



# A STUDY ON RETIREMENT PLANNING OF SALARIED INDIVIDUALS WITH REFERENCE TO MUMBAI CITY.

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## ABSTRACT:

**Introduction:** Planning for retirement involves developing a strategy for living in retirement. It entails periodically setting aside money and making wise investments in order to realize personal objectives and dreams.

**Purpose:** The objective of current paper is to examine the awareness level of individuals about retirement planning and various investment options opt by individuals for their retirement planning.

**Methodology:** The study is based on primary data with structured questionnaire with both open and closed ended questions in order to know the awareness and perception among individual towards retirement planning.

**Findings:** The study revealed that majority of salaried individuals have knowledge on retirement planning where they prefer government plans as it involve less risk. Also, mutual funds are most preferable investment options. Also, medical emergencies and tax saving are the major reasons for retirement planning. The main challenge is due to change in ROI which has great influence by inflation and other economic indicators.

**Research Implications:** The study focuses on understanding insights on individual retirement planning. The most preferred investment options opted by individual while planning their retirement life.

**Originality:** The current study adds to body of knowledge and provides insight view about individual retirement planning preferences and potential problems involved in it.

**Keywords:** Retirement, Investment, Return on investment, Investment strategies

## 1.0 INTRODUCTION:

In a financial setting, retirement planning refers to the distribution of resources or income for retirement. Financial independence is the aim of retirement planning. To reach your financial goals both during your working years and in retirement, retirement planning is the act of preparing and managing your short- and long-term finances. To create a thorough retirement roadmap, it entails analysing your financial goals, existing financial situation, and anticipated future cash flow. Retirement planning is the process of organizing and managing your short- and long-term finances in order to achieve your financial goals both during your working years and in retirement. It requires examining your financial goals, current financial state, and predicted future cash flow in order to develop a comprehensive retirement roadmap. Retirement planning is to ensure that you can achieve your financial objectives and maintain your level of living in retirement without requiring the help of others.

The goal of retirement planning is financial freedom. Retirement planning is the process of organizing and managing your short- and long-term finances in order to achieve your financial goals both while you are working and in retirement. Analyzing your financial objectives, current financial condition, and projected future cash flow is necessary to develop a detailed retirement roadmap. The purpose of retirement planning is to make sure that you can achieve your financial goals and maintain your level of life in retirement without needing financial assistance from others.

Planning for retirement entails evaluating the numerous decisions you may make today to help secure your financial future. You must accurately estimate your future financial situation in order to make wise decisions. You must also decide what your post-retirement objectives are. When you know how much of a stream of income you'll likely need in the future, you'll be able to make informed decisions regarding your current income, savings, investments, and employer-sponsored or other retirement plans. Of course, you must customize your retirement planning to your particular situation, as planning strategies for employees, executives, and business owners may differ. Regardless of who you are, you should familiarise yourself with the Social Security system, Medicare, and post-retirement health insurance coverage, including long-term care (LTC) insurance. Retirement may be a highly anticipated occasion for some people, providing the chance to pursue interests such as traveling, hobbies, and spending more time with their families that may have been impossible while working. Even the word "retirement" can evoke negative emotions in some people, especially for those workers who don't have access to pensions or other retirement plans.

## 2.0 REVIEW OF LITERATURE:

1. **J. E. Grable and D. T. Chatterjee (2010)**, the study emphasizes the significance of financial wellness in retirement planning and makes the argument that financial stress can have a big impact on retirement planning and general financial well-being. It implies that initiatives to encourage financial wellness and education may enable people to enjoy better financial security throughout their golden years.
2. **Lusardi A. (2009)**, In the USA, it was discovered that people who financially prepared for their retirement had more wealth when they retired compared to people who did not. The performance of the financial market was influenced by wealth as well. The relationship between financial planning and financial literacy has been examined by the author. He also discovered that the low income group's financial planning for retirement had improved with financial education. Better retirement planning results from financial knowledge.
3. **Pant Gargi (2013)**, According to the study's author, married women are more knowledgeable about retirement planning than single women, have put more effort into saving for retirement, and are moderate risk takers who choose to invest in less dangerous areas. These design elements support less experienced investors while preserving flexibility for more experienced ones.
4. **Prof. Suyog chachad (2018)**, The author has concentrated on the necessity and significance of retirement planning and also highlighted people's knowledge and retirement-related behaviour patterns. The findings

indicated that people do not make retirement plans; in order for them to understand the value of retirement and to become aware of it, they also need to participate in certain financial education programmes.

5. **Parveen Kumar (2017)**, Their research revealed that many people are aware of retirement planning, and they determined that living expenses and anticipated inflation have the biggest impact. Additionally, it demonstrates that although most individuals are knowledgeable with risk and return as well as inflation rates, they are less knowledgeable about diversification. It was made clear that some people begin investing when they are between the ages of 31 and 40.
6. **J. K. Munnell and A. Sunden (2004)**, The authors come to the conclusion that Social Security is a crucial consideration in retirement planning and that adjustments to Social Security rules may have a big impact on retirement behaviour. They recommend that decision-makers take into account how Social Security rules affect retirement planning and aim to advance retirement security for all Americans.
7. **Michael Ntanlianis (2011)**, In this study, it is determined what retirement fund members think about various financial education tools that their retirement fund has made available to them. In terms of managing their retirement funds, this research finds many kinds of respondents that disengage from the financial education that is provided to them.
8. **Dvork (2010)**, Education was revealed to be the most significant factor of financial literacy in this study. Although some people have solid planning practices, they may struggle with retirement planning because they are unaware of the variety of investment options available. The situation with women is that they are less educated, less wealthy, and less knowledgeable than men. The respondent who took the poll previously has started adding their own insights.
9. **Vinmalar J (2018)**, In their study on retirement planning of working people with particular reference to Chennai city, the authors aimed to understand how working people are aware of and choose which avenues to invest for their later years. The results show that there is no relationship between avenue investment and marital status. Compared to single people, married workers invest significantly more in retirement-related channels.
10. **Douglas A. Hershey (2000)**, aims to investigate the elements that affect a person's financial readiness for retirement. A survey was undertaken, and the findings revealed that both personality traits and financial literacy were major predictors of pre-retirement preparation.
11. **Dr. Swati Modi (2019)**, The research's findings are consistent with the hypothesis that the key factors influencing retirement planning behaviour are possible conflict in retirement planning, attitude towards retirement, and clarity of retirement goals. The findings of this study have consequences for working people, encouraging them to start planning for retirement early so they can enjoy a solid financial foundation once they stop working.
12. **Smruti Vakil (2019)**, Family, friends, self-research, and employment were found to be the sources that have the most effect over people's decisions regarding retirement planning. It was also shown that 50% of people felt that the market lacks sufficient information for retirement planning. It demonstrates that only 30–40% of people make retirement investments. This study reveals that respondents want a variety of investing options for their retirement.

13. **Nurul Faezah Mohd Talib et.al. (2017)**, The dependent variable in the study was "retirement planning behavior," with the independent variables being "self-awareness," "organization role," and "environmental factors." Despite the fact that everyone agreed that retirement plans would help them have a secure retired life with a regular income, 71 percent of respondents said they had never followed any retirement plans. Retirement planning and self-awareness are unrelated because employees are aware of their financial needs after retirement but have very limited financial literacy.
14. **Fatemeh Kimiyaghalam, et.al (2017)**, The authors have considered two behavioural theories relevant for retirement financial planning. These theories are 'planned behaviour' and 'time perspective theory'. Primary data is collected from 900 respondents and structural equation is used to analyse the data. The study revealed that individual's planned behaviour and future orientation has direct relationship with retirement planning behaviour.
15. **Kadam and Thakar (2014)**, In order to determine the causes of attrition in the sector, the author performed a study in the city of Pune. According to the report, employees are 26 years old on average and have between two and four years of experience. The main factors that cause people to quit their jobs are professional progress and pay. Additionally, this study demonstrates that employees value non-financial perks.

### 3.0 NEED FOR THE STUDY:

To live happily and comfortably, a person requires additional sources of money. The results of this study will therefore highlight the significance of retirement planning in one's life, making it important to comprehend the many financial options a person chooses when it comes to retirement preparation.

The study also focuses on understanding investors' risk tolerance based on their preferred investment vehicles and aids in revealing individual investor preferences for retirement planning.

### 4.0 OBJECTIVES OF THE STUDY:

1. To examine the retirement planning among salaried individuals from different age groups.
2. To understand the awareness level of individuals about retirement planning
3. To investigate which investment options do people opt for while planning for retirement
4. To investigate problems faced by individuals during retirement planning

### 5.0 RESEARCH METHODOLOGY:

**5.1 Type of Research:** The research paper is of nature of descriptive and exploratory research.

**5.2 Data Source and type:** The current study is based on both primary and secondary sources. The primary data has been collected through structured questionnaire which consists of 14 questions on the basis of 5-point Likert scale and secondary sources include journals, research articles, finance magazines, textbook, etc.

**5.3 Sampling Unit and sample data:** For collecting the sample, Convenience non probability sampling method was adopted. The target population was 150 responses and the sample collected was from 102 individuals from Mumbai city of various age group has been collected through convenient sampling method.

**5.4 Tools used in Research:** The collected data was analyzed using Excel and for graphical representation of data pie chart and bar chart was used.

## 5.0 ANALYSIS AND INTERPRETATION:

**Table 1: Showing the Demographic profile of respondents**

Demographic factors	Categories	Frequency	Percentage
Gender	Male	60	59
	Female	42	41
Age	20-30	31	31
	31-40	23	22
	41-50	17	17
	51-60	24	24
	>60	6	6
Annual Income	1 lakh – upto 3 lakh	18	17
	3 lakh – upto 6 lakh	8	8
	6 lakh – upto 9 lakh	20	20
	9 lakh – upto 12 lakh	16	15
	12 lakh – upto 15 lakh	40	40

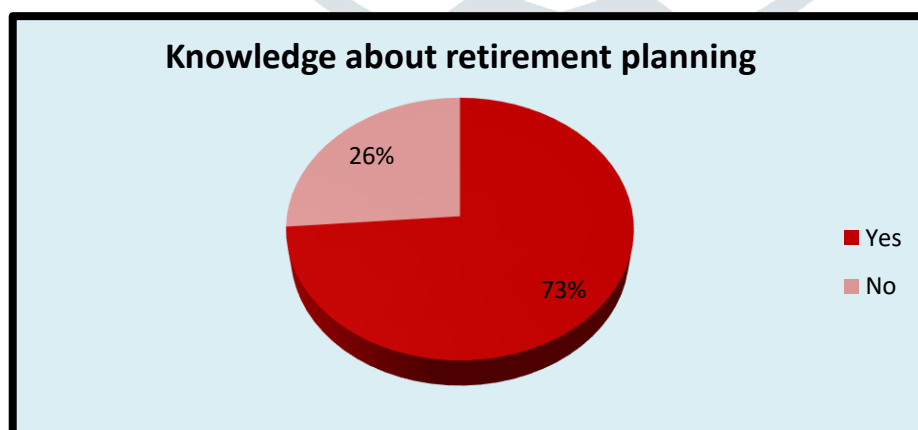
Source: Primary Data

**Table 2: Showing individual knowledge about retirement planning**

Options	NO. OF RESPONSES	RESPONSES (in %)
Yes	75	73
No	27	26
<b>Total</b>	<b>102</b>	<b>100</b>

Source: Primary Data

**Figure 1: Showing individual knowledge about retirement planning**



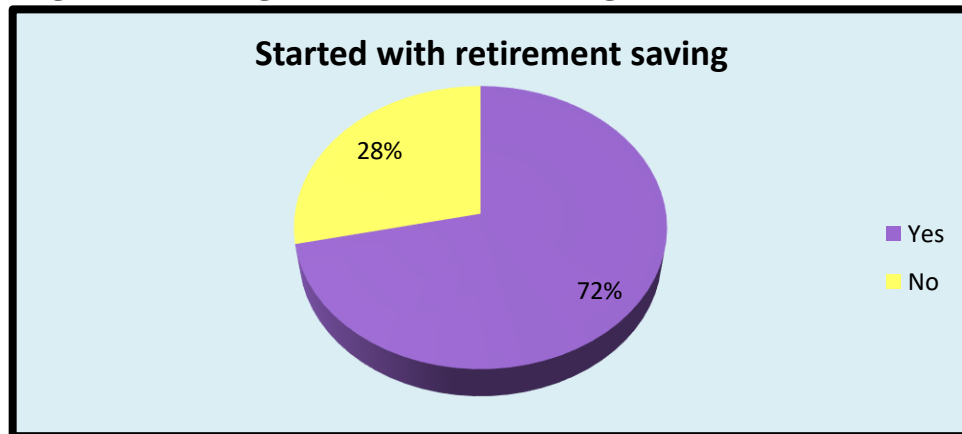
**Interpretation:** From the total responses, 26% of salaried individuals have knowledge about retirement planning and remaining 73% do not have knowledge about retirement planning



**Table 3: Showing individual started saving for retirement life**

Options	NO. OF RESPONSES	RESPONSES (in %)
Yes	73	72
No	29	28
<b>TOTAL</b>	<b>102</b>	<b>100</b>

Source: Primary Data

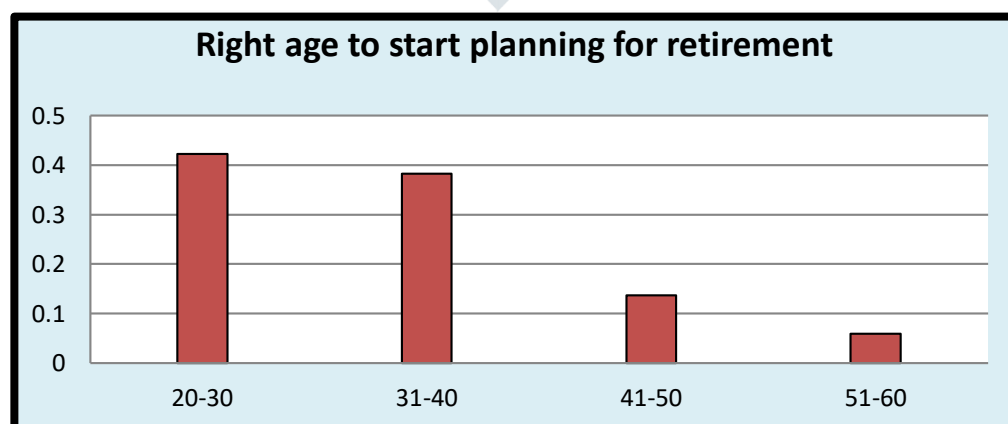
**Figure 2: Showing individual started saving for retirement life**

**Interpretation:** Out of 102 salaried individuals, 72% people have started saving for retirement. While 28% people have not started saving for retirement.

**Table 4: Showing individual perspective about the right age to start planning for retirement**

Options	NO. OF RESPONSES	RESPONSES (in %)
20-30	43	42
31-40	39	38
41-50	14	14
51-60	6	6
<b>TOTAL</b>	<b>102</b>	<b>100</b>

Source: Primary Data

**Figure 3: Showing individual perspective about the right age to start planning for retirement**

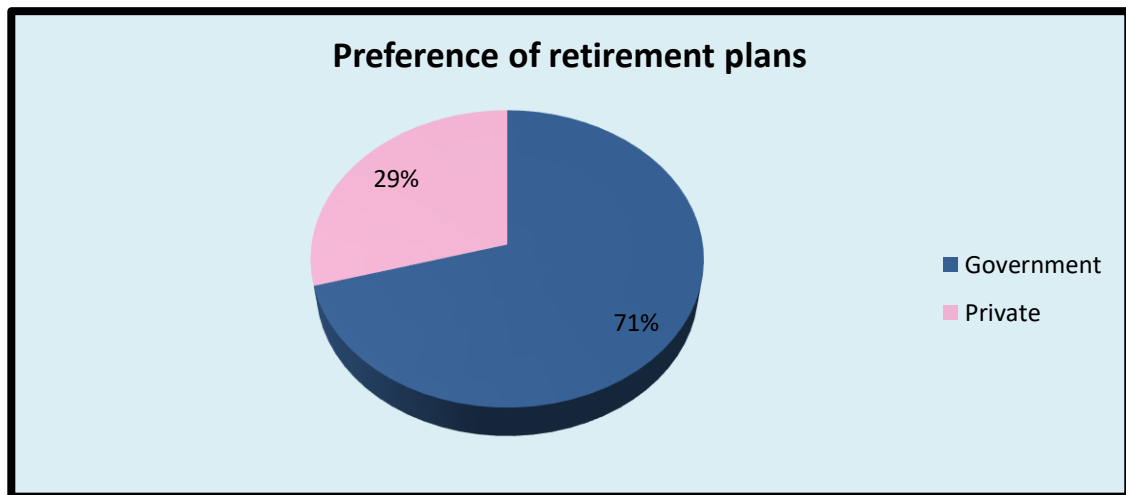
**Interpretation:** Most of the sample population i.e. 42% believes that age 20-30 is suitable to start planning for retirement. While 6% people believe that age 51-60 is suitable to start planning for retirement.

**Table 5: Showing individual preference of retirement plans**

Options	NO. OF RESPONSES	RESPONSES (in %)
Government	72	71
Private	30	29
<b>TOTAL</b>	<b>102</b>	<b>100</b>

Source: Primary Data

**Figure 4: Showing individual preference of retirement plans**



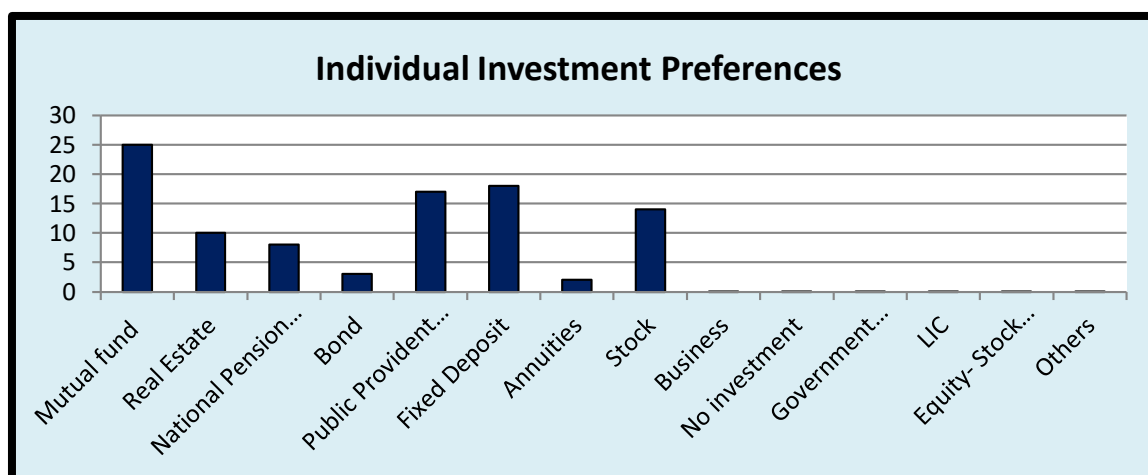
**Interpretation:** From the total sample responses 71% of salaried individuals prefer government plans. While the rest 29% of people prefer private company plans.

**Table 6: Showing individual investment preferences**

Options	NO. OF RESPONSES	RESPONSES (in %)
Mutual fund	60	25
Real Estate	25	10
National Pension Scheme	19	8
Bond	8	3
Public Provident Fund	41	17
Fixed Deposit	42	18
Annuities	4	2
Stock	32	14
Business	1	.05
No investment	1	.05
Government pension	1	.05
LIC	1	.05
Equity-Stock Market	1	.05
Others	1	.05
<b>TOTAL</b>	<b>237</b>	<b>100</b>

Source: Primary Data

Table 5: Showing individual investment preferences

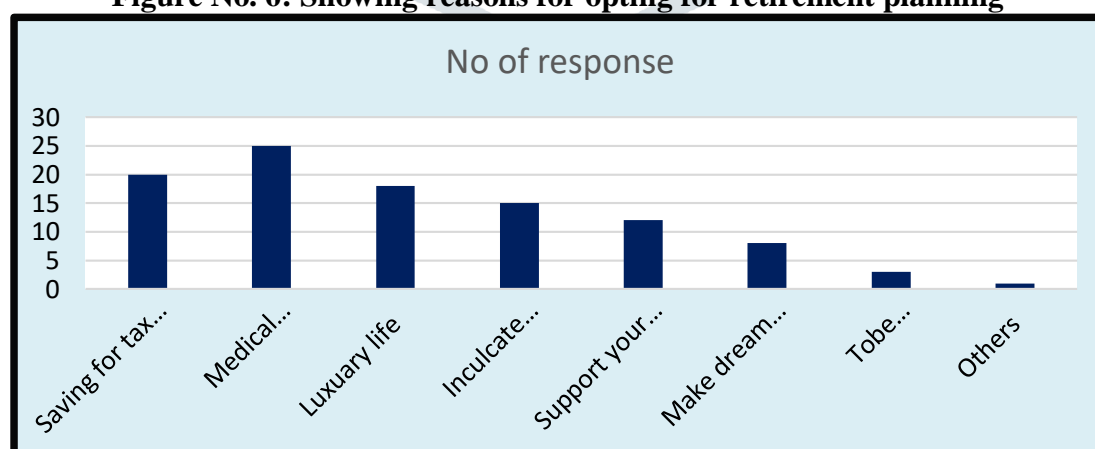


**Interpretation:** From the total sample responses, 25% individuals have opted for mutual fund. 17% people have opted for public provident fund and 18% people have opted for fixed deposit. While 14% people have opted for stock.

Table 7: Showing reasons for opting for retirement planning

Reasons	NO. OF RESPONSES	RESPONSES (in %)
Saving for tax purpose	20	20
Medical emergencies	25	25
Luxury life	18	18
Inculcate saving habits	15	15
Support your family	12	12
Make dream into reality	8	8
Tobe independent	3	3
Others	1	1
Total	102	100

Figure No. 6: Showing reasons for opting for retirement planning



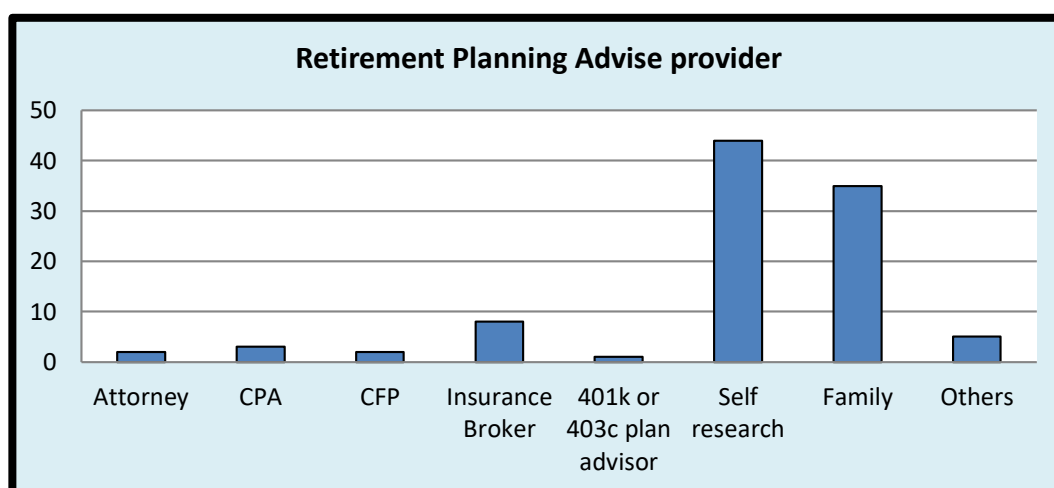
**Interpretation:** From the total sample responses, 25% individuals have opted for mutual fund. 17% people have opted for public provident fund and 18% people have opted for fixed deposit. While 14% people have opted for stock.



**Table 8: Showing individuals investment as per their retirement planning advise**

Options	NO. OF RESPONSES	RESPONSES (in %)
Attorney	3	2
CPA	4	3
CFP	3	2
Insurance Broker	11	8
401k or 403 plan advisor	2	1
Self research	60	44
Family	47	35
Others	5	5
<b>TOTAL</b>	<b>135</b>	<b>100</b>

Source: Primary Data

**Figure 7: Showing individuals investment as per their retirement planning advise**

**Interpretation:** Out to the total sample responses, 2% people take advice from attorney. 1% people take advice from CPA and 2% people take advice from CFP. 8% people take advice from insurance broker while 1% people take advice from 401k or 403c plan advisor. 44% people do self research which is the highest. 35% people take advice from family. While 5% people take advice from other sources

## 6.0 FINDINGS OF THE STUDY:

1. It is found that most of the salaried individuals have knowledge about retirement planning. Out of these majority of individuals who have knowledge about retirement planning are male. While some individuals do not have knowledge about retirement planning.
2. It is seen that most of the people prefer government plans over private company plans. This is because there is less risk involved in government plan as compared to the private company ones.
3. It is seen that most of the individuals do not have a retirement advisor. People usually do self research or their families provide them with retirement planning advice. So people do not hire a professional retirement adviser due to advice available from many other sources.
4. It is found that most of the individuals have individual retirement policy as compared to joint retirement policy. While it is also found that some individuals do not have retirement policy.
5. It is found that many people are not aware about whom to consult for retirement advice and which are the best options available to save for retirement.

- a) While some people face the issue of unstable income so they are not able to save properly for their retirement.
- b) Another issue people face is that they are not able to estimate approximately how much saving they'll need after retirement.
- c) Another challenge faced is that there are various factors like rate of inflation which is unpredictable at times and uncertainty of market for invested amount.
- d) So, there is main challenge of calculation of saving and right investment of enough money according to changes in ROI at various sources so that estimated corpus in hand at the time of retirement remain at the same level or more that you have wished for.

## 7.0 CONCLUSION AND SUGGESTION:

This research was conducted in order to know about retirement planning among individuals. People should start saving at an early age so they can accumulate sufficient amount of money for their retirement. Starting at an early age will give them time to strategically plan for their retirement and it will also give time for their funds to grow in the long run. Individuals should also estimate how much savings they'll need after retirement so that they can work towards their desired goals. The government should make it mandatory for institutions to conduct seminars on retirement planning education among youth after their graduation or post graduation. This will increase awareness about the importance of retirement planning and will also help individuals to start saving for retirement at an early age. Also the government should create awareness about the various investment options which are suitable for various individuals depending upon their level of income and the returns these investments will provide. There are various investments which are tax- deductible such as Pension, insurance, provident fund. Awareness of such investments should also be made. There are various government schemes available for retirement which cover health expenses post retirement, such schemes should be preferred by individuals while planning for retirement. Overall retirement planning is not so difficult if planned and executed properly from the very beginning.

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