, emphasis on proper credit& debt management
3	Accumulation of wealth for secured retirement	Budgeting financial security for retirement,
4	Ensuring financial independence and having a comfortable retirement, while maintain the same standard of living	Enjoying the return made during the stage 1 and stage 2
5	Distribution of wealth to the beneficiaries or next generation	Following up the strategy of estate planning

Source: (Jariwala H. , 2010)

2.2.7 Financial Literacy-A Factor affecting Financial Planning

PACFL provides a "consensus" definition The President's Advisory Council on Financial Literacy (PACFL, 2008), convened to "improve financial literacy among all Americans," defines financial literacy and financial education as follows:

Financial literacy: the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.

Financial education: the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being.

However, it is unclear how widely the PACFL definition is accepted. One of the striking things about the literature is that financial literacy has been variably defined as (a) a specific form of knowledge, (b) the ability or skills to apply that knowledge, (c) perceived knowledge, (d) good financial behavior, and even (e) financial experiences.

Table 2.3 illustrates the breadth of conceptual definitions, drawn from a number of studies and placed in chronological order. The most common basis for the definitions is knowledge (or understanding), with some definitions merely requiring familiarity (arguably a limited form of knowledge). Still others, such as those provided by Mandell (2007) and Lusardi and Tufano (2008), emphasize a judgment and decision-making aspect of financial literacy. Lusardi and Tufano also focus on a specific form of financial literacy – debt literacy. Moore (2003) goes so far as to include practical experience, on the argument that it provides the basis for knowledge and other aspects of financial literacy.

Table 2.4 Conceptual definitions of financial literacy

Source	Conceptual Definition
Hilgert, Hogarth, & Beverley - 2003	Financial knowledge
FINRA (2003)	"The understanding average investors have of regulations, market principles organizations and instruments,"
Moore (2003)	"Individuals are accepted to be financially literate if they are capable and can demonstrate they have used knowledge they have acquired. It is not possible to directly measure financial literacy so proxies must be used. Literacy is gained by practical experience and active integration of knowledge. As literacy levels rise individuals become increasingly more financially sophisticated and it is conjectured that this may also mean that an individual may be more competent".
National Council on Economic Education (NCEE) (2005) b	"Familiarity with basic financial and economic principles, knowledge about the economy, and understanding of few important economic terms"

Mandell (2007)	"The capability in evaluation of new and multifaceted financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests".
Lusardi and Mitchell (2007c)	Acquaintance with "the most elementary economic concepts required making rational investment decisions".
Lusardi and Tufano (2008)	Focus on debt literacy, a component of financial literacy, defining it as "the ability to make basic decisions regarding debt instruments, in particular how one applies primary knowledge about compounding interest, measured in the context of everyday financial choices".
ANZ Bank (2008), drawn from Schagen (2007)	"The ability to make informed decisions and to take effective decisions regarding the use and management of money".
Lusardi (2008a, 2008b)	"Knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification" (p.2).

In a simplified way researcher feels that financial literacy is having basic understanding of various aspects of financial life.

2.2.8 Financial Literacy and Retirement Planning

Individuals have to take accountability for increasing number of financial decisions, the two most important possibly being the buying and finance of a home and preparations for retirement. These choices are increasing in complexity; the stakes are also being raised: the financial crisis in 2008-09, for example, has brought to light the consequences of making far-reaching decisions without adequate tools. The sub-prime mortgage experience has provided three cautionary lessons about consequences for the economy at large. First, poor financial decision making may be a surprisingly widespread phenomenon. Second, such problems may build unnoticed for a long time before a crisis is reached. Third, the systemic effects and the costs of preserving stability may be sizable, as demonstrated by the ensuing financial market turmoil and subsequent interventions.

Looking beyond the financial crisis, these lessons leave individuals and policymakers with new concerns as they look to the future, particularly as the Baby Boom generation prepares (or not) for retirement. Poor savings and investment decisions may be less visible, but carry serious implications for long-term financial security for major parts of the American population[2]. With the shift to defined-contribution (DC) pension plans and uncertainty about government Social Security, households are being increasingly called upon to undertake their own financial planning for retirement.

Research in behavioral finance suggests that many households do not in fact make optimal savings and investment decisions, and the realization that these choices may well lead to unacceptable standards of living has also increased economic anxiety. Recent evidence suggests an underlying, more fundamental problem that has heightened such concerns: large segments of the US population have low levels of financial literacy. The less financially literate may be more likely to unknowingly commit financial mistakes, less likely to engage in recommended financial practices, and less likely to be able to cope with sudden economic shocks. In other words, individuals need substantial knowledge and a large analytical toolkit simply to avoid making mistakes. Significant debate continues about the role of financial literacy, the extent of the problem it truly represents, and the best way to address it. This debate arises for several reasons:

First, real knowledge gaps persist about fundamental relationships between literacy, education and behavior, partly because researchers lack the appropriate data. Few studies have been able to construct sophisticated measures of financial literacy and definitively establish causal links between financial education, literacy and behavior in the U.S. population. Researchers to date found that various segments of the U.S. population lack various types of financial skills (Hilgert, Hogarth and Beverly, 2003; Lusardi and Mitchell, 2007a, b).[3] In 2004, only half of adults close to retirement age and older were able to correctly answer two simple questions regarding compound interest and inflation, and only one-third correctly answered these two questions and a question about risk diversification (Lusardi and Mitchell, 2006, 2007b). Furthermore, large discrepancies in measured financial literacy exist, potentially placing some economically vulnerable groups (the poor, the less-educated, and minority households) at further disadvantage. These measures have been linked to suboptimal behavior – Hilgert, Hogarth and Beverley (2003) find that individuals with more financial knowledge are more likely to engage in a wide range of recommended financial practices, while Lusardi and Mitchell (2006, 2007a) find that among older adults, those who displayed better financial knowledge were more likely to plan, to succeed in planning, and to invest in complex assets

However, other researchers argue that financial literacy is a secondary concern when it comes to decision making, partly because evidence on financial education programs has been mixed. Early evaluations, notably by Douglas Bernheim and a series of coauthors, suggested that workplace financial education initiatives increased participation in savings plans while financial education mandates in high school significantly increased adult propensity to save .However, more recent research has found minimal impacts, particularly when benchmarked against other factors, including peer-effects and known behavioral biases like inertia (Duflo and Saez, 2004). This lack of consensus reflects the fact that, as noted in the 2006 report of the Financial Literacy and Education Commission, "a systematic method of evaluation of financial literacy programs does not exist."

A large part of this debate may be linked to the fact that a great deal of variation continues to exist in how researchers define and measure financial literacy itself. Previous surveys that are purposively designed to measure financial literacy (such as the Washington Financial Literacy Survey, the Jumpstart Coalition Survey, or the Survey of Consumer Finances 2001 module) rarely also collect sufficiently detailed information on individuals' financial education and variables related to financial decision making. In some instances (notably in the 2004 Health and Retirement Survey), more complete information has been successfully obtained, but the sample has been restricted to particular subgroups such as adults over 50, young people, or the subject pool for a particular program evaluation. In the policy and research literature, previous studies relating literacy to education and/or behavior have therefore been constrained either to the use of rudimentary literacy measures or to samples that are not population representative.

The OECD's study on financial education, *Improving Financial Literacy: Analysis of Issues and Policies*, concluded that there is a lack of financial knowledge and awareness amongst consumers. For example, surveys identified in twelve countries for which results are available all demonstrated low financial literacy rates among consumers.[3] In addition, an in-depth review of six surveys in five countries (Australia, Japan, Korea, the United Kingdom, and the United States) found that despite differences in target audience, approach to measuring financial literacy, and survey methodology, there were a number of similarities in the results, for example:

- Low level of financial understanding among consumers;
- Financial understanding is correlated with education and income levels;
- Respondents often feel they know more about financial matters than is actually the case;
- Consumers feel financial information is difficult to find and understand.

Not only do consumers have low levels of financial literacy in general, they often lack a good understanding and knowledge of pensions and retirement saving plans. According to surveys reviewed, pensions and retirement savings plans- though vitally important to individual welfare and the stability of the economy - are some of the least understood financial products. In addition, surveys indicate that individuals are not saving sufficiently to ensure an adequate retirement income. For example:

According to a recent survey by the Employee Benefit Research Institute, four out of ten American workers state that they are not putting any money aside for retirement (Helman and Paladino, 2004).

A recent report in New Zealand concludes that many individuals are either _unwilling or not able' to save enough for retirement, adding that about 30 per cent of households spend more than they earn (Weir, 2004).

A survey from the Bank of Ireland Life reveals concerns that even those who are saving are not saving enough, adding that only about 52 per cent of workers aged 20 to 69 are investing in a pension at all (Business World, 2004).

Aside from governments, employers themselves are increasingly concerned about their employees' levels of saving. A recent survey by Hewitt Associates finds that only 18 per cent of large employers in the United States are confident their employees are saving enough for retirement (Hewitt Associates, 2005).

In addition to not saving enough, surveys also show that individuals are not saving wisely. An important trend in many countries has been the rise in the number of workers participating in defined contribution plans. Yet it is clear that many of the workers in these plans, faced with the responsibility for investing their retirement contributions, need help. Again there is evidence from surveys (from some OECD countries where private pensions are voluntary) that the financial understanding of consumers often makes them unfit for the task of making their own investment decisions, for example: 5

According to a recent survey by John Hancock Financial Services, less than one-quarter of Americans of working age consider themselves to be knowledgeable investors', and even among this group there is considerable confusion' about financial matters (Francis, 2004).

The Japanese Consumer Survey on Finance finds that 71 per cent of adult respondents had no knowledge about investment in equities and bonds, 57 per cent had no knowledge of financial products in general, and 29 per cent had no knowledge about insurance, pensions, and tax. DC plans, introduced in Japan from 2001, require workers to make decisions about investments in equities, bonds, and other financial products.

In the United Kingdom, the Financial Services Agency ranks as one of its main concerns the fact that consumers are making financial decisions based on inadequate understanding (Wheatcroft, 2004).

The Australian survey (of adults) notes that 21 per cent of those who received and read their superannuation statement did not understand it. In fact, 29 per cent of respondents cannot identify asset allocation from a superannuation statement and 38 per cent cannot identify the five-year investment performance from the same statement. Only 37 per cent of Australian respondents have determined how much they will actually need to save for retirement. Only 19 percent have used an Internet calculator to compare the effects of interest rates and fees on investments. Finally, 32 per cent of respondents think that saving money in a bank account is an appropriate retirement investment vehicle (ANZ Banking Group, 2003).

A survey by the Royal Bank of Canada finds that respondents consider choosing the right investments for a retirement savings plan to be more stressful than going to the dentist (Canadian Press, 2005).

Post reviewing the above literature, researcher has planned to measure various factors influencing financial planning for retirement like financial objectives, financial literacy, risk taking ability and awareness about retirement financial planning products and services and saving spending attitude. Researcher has constructed the research instrument based of questions used in previous researcher.

2.2.9 Measurement of factors influencing retirement planning

In order to understand the measurement of various factors affecting financial planning for retirement, researcher has reviewed various prior studies which dealt in this area. In table below, summary of various parameters like type of research instrument, number of questions and type of questions was studied.

Table 2.5 Measurement of factors affecting financial planning for retirement

Factor	Research Instrument	No of questions	Type of questions	References
Financial Objectives	Questionnaire	2 to 3	List of various financial objectives	FPSB India, OECD
Financial literacy	Questionnaire	3 to 10	Various questions based on Interest Rate, Compunding, Types of returns on investment	FPSB India, OECD, Research paper by Lusardi
Risk taking abilities	Questionnaire	3 to 5	Behavior in different type of situations	Risk profiling methods used by Kotak Mahindra Bank and wealth managers
Retirement planning products	Questionnaire	5 to 10	Questions based on retirement products, instruments and regulators etc	FPSB India, OECD
Saving-spending behavior	Questionnaire	5 to 7	Behavior in different type of situations	OECD and Psyc TEST by American Psychological Association

Source: As mentioned in column references

From table 2.5 above, it can be seen that questionnaire is used as a research instrument in all the studies pertaining to financial planning. The number of questions included the research instruments for previous studies range from 3 to 10. Most of the questions were multiple choices questions. This table will also be used an input in the subsequent chapters in the research design.

2.3 Review of previous studies

To understand the existing research in the area of financial planning, researcher studied various research paper, Ph.d thesis and published journals. Table 2.6 list the previous studies referred by the researcher. Post understanding the existing research, researcher determined the research gap in this area.

Table 2.6 List of previous studies referred

Sr No.	Topic	Author
1	Stochastic modeling of postretirement financial planning	Diss.Zhou, Peng, (2003)
2	An empirical study of financial planning theory and practice	Overton, Rosilyn H. (2007)
3	Baby boomer perceptions of financial planning for anticipated health needs in retirement	Tift, Teri L, (2007)
4	Home ownership and retirement planning: Financial worries and reverse mortgages	Cutler, Neal E. (Mar 2003)
5	Effective retirement for family business owner-managers:Perspectives of financial planners	Potts, Tom L; Schoen, John E; Margery Engel Loeb; Hulme, Fred S. (Jul,2001).Financial literacy and retirement planning: the Russian case.Klapper, Leora
6	Financial literacy and retirement planning: the Russian case.	Klapper, Leora; Panos,Georgios A, (2011)
7	Financial planning and the mature woman	Alcon, Arnaa, (1999)
8	Saving And Financial Planning:Some Findings From A Focus Group	Kennickell, Arthur B; Starr-McCluer, Martha; Sundén,Annika E. (1997)
9	Money, health, and aging consumers: Ongoing challenges and new opportunities for retirement planning.	Cutler, Neal E. (2001)
10	Implications for Retirement Wellbeing of Financial Literacy and Planning	Lusardi, Annamaria; Mitchell,Olivia S. (2011)

11	Financial shocks and worry about the future	Owen, Ann L; Wu, Stephen- 2007
12	PFP: Origins, Developments and a plan for future direction	Lewis Altfest (2004)
13	Financial Planning Curriculum for Teens: Impact Evaluation	Sharon M. Danes, Catherine Huddleston-Casas and Laurie Boyce. (1999)
14	Financial planning for retirement: an imperative for baby boomer women	J. Conrad Glass Jr & Beverly B. Kilpatricka (03 Aug 2006)
15	Effect of Personal Financial Knowledge on College Students' Credit Card Behavior	Cliff A. Robb and Deanna L. Sharpe (2009)
16	Comprehensive personal financial planning: An emerging opportunity	LJ Gitman, PW Bacon (1985)
17	Psychological Foundations of Financial Planning for Retirement	Douglas A. Hershey, Joy M.Jacobs-Lawson, John J.McArdle, Fumiaki Hamagami (June 2007)
18	The Impact of Financial Literacy Education on Subsequent Financial Behavior	Lewis Mandell and Linda Schmid Klein (2009)
19	Predicting Retirement Anxiety: The Roles of Parental Socialization and Personal Planning	Karyl E. Macewena, Julian Barlingb, E. Kevin Kellowayc & Susan F. Higginbottomd (1995).
20	Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education	Annamaria Lusardi and Olivia Mitchelli (2007)
20	To study the level of Financial Literacy and its implication on investment decision -An in depth analysis of investors in Gujarat state	Jariwala H (2013)
21	Financial Planning for Post-Retirement among urban Malasians in Klang valley	Tan Hoe Kock (2015)
22	Revisiting the relationship between Attitudes and Retirement planning behavior: A Study on Personal Financial Planning	Rosle Mohidin al etal (2013)
23	Financial literacy and retirement planning in the United States	Annamaria Lusardi (2011)

24	Reverse Mortgage as a potential financial planning tool and its inclusion in financial plans of urban population of Maharashtra	Borse Dinesh (2014)
25	Individual Retirement Savings Behavior: Evidence from Malaysia	Nurasyikin Jamaludin (2012)

The summary of these research papers and thesis is presented below.

1. **Zhou (2003)** conducted a study on Post-Retirement Financial Planning. The findings of the study were an appropriate strategy for allocation of funds for retirement vary in different situations and spontaneous. They buy annuity-reinvest strategy has potential to accumulate more funds than a pure investment strategy, critical illness coverage is a necessary part of any optimal asset allocation strategy, a life annuity is always an important component in optimal strategies.
2. **Overton (2007)** identified theories of financial planning and the theories' applications and disciplines of origin. In this sequential exploratory research mixed methods were used. It also presents a model for a financial therapy seminar with couples. Outcomes were Financial Planning services will be most effective if couples have a thorough understanding of their psychological relationship with money, the role money plays in their marriage, and the psychological forces that operate on actual financial decision making.
3. **Tift (2007)** conducted a qualitative phenomenological study using focus group interviews to explore the lived experiences of 61 baby boomers regarding their financial planning for anticipated health needs in retirement. Findings include seven core themes: (a) influence of family experiences, (b) delayed retirement, (c) influence of physical or cognitive health, (d) uncertain future of government programs, (e) procrastination of financial planning, (f) uncertain future of health care, and (g) distrust of government involvement.
4. **Cutler (Mar 2003)** dealt with the "traditional" image of retirement financial security as it is a three legged stool: Social Security, employer pensions, and personal savings/investments. Some analysts have identified a fourth leg, that of post-retirement wages. There is also discussion about a fifth leg: the costs of

health care and long-term care. Using reverse mortgages to take advantage of home equity is discussed.

5. **Potts (2001)** took the primary objective of his study as to gain useful insights about conditions that will lead to successful retirement for family business owner-managers. The blend of financial and non-financial issues suggests that financial planners have a real awareness of the unique context in which they are operating. The unraveling of the complex issues surrounding the retirement of family business owner-managers represents a real challenge for the CEOs, financial planners and academicians.
6. **Klapper and Panos (2011),** did the examination of the relationship between financial literacy and retirement planning in Russia. It was found that only 36% of respondents in the sample understand interest compounding and only half can answer a simple question about inflation. In a country with widespread public pension provisions, findings were that financial literacy is significantly and positively related to retirement planning involving private pension funds.
7. **Alcon (1999)** states that adequate income in retirement is especially difficult for women to achieve because of traditional sex biases in the workplace, the complexity of women's roles, their longer life expectancy, lower pension self-coverage, inadequate survivors' benefits and a long tradition of women not "managing the finances." Mid-life and older women are at a special disadvantage.
8. **Kennickell et al (1997)** surveyed a focus group; the group consisted of eight individuals with relatively high income and wealth. The savings behavior of such people is of interest partly due to their large contribution to total personal saving. The participants expressed concerns about how their circumstances will change as with their age, and about uncertainties in income and health. While these concerns are consistent with theories emphasizing life-cycle and precautionary saving, the idea that saving involves self-control was also mentioned repeatedly.
9. **Cutler (2001)** found out the retirement planning implications of an important study conducted by the National Council on the Aging. Details concerning the following tends are supplied: 1. Retirement does not necessarily imply that clients stop working. 2. Accumulated savings and health concerns are the two major factors that consumers consider when deciding when to retire. 3. Responsibility for wealth accumulation has moved away from the employer and the government

has begun to rest with the client. 4. Financial counseling for retirement is necessary now more than ever.

10. **Lusardi and Mitchell (2011)** reports on a purpose-built survey module on planning and financial literacy for the Health and Retirement Study which measures how people make financial plans, collect the information needed to make these plans, and implement the plans. Results show that financial illiteracy is widespread among older Americans, particularly women, minorities, and the least educated. He also found that the financially savvy are more likely to plan and to succeed in their planning, and they rely on formal methods such as retirement calculators, retirement seminars, and financial experts, instead of family /relatives or co-workers. These results have implications for targeted financial education efforts.
11. **Owen and Wu (2007)** Used data from the Health and Retirement Study and the Survey of Consumer Finances, they showed that households that experience adverse financial shocks worry more about the adequacy of their financial resources in retirement, even after controlling for the effects of these shocks on overall wealth. We find supporting evidence that suggests that at least part of the increased worry about retirement is due to general pessimism rather than changes in an individual's own circumstances. Specifically, experiencing idiosyncratic financial shocks is also associated with greater pessimism about the general future of the economy.
12. **Altfest (2004)** felt that as PFP is a new and growing segment, hence, it is very useful if a separate theory was articulated. Altfest has provided building blocks for this and suggested that PFP course work and text books must be evaluated so as to maintain them at par with the corporate Finance and investment. In this way, we can say that the most active categories under Personal Financial Planning are Retirement Planning, Portfolio Management and Behavioral Finance. The least active areas of research are Regulatory & Compliance, Tax Planning and Holistic Planning in Personal Financial Planning.
13. **Danes et al.(1999)** assessed the impact of a high school financial planning curriculum on the financial knowledge, behavior, and self-efficacy of 4,107 teens nationally. Statistically significant changes were found in financial knowledge, behavior, and self-efficacy both immediately after studying the curriculum and

three months after completing the curriculum. About half the teens had gains in knowledge, a third had gains in behavior, and 40% increased their confidence in managing their money.

14. As per **Glass Jr. (2006)** the baby boomer generation is quickly moving to the time of retirement. Signs point to the need for boomers to assume more responsibility for their financial security in retirement. In general, older women today do not have the financial resources that men do and are poorer in retirement. Conditions seem to be pointing to the fact that boomer women are moving in that direction as well. However, women seem to prepare less for retirement. This article looks at some of the reasons for women's lack of planning and saving for financial security in retirement. Economic and psychosocial reasons that contribute to this lack of preparation are examined, and some recommendations for change are suggested.
15. **Robb and Sharpe (2009)** collected survey data from 6,520 students at a large Midwestern University which affirmed that financial knowledge is a significant factor in the credit card decisions of college students but not entirely in expected ways. Results of a double hurdle analysis indicated that students with relatively higher levels of financial knowledge were not significantly different from students with relatively lower levels in terms of the probability of having a credit card balance. Contrary to expectations, those with higher levels of financial knowledge had significantly higher credit card balances. Overall, the present findings highlight the complex nature of the relationship between financial knowledge and credit card behavior.
16. **Gitman & Bacon (1985)** had written a paper which provides a conceptual understanding of the comprehensive personal financial planning process and its role in the financial services revolution. Empirical evidence is provided supporting the need for an increased supply of college-trained financial.
17. **Hershey et al (June 2007)** said a little is known about the psychological mechanisms that affect financial planning for retirement. Most studies of financial planning and investing have used demographic indicators (e.g., age, gender, income) to predict individual differences in saving. In the present study, a model of planning is tested in which psychological indicators (future time perspective, retirement goal clarity, and self-rated financial knowledge) are posited to mediate

the relationship between demographic indicators and saving behaviors. Path-analytic techniques were used to test the model, based on data from 265 middle-aged working adults. Analyses revealed substantial support for the role of psychological factors in the retirement planning process. Findings have theoretical implications for the development of psychologically based models of planning, as well as applied implications for those who seek to understand the psycho motivational forces that underlie tendencies to plan and save.

18. **Mandell and Klein (2009)** examined the differential impact on 79 high school students of a personal financial management course completed 1 to 4 years earlier. This study used a matched sample design based on a school system's records to identify students who had and had not taken a course in personal financial management. The findings indicated that those who took the course were no more financially literate than those who had not. In addition, those who took the course did not evaluate themselves to be more savings-oriented and did not appear to have better financial behavior than those who had not taken the course. The study raises serious questions about the longer term effectiveness of high school financial literacy courses.
19. **Macewen et al (1995)** proposed that anxiety about retirement begins long before retirement, and that perceptions of one's parents' socialization into retirement and one's own planning for retirement are associated with retirement anxiety. Data from 213 Canadian respondents (mean age = 44 years) were analyzed. Path analysis indicated that both parental socialization and own plan fullness affect retirement anxiety.
20. **Lusardi and Mitchell (2007)** found out that planning patterns and financial literacy may influence household saving outcomes. Several explanations might account for the empirical observation that planning is associated with higher retirement wealth. They investigated the causes and consequences of financial illiteracy to better understand why retirement planning is lacking and why so many households arrive close to retirement with little or no wealth. Their review revealed that many households are unfamiliar with even the most basic economic concepts needed to make saving and investment decisions. Such financial illiteracy is widespread: the young and older people in the United States and other countries appear woefully under-informed about basic financial concepts, with

serious implications for saving, retirement planning, mortgages, and other decisions. In response, governments and several non-profit organizations have undertaken initiatives to enhance financial literacy. The experience of other countries, including a saving campaign in Japan as well as the Swedish pension privatization program, offers insights into possible roles for financial literacy and saving programs.

Research Gap

In most of the literature reviewed by the researcher on financial planning for retirement, it was found that most of these studies were undertaken by foreign research scholars. Only few studies pertaining to financial planning for retirement specific to Indian problems were found. Hence primarily, a need for research in this area was identified. Researcher found that most of the studies dealt with one or two areas about retirement financial planning or financial planning as a whole. The other areas related to financial planning that were studied by the other research scholars were financial literacy, investment planning, asset allocation models etc. Most of the studies were targeted to a wider population, with a possibility of including that population in study which did not have sufficient income even to cover basic family expenses, inclusion of this population would adversely affect the outcome of the study. From an Indian perspective this problem of financial planning for retirement would be first encountered by the population which would retire in next 20 years, none of the study was found targeting this population. Also most of the studies focused on the extrinsic factors and intrinsic factors were ignored in most of the studies.

In earlier studies, a huge gap in number studies done in India, for a specific set of population considering multiple factors of retirement financial planning was identified. Also the interrelation of financial literacy and awareness and its effects on the practices followed by individuals for the retirement well being, role of intermediaries, demographic factors and various family factors was largely missing in the reviewed literature.

2.4 Study of research methodologies

As stated in the introduction of this chapter, one of the key objectives of this chapter present the information which provided the clues for the research methodology to applied for the study. These clues were utilized in the subsequent chapter to plan the research methodology for the study.

Summary of research methodology of the different studies considered is as follows

Table 2.7 Summary of research methodologies review

Ref No.	Area and type of study	Sample Population	Research Instrument	Sample size	Sampling method
20	Financial literacy/PHD Thesis	Retail individual investors above 18 years of age	Questionnaire	385	Convenient
21	Retirement Planning/ PHD Thesis	Adult Malaysian individuals above age 26 years old	Questionnaire	546	Random
22	Retirement Planning/Research Paper	Individuals who opt for EPF as their retirement benefit	Questionnaire	200	Convenient
23	Financial literacy and retirement planning/ Research paper	Non-retired respondents younger than age 65	Questionnaire	996	Random
24	Retirement Planning/ PHD Thesis	Individuals owning a home in the urban parts of Maharashtra. These individuals are in the age group 30 - 60 years and have taken home loan during the financial years 2007 to 2013.	Questionnaire	384	Snowball
25	Retirement Planning/ PHD Thesis	Individuals having EPF accounts	Questionnaire	440	Quota

Conclusion

The chapter has presented the background of all the concepts pertaining to the study. The concepts that were covered in details were financial planning, retirement, financial life cycle, financial objectives etc. In the literature review part researcher has tried to present the previous study conducted in the research area. These studies have guided the researcher to explore various aspects of financial planning like financial literacy, financial behavior towards risks, saving and spending. Also clues for measurement of the mentioned factors and for developing the research methodology is explored in greater details. Further based on the introduction of the study and the background of concepts and review of literature, stage is now set to formulate objectives, hypothesis and create the complete research design.

3 CHAPTER: RESEARCH METHODOLOGY

3.1 Introduction

This chapter intends to unfold the various research methods taken into account to develop the research methodology for the study. It will also introduce the objectives and hypotheses of the study and will present the research design. Along with this, researcher has also included results of pilot study, scope and limitations of the study.

3.2 Overview of research

This research was conducted in order to determine the practices followed by individuals in wealth creation stage for retirement financial planning, financial literacy, saving and spending attitude, awareness about retirement planning products and services in Pune city.

The study required to gather the information about the present conditions, so descriptive method of research was used for this study. The research required to study the population in an accurate way. It was mainly concerned with describing the degree in detail of the current situation with respect to its nature or condition. For study of this type descriptive research was the most appropriate method. Also this method is used to describe the type of a situation, as it exists at the time of the study and to explore the reasons behind a particular phenomenon. The main purpose of descriptive research is to acquire an accurate profile of the population, events or situations. This type of research puts a lot of emphasis on describing rather than on judging or interpreting. The objective of descriptive research is to confirm formulated hypotheses that are used to the present the current situation in order to explain it. The main characteristics of descriptive approach are that it is quick and flexible.

Considering the above mentioned characteristics of descriptive research, this method was employed in the study to understand practices followed by individuals in wealth creation stage for retirement financial planning, financial literacy, saving and spending attitude and awareness about retirement planning products and services.

This study has individuals in age group 25 years to 45 years with total annual income higher than 2.5 lakhs. Selected participants answered a survey questionnaire. The data collected using the research instrument was computed for interpretation. Researcher made use of both primary data gathered using questionnaire and secondary data obtained from various sources like books, journals, existing literatures, published papers, government reports and PhD thesis of researcher scholars etc. that were relevant to the study.

Considering the requirement of participation of human respondents i.e. individuals in the study, certain ethical issues were taken care off. To ensure the privacy and safety of the participants the consideration of these ethical issues was essential. The important ethical issues that were considered in the design of the research process include consent and confidentiality. To obtain the consent of the selected respondent, the researcher provided all the important details of the study like its aim and purpose. By providing this important information, the participants were able to appreciate the significance of their role in the completion of the research.

3.3 Objectives of the research

The following are the objectives of the study: -

- **a)** To examine retirement planning practices followed by individuals in wealth creation stage.
- **b)** To study the levels of awareness amongst the individuals in wealth creation stage with regard to financial planning for retirement, instruments for financial planning for retirement and about the institutions/intermediaries.
- **c)** To study the role played by financial intermediaries especially the Certified Financial Planners (CFP) in influencing the decisions of individuals in regard to their financial planning for retirement.
- **d)** To study the factors influencing individual's actions towards investment for retirement planning

3.4 Hypotheses

The following hypotheses have been framed for testing on the basis of available data.

- The level of awareness about retirement planning product / services varies with age, occupation, education of individuals in wealth creation stage.
- The extent of retirement planning activities followed by individuals is associated to saving – spending attitude.
- Funds allocation for retirement financial planning is associated with occupational and family factors.

3.5 Research Design

Fundamentally research design is a plan for collection, measurement and analysis of data. As this study was primarily focused on study of financial discipline, awareness and practices followed by individuals for retirement financial planning in Pune city, one might therefore think that individuals would be adequate for this purpose. As discussed earlier descriptive method of research was used for this study. Research design is covered under three parts as follows

- Sampling design (method of selection of respondents)
- Observational design (method of collection of data)
- Statistical design (method for analysis of the collected data).

3.5.1 Sampling Design

a) **Population**

All the individuals in age group 25 to 45 years of age with annual income greater than 2.5 lakhs staying in Pune city.

b) **Estimating Sampling size**

Estimating Pune City's Population by the end of year 2014 - 15

By 2011, Pune City's Population = 3124458[1]

From 2001 to 2011, Pune district's population has grown by 30.37 %.[2]

Assuming same growth rate continues in the current decade and growth is homogeneous across the district then,

Population growth (in percentage) in next 4 years = 30.37*4/10 = 12.14 % Pune city Population's estimation in year 2015 = **3124458** X (1.1214) = **3499393**

For purpose of our study,

Estimated Population of Pune city = 3499393

As our Sampling Universe for the study are **the individuals in age group 25 years to 45 years**

Let researcher estimate number of elements in universe for the purpose of this study. This estimate is calculated,

As per census 2001, the percentage of individuals in age group 25-45 years is 27.6 % on national level. Since the age group 25 to 45 years is not available in census 2011, researcher has used the percentage of 2001 census assuming there will not be a huge variation in this percentage. Moreover small difference will not adversely affect the sample population. Also researcher has assumed that national percentage of people in this group will be applicable to people in Pune city.

So number of people in age group 25 to 45 years in Pune city =**3499393*0.267= 934338**

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[1] Source: http://www.census2011.co.in/census/city/375-pune.html

[2] http://www.census2011.co.in/district.php(census)

Total sample size of **385** individuals in Pune city is considered for the study. During data collection, proper care was taken to collect the data in such a way that it covers all age groups, various income groups, different occupation etc. The justification for sample size determination is given below.

Following formula can be used to determine sample size (Nargundkar, 2003).

$$n = p\ (1 - p)\ (Z/e)^{2}$$

$$n = 0.50\ (1 - 0.50)\ (1.96/0.05)^{2}$$

$$n = 385$$

Where,

N = Sample Size

Z = Z value from the standard normal distribution for the confidence level desired by the researcher. For this study, the researcher has assumed 95 percent confidence level. Then from the standard distribution tables, the Z value is 1.96.

p = Frequency of occurrence of something expressed as proportion (0.50).

E = Tolerance error. This can be decided by the researcher.

For this study, the researcher has assumed tolerance error of 0.05.

Applying above formula, the sample size is computed as to 385.

Hence, researcher has collected the primary data from **385** respondents.

c) Sampling Method

The prime objective behind this study is to study the practices followed by individuals in wealth creation stage for retirement financial planning, financial literacy, saving and spending attitude and awareness about retirement planning products and service. To satisfy these conditions an individual must have some disposable income. So researcher has decided to study the individuals with age greater than 25 years and an annual income greater than 2.5 lakhs, which is the entry slab for income tax as per Income Tax Act 1961. As sampling frame of individuals in age group 25-45 years with income greater than 2.5 lakhs per annum is not readily available; employing random sampling method is not practical. Hence researcher has employed purposive sampling method. Purposive sampling is also known as judgmental, selective or subjective sampling, is a type of non-probability sampling technique. So individuals fulfilling above age and income criteria as discussed above were only considered.

Further the purpose of the study is to study the variation of the practices followed by individuals for retirement planning with various social economic factors such as gender, age, occupation and education etc. To have comparable results adequate representation of individuals in various socio economic factors is required. For this, Quota Sampling method seems to be appropriate in a given context. Quotas are fixed on the basis of individuals investing for retirement planning and not investing for retirement planning. Quotas were fixed as follows as for analysis of three objectives requires data of individuals investing for retirement and one objective requires data of individuals not investing for retirement.

- Individuals investing for retirement planning : 70%
- Individuals not investing for retirement planning : 30%

3.5.2 Observational Design

Donald R. Cooper, Pamela S. Schindler (1999) has defined 'Data' as, the facts presented to the researcher from the study's environment. The two types of data are primary data and secondary data. Survey questionnaire and structured interview methods are used for collecting Primary data from the selected sample population, whilst secondary data consists of the studies made by others for their own purposes such as relevant reports of earlier researches, books, articles, published documents, journals. Observational design covers the different aspects like the sources of data, methods of data collection and research instrument.

a) Sources of Primary Data

Primary data for this study was required from individuals in age group of 25 years to 45 years i.e. wealth creation stage. Data collection method employed was survey through questionnaire, so using a questionnaire the required information was gathered from the respondents. This questionnaire is available for reference in Appendix A.

b. Sources of secondary Data

During the course of the study, researcher put in a lot of efforts to collect various data and statistics pertaining to the study. Various books on the economy of India, Financial planning, Financial Services, Retirement planning, Pension funds etc. were accessed from various libraries and were studied and used in the presentation. Along with this a lot of published Ph.D. thesis available on UGC (shodhganga) and PROQUEST database was studied. Ph.D. thesis available in Tilak Maharashtra Vidyapeeth, Sav Savitribai Phule Pune University, National Insurance Academy and Research Center was also accessed. Data published by and available from Government reports, Central Statistical Organization, Planning Commission, Securities Exchange Board of India, Insurance Regulatory development Authority, Ministry of Finance, Reserve Bank of India, Centre for Monitoring Indian Economy (CMIE), National Stock Exchange, Bombay Stock Exchange, Census Reports, Securities Exchange Commission, World Bank, etc. was obtained, and used for study and analyses. Besides this number of newspaper clippings, web based articles; magazines relevant to study were also used.

c. Research Instruments

According to Mohammadi, to ensure accuracy of the research, within the limits of the study, the findings must be valid and reliable. Findings are only acceptable to the degree to which they are determined valid. Kelly defines validity as: “the degree to which the data support the inference that are made from the measurement”; i.e. validity refers to the accuracy of a measurement, and a measurement is valid when it measures what it is supposed to measure (Mohammadi, 2008).

Furthermore, the research findings must be consistent i.e. the degree of consistency within the measurement. Joppe (2000 as cited in Golafshani, 2003) defines reliability as: “the extent to which results are consistent over time and accurately represent the total population under study and if the results of a study can be reproduced under similar methodology, then the research instrument is considered to be reliable”. In order to deal with the issue of reliability it was imperative that the survey questionnaire should gather valid responses. It was essential to establish whether the same response was or would be given, if the respondent had answered the questionnaire earlier or later. The majority of the survey questions in this study had been structured to fall within the multiple choice questions. Also there were Likert-like response categories. The questions included in the survey questionnaire are structured and standardized. The structure is anticipated to lessen bias. Standardization of question ensured reliability, generalization, and validation. All the participants were presented the same questions and in the same order as other participants. The questionnaire majorly contained closed-ended questions, restraining the possible answers to one's identified. However, researcher understands that the closed questions may lead to bias because respondents are led by the options supplied for each question. This can be removed by using "other" option included which allow for any answer that has not been thought of.

Table 3.1Types of Questions used in the questionnaire

Type of questions	**Number of questions**
Free Response Questions (Open ended questions)	1
Dichotomous Questions	4
Multiple Choice – Single Response	36
Checklist Questions (Multiple Response)	5
Rating Questions	4
Total Number of Questions	**50**

In designing the questionnaire, first, the study focuses on the research objectives and considers how the data is to be analyzed before collecting it. This is to ensure that the questions are in a format which is suitable for analysis by the statistical package chosen. The three main elements to consider are:

1. Decide the questions to be included
2. Select the appropriate type of question and phrasing for each question
3. The overall arrangement and question order.

The questions asked relate directly back to the research objectives. For example, in seeking answers relating to financial discipline, financial planning for post-retirement, awareness about retirement planning products and answers pertaining to the demographics of the sample population are particularly relevant. Therefore, questions included are:

1. Age group
2. Gender
3. Marital status
4. Education
5. Occupation

Ranked responses are also useful to indicate the strength of respondent's preferences. For example, please: Rate the following financial goals on scale of 1 to 10 as per your current priorities (rating 1 – low priority to 10 being the highest priority):

Rated responses like the Likert scale are also a good complement to ranked responses. The respondent considers each option individually and can give a more accurate response. For example, before I buy something I carefully consider whether I can afford it (Select: "Strongly agree"; "Agree"; "Neither agree nor disagree"; "Disagree"; and "Strongly disagree"):

In order to ensure the interest of the participant while answering the questionnaire, variety of question formats were included. It also helped to avoid mechanically ticking of the same boxes for all questions. Along with the format, the wording of the questions had to be clear with no room for ambiguity. It is important to avoid asking too many questions as this will put respondents off and end up with a lot of (probably irrelevant) data to analyze.

Among the advantages of using questionnaires are:

Standardized data is gathered which helps to ease analysis of data with software packages such as Statistical Package for Social Scientists (SPSS);

- Relatively quick in gathering data can from a large number of participants
- Questionnaires are less invasive and lessen bias;
- Respondents can answer anonymously so ensure honest and reliable answers

As compared to face-to-face interviews, questionnaires are very cost effective, especially for large sample sizes. However the following disadvantages of using questionnaires also needs to be considered:

- Possibility of responses being inaccurate
- A reasonable sample size is required to represent views of the entire population.
- Response rates might be poor due lack of motivation for respondents.

The most important attribute of the questionnaire is that must collect the appropriate data required for analysis of objectives and testing of the hypothesis. Also researcher has considered the disadvantages as mentioned above and had sent the questionnaire to 800 individuals out which 485 respondents had completed the survey. Also researcher and has filtered out around 90 questionnaires where data appeared to conflicting. The link between each section of the Questionnaire to the Research Hypotheses is summarized in Table 3.2 below:

Table 3.2 Questionnaire and hypothesis mapping

Survey Questionnaire	**Section**	**Research Hypothesis**
Demographic profile	Opening	H1,H2 and H3
Level of awareness for retirement	C	H1
Saving-spending attitude	B	H2
Savings for retirement	A	H3

3.5.3 Statistical Design

Post collection of the data, the researcher commenced the activity of analyzing it. The data analysis requires various operations like establishment of categories, the application of these categories to raw data through coding, tabulation and drawing statistical inferences. The inept data needs to be condensed into few manageable tables or group for additional analysis. The activity of classification of raw data into some purposeful and usable categories was carried out followed by coding of data. Data was presented in graphs and tables at appropriated places. Hypothesis was tested with help of statistical package for the social science (SPSS).

Various measures of central tendency (mean, mode, median) and measures of dispersion (standard deviation) are used appropriately. For measuring reliability of the research instrument researcher has used Cronbach's Alpha Reliability test. Statistical tests like, T test, one way ANOVA and Chi Square test are employed.

As this being a social research of an exploratory nature, researcher would like to test hypothesis at **5% level of significance**. That's why researcher has set **interpretation criterion** for testing of hypothesis which is as follows: -

If p value is less than 0.05 - null hypothesis is rejected and alternate hypothesis is accepted.

If p value is greater than 0.05 - null hypothesis is accepted and alternate hypothesis is rejected.

3.6 Pilot Study

For the purpose of eliciting feedback on clarity and the communication of instructions and survey instrument items to respondents, a pre-test of the initial questionnaires was carried out and all constructive comments and suggestions from the feedback were incorporated into the final questionnaire in order to improve its format, content and quality to facilitate easier understanding and comprehension by them. A pilot study was conducted as a trial run of the questionnaire designed to spot any flaws which can be corrected before going to the expense of implementing the main survey. Questions that were complex and vague were identified and studied.

This feedback was used to gauge the extent of redesigning the questionnaire to gather data, test the research hypotheses, and validate the scientific approach and methodology in the main survey

The following are some of the questions included in the survey questionnaire:

- Age grouping of respondents
- Segmentation of salaried individual
- Saving habits
- Atal pension scheme
- Reasons for investing for retirement planning

The pilot included the questionnaire completion, analysis and feedback from respondents. Personal interviews were conducted in the pilot for data collection. Researcher conducted a pilot study by administering questionnaire on 40 (about 10% of sample size) individuals. After collecting the responses, we calculate reliability of the research instrument (Questionnaire).

Interpreting Reliability Statistics for Pilot Study - To check the consistency of the respondents for the questionnaire researcher has applied Cronbach's Alpha Reliability test. It is observed that the reliability for the questionnaire is 91% (as Cronbach’s Alpha is 0.905) which is statistically significant and acceptable for further administration and analysis.

3.7 Scope of the study

The scope identifies the boundaries of the study in term of subjects, objectives, area, time frame, to which any study is focused.

The present study is an attempt to throw light on the awareness practices followed by individuals for retirement financial planning in age group 25-45 years in Pune City. The geographical scope of the study is limited to Pune city only.

This study is carried during three years starting from the year 2012 to year 2015. But, data is collected is made in the year 2015. Our time wise scope is for the period of Jan 2012 to Dec 2015.

This study could be carried out from various angles financial literacy, general financial awareness, risk profile, awareness about products and regulators for various financial instrument and role of intermediaries. But researcher is carrying this study from individual perspective only.

This study is an attempt to study the retirement planning practices followed by individuals in wealth creation stage along with the factors that make an individual active or inert towards retirement planning.

a. To study various factors which makes individuals willing or inert towards retirement planning

b. To study the levels of awareness amongst the individuals in wealth creation stage with regard to financial planning for retirement, instruments for financial planning for retirement and about the institutions/Intermediaries.
c. To study the role played by financial intermediaries especially the Certified Financial Planners (CFP) in influencing the decisions of individuals in regard to their financial planning for retirement.

3.8 Limitations of the study

This study is made under quite a few constraints. Hence, the findings of the study are interpreted with caution. Non-random sampling method is mainly used in the study, hence while generalizing findings of the study there are certain inherent limitations.

The responses provided by the respondents may not be as precise as desired due to the financial illiteracy, unawareness and poor knowledge about entire financial services as such. Moreover, sampling and non-sampling errors are also unavoidable while drawing inferences.

The individuals over 45 years of age will not be a part of study. Respondents only from Pune city will be considered for the study, as Pune city is an appropriate representation of the desired profile of respondents. Researcher will study the relative preferences on various factors like intermediaries, instruments for retirement planning etc. and will not cover the probable reasons for individual preferences. Due to the dynamic changes taking place in Indian financial services particularly specifically financial instruments, data obtained is always influenced by environmental factors which are beyond the control to the researcher.

However, the analysis made is as scientific as possible giving attention to all these limitations. Though this work suffers from these limitations, but the care has been taken to minimize these errors.

Conclusion

Researcher has now completed the structure of the entire research process which includes understanding the type of research, formulating objectives and hypothesis, sampling design, research questionnaire, pilot study, reliability test of the pilot study, scope of study and limitations of study. As the next step researcher then collected the primary data through questionnaire. Post filtering the questionnaires, researcher had coded the raw data and completed the analysis. In the next chapter researcher will present the analysis of the primary data collected during the survey of individuals.

4 CHAPTER: PRESENTATION & ANALYSIS OF DATA PART I

In chapter 3, researcher presented the details of research methodology including the design of researcher questionnaire. This chapter analyzes the primary data collected during the course of research. Objective wise analysis is presented in this chapter to facilitate easy reading and understanding. Researcher has presented the data with help of tables and graphs. Important findings have been highlighted in the tables. Various statistical techniques like percentage, mean, mode, median have been used as per the requirements. Cross tabulation is used for detailed analysis.

4.1 Sample Description

Researcher has collected data from individuals in age group 25 to 45 years and with income greater than 2.5 lakhs per annum in Pune city. The sample composition data is divided in two parts.

- Sample composition by demographic factors
- Sample composition by occupational and family factors

4.1.1 Sample Composition by Demographic Factors

The composition of sample presented in the subsequent section is based on the following demographic factors.

- Age
- Gender
- Occupation
- Education
- Income (from all sources per annum)

During the review of literature, researcher has identified these factors. In previous studies these factors have been found to have an impact on activities for financial planning for retirement. So these are included in the study to understand the phenomenon in detail. Also study these factors form part of hypothesis 1 of the study.

Table 4.1 Description of the survey data

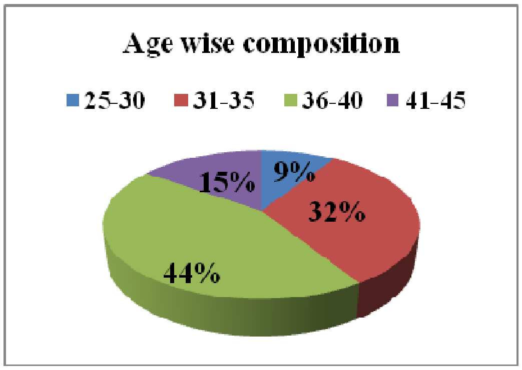
Demographic Factors		Number of Individuals	Percentage
Age (years)	25-30	36	9.1
	31-35	126	32.0
	36-40	172	43.7
	41-45	60	15.2
Gender	Male	340	86.3
	Female	54	13.7
Occupation	Salaried	260	66.0
	Self-Employed	92	23.3
	Professional	42	10.7
Education	Undergraduate	8	2.0
	Graduate	128	32.5
	Post graduates	258	65.5
Income (all sources per annum)	Rs. 2.5 -5 lakh	30	4.1
	Rs. 5-10 lakh	114	32.5
	Rs. 10-15 lakh	96	24.4
	Rs. 15-20 lakh	50	12.7
	Rs. 20 and above	90	22.8
	Other	14	3.5
Total		**394**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: Table No. 4.1, gives distribution of individuals based on various demographic factors such as age, gender, occupation, education and annual income. Individual sample is male dominant i.e. the number of male respondents is higher than the female respondents. This is expected as major investment decisions are taken by male members of family in our country. In the age groups and occupation clusters, the sample has sufficient representation from every group under the study. In the education group, lower representation of the undergraduates is understandable, and one of the probable reason for this is that individuals with income greater 2.5 lakhs are likely to be minimum graduates. Overall the individual sample is adequate to unfurl the retirement financial planning practices across socio-economic clusters.

4.1.2 Graphical representation of sample based on demographic factors

Figure 4.1 Age wise composition **Figure 4.2 Gender wise composition**



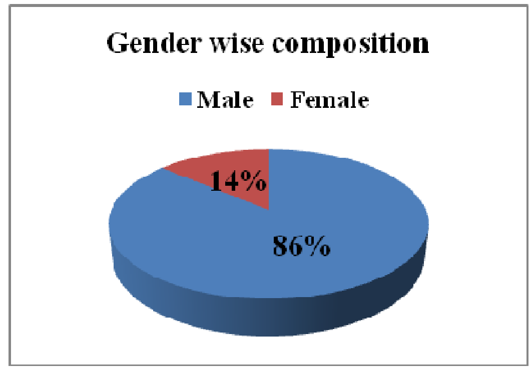
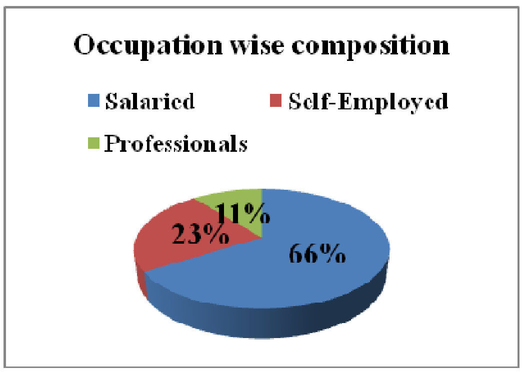


Figure 4.3 Occupation wise composition

Figure 4.4 Education wise composition



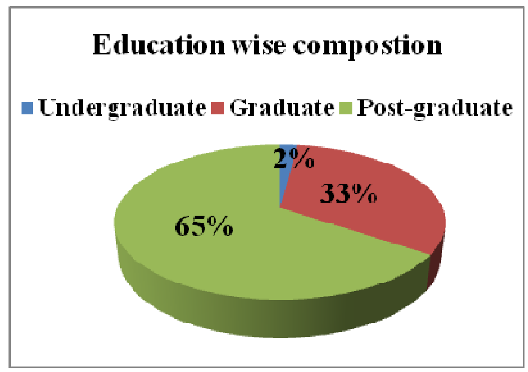
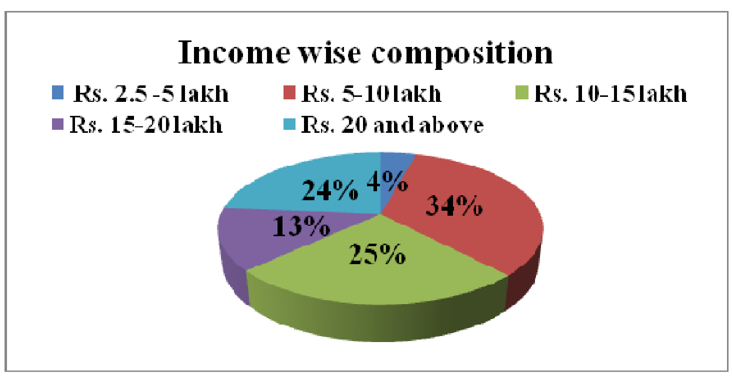


Figure 4.5 Income wise composition



4.1.3 Sample composition by occupational and family factors

Along with the demographic factors, researcher has also collected data based on the occupational and family factors. The main purpose for collection of this data is to study new dimensions of the phenomenon of financial planning for retirement. It has not been taken up earlier in any research that researcher has reviewed and was identified as a research gap. The occupational and family factors include the following

- Spouse employment status
- Type of industry
- Number of years in service/profession
- Number of dependents
- Assets owned
- Liabilities
- Percentage of monthly income used to repay loans

Every factor above has a purpose and is expected to have an influence on financial planning e.g. individuals in banking and financial services may have more awareness about retirement planning but the application of these awareness into actions for retirement planning needs to be checked and compared with other industries. The employment status of spouse is considered to check the approach of double income families towards financial planning for retirement. Further the influence of number of dependents, the assets owned and the liabilities arising due to asset creation like house, car etc, and the part of income being utilized to repay these liabilities will also be studied. Similarly the statistical significance of variation factors will also be tested as a part of hypothesis 3. Table 4.2 presents the sample composition based on the occupational and family

Table 4.2 Sample composition occupational and family factors

Occupational and Family Factors		Number of Individuals	Percentage
Spouse employment status	Employed	240	60.9
	Not employed	124	31.5
	Not applicable	30	7.6
Type of Industry (applicable on for salaried individuals)	Banking & Financial Services	60	23.2
	Government Service	15	5.7
	Information & Technology	103	39.6
	Manufacturing	35	13.5
	Other	15	5.7
	Services	32	12.3
Number of years in service/ profession	1-3 years	16	4.0
	4-7 years	44	11.2
	8-11 years	122	31.0
	12-15 years	138	35.0
	15 years and above	40	10.2
	16 years and above	34	8.6
Number of dependents	1	56	14.2
	2	128	32.5
	3	84	21.3
	4	46	11.7
	5 or more	24	6.1
	None	56	14.2
Assets Owned	Self-occupied House	319	81.0
	Additional House	83	21.1
	Car	292	74.1
	Business Premises	50	12.7
	Shares and Mutual fund	190	48.2
Liabilities	Home Loan	242	61.4
	Car Loan	106	26.9
	Business Loan	32	8.1
	Others	52	13.2
What % of your monthly income is used to repay loans/ Liabilities	Less than 20.0%	98	24.9
	Between 20.0 % to 35.0 %	108	27.4
	Between 35.0% to 50.0%	90	22.8
	More than 50.0%	12	3.0
	Nil	86	21.8
Total		**394**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: In the collected nearly 61% of the respondents have double income due to the spouse being employed. Around 8% of people are single so spouse employments status is not applicable to those individuals. The sample has sufficient representation of individuals from varied industries and different number of dependents. Around 81% individuals own a house and 74 % individuals have a car. Due to the ownership these assets, nearly 80% of the individuals have liabilities.

4.1.4 Graphical representation of sample based on additional factors

Figure 4.6 Spouse employment status wise composition

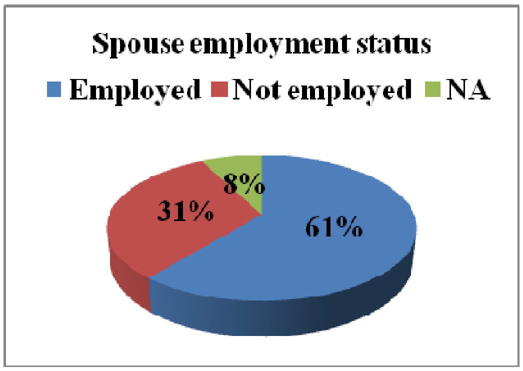


Figure 4.7 Industry wise composition

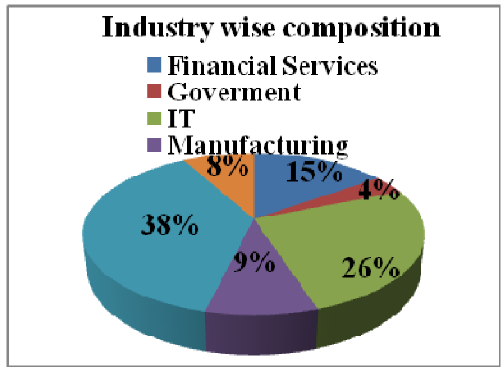


Figure 4.8 Number of years of service profession wise composition

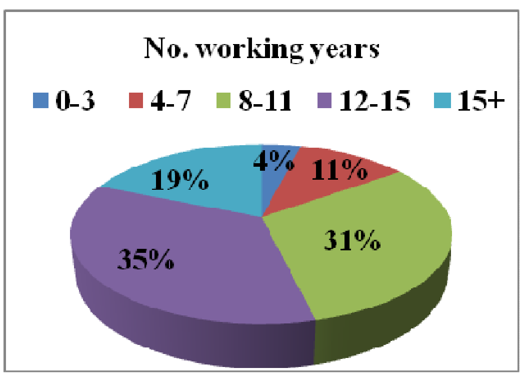


Figure 4.9 Number of dependents wise composition

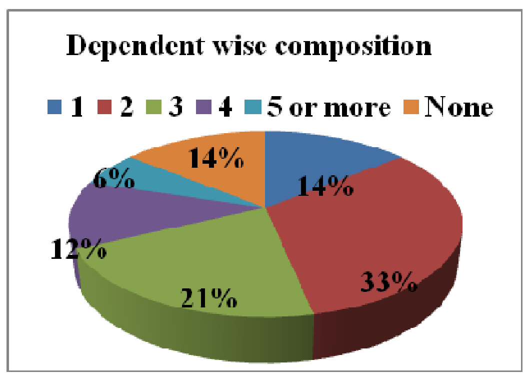
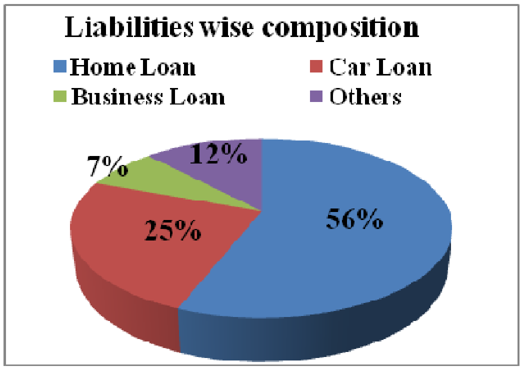


Figure 4.10 Liabilities wise composition

Figure 4.11 Monthly liability wise

composition



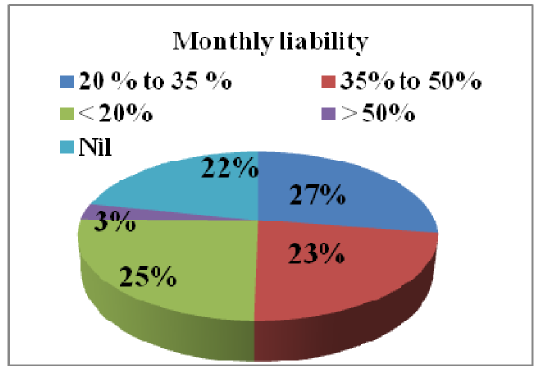
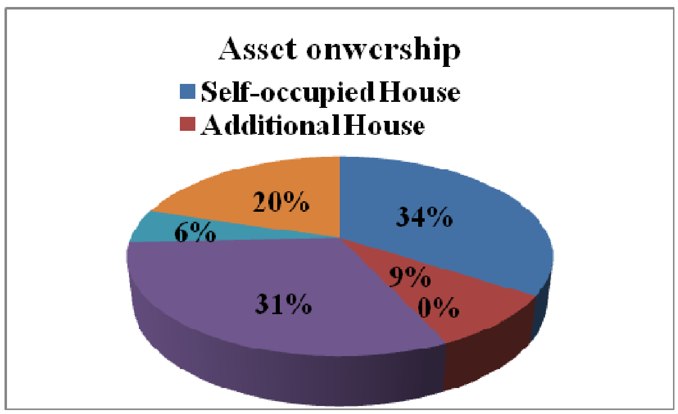


Figure 4.12 Asset ownership wise composition



In the section 4.1, researcher has presented the sample description based on the various demographic factors along with occupational and family factors. Demographic factors are further subdivided into multiple groups to facilitate detailed analysis. The sample size is found to be appropriate for the study as various clusters/groups are adequately represented in the sample. Also researcher has ensured adequate number of respondents in each cohort.

4.2 Profiling of the sample

After studying the composition of sample, researcher now intends to study the activity of understanding the individual preference in financial decisions which is commonly known as Investor Profiling. In the world of financial planning, profiling of individuals is a very common and important activity. It is the first step before the commencement of financial planning. On reviewing the literature (chapter 2), the three key aspects of profiling the sample data were identified as follows.

1. Financial literacy
2. Saving and spending attitude
3. Risk taking abilities.

Researcher through the survey questionnaire has gathered data to understand these three concepts. In the subsequent section researcher will unfurl the method to measure them.

4.2.1 Financial Literacy

Financial literacy basically is being aware about simple day-to-day life financial terms or concepts. Researcher through three simple questions on the day to day financial life has tried to obtain a high level understanding of financial literacy of the individuals in wealth creation stage. The questions in survey pertain to following areas.

- Interest rates on borrowings
- Interest rate on savings account
- Different parameters considered while investing

Table 4.3 below lists these three questions along with the options provided to the respondents and the marking scheme used for each question. All the questions were multiple choice questions.

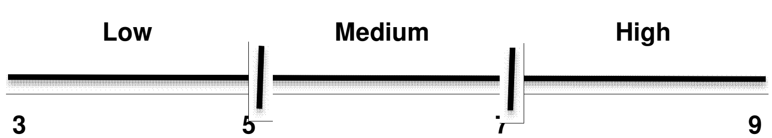
Table 4.3 List of questions and scoring scheme for financial literacy

	Questions		
Options	**Select the financial product on which bank charges the highest interest rate**	**What is minimum rate of interest on savings account**	**When making various investments, which of the following parameters you focus on?**
	Car loan (1)	*3.5% (1)*	*After tax returns (1)*
	Housing loan (1)	*4.0% (3)*	*After tax returns minus inflation for the period (3)*
	Personal loan (1)	*4.5% (1)*	*Gross returns (1)*
	Unpaid credit card bills (3)	*5.0% (1)*	*Don't know (2)*
	Don't know (2)	*Don't know (2)*	
Note : *Figures in () indicate the scoring points for the answer while calculating financial literacy score*			

Source: Survey of individuals

Analysis and Interpretation: Financial literacy is measured on a scale of 3 to 9 where 3 being low and 9 being the highest. The figure 4.13 below represents the scale used for measurements of financial literacy for the individuals in wealth creation stage. The individuals in wealth creation stage with financial literacy score from 3 and up to 5 is considered to possess a “low level” of financial literacy, the individuals in wealth creation stage with financial literacy score greater than 5 and up to 7 is considered to possess “medium level” of financial literacy and individuals in wealth creation stage with financial literacy score greater than 7 and up to 9 is considered to possess “high level” of financial literacy.

Figure 4.13 Scale for measurement of financial literacy



Source: Researcher illustration

After deciding the scale for measurement of financial literacy, researcher measured the financial literacy based on the responses received from the individuals. The table 4.4 below presents the responses received on the financial literacy questions.

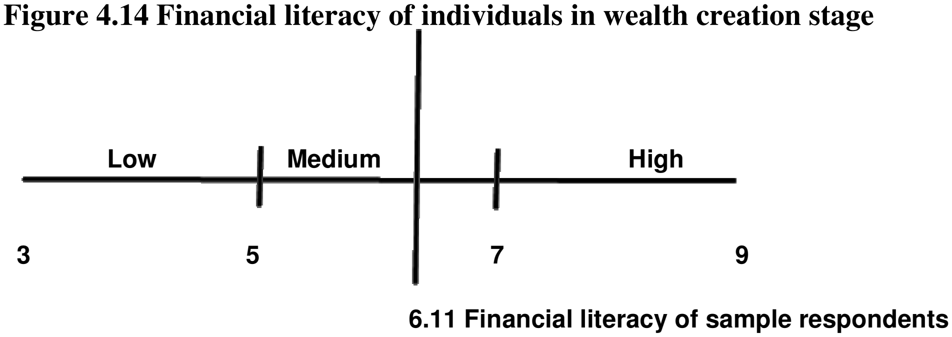
Table 4.4 Summary of responses on the financial literacy questions

Responses Details	Select the financial product on which bank charges the highest interest rate	What is minimum rate of interest on savings account	When making various investments, which of the following parameters you focus on?
Percentage Correct Responses	*65%*	*50%*	*40%*
Percentage Incorrect Responses	*35%*	*50%*	*60%*

Source: Survey of individuals

Analysis and Interpretation: Based on the responses in table 4.4 and the points mentioned in the table 4.3 researcher computed the average score of the financial literacy for the sample population. The average score for financial literacy at a sample level was found to be **6.11 on scale of 3 to 9.**

Figure 4.14 Financial literacy of individuals in wealth creation stage



Source: Researcher illustration

Thus by using the scale of financial literacy in figure 4.14, it can be said that financial literacy of the individuals in wealth creation stage is at medium level. The financial literacy of individuals will be used for cross tabulation in subsequent sections.

4.2.2 Saving and spending attitude

After understanding the first profiling factor of financial literacy, researcher then studied the saving and spending attitude of the sample population. The researcher included six Likert scale questions pertaining to saving and spending behavior in the research instrument to understand the saving and spending attitude of the individuals in wealth creation stage. All the six questions are statement pertaining to either saving or spending .The table 4.5 below list the questions along with options provided to the respondents.

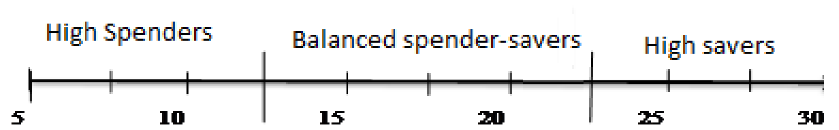
Table 4.5 List of questions and measurement scheme for saving and spending attitude

Rating	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
Before I buy something I carefully consider whether I can afford it	*5*	*4*	*3*	*2*	*1*
I tend to live for today and let tomorrow take care of itself	*1*	*2*	*3*	*4*	*5*
I find it more satisfying to spend money than to save it for the long term	*1*	*2*	*3*	*4*	*5*
I keep a close personal watch on my financial affairs	*5*	*4*	*3*	*2*	*1*
I set long term financial goals and strive to achieve them	*5*	*4*	*3*	*2*	*1*
Money is there to be spent	*1*	*2*	*3*	*4*	*5*
Note : Figures in () indicate the points for responses while calculating the score					

Source: Survey of individuals

Analysis and Interpretation: Saving and spending attitude of the individuals in wealth creation stage is measured on a scale of 5 to 30 where 5 being low and 30 being the highest. The figure 4.15 below represents the scale used of measurement of levels of saving-spending attitude. The individuals in wealth creation stage with saving-spending score from 5 and up to 12.5 is considered as a “High spenders”, the respondents with score greater than 12.5 and up to 22.5 is considered as “Balanced savers-spenders” and the respondents with score greater than 22.5 and up to 30 is considered as “High savers”. Based on this measurement researcher has presented the scale for saving-spending attitude in figure 4.15 below.

Figure 4.15 Scale for measurement of saving-spending attitude



Source: Researcher illustration

Too measure the saving spending attitude score researcher gathered responses on these saving spending attitude questions. The table 4.6 below represents the summary of responses received from individuals. Further to the responses on these questions, researcher calculated the mean score for each statement. In table 4.7 below, researcher has presented the mean values of the responses received on each of the statement.

Thus the researcher has explored two things about saving and spending attitude. Firstly the overall score of the respondents to understand the phenomenon across the entire sample of respondents and secondly the relative score for each statement to understand the in greater details about the saving spending attitude.

Table 4.6 Summary of responses on the saving-spending attitude questions

Rating	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
Before I buy something I carefully consider whether I can afford it	*234 (59.4)*	*132 (33.5)*	*16 (4.1)*	*10 (2.5)*	*2 (0.5)*
I tend to live for today and let tomorrow take care of itself	*26 (6.6)*	*70 (17.8)*	*82 (22.8)*	*116 (29.4)*	*100 (25.4)*
I find it more satisfying to spend money than to save it for the long term	*26 (6.6)*	*80 (20.3)*	*90 (22.8)*	*128 (32.5)*	*70 (17.8)*
I keep a close personal watch on my financial affairs	*124 (31.5)*	*166 (42.1)*	*56 (14.2)*	*44 (11.2)*	*4 (1.0)*
I set long term financial goals and strive to achieve them	*110 (27.9)*	*166 (42.1)*	*70 (17.8)*	*38 (9.6)*	*10 (2.5)*
Money is there to be spent	*30 (7.6)*	*120 (30.5)*	*114 (28.9)*	*68 (17.3)*	*62 (15.7)*
Note : Figures in ( ) indicates percentage response for the options					

Source: Survey of individuals

Table 4.7 Statement wise mean values

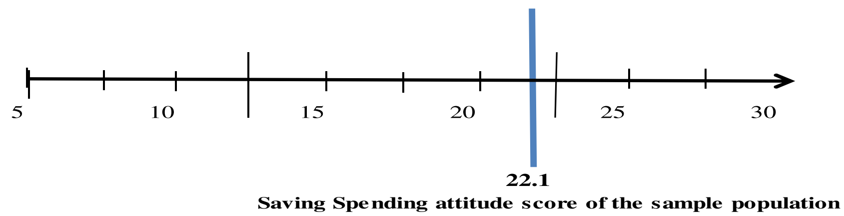
No	Statement	Mean
1	*Before I buy something I carefully consider whether I can afford it*	*4.49*
2	*I tend to live for today and let tomorrow take care of itself*	*3.49*
3	*I find it more satisfying to spend money than to save it for the long term*	*3.35*
4	*I keep a close personal watch on my financial affairs*	*3.92*
5	*I set long term financial goals and strive to achieve them*	*3.83*
6	*Money is there to be spent*	*3.03*
	Total	**22.11**

Source: Survey of individuals

Analysis and Interpretation: As per table 4.7 the mean value is the highest for the spending behavior where individuals consider their affordability before buying things.

This along with low score on statement 6 dealing with irrational spending of money, suggests that the individuals spend carefully. However the score on financial goals are lower and suggest that although individuals understand ways to save and spend but lack in financial planning.

Figure 4.16 Saving-spending attitudes of individuals in wealth creation stage



Source : Researcher illustration

At the larger level the average score for saving and spending attitude at a sample level considering all the respondents was found to be **22.11 on scale of 5 to 30.Thus it can said that saving and spending attitude of the individuals in wealth creation stage is on balanced saver-spenders side.**

4.2.3 Risk taking abilities

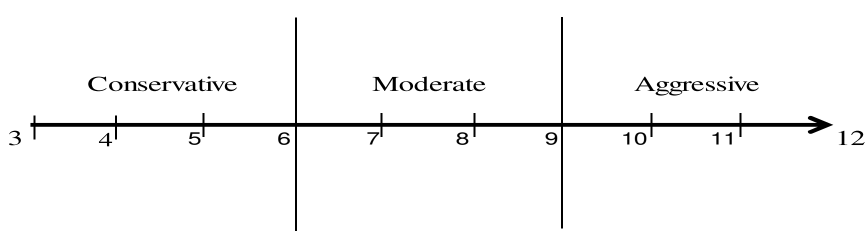
After understanding the financial literacy levels and saving spending attitude of the respondents now let us understand the risk taking abilities of the individuals. Risk taking abilities of individual have an impact on all the decisions taken by the individuals including financial planning. The researcher has tried to understand the risk taking abilities of the sample by way of three multiple choice situational questions requiring to take decisions involving financial risks. Table 4.8 presents the questions included in the questionnaire.

Table 4.8 List of questions risk profiling

	Questions		
Options	**Suppose you are participating in a contest where you have reached a stage assuring cash prize of Rs. 1 Lakh, which of the following stages would you play**	**Suppose you have applied for renewal of your car insurance policy. After the policy end date you are not sure whether your policy has been renewed. For next three days you will not get any information on renewal of the car insurance policy. What will you do in this case**	**You have lost Rs 50,000 at a casino. How much additional money you are prepared to risk for winning the money bank**
	I will not play the next stage and take home Rs 1 lakh won already (1)	*Continue using the car as normal (4)*	*Nothing more I will quit (1)*
	Possibility of winning extra Rs 1 lakh by taking risk of Rs 75,000 won already (3)	*Drive the car carefully for 3 days (3)*	*10000 (2)*
	Possibility of winning extra Rs 2 lakh by taking risk of Rs 1 lakh won already (4)	*Not use the car till the insurance policy is issuance is confirmed (1)*	*20000 (3)*
	Possibility of winning extra Rs 50,000 by taking risk of Rs 50,000 won already (2)	*Take the car only in an emergency (2)*	*50000 (4)*
Note : Figures in ( ) indicates scoring points considered while calculating score for risk profiling			

Analysis and Interpretation: All the questions were given points as mentioned in table. The minimum score for these questions would come to 3 and maximum score for these questions would come to 12. So the risk taking abilities for the individuals in wealth creation stage is measured on a scale of 3 to 12, where 3 being low and 12 being the highest.

Figure 4.17 Scale of measurement for risk taking abilities



Source: Researcher illustration

Figure 4.17 above represents the scale for measurement of risk taking abilities. Based on the above scale, the population with risk scores between 3 and up to 6 are considered as “conservative”, risk score greater than 6 and up to 9 are considered as “moderate” and risk scores greater than 9 and up to 12 are considered as “aggressive”. Table 4.8 list the questions along with options provided to the respondents.

For the calculation of risk taking abilities score, response for the these question were collected and analysed..The table 4.9 below presents the summary of responses risk taking abilities questions by the individuals in wealth creation stage.

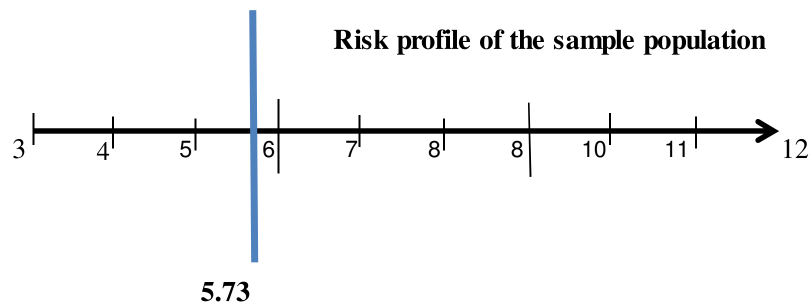
Table 4.9 Summary of responses on the risk taking abilities questions

Suppose you are participating in a contest where you have reached a stage assuring cash prize of Rs. 1 Lakh, which of the following stages would you play	**Suppose you have applied for renewal of your car insurance policy. After the policy end date you are not sure whether your policy has been renewed. For next three days you will not get any information on renewal of the car insurance policy. What will you do in this case**	**You have lost Rs 50,000 at a casino. How much additional money you are prepared to risk for winning the money bank**
I will not play the next stage and take home Rs 1 lakh won already *160* *(40.6)*	*Continue using the car as normal* *108* *(27.4)*	*Nothing more I will quit* *300* *(76.1)*
Possibility of winning extra Rs 1 lakh by taking risk of Rs 75,000 won already *54* *(13.7)*	*Drive the car carefully for 3 days* *46* *(11.7)*	*10000* *50* *(12.7)*
Possibility of winning extra Rs 2 lakh by taking risk of Rs 1 lakh won already *68* *(17.3)*	*Not use the car till the insurance policy is issuance is confirmed* *152* *(38.6)*	*20000* *34* *(8.6)*
Possibility of winning extra Rs 50,000 by taking risk of Rs 50,000 won already *112* *(28.4)*	*Take the car only in an emergency* *88* *(22.4)*	*50000* *10* *(2.5)*

Source: Survey of individuals

Analysis and Interpretation: In the response to the question presenting a situation of losing the already acquired money, nearly 40% of the respondents tried to avoid the risk of losing the amount at hand. In most practical situation of taking a known risk of driving a uninsured car 39% of the respondents intend to avoid this risk. The situation where the individuals has lost considerable amount of money, 76% respondents have shown preference to accept the loss and not spend further.

Figure 4.18 Risk taking abilities of the individuals in wealth creation stage



The average score for risk taking abilities at a sample level was found to be **5.73** on scale of 3 to 12.Thus it can be said that risk profiling of the individuals in wealth creation stage is on moderate side.

Conclusion

Now the research has carved out the profile of the individuals who have taken the survey. The profiling activity has highlighted the three aspects of individuals. Is found that the individuals posses above average level financial literacy, moderate risk taking abilities and have a balanced attitude towards saving and spending. This profile of the individuals is ideal for the study as the profile of the individuals is well balanced.

Profiling Parameter	**Score**
Financial literacy	6.11 on scale of 3 to 9
Saving spending attitude	22.5 on scale of 5 to 30
Risk taking abilities	5.73 on scale of 3 to 9

After completion of analysis of the sample based on demographic factors ,family and occupational factors and profiling, researcher in subsequent sections will present the objectivewise analysis.

4.3 Presentation of analysis of objective 1

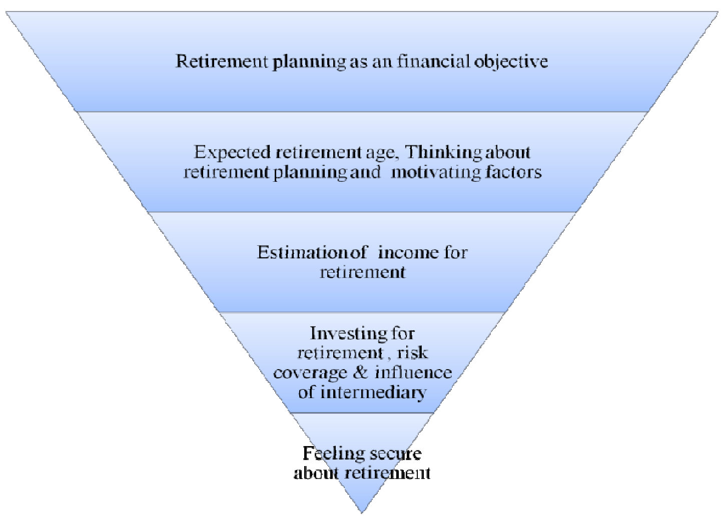
From this section researcher will present the detailed analysis of information pertaining to objective I of the study. The purpose of this objective is to understand the practices followed by individuals for financial planning of retirement. First objective of the study is as follows.

"To examine retirement planning practices followed by individuals in wealth creation stage"

To present the analysis, the objective is logically divided into multiple areas. Figure 4.19 below presents the flow in which the analysis would be presented.

1. Retirement planning as financial objective
2. Expected retirement age, thinking about retirement planning and motivating factors
3. Estimation of retirement income and sources for retirement income
4. Investing for retirement, risk coverage and influence of intermediary
5. Feeling secure about retirement

Figure 4.19 Researcher illustration for presentation of analysis



Source: Researcher Illustration

4.3.1 Retirement planning as a financial objective –

As a first step, researcher will analyze the importance given to the financial goal "Ensuring comfortable retirement". In researcher instrument, researcher had presented a list of eight financial goals/objectives. On the basis of current priorities, respondents were asked to rate these financial goals on a scale of 1 to 10 where 1 being a low priority and 10 being the highest priority. Table 4.10 below list all the financial goals provided to the respondents.

Table 4.10 List of financial objectives

No	Goals	1	2	3	4	5	6	7	8	9	10
1	Ensuring a comfortable retirement										
2	Provision for children's education or marriage										
3	Buy a new house /additional house										
4	Buy a car/ upgrading current car										
5	Increase the monthly investment amount										
6	Reduce housing/other loans										
7	Transfer assets to dependents										
8	Protect against medical emergency										

Source: Survey of individuals

Analysis and Interpretation: Researcher has tabulated the responses in table 4.11 below. The mean of all the objectives on a scale of 1 to 10 is presented to understand the comparative preference for each financial goal/objective. Researcher has highlighted the top three goal/objectives of the individuals in wealth creation stage. The cells the table have been highlighted as per following color and priorities.

Legend Priority 1 Priority 2 Priority 3

11 Understanding priorities of financial objectives

Details	Number of respondents	Ensuring a comfortable Retirement	Provision for child's/children's education or marriage	Buying a house/ additional house	Buy a Car/ upgrading the car	Increase the monthly investment amount	Reduction Housing/ Other Loans	Ensuring assets are passed on smoothly to dependents	Protection against medical emergency
	Mean on scale of 1 to 10 (1-lowest and 10 highest)								
Male	340	7.29	7.41	4.3	4.02	6.02	5.87	6.06	7.12
Female	54	6.78	5.44	3.96	3.93	6.52	3.67	5.93	7.48
25-30	36	7	7.61	6.28	5.94	7.11	6.5	6.5	8.17
31-35	126	6.33	6.43	4.84	3.94	5.63	6	5.11	6.49
36-40	172	7.87	7.84	3.94	4.06	6.51	5.42	6.66	7.52
41-45	60	7.1	7.14	4.39	4	6.07	5.71	5.89	7.01
Salaried	260	7.05	7.13	4.25	3.96	6.14	6.06	5.76	7
Self-Employed	92	7.13	7.22	4.3	4.15	5.76	4.8	6.11	6.98
Professional	42	8.43	7.05	4.14	3.95	6.52	4.19	7.67	8.62
Undergraduate	8	8.75	8.25	4.5	2.75	8.25	7.75	9.25	8.75
Graduate	128	6.72	7.06	3.97	3.66	5.72	5.05	5.58	7.17
Post graduates	258	7.42	7.15	4.39	4.22	6.21	5.76	6.18	7.12

Survey of Individuals

Analysis and Interpretation: 'Ensuring comfortable retirement' features in one of the top three objectives in eleven of out of the twelve different demographic groups. The only demographic group in which comfortable retirement is not in the top three objectives is the age group of 25 to 30 years. This is understandable at this might just the being of the career for different individuals. The other objective that features across all the groups is '**Protection against medical emergency**'. The probable reason for this might be the deteriorating health levels, and also the exponential increase in the medical costs during the last decade. The final objective that features prominently amongst the top three objectives is the '**Provision for child's/children's education or marriage'**. With the demanding corporate requirements for skilled manpower, the education structure can be seen undergoing a major change with lot of focus on specialized skills. This has strongly pushed the education cost right from Kindergarten (K.G) to Post graduation (PG). More over the other reason that this objective is given more preference the retirement planning might be that this is an immediate and continuous goal whereas retirement planning can be seen as a long term goal.

The last two objectives in the preference list are buying additional house and upgrading the car. Thus it is found that the individuals are clear with their financial objectives and they clearly differentiated between their needs and wants.

4.3.2 Triggers for retirement planning practices commencement

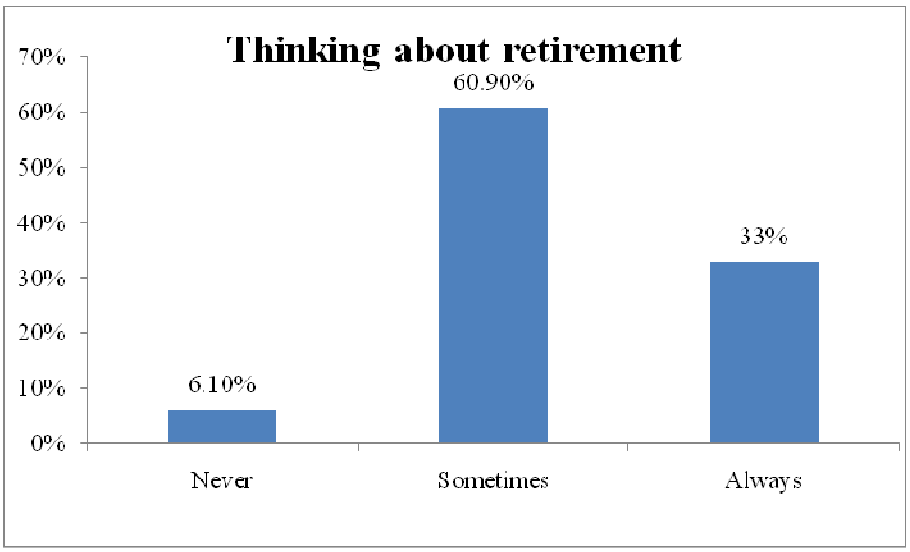
As seen in the earlier section individuals have sound understanding of the financial objectives. However action to attain these objectives is equally important. There are various triggers which actually make an individual to take some actions for retirement planning. The following important triggers are studied by researcher to understand what makes an individual to take that first step for retirement financial planning.

- Thinking about retirement
- Hearing about retirement planning on day to day basis
- Self-awareness of Retirement age

Thinking about retirement

Retirement financial planning is a long term objective. For any individual to act on this, it will require a lot of thinking over this either as a future issue or an important part of life. In section 4.3.1, it is evident that retirement planning is an important financial objective for individuals. In this section researcher is trying to understand the mind share or the thinking pattern for this objective of retirement planning. In survey all the respondents were asked about how often they think about retirement. The response to this question at the sample level is presented in figure 4.20 below.

Figure 4.20 Individuals in wealth creation stage thinking about retirement planning



Source: Survey of individuals

Analysis and Interpretation: From figure 4.20, if put together the population "sometimes" thinking about retirement planning (60.9) and the population "always thinking" about retirement planning (33.0), it can be seen that retirement planning occupies mind share of 93.9 % of the individuals in wealth creation stage. So it can be inferred that individual think about retirement. Researcher further tries to study this behavior across the various demographic groups to check spread of this behavior across all the sample respondents.

Table 4.12 Thinking about retirement planning across the demographic groups

Factors	Details	Never		Sometimes		Always	
		No. of responses	Percentage	No. of responses	Percentage	No. of responses	Percentage
Gender	Male	22	6.0	208	62.0	110	32.0
	Female	2	4.0	32	59.0	20	37.0
Age (years)	25-30	10	28.0	16	44.0	10	28.0
	31-35	8	6.0	92	73.0	26	21.0
	36-40	6	3.0	102	60.0	64	37.0
	41-45	0	0.0	30	50.0	30	50.0
Occupation	Salaried	20	8.0	164	63.0	76	29.0
	Self-Employed	2	2.0	42	46.0	46	50.0
	Professional	0	0.0	34	81.0	8	19.0
Education	Undergraduate	0	0.0	6	75.0	2	25.0
	Graduate	8	6.0	64	50.0	56	44.0
	Post graduates	16	6.0	170	66.0	72	28.0
Income (all sources per annum)	Rs. 2.5 -5 lakhs	8	27.0	12	40.0	10	33.0
	Rs. 5-10 lakhs	4	4.0	66	58.0	44	38.0
	Rs. 10-15 lakhs	4	4.0	66	69.0	26	27.0
	Rs. 15-20 lakhs	2	4.0	32	64.0	16	32.0
	Rs. 20 and above	6	7.0	56	62.0	28	31.0
	Other	0	0.0	8	57.0	6	43.0

Source: Survey of individual

Analysis and Interpretation: It can be seen in table 4.12 that the phenomenon of thinking about retirement planning is more or less uniform across all the demographic factors on the whole. However a closer look on comparative analysis across the groups, throws additional insight on the phenomenon. Across both the genders, males think more about retirement as compared to females. At age group level, the thinking is seen gaining more prominence with increasing age. The young age group of 25-30 years is thinking the lowest as compared to the other age groups. Occupation wise, the professionals think more about retirement as compared to salaried and self-employed. Now the question the researcher has ,which is the medium from which the respondents hear the most about the importance of retirement planning.

Hearing about retirement financial planning on day to day basis

In today's dynamic world, there is lot of marketing and promotion about financial products and services. Although even today insurance is the product which is pushed largely as a retirement planning product in the market by all the distribution channels. Here researcher is interested to understand that in this current scenario who is talking to people about retirement planning. Also it will be important to see what is the role of Certified Financial Planners, who are the key professionals expected to carry out this activity.

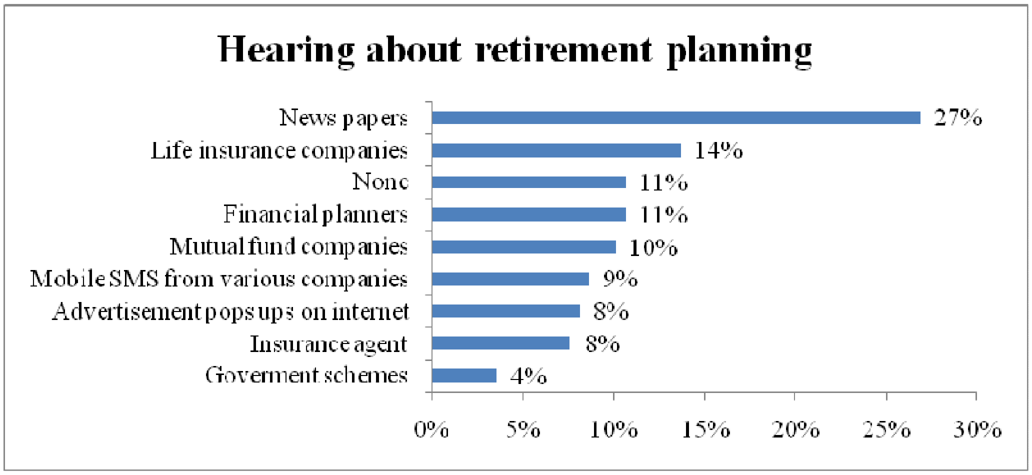
Table 4.13 Details of question sources promoting retirement financial planning

Question	Sources	Number of responses	Percentage
In day to day life from which of source below do you hear the most about need of retirement financial planning	Advertisement pops ups on internet	32	8.1
	Financial planners	42	10.6
	Government schemes	14	3.5
	Insurance agent	30	7.6
	Life insurance companies	54	13.7
	Mobile SMS from various companies	34	8.6
	Mutual fund companies	40	10.1
	News papers	106	26.9
	None	42	10.6
	Total	**394**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: Figure 4.21 presents the data of sources from which the respondents hear the most about retirement financial planning. As per this data, newspaper is the media where respondents here the most about retirement financial planning. At primary level this outcome is a surprise for the researcher.

Figure 4.21 Sources promoting retirement financial planning



Source: Survey of individual

To understand this further, researcher discussed the above observation with few respondents. On discussing with the respondents, it was revealed that the regular weekly supplements, specific regular column and quizzes are the areas which talk about the information for retirement planning. Respondents found the life insurance and mutual fund company advertisements to be more product specific and not around the concept of retirement planning. The certified financial planners' contribution in creating awareness about retirement financial planning is fairly low.

Self awareness of retirement age

While discussing the point of retirement age, researcher recalls the second habit in famous book 'Seven Habits of Highly Effective People by Stephen R. Covey which says "Begin with end in mind". This thought is very effective as when an individual thinks and back calculates the years for retirement, might suddenly realize there isn't much time left. For an example someone with age 35 who expects to retire at 55 years, might get shaken up when he/she realizes that there only 20 years to earn and save for retirement which may last 20 to 25 years. Researcher now tries to understand what age when the individuals desire to retire is. Table 4.14 presents the desired retirement age of the respondents.

Table 4.14 Expected retirement age

Retirement age	Number of respondents	Percentage
At 45	34	8.6
At 50	66	16.8
At 55	98	24.9
At 60	88	22.3
At 65	44	11.2
Can't say	64	16.2
Total	**394**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: The mean of expected retirement age of the individuals in wealth creation stage level is **55.6** years. The normal retirement age currently for the salaried class is around 60 years of age. It means the current population has desire to retire at least five years prior to the normal retirement age. This in turn suggests that, these individuals have five years less to prepare for the retirement and hence would need much higher level of financial planning for retirement. Also around 25 percent of individuals in wealth creation stage desire to retire even well before this at around 50 years of age.

To summarize, individuals consider retirement planning as one of the major financial objective and think about it. This thinking is lesser in young age group of 25-30 years and increases with age. Along with retirement children education and planning for medical emergency is also considered as major financial goals. There is a desire in the individuals in wealth creation stage to retire well before the standard retirement age. It will now be important step to check whether these individuals put numbers to these objectives.

4.3.3 Estimation of retirement income and sources for retirement income

For anyone to achieve his financial goals, it is must to estimate the requirement and understand the resources to fulfill these requirements. Without estimation of requirement of income or expenses, financial planning for retirement may lack direction. In this section researcher will analyze following

- Whether individuals do estimation about amount required post retirement
- Preferential sources for retirement income

To understand whether the individuals have estimated the per month amount required post retirement, researcher had included a simple question 'Have you estimated per month amount you would need after retirement'. Table 4.16 presents the responses on the this question

Table 4.15 Responses for estimation for amount required post retirement

Response	No. of responses	Percentage
Yes	182	66.9
No	90	33.1
Total	**272**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: It is found that about 67 % of individuals have done some kind of estimation for the amount that they would need after retirement and 33 % individuals investing for retirement planning are doing so with any estimates. So although these individuals are making some preparation for the journey of retirement, however the direction is missing to certain extent.

The estimation of the amount required for retirement can be done basis current income to future income requirement, or current expenses to future expenses. Researcher has tried to explore the preference of the individuals between the two estimation methods. Table 4.17 below presents the responses for the individuals for this preference.

Table 4.16 Preference for estimation of retirement amount

Response	No of responses	Percentage	Basis of estimation
Equal to 80% of my current household expenses adjusted for price rise (inflation)	27	9.9	Expenses 32.8
Equal to 50% of my current salary/income adjusted for price rise (inflation)	62	22.9	
Equal to my current household expenses adjusted for price rise (inflation)	28	10.3	Income 47.4
Equal to my current salary/income adjusted for price rise (inflation)	101	37.1	
Can't say	54	19.8	Unsure 19.8
Total	**272**	**100.0**	

Source: Survey of individuals

Analysis and Interpretation: Nearly half of the individuals prefer the income method to estimate retirement corpus. So individuals accumulate the retirement corpus based on the income they need from this corpus during the retired life. Only 33% individuals plan retirement based on their present and future expenses. On discussion with certain individuals participated in the survey mentioned that they prefer this method as they feel that they have more control over expenses as compared to income. About 20% of the individuals are unsure about the method to be used for planning funds requirement for retirement.

After understanding the method used for determination of retirement income, researcher further explored the preferences of the source of this retirement income. Table 4.17 below lists the sources which individuals prefer for accumulation of the amount required for retired life.

Table 4.17 Sources for retirement income

Source for retirement income	No. of responses	Percentage
Provident Fund/ Pension from employer	158	32.8
Sale of my assets like gold, additional house to fund any shortfall in my retirement corpus	66	13.7
Rental income/ Regular income from investments	162	33.6
Reverse mortgage of my self-occupied house	12	2.5
My children	30	6.2
Curtail my expenses as far as possible to spend my life post-retirement with whatever funds accumulated	54	11.2
Total	**482**	**100.0**
Note : This is a multiple choice question		

Source: Survey of individuals

Analysis and Interpretation: Most of the individuals consider the accumulated savings in the provident fund account as an important source of retirement income. Along with provident fund rental income and regular income generated out of the investments made during the earning phase is also a preferred source for retirement income. Reverse mortgage which has huge potential to fund retirement income is given least preference by individuals.

4.3.4 Investing for retirement planning

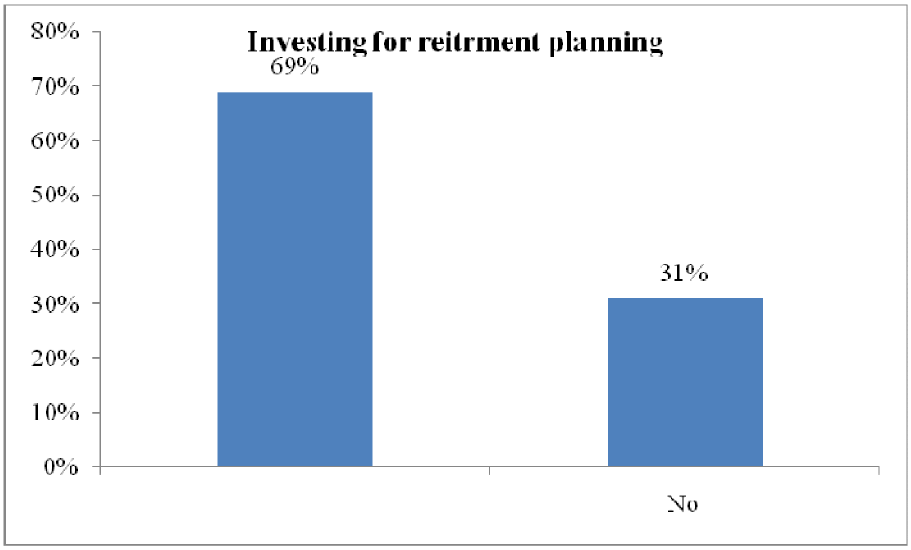
In section 4.3.2 and 4.3.3 researcher has presented details about thinking and planning for retirement. In this section researcher will explore the actions taken for retirement planning by analyzing following.

- Individuals investing for retirement financial planning
- Starting age for investing for retirement planning
- Allocation of investable surplus for retirement financial planning
- Instruments for allocation for retirement financial planning
- Risk coverage for retirement financial planning

Individuals investing for retirement financial planning

All the respondents were asked whether they invest for retirement planning. Firstly let's see the individuals in wealth creation stage response for this question. Figure 4.22 below represents the data for these responses.

Figure 4.22 Individuals investing for retirement financial planning



Source: Survey of individuals

It can be seen that on entire sample base, more than 2/3rd respondents say that they invest for retirement financial planning. As done for thinking about retirement planning, researcher thinks it to be also important to check the spread of above phenomenon based on the different demographic groups.

A high level view of table 4.18 suggests more or less even distribution of the phenomenon barring a few exceptions. Since this is the first basic step for retirement planning, it needs to be studied in more details looking at each demographic group first in isolation and then comparing it with the entire sample. The percentage of male population investing for retirement planning is on a higher side. Although the difference in percentage might not be huge, but still it reflects the Indian social structure where in the male gender spear heads the financial department and the females makes higher contribution on building up the family. The researcher makes that last statement on basis on knowledge that all the respondents in the sample are actively involved in some kind of employment, and the female sample is thus having dual role of financial support and home maker as well.

Table 4.18: Individuals investing for retirement planning based on demographic groups

Factors	Details	Yes		No	
		No. of respondents	Percentage	No. of respondents	Percentage
Gender	Male	238	70	102	30.0
	Female	34	63.0	20	37.0
Age (years)	25-30	16	44.0	20	56.0
	31-35	76	60.0	50	40.0
	36-40	134	78.0	38	22.0
	41-45	46	77.0	14	23.0
Occupation	Salaried	176	68.0	84	32.0
	Self-Employed	64	70.0	28	30.0
	Professional	32	76.0	10	24.0
Education	Undergraduate	4	50.0	4	50.0
	Graduate	94	73.0	34	27.0
	Post graduates	174	67.0	84	33.0
Income (all sources per annum)	Rs. 2.5 -5 lakh	8	50.0	8	50.0
	Rs. 5-10 lakh	88	69.0	40	31.0
	Rs. 10-15 lakh	66	69.0	30	31.0
	Rs. 15-20 lakh	34	68.0	16	32.0
	Rs. 20 and above	66	73.0	24	27.0
	Other	10	71.0	4	29.0

Source: Survey of individuals

Analysis and Interpretation: Amongst the four age groups under study, three age groups 31-35 years, 36-40 years and 41-45 years have higher percentage of respondents investing for retirement planning where as in the age group 25-30 years the percentage of respondents not investing for retirement planning is higher. In the earlier section in thinking about retirement as well the age group 25 to 30 years the percentage of respondents thinking about retirement was lower (refer table 4.12). As a trend can be noticed above is that with the increase in age, population percentage investing for retirement is increasing.

In the group of occupation, professionals so better in terms of investment for retirement planning as compared to salaried and self-employed. High level of incomes as compared to the salaried class and more certainty of income as compared to self-employed are identified as one of the reason for this phenomenon.

In education and income groups, individuals with higher income and higher education do better than the individuals with lower income and education.

Starting age for investment for retirement planning

It is a fact that starting retirement planning in early age is highly essential. The early the individual starts investing for retirement, the more time the individuals gets to accumulate the required corpus for retirement. In the survey, researcher had included a question to understand the age at which individuals start investing for retirement. Table 4.19 below presents the analysis for respondent's age when they start investment for retirement based on gender, occupation and education.

19 Starting age for investment for retirement planning

rs	Details	25 to 30 years		31 to 35 years		36 to 40 years		41 to 45 years	
		No. of respondents	Percentage	No. of respondents	Percentage	No. of respondents	Percentage	No. of respondents	Percentage
er	Male	122	49.0	80	32.0	34	14.0	8	3.0
	Female	16	47.0	16	47.0	2	6.0	0	0.0
tion	Salaried	90	48.0	60	32.0	28	15.0	8	4.0
	Self-Employed	30	47.0	24	38.0	4	6.0	6	9.0
	Professional	18	53.0	12	35.0	4	12.0	0	0.0
ion	Undergraduate	2	33.0	0	0.0	0	0.0	4	67.0
	Graduate	44	46.0	30	31.0	16	17.0	6	6.0
	Post graduates	92	51.0	66	36.0	20	11.0	2	1.0

Survey of individuals

and Interpretation: From table 4.19 it can be seen that most of the individuals in wealth creation stage are starting for invest their life. However, the group that fare the best is professional and postgraduates. These results are also in line with investin nt behavior where professionals and graduates are seen to investing for retirement.

Allocation of investable surplus for retirement planning

Post understanding that about the demographic groups investing for retirement planning and the age that they starting investing for retirement planning, researcher now tries to understand the percentage allocation of investable surplus made by these groups for retirement. Table 4.20 below presents the mean percentage allocation of investable surplus for retirement planning on scale of 0 to 25

Table 4.20 Individuals in wealth creation stage percentage allocation of investable surplus for retirement planning

Factors	Details	Mean allocation on scale 0f 0.0 to 25.0
Gender	Male	13.82
	Female	13.97
Age (years)	25-30	15.00
	31-35	12.63
	36-40	13.79
	41-45	15.50
Occupation	Salaried	12.88
	Self-Employed	14.84
	Professional	17.21
Education	Undergraduate	12.50
	Graduate	14.17
	Post graduates	13.71
Income (all sources per annum)	Rs. 2.5 -5 lakhs	11.39
	Rs. 5-10 lakhs	14.05
	Rs. 10-15 lakhs	13.11
	Rs. 15-20 lakhs	13.06
	Rs. 20 lakhs and above	14.21
	Other	21.50

Source: Survey of individuals

Analysis and Interpretation: In regards to allocation of investable surplus for retirement planning, female score slightly better than males. Amongst the age group individuals with higher age are able to allocate more funds for retirement planning. This is quite understandable as at lower age the liabilities of individuals take away major chunk of income. The trends in the education, occupation and income factors continues as per the earlier sections where professionals are seen to do better than graduates and undergraduates, and higher income groups doing better than the lower income groups.

Instruments for allocation for retirement financial planning

In this section, researcher explores the preference for the various instruments for investing the investable surplus for retirement planning. As seen in table 4.21 the highest preference by individuals is for equity mutual funds followed by public provident fund and national pension scheme.

Table 4.21 Preference for investment instrument for all the individuals

Investment instrument	Mean on scale of 1 to 5
Direct Equity	2.3
Equity Mutual Funds	3.8
ULIP	2.1
PPF	3.3
NPS	2.4
Real Estate	3.0

Source: Survey of individuals

Analysis and Interpretation: On the comparison between the various investment products, equity mutual fund is looked upon as the most preferred investment instrument for investment for retirement planning followed by public provident fund (PPF). PPF is primarily a compulsory saving that is driven by the employer. After understanding the comparative preference on product level, researcher will try to understand the preferences based on demographic groups.

22 Preference for investment instrument for all the individuals based on demographic profile

Factors	Details	No. of respondents	Direct Equity	Equity Mutual Funds	ULIP	PPF	NPS	Real Estate
			Mean on scale of 1 to 5					
Gender	Male	254	2.33	3.18	2.09	3.39	2.36	3.05
	Female	34	2.76	3.18	2.76	3.12	3	2.76
Age (years)	25-30	16	2.25	2.62	2.88	4.5	4.25	3.12
	31-35	78	2.18	3.21	2.08	3.33	1.64	2.85
	36-40	140	2.56	3.21	2.19	3.31	2.7	3.5
	41-45	50	3.21	2.14	3.32	2.17	3.18	0.67
Occupation	Salaried	186	2.38	3.19	2.22	3.63	2.52	3.05
	Self-Employed	64	2.41	3.22	2.12	2.62	2.63	3.06
	Professional	34	2.35	3.06	2	3.24	1.65	2.71
Education	Undergraduate	6	2.33	3.67	2.33	3	3.33	3
	Graduate	96	2.42	3.1	2	3.33	2.54	2.9
	Post graduates	182	2.36	3.21	2.25	3.38	2.35	3.08
ne (all sources per annum)	Rs. 2.5 -5 lakh	18	1.9	2.2	1.9	2.35	1.62	2.35
	Rs. 5-10 lakh	84	2.24	3.07	2.29	3.6	2.81	2.98
	Rs. 10-15 lakh	66	2.64	3.12	2.09	3.58	2.42	3.73
	Rs. 15-20 lakh	36	2.72	3.67	2.28	3	2.11	2.72
	Rs. 20 and above	70	2.09	3.31	2.23	3.37	2.29	2.66
	Other	10	3.6	3.6	1.4	3	3	3.2

Survey of individuals

Analysis and Interpretation: The investment option preference of the individuals is well in line with the risk profile and financial literacy of the individuals. Across both the genders more preference is given to PPF as an investment instrument for retirement followed by equity mutual funds. In the age groups young generation has shown high inclination towards to NPS. Amongst the higher age groups there is no single preference and different instruments are preferred by the different groups. In occupation and education cluster, the preference is more towards PPF and equity mutual funds. Even based on income groups respondents have shown preference towards equity mutual funds. However the concern here is there not much preference for national pension scheme as retirement planning product. Also the preference for direct equity is consistently lower. Researcher will further study national pension scheme in the third objective of the study.

Risk Coverage

Risk planning is one of the most important pillars of retirement financial planning. There are various risks which can be covered. These are typically termed as life risks and non-life risks. Researcher through the researcher instrument had presented 7 different risks to the respondents to understand the risk coverage.

Table 4.23 Risk coverage by individuals in wealth creation stage

Number of risks covered	Number of respondent
0	120
1	26
2	40
3	54
4	18
5	10
6	4
Total	**272**

Source: Survey of individuals

Out of seven the average risk coverage of the individuals in wealth creation stage is found to be 1.52

Table 4.24 Type of risk covered by individuals in wealth creation stage

Type of risk covered	Number of respondents
Life (self)	124
Life (spouse)	40
Physical disability	30
Health (self-provided)	62
Health (by employer)	79
Movable properties	28
Immovable properties	51
Total	**414**
Note: *This was multiple choice question*	

Source: Survey of individuals

Analysis and Interpretation: The average risk coverage by the individuals is very low. This is surprising as this is not in line with risk profile of the individuals. The individuals in wealth creation stage have a moderate risk profile as seen in section 4.2.3 are however taking much more risks than their risk appetite. Also in the financial objectives, protection against medical emergency is rated as highest priority but this risk is not covered by the individuals. So although individuals are thinking on the objectives the execution is still questionable.

4.3.5 Security about retirement

Researcher had studied the various practices followed by individuals in wealth creation stage for retirement financial planning in sections 4.1 to 4.7. In this section researcher is keen to understand whether the individuals are feeling comfortable about their retirement planning practices and understand the security level about retirement amongst these individuals. Table 4.25 presents the responses from the individuals for their security on retirement financial planning.

Table 4.25 Individuals feeling secure about retirement

Secure about retirement planning	Number of responses	Percentage
Yes	104	38.2
No	64	23.6
Can't say	104	38.2
Total	**272**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: Only 38% of the individuals planning for retirement are comfortable with the retirement planning practices followed by them. One fourth of the individuals are not at all secure about their retirement planning practices and 38% are unsure whether the practices they are following are sufficient to have a comfortable retirement.

Conclusion

It has been found that retirement planning is part of top three financial objectives of individuals along with protection in case of medical emergency and children education. This priority for retirement planning can be due their considerable thinking about retirement which is helped by the various channels like newspaper.About two third of individuals claim that they have done estimation of income required for retirement.Nearly 70% of respondents make investments for retirement income. They prefer PPF and equity mutual fund as an instrument for generation of retirement income. However on the front of risk coverage, respondents are found not having enough cover to mitigate these risks. The confidence about security in retired life is found to be on lower side.

4.4 Presentation of analysis of objective 2

In previous section, researcher has presented the analysis of objective 1. In this section researcher will present the detailed analysis of objective 2.The purpose of this objective is to understand the level of awareness amongst individuals financial planning for retirement, instruments for financial planning for retirement and about the institutions. The second research objective is as follows.

"**To study the levels of awareness amongst the individuals in wealth creation stage with regard to financial planning for retirement, instruments for financial planning for retirement and about the institutions**"

One of the important objectives of the study was to check the awareness of individuals about products and services for retirement planning. With this purpose, researcher had included questions covering the following areas in the research instrument. As NPS is one of the important reforms in the Indian pension sector, so researcher has paid special attention to this product in the research.

Table 4.26 Areas covered under retirement planning awareness

Products and Services	**Area of awareness covered**			
National Pension Scheme (NPS)	Eligibility	Distribution	Features	
Regulation framework	Insurance	Mutual fund	Banking	NPS
Pension scheme	Basic feature	Services		
General Investments	Cost	Withdrawal	Services	

Source: Survey of individuals

4.4.1 National Pension Scheme (NPS)

To understand the awareness about NPS, three simple questions pertaining to eligibility for investment in the scheme, distribution channel of the scheme and most important feature of the scheme were covered in the research instrument.

Table 4.27 List of question with options for NPS

Question	Options		
Can a non-government employee / ordinary citizen invest in National Pension Scheme	*Yes*	*No*	*Can't say*
Select the most important feature of National Pension Scheme	*Lowest cost*	*Guaranteed returns*	*Can't say*
Is the National Pension Scheme available in Indian Post Offices	*Yes*	*No*	*Can't say*

Source: Survey of individuals

Analysis and Interpretation: Table 4.27 lists the question along with the options that were provided to the respondents. In options for these questions, along with a positive and negative answer and an option of "Can't say" was also included. The reason for including this option was to understand how many respondents know that they don't know.

Table 4.28 Summary of responses for question on NPS

Question	Options			Percentage Correct responses	Percentage Incorrect responses
Can a non-government employee / ordinary citizen invest in national Pension Scheme	*Yes* *284*	*No* *18*	*Can't say* *92*	*72.0*	*28.0*
Select the most important feature of National Pension Scheme	*Lowest cost* *78*	*Guaranteed returns* *182*	*Can't say* *134*	*19.0*	*81.0*
Is the National Pension Scheme available in Indian Post Offices	*Yes* 236	*No* 34	*Can't say* 124	*59.0*	*41.0*

Source: Survey of individuals

Analysis and Interpretation: Table 4.28 above summarizes the responses on the NPS questions. It can be seen that the individuals in wealth creation stage are adequately aware about the eligibility for enrolling to NPS i.e. they are aware that non-government employee or employees who are not formally covered by any pension scheme can invest in NPS. The respondents fare just above average for the distribution coverage of the scheme. Post office undoubtedly, is the largest distribution channel for any product in India. So NPS is available everywhere in the country but the problem is people are not fully aware where to go to invest in the scheme. The most important feature of the scheme is the lowest cost for fund management which is 0.0009 percent, however only 19.0 of the respondents are aware about this fact.

4.4.2 Regulatory framework

The regulatory framework of any industry helps to create more faith for the products. People feel more comfortable with the products backed by strong regulation. With this in mind, researcher included four questions to check awareness about mutual fund, insurance, national pension and fixed deposits.

Table 4.29 List of question with options for regulators

Question	Options				
Mutual Fund	SEBI	IRDA	RBI	PFRDA	Can't Say
Insurance	SEBI	IRDA	RBI	PFRDA	Can't Say
National Pension Scheme	SEBI	IRDA	RBI	PFRDA	Can't Say
Fixed Deposits	SEBI	IRDA	RBI	PFRDA	Can't Say

Source: Survey of individuals

Analysis and Interpretation: All the above regulators govern different products which can be used as a retirement planning product. Sound knowledge of regulators can have significant impact on the retirement planning activities. Also these regulators play an important in creating awareness about financial products and financial market as a whole.Table 4.30 present summary of responses on the questions pertaining to regulators.

Table 4.30 Summary of responses on questions of regulators

Question	Options					Percentage Correct responses	Percentage Incorrect responses
Mutual Fund	*SEBI* *278*	*IRDA* *28*	*RBI* *18*	*PFRDA* *4*	*Can't Say* *66*	*70.0*	*30.0*
Insurance	*SEBI* *24*	*IRDA* *294*	*RBI* *14*	*PFRDA* *0*	*Can't Say* *62*	*74.0*	*26.0*
National Pension Scheme	*SEBI* *32*	*IRDA* *14*	*RBI* *54*	*PFRDA* *-172*	*Can't Say* *122*	*43.0*	*57.0*
Fixed Deposits	*SEBI* 18	*IRDA* 8	*RBI* 308	*PFRDA* 10	*Can't Say* 50	*78.0*	*22.0*

Source: Survey of individuals

Analysis and Interpretation: Table 4.30 shows that the correct response percentage on mutual funds, insurance and fixed deposits is more than 70.0, however that for NPS is only 57 .0. The higher correctness percentage on these products can be largely due with the inclusion of statutory warnings/comments by the regulators in advertisements for these products. Similarly absence of any media coverage for NPS may be an important factor for lower levels of awareness for NPS.

4.4.3 Pension Funds

On daily basis we receive messages and emails on investing a small amount and getting life time pensions of Rs X, over entire life time. Also there are number of pension plans that are sold by the life insurance companies. Most of the people buy the pension because investment in pension is exempted under a separate section in Income Tax Act 1961. With lots of talk around pension it will be interesting to understand the level of awareness about pension. To do this researcher had included two basic questions about pension. Table 4.21 lists the questions along with options that were provided to the respondents.

Table 4.31 List of question with options for pension funds

Question	Options		
Pension plans provide the exact amount of pension that one would receive after retirement at the time of taking of taking the pension plans	*Yes*	*No*	*Can't Say*
Can an individual move the corpus of the pension to another service provider to avail annuity	*Yes*	*No*	*Can't Say*

Source: Survey of individuals

Analysis and Interpretation: The above question deals with basics of the pension. All individuals are expected to know these basic questions as pension is one of the most widely discussed issues. These are also important from the perspective that one opts for a pension in earning age and is expected to avail pension after 15 to 20 years. So these questions will help to understand individual's awareness on how much pension one can expect and the options individuals have with the retirement corpus.

Table 4.32 Summary of responses for questions on pension funds

Question	Options			Correct responses	Incorrect responses
Pension plans provide the exact amount of pension that one would receive after retirement at the time of taking of taking the pension plans	*Yes* 148	*No* 108	*Can't Say* 35	*27*	*73*
Can an individual move the corpus of the pension to another service provider to avail annuity	*Yes* 146	*No* 62	*Can't Say* 186	*37*	*63*

Source: Survey of individuals

Analysis and Interpretation: Researcher has received 73 percent incorrect responses for question on pension amount and 63 percent incorrect response for the question on annuity service provider. This clearly indicates that the individuals in wealth creation stage are not really aware about the basic features of the pension plan. This is really a huge area of concern.

4.4.4 General Investments

Generally individuals opt of long term investments as a part of retirement planning. So individuals must have the basic understanding about investment products in terms of withdrawals or exit and charges etc. Researcher had included questions pertaining to withdrawal from mutual funds, charges on product based on fund management charges and a question whether banks can provide retirement products as bank is the most common financial institute that individuals visit most often.

Table 4.33 List of question with options for general investments

Questions	Options			
Withdrawal of funds from mutual funds at any time is possible	*TRUE*	*FALSE*	*Can't say*	*NA*
Select the investment option with highest fund management cost	*Unit Linked Insurance Plan*	*Mutual Fund*	*National Pension Scheme*	*Can't say*
Can banks provide banking products for retirement financial planning	*TRUE*	*FALSE*	*Can't say*	*NA*

Source: Survey of individuals

Table 4.34 Summary of responses on questions for general investments

Questions	Options				Percentage Correct responses	Percentage Incorrect responses
Withdrawal of funds from mutual funds at any time is possible	*True* 242	*False* 80	*Can't say* 72		*61.0*	*39.0*
Select the investment option with highest fund management cost	*Unit Linked Insurance Plan* 204	*Mutual Fund* 78	*National Pension Scheme* 22	*Can't say* 90	*52.0*	*48.0*
Can banks provide banking products for retirement financial planning	*True* 280	*False* 40	*Can't say* 74		*10.0*	*90.0*

Source: Survey of individuals

Analysis and Interpretation: On the front of investment, individuals are cost conscious. They are aware about the high cost product. However on contrary they are not aware about the low cost product which is NPS. Even on a widely promoted product like mutual fund the awareness is above average as seen in earlier section.

4.4.5 Awareness based on demographic factors and entire sample

In the earlier sections researcher has presented the individual analysis for the different areas. However researcher has also measured the awareness based on demographic groups and on all the areas as a whole considering all the twelve questions asked in these four areas.

The marking scheme for the question was 3 points of correct answers, 1 point for incorrect answer and 2 points for if the respondents answer is ‘Don’t know’. The rationale for giving 2 points for the don’t know was with assumption that if the respondent is aware that he is not aware, it means his awareness is better than the respondent marking an incorrect answer. To present more detailed analysis on the awareness about retirement planning, researcher has analyzed the awareness level amongst the 12 different demographic groups.

Table 4.35 Awareness based on various demographic factors

Factors	Details	RP awareness	
		No. of respondents	Score
Gender	Male	340	27.53
	Female	54	25.44
Age (years)	25-30	36	25.78
	31-35	126	27.97
	36-40	172	27.15
	41-45	60	27.71
Occupation	Salaried	176	27.65
	Self-Employed	64	26.09
	Professional	32	27.29
Education	Undergraduate	8	25.00
	Graduate	128	27.03
	Post graduates	258	27.42
Income (all sources per annum)	Rs. 2.5 -5 lakhs	30	15.00
	Rs. 5-10 lakhs	114	26.51
	Rs. 10-15 lakhs	96	27.19
	Rs. 15-20 lakhs	50	28.92
	Rs. 20 and above	90	27.96
	Other	14	28.29

Source: Survey of individuals

Analysis and Interpretation: Table 4.35 presents the awareness score for the various demographic groups. The awareness level for retirement planning is found to be higher in the males as compared to the females. Across the various age groups the awareness level is found to be lowest in the age group 25-30 years. Post thirties there is a jump in the awareness levels of the individuals and difference in awareness levels is relatively lower. On comparison of awareness levels across the various occupations the highest level of awareness is found in the professionals. This also goes in hand in hand with the education where the awareness level is highest amongst the post graduate group. In the income category the awareness level is found to increase with increase in income up to 15 lakhs and from there on there is slight dip.

The average score for the entire individuals in wealth creation stage on the scale of 12 to 36 is found to be **27.16.**

Conclusion

Respondents are aware about eligibility of NPS, however there is very low awareness on the important features and distribution of NPS. There awareness levels on banking, insurance and mutual funds is around 75%. Awareness about the regulators for NPS is amongst the lowest.

4.5 Presentation of analysis of objective 3

Now the researcher proceeds towards the analysis of the third objective of the study. Almost all the industries these days are competing based on their services rather than the products. As the advantage of having a better product can be a short term edge but better services have a long term advantage. Financial industry is also now looked upon as a service industry. From retirement financial planning point of view, researcher is interested to bring out the role played by financial intermediaries in the retirement financial planning decision making process.

"To study the role played by financial intermediaries especially the Certified Financial Planners (CFP) in influencing the decisions of individuals in regard to their financial planning for retirement".

4.5.1 Influential factors on financial/investment planning decisions

Financial planning is a complex decision and most of the individuals are influenced by some intermediary or third party. Table 4.36 below presents the influence of different intermediaries or third parties on financial/investment planning decisions of individuals in wealth creation stage. In the research instrument, researcher had provided options considering that individual's financial decisions may be influenced by people around them and the formal intermediaries. So option for this formal channel and informal channels were provided and comparison of these two channels is presented.

Table 4.36 Influence of financial/investment planning decisions

Channel	Options provided	Mean on scale of 1-5
Informal channel	Family	3.23
	Friends/Relatives	2.82
	Colleagues	2.58
Formal channel	Insurance agent	2.46
	Bank Relationship Managers	2.4
	Wealth Managers/ Certified Financial Planners	2.76

Source: Survey of individuals

Analysis and Interpretation: The formal channel, whose core responsibility is to provide advice or influence financial decisions, is not the most preferred option by the individuals, instead, family and friends influence to a greater extent. This is similar to taking medicines based on suggestions from family and friends rather than visiting a doctor in case of a medical problem. This will have the similar risks on financial life as that on physical health. The miniscule influence of intermediaries on the retirement financial planning decisions is disheartening. The above discussion is made considering all the respondents in wealth creation stage. A part of it may not be investing for retirement planning so it will also be important to see the influence of the intermediaries on a specific subset of population which is investing for retirement planning.

4.5.2 Individuals availing professional services for retirement financial planning

Amongst the above channels, the formal channel involving the certified financial planners is considered to be the professionals, providing services for financial planning. In the research instrument researcher had included a question whether individuals avail professional services for the purpose of financial planning. A detail of the responses on these questions is presented in the table 4.37 below.

Table 4.37 Individuals availing professional services for retirement financial planning

Avail professional services	Number of responses	Percentage
Yes	74	26.0
No	210	74.0
Total	**284**	**100.0**

Source: Individual survey

Analysis and Interpretation: The above table suggests that only about one fourth of the individuals investing for retirement financial planning avail professional advice on this very crucial aspect of the life. In most of other areas of life individuals prefer a professional to help them but unfortunately this is not true in case of financial planning. To explore further, researcher studied this minority population, to find out which is the most preferred intermediary by them. The respondents were allowed to select more than one intermediary in this case. Table 4.38 presents the list of preferred intermediaries for availing professional advice on retirement financial planning.

Table 4.38 Preferred intermediaries for retirement financial planning

Intermediary	Number of responses	Percentage
Bank	12	16.2
Wealth Manager	16	21.6
Insurance agent	30	40.5
Broking houses	6	8.1
CFP	37	50.0
CA	26	35.1
Total	**127**	**---**
Note : This was a multiple choice question		

Source: Survey of individuals

Analysis and Interpretation: Certified Financial Planner is the most preferred intermediary for advice on retirement financial planning. Researcher is skeptical about financial planning carried out with advice from insurance agents and chartered accountants. As during his tenure in financial services industry, researcher had observed that most of the insurance agents mainly focus sales of insurance products rather than retirement planning. On the other hand retirement financial planning is not the core job of a chartered accountant but due virtue of them being involved in other financial decisions; they take up this activity for additional revenue generation. Further it will be important to see what services are availed from the intermediaries. Researcher has classified the activities of intermediaries into two group; core activities and supporting activities.

Table 4.39 Services availed from financial intermediaries

	Role	Number of responses
Core activities	Triggering the need of retirement planning	8
	Providing information on retirement planning	74
	Analyzing the options	52
Supporting activities	Transactions	74
	Post purchase services	22
	Documentation	28
	Others	52
Note: This is a multiple choice question		

Source: Survey of individuals

Analysis and Interpretation: The most important activity of the intermediary is to trigger the need of retirement financial planning amongst the individuals. However from the above results it is evident that intermediaries are not successful in carrying out that activity. Intermediary's role is more or less a reactive role in current scheme of things. Once the need is triggered from some other source, intermediary is probably just fulfilling that need of the individuals. Also the support of intermediaries in execution of retirement financial planning is found to be low. The probable reason for low scores on supporting activities can attributed to individuals taking advice from them and then executing the plans from their known channels. As even today paid services for retirement planning is not easily accepted by individuals.

The above discussion raises a question to the researcher that if intermediaries are not able to trigger a need for retirement financial planning, then what motivates individuals to take up this activity. In the researcher instrument, the individuals investing for retirement financial planning asked for the motivational trigger for starting the activity. Table 4.33 presents the triggers that motivate the individuals to engage in retirement financial planning.

Table 4.40 Triggers for engagement in retirement financial planning

Trigger	Number of responses	Percentage
Self-realization	212	74.6
Family & Friends	50	17.6
Media	8	2.8
Others	8	2.8
Financial Intermediaries	6	2.2
Total	**284**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: The results above, reconfirms, that intermediaries are not able to trigger the need for retirement financial planning. It is up to the self- realization of the individual or the need generation by the family and friends. The next questions that strikes the researcher is even after investing for retirement planning with advice from intermediaries do individuals feel secure about retirement planning. Also researcher intends to check the security level of individuals for retirement is in case a certified financial planner is the intermediary. Table 4.41 and 4.42 below present the security felt by individuals with advice from intermediaries and only Certified Financial Planner respectively.

Table 4.41 Feeling secure about retirement intermediary level

Secure about retirement planning	Number of responses	Percentage
Yes	40	54.1
No	16	21.6
Can't say	18	24.3
Total	**74**	**100.0**

Source: Survey of individuals

Table 4.42 Feeling secure about retirement certified financial planner level

Intermediary	Number of responses	Percentage
Yes	21	56.8
No	10	27.0
Can't say	6	16.2
Total	**37**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: Above results suggests than only 50 percent of the individuals engaged in retirement financial planning with services from intermediaries feel secure or are confident about retirement.

Conclusion

To sum up the analysis of this objective, it can be concluded the intermediary play a limited role in the retirement financial planning process. Intermediaries are not able to succeed in their core activity of triggering the need for retirement planning. Also they fail to create confidence about the retirement planning they carried out for their customers. Overall intermediaries are not playing the required role in most of the aspects of retirement planning.

4.6 Presentation of analysis for objective 4

Researcher will now present the analysis of the last objective of the study. The purpose of last objective is to understand the important factors that influence individual's actions for making investments for retirement planning. The fourth objective of the study is as follows.

"To study the factors influencing individual's actions towards investment for retirement planning".

In the section 4.4 while analyzing practices for retirement planning all the focus was on the individuals who invest for retirement planning. In this section researcher will try to study the individuals who do not invest for retirement planning. This is to explore the factors which motivates or inhibits individuals to investment for retirement financial planning.

4.6.1 Reasons for not investing for retirement planning

Researcher intends to understand the reason why individuals are not investing for retirement. Table 4.43 lists the responses for probable reasons provided by the researcher to individuals for not investing for retirement.

Table 4.43 Reasons inhibiting investment for retirement

Reason	Number of responses	Percentage
Not familiar with retirement planning products and options	40	32.8
Difficulty in balancing with long term financial objectives and retirement planning	30	24.6
Lack of disposable income	16	13.1
Mistrust of financial service providers	14	11.6
Other	12	9.8
No matter how much I save it won't be enough	6	4.9
Ineffective communication from financial intermediaries	4	3.2
Total	122	100

Source: Survey of individuals

Analysis and Interpretation: Nearly 33% of the Individuals do not invest for retirement due lack of knowledge on the available retirement planning products. The responsibility for this lack of awareness amongst the individuals is primarily on; the individuals not taking an initiative in that direction and the intermediaries who fail to reach such individuals. As seen in section 4.4.1 other financial objectives like children education/marriage is also an important and urgent financial objective and this might be getting more preference over retirement planning. The third major inhibitor for not investing is not having disposable funds to save for retirement. There could be various reason for not having disposable funds like lower income, higher liabilities etc. For the first two inhibitors not having funds is not a reason for not investing for retirement, in case it would be important do a comparative analysis of financial literacy, risk taking abilities and retirement planning awareness of the individuals investing and not investing for retirement planning.

4.6.2 Study of factors influencing actions towards investment for retirement planning

Through the research instrument, researcher had gathered information on individuals investing and individuals not investing for retirement planning. By combination of multiple questions researcher has carried out profiling of the individuals which is presented in section 4.3. Also researcher had gathered information on occupational and family factors. With cross-tabulation of these factors with individuals investing for retirement planning and individuals not investing for retirement planning, researcher will explore the factors influencing actions towards investment for retirement planning. The various factors studied are as below.

- Extent of liabilities
- Importance given to financial objective “Ensuring comfortable retirement”
- Financial literacy
- Saving-spending attitude
- Risk taking abilities
- Awareness about retirement planning products and services
- Number of dependents
- Spouse employment status

- Percentage of monthly income used to repay loans/ liabilities

Table 4.44 Factors affecting investing for retirement planning

Factors	Investing for retirement planning	
	Yes	No
Extent of liabilities (0-5)	3.27	3.21
Ensuring a comfortable Retirement (1-10)	7.42	6.77
Financial literacy score (1-9)	6.21	5.89
Saving spending attitude (Out of 30)	22.71	20.77
Risk taking score (1-12)	5.72	5.75
Retirement planning awareness (out of 36)	27.25	27.23
Number of dependents (0-5)	2.27	2.03
Percentage monthly income used to liabilities	21.72	20.69

Source: Survey of individuals

Analysis and Interpretation: As seen in table 4.44 all the factors mentioned in the table influences individuals towards investment for retirement planning. Extent of liabilities of individuals investing for retirement is found to be higher than those not investing for retirement planning. This behavior is also mirrored in the percentage of monthly income used to pay liabilities. Monthly liabilities of individuals investing for retirement are higher than those not investing for retirement. Having an objective in life to ensure a comfortable retirement influences individuals to a greater extent in investing towards retirement. Financial literacy is found to play a key role in influencing individuals towards investing for retirement planning. Risk taking abilities and awareness about retirement planning are found to same amongst individuals investing and not investing for retirement. Number of dependents is found not to have significant impact on investment for retirement planning.

Table 4.45 Spouse employment status and investment towards retirement planning

Factors	Parameters	Investing for retirement planning			
		Yes	Percentage	No	Percentage
Spouse employment status *Responses of NA not included	**Employed**	158	62.0	58	52.0
	Not employed	96	38.0	52	48.0
	Total	**254**	**100.0**	**110**	**100.0**

Source: Survey of individuals

Analysis and Interpretation: As seen in table 4.45, individuals with working spouse are more inclined towards investment for retirement planning. Amongst individuals whose spouse is not employed there is not much difference in behavior in investment for retirement planning.

Conclusion

Individuals not investing for retirement suggest that there inaction is due lack of familiarity about retirement products, difficulty in managing long term financial goals and lack of disposal income. Extent of liabilities, risk taking abilities, retirement planning awareness, and number of dependents does not have significant impact on actions for retirement planning. However, financial literacy and risk taking abilities have significant impact on actions for investment for retirement planning. Thus on a whole actions for investment planning is more dependent on the intrinsic factors than extrinsic factors. An individual takes action for investment for retirement when he himself feels the need for it.

After presenting analysis on the all the three objectives, researcher will now go ahead with testing of hypothesis in part two.

5 CHAPTER: PRESENTATION AND ANALYSIS OF DATA PART II

5.1 Introduction

In this chapter, researcher will employ advanced statistical techniques to test hypothesis made previously carrying this study. Researcher will use statistical tests like one way ANOVA, T – test (Paired), and Chi Square test.

5.2 Testing of Hypothesis H1

"The level of awareness about retirement planning product / services varies with gender, age, occupation, education of individuals in wealth creation stage".

With reference to the chapter 4 in section table 4.35, it is seen that there is variation in level of awareness about retirement planning product and services based on demographic factors such as gender, age, occupation and education of individuals.

To administer the hypothesis it is further divided into sub hypothesis as follows

$H1_A$ - The level of awareness about retirement planning product / services varies with gender of individuals in wealth creation stage.

$H1_B$ - The level of awareness about retirement planning product / services varies with age of individuals in wealth creation stage.

$H1_C$ - The level of awareness about retirement planning product / services varies with occupation of individuals in wealth creation stage.

$H1_D$ - The level of awareness about retirement planning product / services varies with education of individuals in wealth creation stage.

5.2.1 Presentation of statistical data for hypothesis

To test hypothesis H1, let's take part 1 of the hypothesis i.e. "The level of awareness about retirement planning product / services varies with gender of individuals in wealth creation stage". To test this researcher has employed One way ANOVA.

Table 5.1: One way ANOVA statistics for hypothesis $H1_A$

	Sum of square	Df	Mean square	F ratio	p value
Between Groups	202.57	1	202.57	16.675	**0.000**
Within Groups	4762.039	392	12.148		
Total	4964.609	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals based on gender i.e. Awareness levels of males and females on retirement planning products and services. **Thus researcher accepts Hypothesis $H1_A$ - "The level of awareness about retirement planning product / services varies with gender of individuals in wealth creation stage".**

Table 5.2: One way ANOVA statistics for hypothesis $H1_B$

	Sum of square	Df	Mean square	F ratio	p value
Between Groups	191.23	4	47.807	3.896	**0.004**
Within Groups	4773.379	389	12.271		
Total	4964.609	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals based on age i.e. Awareness levels of individuals on retirement planning products and services varies based on the age groups viz 25 to 30 years, 31 to 35 years, 36 to 40 years and 41 to 45 years. **Thus researcher accepts Hypothesis $H1_B$ - "The level of awareness about retirement planning product / services varies with age of individuals in wealth creation stage".**

Table 5.3: One way ANOVA statistics for hypothesis $H1_C$

	Sum of square	Df	Mean square	F ratio	p value
Between Groups	165.287	2	82.644	6.733	**0.001**
Within Groups	4799.322	391	12.274		
Total	4964.609	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals based on occupation i.e. Awareness levels of individuals on retirement planning products and services varies based on the occupation viz salaried, self-employed and professionals. **Thus researcher accepts Hypothesis $H3_c$ - "The level of awareness about retirement planning product / services varies with occupation of individuals in wealth creation stage."**

Table 5.4: One way ANOVA statistics for hypothesis $H3_D$

	Sum of square	Df	Mean square	F ratio	p value
Between Groups	53.943	2	26.972	2.148	**0.118**
Within Groups	4910.666	391	12.559		
Total	4964.609	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are greater than 5%, it can be inferred that there are not significant differences amongst various individuals based on education i.e. Awareness levels of individuals on retirement planning products and services does not vary based on the education viz undergraduates, graduates and post graduates. **Thus researcher rejects Hypothesis $H1_D$ - "The level of awareness about retirement planning product / services varies with education of individuals in wealth creation stage".**

Table 5.5 Summary of test results for sub-hypothesis (H1)

Hypothesis	Significance	Result
$H1_A$	0.000	Researcher hypothesis is accepted
$H1_B$	0.004	Researcher hypothesis is accepted
$H1_C$	0.001	Researcher hypothesis is accepted
$H1_D$	0.118	Researcher hypothesis is rejected

Source: Primary data survey of individuals

Analysis and Interpretation: From the table 5.5, it can be deduced that hypothesis H1 is partially accepted. Awareness of individual about retirement planning products and services varies based on gender, age and occupation. However the variation on awareness based on the education of the individuals is not significant.

5.3 Testing of hypothesis H2

"Extent of retirement planning activities followed by individuals is associated to saving spending attitude"

Researcher intends to check the association between the saving – spending attitude and retirement planning activities. As per section 4.3.1 to 4.3.5 it has been observed that various retirement planning activities as listed below are highly associated with saving-spending attitude however researcher is keen to understand the level of significance of the association. The various retirement planning activities are as listed below.

- Thinking about retirement
- Investing for retirement
- Motivation for retirement planning
- Age for starting retirement planning
- Percentage allocation of surplus funds for retirement planning

For the purpose of simplification, hypothesis H2 is divided into 5 sub hypothesis as follows

$H2_A$ - Extent of thinking about retirement is associated to saving – spending attitude of individuals.

$H2_B$ - Extent of investment for retirement planning is associated to saving – spending attitude of individuals.

$H2_C$ - Extent of motivation for retirement planning is associated to saving – spending attitude of individuals.

$H2_D$ - Extent of early starting age for retirement planning is associated to saving – spending attitude of individuals.

$H2_E$ - Extent of percentage allocation of funds for retirement planning is associated to saving – spending attitude of individuals.

5.3.1 Presentation of statistical data for hypothesis

To test hypothesis H2, let's take part 1 of the hypothesis i.e. "Extent of thinking about retirement is associated to saving – spending attitude of individuals". To test this researcher has employed One way ANOVA.

Table 5.6 One way ANOVA statistics for hypothesis $H2_A$

	Sum of square	df	Mean square	F ratio	p value
Between Groups	627.466	2	313.733	23.224	**0.000**
Within Groups	5282.056	391	13.509		
Total	5909.523	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there is significant differences amongst various individuals between thinking about retirement and saving-spending attitude .**Thus researcher accepts Hypothesis $H2_A$ - "Extent of thinking about retirement is associated to saving – spending attitude of individuals".**

Table 5.7 One way ANOVA statistics for hypothesis $H2_B$

	Sum of square	df	Mean square	F ratio	p value
Between Groups	315.478	1	315.478	22.107	**0.000**
Within Groups	5594.044	392	14.271		
Total	5909.523	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals in the extent of investment for retirement based on saving-spending attitude. **Thus researcher accepts Hypothesis $H2_B$ - "Extent of investment for retirement planning is associated to saving – spending attitude of individuals".**

Table 5.8 One way ANOVA statistics for hypothesis $H2_C$

	Sum of square	df	Mean square	F ratio	p value
Between Groups	628.391	5	125.678	9.233	**0.000**
Within Groups	5281.131	388	13.611		
Total	5909.523	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals in the extent of motivation for retirement planning and saving spending attitude. **Thus researcher accepts Hypothesis $H2_C$ - "Extent of motivation for retirement planning is associated to saving – spending attitude of individuals".**

Table 5.9 One way ANOVA statistics for hypothesis $H2_D$

	Sum of square	df	Mean square	F ratio	p value
Between Groups	499.724	5	99.945	7.168	**0.000**
Within Groups	5409.799	388	13.943		
Total	5909.523	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals starting age for commencement of retirement planning and saving spending attitude. **Thus researcher accepts Hypothesis $H2_D$ - "Extent of early starting age for retirement planning is associated to saving – spending attitude of individuals".**

Table 5.10 One way ANOVA statistics for hypothesis $H2_E$

	Sum of square	df	Mean square	F ratio	p value
Between Groups	390.665	4	97.666	6.884	**0.000**
Within Groups	5518.857	389	14.187		
Total	5909.523	393			

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals in the extent of allocation for retirement planning and saving spending attitude. **Thus researcher accepts Hypothesis $H2_E$ - "Extent of percentage allocation of funds for retirement planning is associated to saving – spending attitude of individuals".**

Table 5.11 Summary of test results for sub-hypothesis (H2)

Hypothesis	Significance	Result
$H2_A$	0.000	Researcher hypothesis is accepted
$H2_B$	0.000	Researcher hypothesis is accepted
$H2_C$	0.000	Researcher hypothesis is accepted
$H2_D$	0.000	Researcher hypothesis is accepted
$H2_E$	0.000	Researcher hypothesis is accepted

Source: Primary data survey of individuals

Analysis and Interpretation: From the table 5.11, it can be deduced that hypothesis H2 is accepted. The extent of retirement planning practices is associated with saving-spending attitude of individuals.

5.4 Testing of hypothesis H3

"Funds allocation for retirement financial planning is associated with occupational and family factors"

Investment for retirement planning can be considered as one of the most important practice for retirement financial planning. To study this researcher has further divided the hypothesis 3 in fours sub hypothesis based occupation, type of industry, spouse employment and number of dependents as follows.

H3- Funds allocation for retirement financial planning is associated with occupational and family factors

$H3_{A-}$ Funds allocation for retirement financial planning is associated with occupation.

$H3_{B-}$ Funds allocation for retirement financial planning is associated with type of industry of occupation.

$H3_{C-}$ Funds allocation for retirement financial planning is associated with spouse employment status.

$H3_{D-}$ Funds allocation for retirement financial planning is associated with number of dependents in family

5.4.1 Presentation of statistical data for hypothesis

To test hypothesis H3, let's take part 1 of the hypothesis i.e. "Funds allocation for retirement financial planning is associated with occupation". To test this, researcher has employed Chi Square test.

Table 5.12 Chi square statistics for hypothesis $H3_A$

Chi-Square Tests			
	Value	**df**	**p value**
Pearson Chi-Square	36.768a	8	**0**

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals in the allocation for retirement based on their occupation. **Thus researcher accepts hypothesis $H3_A$- "Funds allocation for retirement financial planning is associated with occupation".**

Table 5.13 Chi square statistics for hypothesis $H3_B$

Chi-Square Tests			
	Value	**df**	**p value**
Pearson Chi-Square	95.741a	24	**0**

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals in the allocation for retirement based on the type of industry of occupation. **Thus researcher accepts hypothesis $H3_B$- "Funds allocation for retirement financial planning is associated with type of industry of occupation".**

Table 5.14 Chi square statistics for hypothesis $H3_C$

Chi-Square Tests			
	Value	**df**	**p value**
Pearson Chi-Square	20.694a	8	**0.008**

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals in the allocation for retirement based on the status of employment of their spouse. **Thus researcher accepts Hypothesis $H3_C$- "Funds allocation for retirement financial planning is associated with spouse employment status".**

Table 5.15 Chi square statistics for hypothesis $H3_D$

Chi-Square Tests			
	Value	**df**	**p value**
Pearson Chi-Square	47.897a	20	**0**

Source: Primary data survey of individuals

Analysis and Interpretation: As the p values in the results are less than 5%, it can be inferred that there are significant differences amongst various individuals in the allocation for retirement based on the number of dependents. **Thus researcher accepts Hypothesis $H3_D$ - "Funds allocation for retirement financial planning is associated with number of dependents".**

Table 5.16 Summary of test results for sub-hypothesis (H3)

Hypothesis	Significance	Result
$H3_A$	0.000	Researcher hypothesis is accepted
$H3_B$	0.000	Researcher hypothesis is accepted
$H3_C$	0.008	Researcher hypothesis is accepted
$H3_D$	0.000	Researcher hypothesis is accepted

Source: Primary data survey of individuals

Analysis and Interpretation: From the table 5.16, it can be deduced that hypothesis H3 is accepted. Funds allocation for retirement financial planning is associated with occupational and family factors.

Conclusion

Out of the three hypotheses which are part of study hypothesis 1 is partially accepted and hypothesis 2 and 3 are completely accepted. Thus now researcher completed the presentation of analysis of objectives as well as hypothesis. In the subsequent chapter, researcher will present the findings of the study, give suggestions and conclude the research journey. Researcher will also provide clues for future research in the area of study.

6 CHAPTER: FINDINGS, SUGGESTIONS AND CONCLUSION

In the last two chapters, researcher has analyzed the data gathered in the survey of individuals. The outcome of the analysis is findings of the study. These findings along with suggestions from the researcher would be presented in this chapter. Also this chapter will include the concluding remarks from the researcher and the areas that researcher has indentified where future researchers can plan a detailed study.

6.1 Findings

1. It is found that financial literacy for individuals in wealth creation stage is 6.11 on scale of 3 to 9 where 3 denotes low literacy where 9 shows high literacy. Thus the financial literacy levels of individuals is neither to low but also not very high. Individuals have understanding on basic banking fundamentals but the awareness on the investment returns is lower.

2. It is found that saving spending attitude for individuals in wealth creation stage is 22.1 on scale of 5 to 30 where the score in range of 12.5 and up to 22.5 is considered as "balanced savers-spenders" and the population with score greater than 22.5 and up to 30 is considered as "ultra high savers". So these individuals are balanced on saving and spending attitude. More individuals think before buying spending money but lack certain amount on discipline and execution when it comes to setting and achieving financial goals.

3. It is found that individuals in wealth creation stage have a moderate risk profile with score of 5.73 on scale of 3 to 12. The population with risk scores between 3 and up to 6 are considered as "conservative" ,risk score greater than 6 and up to 9 are considered as "moderate" and risk scores greater than 9 and up to 12 are considered as "aggressive". So when it comes to financial matters individuals are risks averse. This is mainly due to lower literacy levels where individuals strictly want to avoid financial product with even moderate risks although these products can provide better return on investment.

4. It is found that the top three objectives for the individuals in wealth creation stage are protection against medical emergency, ensuring comfortable retirement and provision for children's education or marriage. Although this finding is in line with the Indian culture and values but in contrast to findings in developed countries where individuals put more emphasis on their retirement well being than any other financial objective. Also the individual's lowest preference to objectives of buying additional house and upgrading the car.

5. It is found that 33 % of individuals in wealth creation stage always think about retirement, 60.9% sometimes think about retirement and 6.1 % never think about retirement. Male population thinks more about retirement planning than females. Thinking about retirement is influenced by age and income. Individuals with low income and age think less about retirement.

6. Newspapers are playing a major role in talking about importance of retirement financial planning compared to financial planners, insurance agents and other channels. The role of financial planners is not very defined and a lot of value is not seen in their advice.

7. Individuals in wealth creation stage have desire to retire at 55.6 years of age. About 25% of the individuals even desire to retire at the age of 50 years. However this desire to retire early is not supported by the financial planning activities that would be required to make this wish come true. Also the desire to retire early can be partially attributed to the hectic and demanding work requirements.

8. It is observed that 69% of the people invest in some or other form for retirement financial planning products. Although the percentage of people investing for retirement looks descent but some people just tag their money saved as retirement saving which probably may not be the actual case. Long terms savings for the sole objective of retirement may still not be part may of the individuals saving corpus.

9. The percentage of male population investing for retirement planning is on a higher side. This is in line with social structure in India. However a better picture was desirable in the survey as all the female respondents are earning members of the family. So even when on other fronts females are sharing equally responsibilities with males , however, when it comes financial planning a lot of females are

dependent on males or their retirement planning is perceived to be an integral of the male members retirement planning.

10. Amongst the four age groups under study, three age groups 31-35 years, 36-40 years and 41-45 years have higher percentage of respondents investing for retirement planning where as in the age group 25-30 years the percentage of respondents not investing for retirement planning is higher. So the importance for investment for retirement planning is still learned in the hard way by the young people i.e. after missing certain crucial years in life when there are relatively less liabilities and more scope for investment.

11. In education and income groups, individuals with higher income and higher education do better than the individuals with lower income and education.

12. It is found that major of the individuals in wealth creation stage are starting for investment early in their life. However, the group that fare the best is professional and postgraduates. These results are also in line with investing for retirement behavior where professionals and graduates are seen to investing for retirement.

13. In regards to allocation of investable surplus for retirement planning, female score slightly better than males. Amongst the age group individuals with higher age are able to allocate more funds for retirement planning. Professionals are seen to do better than graduates and undergraduate and higher income groups doing better than the lower income groups

14. As retirement investment product the highest preference by individuals is for equity mutual funds followed by public provident fund and national pension scheme. Based on the demographic profile individuals in wealth creation stage, public provident fund is looked upon as the most preferred investment instrument for investment for retirement planning followed by equity mutual funds.

15. The investment option preference of the individuals is well in line with the risk profile and financial literacy of the individuals. However the concern here is that there is not much preference for national pension scheme as retirement planning product.

16. The average risk coverage by the individuals is very low. This is surprising as this is not in line with risk profile of the individuals. The individuals in wealth creation stage have a moderate risk profile but are taking much more risks than their risk appetite. Also in the financial objectives, protection against medical emergency is rated as highest priority but this risk is not covered by the individuals. So although individuals are thinking on this objective the execution is still questionable.

17. Only 38% of the individuals planning for retirement are comfortable with the retirement planning practices followed by them. One fourth of the individuals are not at all secure about their retirement planning practices and 38% are unsure whether the practices they are following are sufficient to have a comfortable retirement. So the confidence level of the individuals on their financial well being in retirement is on lower side.

18. Individuals in wealth creation stage are adequately aware about the eligibility for enrolling to NPS i.e. they are aware that non-government employee or employees who are not formally covered by any pension scheme can invest in NPS.

19. There respondent fare just above average in terms of their awareness about the distribution coverage of the National Pension Scheme.

20. It is found that the individuals in wealth creation stage are highly unaware about the most important feature of the scheme i.e. the lowest cost for fund management which is 0.0009 percent. Lack of awareness of this important feature may be the prime reason for the lower popularity of NPS as a retirement product.

21. Regarding awareness on regulators it is found the awareness on mutual funds, insurance and fixed deposits is more and for NPS it is very low.

22. The awareness on individuals in wealth creation stage about basics of pension is critically low. Lack of knowledge on basic elements of pension has two significant impacts, firstly individuals' expectations on pension income can be unrealistic leading to problems during retirement and secondly it may re-frain individuals from buying pension products for their well-being.

23. On the front of investment, individuals are cost conscious. They are aware about the high cost product. However on contrary they are not aware about the low cost product which is NPS. Even on a widely promoted product like mutual fund the awareness is above average

24. The average score for the individuals in wealth creation stage on the scale of 12 to 36 is found to be **27.16**. Although the awareness on generic areas is good but the awareness levels on NPS, regulators for NPS and basics of pension is low.

25. The awareness level for retirement planning is found to be higher in the males as compared to the females. Across the various age groups the awareness level is found to be lowest in the age group 25-30 years. Post thirties there is a jump in the awareness levels of the individuals and difference in awareness levels is relatively lower. On comparison of awareness levels across the various occupations the highest level of awareness is found in the professionals.

26. The formal channel i.e. financial intermediary, whose core responsibility is to provide advice or influence financial decisions, is not the most preferred option by the individuals, instead, family and friends influence to a greater extent.

27. Only about one fourth of the individuals investing for retirement financial planning avail professional advice. Out of those availing professional advice, 50% individuals utilize services of certified financial planners.

28. The intermediaries play a limited role in the retirement financial planning process. Intermediaries are not able to succeed in their core activity of triggering the need for retirement planning. Also they fail to create confidence about the retirement planning they carried out.

29. Financial intermediaries fail in the most important activity triggering the need of retirement financial planning amongst the individuals.

30. In the study of individuals not investing for retirement planning, the top three major inhibitions not involving in retirement planning were found to be as not being familiar with retirement products, difficulty in balancing long term financial objectives and retirement planning and lack of disposable income.

31. The key difference amongst the individuals investing and not investing for retirement planning is the presence or absence of the financial objective "Ensuring a comfortable retirement". Individuals having the objective are investing for their retirement.

32. Higher financial literacy level is also a key differentiator amongst individuals investing and not investing for retirement planning.

33. Saving and spending attitude makes a smaller difference at general level but statistically it shown to have a greater impact on the promoting actions for investment for retirement planning.

34. On the family factors number of dependents doesn't impact actions for investing for retirement planning; however spouse employment makes a difference. Individuals with higher level of liabilities are found to investing for retirement planning, a probable reason for this being that these individuals have created assets which they think are part of their financial planning for retirement.

6.2 Suggestions

It is found that financial literacy, awareness about retirement products, role played by intermediaries in retirement financial planning, popularity of NPS needs to be improved in the immediate future. That's the reason; researcher would like to suggest some initiatives towards improvement of these areas here. The suggestions would be aimed at following

1. Improving awareness of individuals
2. National Pension Scheme
3. Policy changes by Government
4. Intermediaries
5. Responsibilities of employers

Improving awareness of individuals

1. Embed basics of investing and financial planning like present value, future value, returns risks right from the higher secondary school curriculum.
2. Instead of having multiple agencies and regulators donning the role of investor educator (Present regulators are creating awareness not the knowledge) researcher would like to suggest a central government agency which will plan, implement and coordinate investor education initiatives throughout the country.
3. Government agencies can even consider incentivizing employers to educate their employees about financial services, investments as such.

Changes in National Pension Scheme

National Pension Scheme was considered to be similar to the 401(K) plan in United States. However there is no sufficient awareness about the scheme, so following efforts to popularize the scheme must be taken up. Also certain changes in structure of needs to be discussed

1. Television, social media, and print media must be used create awareness about NPS.
2. Employers and individuals in privite sector must be incentivized to open NPS account inline with current practice of opening EPF account.

3. Changes in NPS structure from a perspective of individual taxation, like making it from a Exempt- Exempt- Tax to an Exempt-Exempt-Exempt scheme similar to PPF and insurance.
4. Changes in withdrawal structure to permit pre-mature withdrawal in case of emergency sitiuations needs to be taken up. Currently pre-mature withdrawal is not possible. Although pre-mature withdrawal may look like defeating the purpose of the scheme , however, to increase the popularity there must added flexibility in the current scheme.
5. The investment model of NPS can be changed to a hybrid model with a component of insurance along with the retirement benefits. This can help to make the scheme more attractive and also will serve dual purpose for individuals.

Policy changes by Government

1. Government of India must take immediate steps towards development of an annuity market in India like promoting the retail investments in debt market.Currently individuals have limited access to debt market as result there is an underdeveloped retail debt market in India and it inturn is not helping to grow the annuity market in India.
2. A drive on national level to drive National Pension Scheme on lines of Jan Dhan Yojana is required to increase the subscriber based in NPS.
3. Fund management under NPS must be re-looked. Current multiple asset management companies model is good to in order to ensure better performance on returns owing to the competition but due to distribution of corpus advantage of economies of scale is being missed.
4. Intermediary channel for distribution of NPS must be incentivized and also must be mandated to push the scheme.
5. Re-look at the reverse mortgage product regulations and some mandatory lending by banks in this product to be made mandatory.

Intermediaries

1. Intermediaries should focus on increasing awareness of the prospective customers towards retirement planning rather just focusing on selling of financial products.
2. Intermediaries should impose strict actions on their channel partners and staff to prevent mis-selling of financial products.
3. Reverse mortagage as an important financial product must be suggested by intermediaries as current awareness of individuals in this area is very low.

Responsibilities of Employers

1. For the individuals employed in organised sector, employers make small constibution towards NPS, making a part of company provided retirement plan.
2. Activities to increase awareness about financial planning for reitrement must be made a part of staff-welfare activities.
3. As per one of the finding, it has been observed that individuals in age group 25 to 30 years think less about retirement,so employers should include a training or awareness program for employees in the age group of 25 to 30 years.

6.3 Conclusion

One big reality of life is retirement, and planning for retirement is still a nascent concept in India. Although, it is thought about and talked about all over, but the actions for retirement planning are still not focused by individuals. Retirement planning is very dynamic process and is affected by numerous factors. Individuals need to keep an eye of the social, economic and political factors along with his requirements while planning for retirement. It is a fact that demographic factors affect all the areas of retirement planning. The most important thing to realize before it's too late is that everyone himself has an onus to plan for his retirement. The social security measures, employer benefits and family support are unreliable.

The entire world is attracted by the financial markets in India. However the participation of common man in markets is very low. Also it is thought to be sentiment driven and maturity of the market has been questioned on numerous occasions. One major concern from retirement planning perspective is the underdeveloped pension market in India. The annuity options are very limited and individuals lack faith in them. The governments key initiative of National Pension Scheme is not seen picking up pace to the desired level. No doubt two most important feature of NPS, the withdrawals and taxation need to be reformed as soon as possible.

The Indian values are helping individuals to be in better state as far as savings is concerned. The habit of saving certainly exists amongst the Indians but channelization of these saving to earn decent returns and these savings helping in achieving long terms financial objectives of individuals is the need of the day. For this the intermediaries needs to put up their hands and create awareness and focus on more solution selling than product selling.

Scope of future research

The goals and objectives of this study were decided and studied accordingly. Since in depth studies in these areas have long term socio-economic dimensions and repercussions, the scope of the investigations can be further expanded as follows:

1. A detailed similar analytical / comparative study can be taken up for the age group 45 years to 60 years of age.
2. The work has been restricted to the geographical corners of Pune city only. A comparative study of equivalent cases across various cities in the country can be taken up.
3. The further research is also possible by employing new research methods like mystery audit to understand the knowledge levels of intermediaries, to address ethical issues of selling insurance products as retirement planning products.
4. An analytical study of National Pension Scheme as reitrement planning solution.

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Survey Questionnaire for Individuals

Dear Respondent,

I am Dinesh Shendkar. Currently I am pursuing my research for Ph.D. in the Retirement Financial Planning. The objective of the study is to find awareness about financial instruments, concept of retirement planning etc.

The following questionnaire consists of 4 sections and will need about 12 to 15 minutes of your time. The questionnaire may also help you to discover certain unknown area in your financial life.

Personal Details		
1.1.Name :	**Email :**	
1.2.Gender		
☐Male	☐Female	
1.3.Marital Status		
☐Married	☐Unmarried	
1.4 Spouse employment status		
☐ Employed	☐Not-employed	☐Not applicable
1.5 Age group (in years)		
☐ Between 25-30	☐ Between 31-35	☐ Between 36-40
☐ Between 41-45		
1.6 Education		
☐ Undergraduate	☐ Graduate	☐ Post-graduate
1.7 Occupation		
☐ Salaried	☐ Self-Employed	☐Professional
<u>If salaried please select the sector</u>		
☐ Information Technology	☐ Government	☐ Manufacturing
☐Banking/Financial Services	☐Services	☐ Other
1.8 Numbers of years in service/business/profession		
☐ 0-3 years	☐ 4-7 years	☐ 8-11 years
☐ 12-15 years	16 years and above	
1.9 Number of dependents		
☐ None	☐ 1	☐ 2
☐ 3	☐ 4	☐ 5 or more

1.10 Assets Owned		
☐ Self-occupied House	☐ Additional House	☐Land
☐Car	☐ Business Premises	☐ Shares/Mutual Fund
1.11 Liabilities		
☐Home loan	☐ Car loan	
☐ Business loan	☐ Other	

1.9 Income details (from all sources)		
☐ Rs.2.5 -5 Lakh	☐ Rs.5 -10 Lakh	☐ Rs.10 – 15 Lakh
☐ Rs.15 – 20 Lakh	☐ Above Rs.20 Lakh	☐ Other
1.12 What percentage of your monthly income is used to repay above loans/liabilities		
☐ Nil	☐ Less than 20%	☐Between 20 % to 35 %
☐Between 35% to 50%	☐ Over 50%	

SECTION A

2.1 Rate the following financial goals on scale of 1 to 10 as per your current priorities (1-Low priority – 10 High Priority)

No	Goals	1	2	3	4	5	6	7	8	9	10
1	Ensuring a comfortable retirement										
2	Provision for children's education or marriage										
3	Buy a new house /additional house										
4	Buy a car/ upgrading current car										
5	Increase the monthlyinvestment amount										
6	Reduce housing/other loans										
7	Transfer assets to dependents										
8	Protect against medical emergency										

2.2 Whom do you prefer to consult or who influences your financial /investment planning decisions. Kindly rate on scale of 0 to 5 (0 for Never and 5 for Always)

Rating	**0**	**1**	**2**	**3**	**4**	**5**
Family						
Friends/Relatives						
Insurance agent						
Colleagues						
Bank relationship managers						
Wealth Manager/ Certified Financial Planner						

2.3 Select the financial product on which charges the highest interest rate

☐ Housing loan	☐ Personal loan	☐ Car loan
☐ Unpaid credit card bills	☐ Don't know	

2.4 What is the minimum rate of interest on savings account

☐ 3.5 %	☐ 4.0 %	☐ Don't know
☐ 4.5%	☐ 5.0%	

2.5Select the suitable option that describes you savings habit

☐ Save a fixed % of monthly income	☐ Save the excess amount left after all expenses	☐ Save only mandatory deductions like PF
☐ Save but not regularly	☐ Not saving at all	

2.6When making various investments, which of the following parameters you focus on (Select any one)

☐ Gross returns	☐Post tax returns minus inflation for the period	
☐ Post tax returns	☐ Don't Know	

2.7Which of the following have you provided towards emergency fund to meet exigencies like loss of job, losses in business or hospitalization, etc.

☐ Up to one month's salary/income in Bank account

☐ Up to three months' salary/income in Bank account

☐ Bank Fixed Deposit from 3 - 6 months' salary/income

☐ Other avenues like Mutual Fund schemes, etc.: up to 3-6 months' salary/income

☐ I have not created an emergency fund

2.8I have considered the following while fixing the amount of cover on my Life Insurance policies:

☐Cover my future earning years' income

☐Cover my goal-based financial liabilities (education/marriage of children)

☐ Cover my outstanding loans

☐ Cover my family's future expenses, goals and outstanding loans

☐ Gone by return aspiration on my policies rather than the amount of risk coverage

☐ Not considered the above parameters while taking life insurance

2.9Kindly rate the statements below based on your views:

Rating	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
Before I buy something I carefully consider whether I can afford it					
I tend to live for today and let tomorrow take care of itself					
I find it more satisfying to spend money than to save it for the long term					
I keep a close personal watch on my financial affairs					
I set long term financial goals and strive to achieve them					
Money is there to be spent					

2.10Suppose you are participating in a contest where you have reached a stage assuring cash prize of Rs. 1 Lakh, which of the following stages would you pay?

☐ Possibility of winning extra Rs. 50,000 by taking risk of Rs. 50,000 won already

☐ Possibility of winning extra Rs. 1 Lakh by taking risk of Rs. 75,000 won already

☐ Possibility of winning extra Rs. 2 Lakh by taking risk of Rs. 1 Lakh won already

☐ I will not play next stage and take home Rs. 1 Lakh won already

2.11 Suppose you have applied for renewal of your car insurance policy. After the policy end date you are not sure whether your policy has been renewed. For next three days will not get any information on renewal of the insurance policy. What will you do in this case.

☐ Continue using the car as normal	☐ Take the car only in an emergency	
☐ Drive the car carefully for 3 days	☐ Take bus or taxi	

2.12 You've lost Rs 50,000 at a casino. How much you are prepared to risk winning the money back.

☐ Rs 20,000	☐ Rs 50,000	
☐ Rs 10,000	☐ Nothing more you quit	

SECTION B

3.1 How often do you think about retirement planning

☐Never	☐ Sometimes	
☐ Always		

3.2 In day to day life from which of source below do you hearthe most about need of retirement financial planning

☐ News Papers	☐ Insurance agent	☐ Mutual fund companies
☐ Life insurance companies	☐ Mobile SMS	☐ Pops on internet
☐ Government schemes	☐ Financial planners	☐ None

3.3 Do you invest for retirement planning

☐ Yes	☐ No	

If your answer to above question is 'No' please answer question below and then go the section IV

☐ Difficulty in balancing with long term financial objectives and retirement planning

☐ Not familiar with retirement planning products and options

☐ Ineffective communication from financial intermediaries

☐ Mistrust of financial service providers

☐ Lack of disposable income
☐ No matter how much I save it won't be enough
☐ Other

3.4 What motivated you to start investing for your retirement planning

☐ Self-realization	☐ Family & Friends	☐ Financial Intermediaries
☐ Media	☐ Others	

3.5 At what age did you start investing for your retirement planning ☐

3.6 What percentage of your investable surplus do your invest for retirement planning

☐05%-10%	☐10%-15%	
☐15%-20%	☐ 20%-25%	

3.7 Select the instruments you invest for retirement planning and rate them based on allocation amongst these instruments (5 Highest and 1 Lowest)

Investment Instrument	1	2	3	4	5
Direct Equity					
Equity Mutual Funds					
Unit Linked Insurance Plans (ULIP)					
Public Provident Fund (PPF)					
National Pension Scheme (NPS)					
Real Estate					
Others					

3.8 Which of the following risks have you covered

☐ Life (self)	☐ Life (spouse)	☐ Physical disability
☐ Health (self-provided)	☐ Health (by employer)	☐ Movable properties
☐ Immovable properties		

3.9 While planning for retirement financial planning, have you availed services of professional like Certified Financial Planners

☐Yes ☐ No

If yes please specify

☐ Bank	☐ Insurance Agent	☐Financial Planners (CFP)
☐ Wealth Managers	☐Broking houses	☐Chartered Accountant

3.10 What role intermediaries have played in your retiring planning decisions

☐Transactions	☐Triggering the need of retirement planning	☐Providing information on retirement planning
☐Post purchase services	☐ Analyzing the options	☐Documentation

☐ Others		
3.11 After following above practices do you feel secure about your retirement planning		
☐ Yes	☐ No	☐ Can't Say
3.12 Have you estimated per month amount you would need after retirement?		
☐ Yes	☐ No	

3.13 Which of below options may closest to your post retirement requirement compared to your current income	
☐ Equal to my current income adjusted for price rise (inflation)	☐ Equal to 50% of my income adjusted for price rise (inflation)
☐ Equal to 80% of my current household expenses adjusted for price rise (inflation)	☐ Equal to my current household expenses adjusted for price rise (inflation)

3.14 Which of the following would you depend on for your retirement corpus?
☐ Provident Fund/ Pension from employer
☐ Sale of my assets like gold, additional house to fund any shortfall in my retirement corpus
☐ Rental income/ Regular income from investments
☐ Reverse mortgage of my self-occupied house
☐ My children
☐ I would curtail my expenses as far as possible to spend my life post-retirement with whatever funds accumulated

SECTION C

4.1 Up to what age would you like to work		
☐ Up to 45	☐ Up to 50	☐ Up to 55
☐ Up to 60	☐ Up to 65	
4.2 Can a non-government employee/ordinary citizen become a member of National Pension Scheme		
☐ Yes	☐ No	☐Can't say

4.3Select the important feature of National Pension Scheme

☐ Low cost	☐ Guaranteed returns	☐ Can't say

4.4Withdrawal of funds from mutual funds at any time is possible

☐ True	☐ False	☐ Can't say

4.5Select the investment instrument with highest fund management charges

☐ Unit linked insurance plan	☐ Mutual Fund	☐ National Pension Scheme
☐ Can't say		

4.6Please select the governing body/regulator for following financial products

	SEBI	IRDA	RBI	PFRDA	Can't say
Mutual Fund	☐	☐	☐	☐	☐
Insurance	☐	☐	☐	☐	☐
NPS	☐	☐	☐	☐	☐
Fixed deposits	☐	☐	☐	☐	☐

4.7Is National Pension Scheme available in Indian Post Offices

True	☐ False	☐Can't say

4.8Pension plans provide the exact amount of pension at the time of taking the plan that one would get at retirement

☐ True	☐ False	☐Can't say

4.9Can banks provide banking products for retirement financial planning

☐True	☐ False	☐Can't say

4.10Can an individual move the corpus of the pension to another service provider to avail annuity

☐ True	☐ False	☐ Can't say

4.11Recently government has launched a pension scheme Atal Pension Yojana, which of the following true in your case

☐ I have invested in scheme	☐ I am aware but not invested	☐ I am not aware about the scheme benefits
☐ I don't find the scheme useful for me		

Any other information :

Thanks for participating in the survey