CHAPTER I
INTRODUCTION

1.0 Background

Financial literacy and filial piety are two discrete disciplines each playing a different and yet complementary role in our life course. Looked at from a different perspective, it is likely, however, that both disciplines could have a certain amount of influence on the pattern of retirement security or resources of individuals within the context of Malaysia. This is due to the fact that, financial learning aside, being a multi-ethnic and multicultural, Malaysian people are still heavily bound by old traditions and cultural practices especially the ethnic Chinese and the ethnic Malays. Issues of financial learning and financial literacy (Bernheim, 1997; Feuerbach and Erdwins, 1994, Kozlowski, 1995), issues of family relationships including intergenerational transfers (Bliesner and Mancini, 1987; Deuchler, 1977; Dynan *et al.,* 2002; Isajiw, 1990; Kim, 1986) and issues of retirement security including housing wealth (Gale, 1999; Kim and Feldman, 2000; Quadagno and Hardy, 1996; Poterba *et al*., 1994; Wakita *et al*., 2000) are some of the research topics as a basis for looking into the individuals' retirement security or resources. These could be critical issues facing the future Malaysian retirees, as the current retirees could not turn the clock back and start over again.

This Chapter covers fourteen Sections, namely: Sec.1.1 defining the Objective of the Study; Sec1.2 identifying the problems; Sec 1.3 stating the Research Questions; Sec.1.4 portraying Malaysian an Ageing Society; Sec.1.5 discussing the Retirement Concepts and Definitions; Sec.1.6 explaining the existence of the Four Pillars formulated by the International Labor Organisation; Sec.1.7 outlining the functions of Employees' Provident

Fund as a direct contribution (DC) retirement security scheme introduced to cater for the private sector employees; Sec.1.8 providing an account of the Malaysian Pension scheme as a direct benefit (DB) retirement scheme; Sec.1.9 describing the various functions of the disability pension, invalidity pension, and the workmen's compensation scheme; Sec.1.10 touching upon the umbrella functions of the Social Welfare Services including those rendered by charitable organisations; Sec.1.11 explaining the role of financial education and literacy in financial planning; Sec.1.12 elaborating the multi-function of the filial piety as retirement security contributor; Sec.1.13 detailing the valid reasons for the justification for the study; and Sec.1.14 providing a summary of the Chapter.

1.1 Objective of the Study

Research into the financial status and level of financial satisfaction for Malaysian citizens currently is almost not existent. Literature advises strongly that individuals should begin preparing financially for retirement by the age of 35. Information gained from the study will be of great assistance to those who are near retirement age and also to those who should begin making financial plans for their own retirement in the next twenty or more years.

The objective of this study is to determine the relationship between selected demographic, financial education factors, filial piety norms and the degree to which financial needs are met, and the level of perceived financial satisfaction. An adequate base of knowledge concerning financial factors and perceived financial satisfaction is necessary to aid in the planning and education process which must take place prior to and during retirement. A comparison of financial factors and perceptions of financial satisfaction can be an invaluable contribution to expanding this base of knowledge. This information will play a fundamental role in defining the financial issues which impact the retirees and be helpful in developing guidelines useful for pre-retirement planning and education.

1.2 Statement of the Problem

One of the purposes of this research was to explore the effects of financial education on the individual's personal finances and economic well-being. There is concern on whether there is an improvement in attitudes after participating in a retirement planning or financial education seminars. Concern was given to the effects or non-effects of preretirement programs. A conceptual model that explains the effects of financial education on personal finances and economic well-being was developed. Personal financial management (attitudes, knowledge and behaviors), and economic well-being were examined. An empirical test was conducted to determine relationships among those variables. The problem that was examined in this research was to develop and test a conceptual model that describes the relationship between economic well-being and financial education. The model specified the relationships between economic well-being and financial education, as well as the other main purpose of the study, filial piety and economic well-being.

Population aging is becoming a feature of populations worldwide as fertility rate declines and life expectancy increases in the developing world. A major feature in world aging is that aging speed is much faster in developing countries compared with the earlier experience of more developed countries. There is concern that Malaysians have limited access to the formal pension system and publicly funded medical care and many rely on family support. The intergenerational gap in filial expectations points to the difficulty in synchronizing the filial claims of elders and commitment of adult children. This gap reflects to tensions between traditional and modern values. Failing to address this problem can lead to ambivalence and confusion. Studies show that both the young and old are fully aware of the social changes that have led to intergenerational differences, but such differences in expectations remain unresolved. Some elders adopt a passive strategy of conflict avoidance by withdrawing from family involvement, which suggests that a long-term, sustainable approach has yet to be developed for a mutually satisfying relation between generations.

Poverty and inadequate public support for elders may make intergenerational coresidence a compelling choice. Recent socioeconomic changes, however, have made coresidence increasingly difficult, and living near parents could become the next best option and an acceptable form of filial expression. Placing parents in a home for the elderly remains a sensitive issue under the current filial standard. How to meet the increasing need for intensive care for intensive care for the aging population remains unresolved.

Sociodemographic changes make it increasingly difficult for families to take care of elders, but the emphasis on filial piety encourages the view that elder care is a private responsibility. There needs to be a balance between private and public responsibility in providing care for elders. Paid care, although not a substitute for family care, is in increasing demand, but the private market in care services is largely underdeveloped in Asian societies, which emphasise filial responsibility.

This model examines the relationship between economic well-being and financial education and economic well-being and filial piety using a sample of respondents in the Klang valley. A survey instrument focusing on conceptualization of personal financial wellness was developed.

1.3 Research Questions

There were eleven research questions in this study on the effects of financial education and filial piety norms on personal finances and economic well-being.

(1) What are the effects of financial education on financial attitudes, financial knowledge, financial behaviors, and economic well-being?

(2) What is the personal economic well-being profile of Malaysians? The question especially focused on the areas of subjective perception of personal finance, behavioral assessment of personal finance, objective scale of personal financial wellness, and overall satisfaction with personal financial situation.

(3) How does the personal economic well-being profile differ by demographic characteristics?

(4) What is the relationship between financial stressors and economic well-being?

(5) Do Malaysians improve their financial literacy by learning so that they can enhance their knowledge on money management skills especially in retirement financial planning?

(6) What types of strategies would Malaysians employ to achieve the desired level of their post-retirement living standard and at what stage of their lives would they commence making such planning strategies?

(7) How do Malaysians currently fare in terms of (a) financial satisfaction, and (b) ability to make sound investment decisions, long-term financial goals and so forth?

(8) How do Malaysians perceive the question of intergenerational transfers under the filial piety concept, given their own current family structure and financial commitment?

(9) How do Malaysians view the relationship of filial responsibility and financial assistance between parents and children?

(10) Do the adult Malaysian children carry out their filial responsibilities, given the aforementioned factors and changing circumstances?

(11) What do Malaysians think of the issue of filial piety firstly in terms of filial responsibility to parents and secondly in terms of financial support, familial care and income security for retirement?

(12) Do financially illiterate Malaysians adopt the filial piety concept in planning for their economic well-being?

1.4 Malaysia an Ageing Society

There are a number of critical issues, which could directly or indirectly affect the lives of individuals especially those of the elderly. First, a result of better healthcare and higher standard of living, people could generally have a higher life expectancy, which phenomenon has gradually turned Malaysia into an ageing society. As of 2008, the population had reached 27.8 million people, with 50.4% being ethnic Malays, 23.7% being ethnic Chinese; 11.0% being indigenous people; 7.1% being ethnic Indians; 7.8% being others. As of 2000, the Malaysians (aged 60 and above) were 1.4 million or 6.3% of the total population, and the elderly population is projected to reach 3.3 million or 10.0% of the total population by the year 2020 (Taha and Mat 2003; The Star, October 13, 2004). As of 2007, the life expectancy was 71.9 years for men and 76.4 years for women according to the population figures released by the Statistics Department, and this demographic ageing seemed to skew towards more females than males, suggesting that feminisation of ageing would face great challenges in terms of family care healthcare costs.

1.5 Retirement Concepts and Definitions

In this study, the term ‘elderly people’ is defined as comprising ‘elderly persons, aged persons, old folks, older persons, retired persons, retirees, senior citizen, senior people or individuals of similar descriptions’. Definitions of other terms will also be given in the course of the study, if and when necessary. In previous studies, there has been no consensus on the definition of ‘retirement age’ (Gustman *et al.*, 1995), as generally the term ‘retirement’ refers to giving up one’s career or business interest (Silverstone and Hyman, 1989). Previous research has also revealed that industry had traditionally supported the idea of workers retirement, by which companies could legally retire the older and skilled workers for being unproductive and hire, at cheaper wages, younger and less skilled but more productive workers (Novak, 1992). Generally, retirement occurs at the normative stage of the life course in which an individual would no longer be in the labour market for any continuous periods of time and, in the US, for example, this would commonly be thought of as have become normative at age 65 under the Social Security Act 1935 (Binstock, 1998; Burtless, 1999). Furthermore, as consensus has ever existed on the definition of retirement (Kim and Moen, 2001), retirement may also be thought of as individuals’ permanent exist from paid employment to a period of unemployment (e.g. Costa, 1998) or a change in an individual’s work trajectory towards working hours in employment (e.g. Quinn and Kozy, 1996) or an individual’s pension receipt as evidence of his retirement status (e.g. Parnes and Less, 1985) or his self-definition and identification with the retiree’s role (e.g. Szinovacz and De Viney, 1999).

Still on the issue of retirement, Montalto (2001) have however defined retirement as ‘occurring when a worker, regardless of his chronological age, stops working full time’. The term ‘chronological age’ is used to describe the stage of an individual’s life in the private and public sectors in compliance of certain legal requirements or determinants for employees’ compulsory retirement, insurance maturity, pension rights and social benefit entitlement. Neither has there been any consensus of the term ‘retirement adequacy’, which Grad (1990) has defined by reference to two benchmarks, *namely*: the poverty line, and the household’s permanent earnings for pre-retirement years. Within the context of this study, financial planning is briefly defined as the process of meeting one’s life goals (through proper financial management) including inter alia the purchase of a house, savings for children’s education and planning for a comfortable retirement (adopted with modification from the Financial Planning of Malaysia). Along therewith, the term “financial literacy” can be defined as the ability to read, analyse, manage and communicate about personal financial conditions that affect one’s material well-being as well as the ability to discern financial choices, discuss money and financial issue, plan for the future, and respond competently to life events that affect everyday financial decisions. On the issue of ‘retirement adequacy’, it is practically impossible to make predictions about the adequacy of savings, because of unknown future circumstances notably share market conditions and life expectancy. Therefore, suffice it to say that if retirement occurs at a later age, the quantum of ‘retirement adequacy’ would automatically increase since the financial resources would be spread over fewer number of retirement years (Gale, 1999).

Apart from the above line of arguments about retirement’s pros and cons, we must not lose sight of the fact that retirement could also be viewed as the product of a modern industrial society, where transformation of, or changes in, a country’s economy have given rise to skill obsolescence especially among older workers, unless they are prepared to continue equipping themselves with new skills and expertise in this fast-expanding information communication technological field. These structural changes have also removed from these older workers their retirement decisions, consequent upon the new ‘pull and push’ personnel policies practised by many industrial and business corporations, which would determine workers’ retirement. It may also be recalled that, at the 1982 United Nation World Assembly on Ageing held in Vienna, member countries had unanimously adopted a person’s chronological age at 60 as the threshold, over which people would be officially treated as senior citizens. In line with this world organisation’s decision, this chronological age of 60 has also been adopted for the purpose of this study, wherever appropriate, even though the compulsory age for Malaysian employees in the public sector (and, to some extent, in the private sector as well) has been extended to 58, notwithstanding various suggestions by researchers and trade unions to (a) raise the retirement age to an appropriate level in line with the increase in average life expectancy, and (b) generate additional savings for retirement because of longer life expectancy. In closing the subject of retirement, it may further be mentioned that, as revealed in previous research, only about 50% of workers have actually retired at the mandatory retirement age of 60 (Kim and Feldman, 2000), while one in four of the 60-65 years old workers has continued to work after retirement though with lower wages (Quadagno and Hardy, 1996), and that one in five elderly households (age 65 and above) has received income from continued employment (Clark *et al.*, 2003).

1.6 The Four Pillars

For purposes of retirement security, there are various investment opportunities and insurance products which could play an important role in accumulating retirement savings, generating investment income and protecting retirement assets. In actual practice, however, it might be difficult to make accurate predictions of unknown future circumstances especially in relation to stock market conditions, upon which investment income and asset accumulations would depend, not to mention predicting individuals' future life expectancy. Nevertheless, according to Gale (1999), the longer an individual would work, the greater would be his retirement resources for a shorter post-retirement period.

In the area of retirement security, the Geneva Association had in 1977 mooted the concept of the Four Pillars as an important framework to resolve the issues of how people could and should prepare themselves for retirement, given the existence of certain circumstances. The Four Pillars were essentially a program to be observed and implemented for the purpose of studying the important issues of social security, employment, insurance and savings as the main resources for people's retirement security. Referred to as the 'three-legged tool', this concept was originally based on the assumption that the funding of pension, in most countries, has come from three pillars or financial resources, namely: (a) the compulsory "pay-as-you-go" state pension; (b) the supplementary, often funding-based occupational pension; and (c) the amount of individual savings (i.e. personal wealth, asset accumulations and insurance monies). In order to strengthen the 2^{nd} and 3^{rd} pillars, the Geneva Association has added the 4^{th} pillar i.e. "the future need for a flexible extension of working life mainly on a part-time basis" as a means for earning some extra employment income. Towards this end, it was envisaged that this gradual retirement approach could play an important role in bringing about a smooth transition in tandem with the environmental and psychological changes which the individuals concerned would face.

On the one hand, some people would view retirement as a positive life transition, while some others might see it as a period of declining health and greater dependency symbolizing worthlessness (Hareven, 1995). Yet, other people might feel they have gained control over their uncertain futures (Lachman and Burack, 1993) thereby reducing their worries and anxiety about their futures (Fretz *et al.*, 1989; Hershey and Mowen, 2000). Against this backdrop, other research has also revealed that unemployment could affect people's self-esteem, thereby making them feel life as meaningless and purposeless (Feather and Bond 1983; Wanberg *et al*., 1997). This negative view was also shared by Wigdor and Foot (1988) who had also suggested that, apart from economic security, people were also worried about the possible loss of self-worth and socialisation which they could derive from their working environment.

On the other hand, it might be argued that, unless adequately prepared, with longer life expectancy(1), people have to assume the risk and responsibility not only to carefully preserve their life savings but also to wisely use them for generating extra resources for their extended post-retirement period, during which the rising healthcare and medical costs are also likely to erode into their normal retirement security, given the fact that elderly Malaysian people, on an average, would make six visits per year to public and private hospitals (Chia, 1996). Furthermore, the recent shift of emphasis from defined benefit (DB) pension plan generally referred to as government pension to the defined contribution (DC) retirement plan generally referred to as the employees' provident fund has also placed a greater financial burden on the employees. By the same token, this shift from the DB retirement plan to the DC retirement plan has removed the attractiveness and status symbol of the Malaysian civil service, while transferring much of the financial burden from the government to the hybrid civil servants. Briefly, subject to certain conditions, the retiree or pensioner under the DB retirement plan would be entitled to a monthly pension (being computed by reference to his length of service)

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(1) As of 2007, the average life expectance for Malaysian women was 76.4 years and for men 71.9 years, according to population figures supplied by the Statistics Department.

for the rest of his retirement years and, under certain conditions, these pension payments could also be extended to family members of the deceased for a certain period of time. On the surface, it would appear that the retired civil servants have remained well off but the quantum of the somewhat static monthly pension has left much to be desired in face of escalating living costs and rising inflation rates. Apart from the rising living cost and inflation, under the DC retirement plan, the employee concerned upon retirement would be entitled to a lump-sum EPF payment (calculated by reference to his total contributions plus accumulated dividends minus pre-retirement withdrawals, if any), which he would have to decide as to how he could wisely make use of the retirement savings (or invest them for generating additional income for use), over the rest of his life. In this regard, research has revealed that, from the psychological perspective, people who are more inclined to think that they are personally responsible for securing investment income are expected to have greater financial preparations (Abel and Hayslip, 1987; Taylor-Carter and Cook, 1995). Unfortunately, many people are generally ill-equipped or have no financial knowledge to manage the retirement savings with the result that the savings were exhausted within a few years after retirement, as not everybody would be knowledgeable enough to make "well-informed highly rational financial decisions" (Gustman and Steinmeier, 2002) or not everybody "would value savings for the future" (Schor, 1998).

The above has briefly summarised the implications of the Four Pillars as a framework for accumulation of retirement savings, generation of investment income and protection of retirement assets. Further references would be still made to these issues in the following Sections as and when the circumstances would justify. The World Bank and most social security experts advocate a multi-tier framework of social security to provide for retirement income to the different segments of the population. The Bank had earlier suggested a three-pillar system of social security: (1) a publicly managed, unfunded Defined Benefit (DB) first pillar which provides a core retirement income to nearly the entire workforce, (2) a mandatory savings tier and funded Defined Contribution (DC) pillar, designed to ensure that individuals do save for retirement, which would provide a supplement to social security and (3) a voluntary private saving pillar representing income from private savings. The first tier is tax or contribution-financed redistributive tier with social insurance principles, designed to alleviate poverty and to provide protection to life-time poor. The second tier is the mandatory savings designed to ensure that individuals do save for retirement. The third is a tax-advantaged voluntary savings tier which can be used only for retirement (Asher and Nandy, 2008). New developments and evidence have led the Bank to suggest a five-tier framework (Holzmann and Hinz, 2005). The five-tier framework added Pillar Zero to provide basic pension or social assistance financed from the general budgetary revenues to cater to the lifetime poor in the community. Pillar Five recognizes the role of family, community, physical assets (housing) and post-retirement employment (Asher, 2008). The study will focus on the role of family by examining the influence of filial piety.

1.7 Employees' Provident Fund

For the purpose of promoting retirement savings for the private sector employees, the Employees' Provident Fund (EPF) was first established under the Employees' Provident Act of l951 (the Act), and this direct contribution (DC) retirement savings scheme was referred to as one of Malaysia's two major retirement saving schemes or 'pillars', the other 'pillar' being the direct benefit (DB) pension scheme (Fox and Palmer, 2001). The EPF retirement savings scheme, being non-inflation-indexed, has been made mandatory for those employees in the formal sector and voluntary for those self-employed i.e. in the informal sector. Therefore, the EPF has come into existence with the role as a social security institution to promote national savings and as a source of long-term investment funds for the state-led development initiatives (McKinnon, 1996). Under this DC retirement savings scheme, both employers and employees are required to make compulsory contributions towards the fund, currently, at the rates of 12 percent and 11 percent respectively calculated by reference to the monthly wages or salaries (inclusive of bonuses and commissions)[(2)]. Under the Act, the fund is obliged to provide the employee with a minimum of 2.5% dividend based on his total accumulated savings, and whatever dividends thus provided would also be credited to the account to form part of his total accumulated savings.

For the purpose of evaluating the adequacy of the EPF contributors' retirement savings, the EPF had conducted simulation exercises on the basis of the ILO Convention 1952 (No. 102)[(3)] for the purpose of evaluating the adequacy of the EPF contributors' retirement savings. The exercises had revealed that, for a 20-year period, the monthly annuity payments (computed by reference to their last-drawn salaries) for the manual, clerical and executive categories were 58 percent, 53 percent and 40 percent respectively, indicating a sufficient replacement rate for all of them (Kumar, 1997). However, in view of the leakages from pre-retirement withdrawals and the non inflation index of the EPF retirement scheme, it would be a big challenge for the EPF to guarantee contributors the necessary savings for their retirement (Ong, 2005; Williamson and Pampel, 1998). In order to remedy the anomaly, the

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(2) Under the Employees' Provident Fund Act, 1951, regulation 4(1), the term "wages" includes also "bonus or commission payable at the end of any period exceeding one month".

(3) The minimum requirement rate was, at least, 40 percent of an employee's last drawn salary.

Malaysian Trades Union Congress (MTUC) [(4)] had submitted to the EPF a series of proposals and recommendations including, among others, an increase in contribution rates to 17.5 percent for employer and 13 percent for employee in place of the then prevailing rates.

According to the study (Kumar 1997), the percentage of the total employed persons covered by both the EPF and pension schemes in 1998 stood at 61.8%, leaving the remaining 38.2 percent or 2.29 million without a known source of coverage and, of the 2.29 million self-employed people or those in the informal sector[(5)], only 23,307 had registered with the EPF in 1998 for voluntary contributions. As of 2003, about 45.5 percent of the private sector employees were covered by this EPF retirement scheme (East Asia Finance 2005). As of 2008, there were some 11 million EPF contributors of whom 5.7 million were active members with an average savings of RM132,540 at age 54 (EPF Annual Report 2008). Despite this, however, ninety percent of the 5.7 million active members have less than RM100,000 in their accounts nearing retirement age, according to KPMG's report (The Star, 31/08/09).

The EPF's original 'mission statement' was written as 'saving for your old age', and the 2007 Annual Report had further described the EPF's mission as providing 'retirement benefits for our members' and promoting 'the nation's socio-economic development'. However, the EPF has not been able to consistently perform up to members' expectations notwithstanding its high-sounding noble mission statement. A check into its past records would reveal that the EPF's investment portfolios, over the years, had invariably consisted of

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(4) The proposals and recommendations were submitted to the EPF by the MTUC vide its memorandum dated May 21, 2003.

(5) The concept of the informal sector first appeared after the ILO's launch of the World Employment Program and its classic Kenya Report (Hart 1973) and the informal sector activities are productive endeavours which serve to alleviate poverty when employment opportunities are limited. The term 'ILO' refers to International Labour Organisation.

a large basket of government bonds and index-linked blue chip counters, and that the 5- year average dividend yield, which has principally depended on such investment income, has gradually declined from 8.3 percent for the 5-year period (1981-1985) to 5.04 percent year average dividend yield, which has principally depended on such investment income, for the most recent 5-year period (2003-2008). The EPF's early dividend yield well above the minimum rate of 2.5% was commendable, indeed. However, the recent low average dividend rate has left much to be desired. This could be traced to the EPF's unsound foundation on which the management has functioned i.e. its inherent weaknesses in the formulation of dividend policy, the non- implementation of the 'best practices' generally adopted by commercial organisations and the creation of three designated accounts under the unwarranted withdrawal schemes (which could weaken the very purpose of the retirement savings (Caraher, 2000; Ong, 2005; Thillainathan, 2004). On the question of withdrawal, EPF contributors upon retirement were encouraged to withdraw all their EPF retirement savings during the period (1950-1976). However, the method of EPF withdrawals was then changed when their total savings were structured into equal instalments, instead of lump-sum payments during the period (1977–1981), and these instalments were taken out as monthly withdrawals until the accumulated savings had fully diminished. In 1982, the EPF had again altered the withdrawal method, under which retirees were required to maintain intact their principal amount with the EPF for subsequent monthly payments, whilst they were allowed to take out in one lump-sum all the dividends which had been credited into their savings accounts over the years. This method was adopted and strictly followed until 1994, when new regulations were suddenly introduced requiring members to split their EPF savings into two parts - one for lump-sum withdrawal immediately upon retirement and the other for payments of equal monthly instalments until the whole accumulated balance was exhausted. Apparently, this was an attempt, on the part of the EPF, to protect the contributors against outliving their retirement savings, as research has indicated that DC retirement savings beneficiaries or EPF contributors might not be able to make “rational financial decisions” in investments or “value savings for the future” (Gustman and Steinmeier 2002; Schor, 1998). In this regard, research has further indicated that, for example in the US, men were more likely than women to invest their monies in stocks and shares whichever were generally perceived riskier than other investments rather than in bonds (which generally would carry much less risk) (Bernasek and Shwiff 2001; Hinz *et al.*, 1997).

Still on the issue of withdrawals, towards the end of 2000, the EPF then introduced an alternative option scheme alongside the existing EPF withdrawal schemes. Under this option scheme effective from 01/01/01, EPF contributors were encouraged to purchase life annuities from designated insurance companies by using funds from any of the EPF designated accounts (Lee, 2001) which would guarantee them a minimum income for the rest of their lives while younger EPF contributors of any age could contribute to a deferred annuity plan which could likewise guarantee a minimum income for the remainder of their lives after retirement. At that time, promoting such an annuity insurance to provide a continuous stream of retirement income had become a popular marketing strategy and was one of the ways recommended under the 4th Pillar discussed earlier in the previous Section. According to Prudential Financial (2005), retirees in the US were encouraged to turn their DC assets and personal savings into a guaranteed “DB”-like retirement income which they could enjoy for the rest of their lives, but the response had been very disappointing. On the home front, following the lukewarm response from the private sector employees and the strong objection from the Malaysian Trades Union Congress (MTUC) to the proposal, this option scheme for managing the EPF retirement savings was finally suspended *sine die*. The above briefly summarises the changes in the withdrawal method of the EPF savings and their investment strategies, during the period (1950 - 2001).

Reverting to the question of the EPF management, experts have argued that, if not withdrawn pre-maturely, the large pre-retirement withdrawals would have substantially strengthened the EPF's assets base to generate additional revenue for enhancing contributors' dividend yield and their retirement savings (Williamson and Pampel, 1998). Notwithstanding this theoretical argument, the EPF contributors could take comfort from the fact that the EPF had, for the fiscal year 2005, done marginally better than the preceding year by chalking up a net profit of RM13.11 billion on the back of a total assets of RM259.9 billion or a slightly over a five percent return on investment (ROI) (The Star, February 25, 2006). However, the EPF retirement saving scheme was not seen, in the long run, as an effective social security institution to promote national savings (McKinnon, 1996) and to provide the EPF contributors with a comforting living in retirement (Fazilah Abdul Rahman, 2004). Ong (2005) has also questioned the relevance of the EPF scheme as an effective and significant retirement scheme for the current cohort of the elderly population in two particular areas. Firstly, in the informal sector (where the EPF contributors are voluntary), the official retirement age currently at 58 would not affect a large proportion of the older persons who usually would continue to work, unless and until they become physically unfit as a result of ill-health (Ekerdt and Hackney, 2002). Secondly, there was always the question of how the EPF contributors could survive their retirement years solely on their EPF savings, if they had no other income sources (Mehta, 1999) such as housing wealth which could constitute a substantial portion of their total net wealth (Wakita *et al.*, 2000) and a significant source of retirement income (Lusardi, 2000; Poterba *et al.*, 1994; Pynoos and Golant, 1996) on the assumption that housing wealth tend to appreciate in value over time (Keister, 2000; Spilerman, 2000).

In reviewing the EPF as a retirement saving scheme, two main problems were identified to have serious implications on the contributors, namely: (a) the inadequacy of their total savings for many contributors including those in the informal sector; and (b) the problems of generating retirement income from the lump-sum EPF withdrawals, since many retirees have rejected annuity insurance as an alternative practical way to provide monthly income for their post-retirement years. The next Section would discuss the government pension or DB retirement security scheme solely for employees in the civil service.

1.8 Pension as Retirement Income Scheme

To cater to the interests of the public sector or civil service(6) employees recruited on a permanent and pensionable establishment, the government has retained the same pension scheme originally implemented during the colonial days. This retirement security scheme was one of the two major retirement schemes or pillars (Fox & Palmer 2001), which was a non-contributory social security scheme or DB retirement scheme, where the pension expenditure has been fully funded by the government, out of the Federal budget allocations. Under this DB retirement scheme, the public sector employees or government servants upon retirement are automatically eligible for a retirement gratuity payment of a certain magnitude and also entitled to a monthly pension payment equivalent to 50 percent of their last-drawn basic salaries, subject to their length of employment and upon the satisfaction of other terms and conditions. In the event of the pensioner dying within 12½ years after retirement, members of the

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(6) Under Article 132 of the Constitution of Malaysia, the Malaysian civil service includes the General Public Service of the Federation, the State Public Service, the Joint Public Service, the Education Service, the Judiciary and Legal Service, and the Armed Forces including, for all intents and purposes, the Statutory Bodies and the Local Authorities, which would form as part of the General Public Service.

deceased's family would be eligible for a derivative pension equivalent to half of his last-drawn pension for the remainder of the 12 ½ years, which would be reduced to 70% of the original derivative pension. Furthermore, public sector pensioners and their families would continue to enjoy free medical attention as an extension of their pre-retirement perks. Since 1991, however, the number of entitled civil servants has dwindled, following the spate of corporatisation or privatisation exercises for some essential services, government departments, semi-government departments, local authorities or statutory bodies such as the electricity board, port authorities, highway authorities, medical services, postal services, telephone and telecommunications services and university hospital.

Consequently, many of the previous civil servants attached to these services were given the option of either to remain on their original pension scheme or to opt for the EPF retirement scheme or direct contribution (DC) savings scheme on certain terms and conditions. Those who remained on the traditional pension scheme would continue to enjoy their perks, retirement gratuity and pension payments upon their retirement, as described earlier. Consequently, those civil servants who had opted into the EPF savings scheme would thereupon be required to make their monthly compulsory contributions at the prescribed rates in the same way as the private sector employees. Similarly, those who were subsequently recruited into the corporatised or privatised services would automatically be placed on the EPF savings scheme, with no other options whatsoever open to the new recruitees. Notwithstanding this, as part of their condition of service, these non-pensionable or 'hybrid' employees would still be entitled to free medical attention for themselves, their spouses, children, parents and siblings in the same way as the pensionable civil servants.

The civil servants might be briefly categorised into the higher-, middle- and low-income groups. Needless to say, the higher-income group officers could comfortably live on their pension after retirement and, in some cases, could even earn substantial extra income from consultancy work, part-time employment and/or directorships in the private sector to further enhance their earning power to the envy of their contemporaries in a lesser position. For the purpose of this study, attention would only be directed especially towards the low-income groups of civil servants whose meagre monthly pension receipts might have to be stretched in their retirement years. Despite the assured monthly pension payments for this category of retired civil servants, and bearing in mind the various healthcare and medical services (to which these employees and their family members would still be entitled), there are other more pertinent issues which one must not lose sight of, at this juncture. These would include the longer life expectancy (which generally must be viewed as a medical success or a blessing to humanity), higher living expenditure, higher inflation rates, and costlier healthcare and medications in the present-day modern society, all of which would generally have a serious financial impact on their lives especially those of the elderly with very limited income resources. In view of the aforementioned factors, the current and future pensioners especially from low-income group of civil servants would face a shortfall in their standards of living, unless they had personal savings or other retirement resources to supplement their meagre pension income during their golden years.

As we were all aware, old-age programs have become rather expensive as, for example, in the US, where the social welfare beneficiaries including the elderly people have cost the government two-fifth of its federal expenditure (Binstock, 1998). As the retired civil servants on the home front have, generally dutifully and faithfully, served the people and the government for the greatest part of their lives, it would not be too much to expect the government to seriously address the plight of the current and future retirees generated by the public sector. For example, the government could, as a national policy, consider change worker's compulsory retirement age to an appropriate level in both the public and private sector. There are obviously advantages in this policy change, in that the government could channel its extra fund to infrastructural projects which would generally benefit a large sector of the general public. The physically strong and the mentally alert elderly people could continue their employment in areas which would positively distribute the country's economic development without jeopardizing the employment opportunities and career projection of the younger workers. Obviously, adequate retirement planning should include *inter-alia* the psychological and social aspects as well (Tan and Folk, 2011). Furthermore, it has also been argued that the large pool of long-term funds would allow the government to tap into them without causing any inflationary consequences while 'tinkering the contribution rate is an effective macroeconomic tool for boasting or slowing down economic activity as necessary' (Ramesh, 2003). On the issues of the psychological perspective, research has also indicated that lack of employment or inaction could affect people's self-esteem, thereby making them feel that life would be meaningless and purposeless (Feather and Bond 1983; Wanberg *et al.*, 1997), and that workers in Singapore had attached significant importance to their work as a part of their lives (Lim, 2003).

Apart from the government-funded or DB retirement pension scheme (on which discussions have already been held), the government has funded a separate DB retirement pension scheme specifically established for the Malaysian arm forces personnel who are also government servants enjoying similar terms and conditions of service and perks as the civil servants. No further discussions would therefore be needed on this particular DB retirement pension scheme. The next Section would wrap up its discussions on the miscellaneous pensions payable to disabled, injured and invalid workers in Malaysia.

1.9 Disability/Invalidity Pension and Workmen's Compensation Scheme

Ancillary to the two main DB retirement pension schemes described earlier, the government has also implemented a permanent disability pension scheme under the Employees' Social Security Act, 1969. A disability pension is essentially a pension from an employer-funded disability plan, received by a worker who has retired before reaching his normal retirement age. Generally, such a pension is given to the insured worker who is "unable to perform the substantial and material duties of (his) occupation and is not working". This scheme was specially established in Malaysia to look after the welfare of injured individuals working in the informal sector. Subject to the satisfaction of the requisite conditions, an injured employee would be allowed to claim an amount up to 90 percent of his last drawn monthly wages by way of a disability pension. Additionally, the government has also put in place an employment injury insurance scheme, under which, in the event of death, the deceased's family members (i.e. spouse and dependent children) are eligible to apply for a monthly pension up to 60 percent of the deceased's disability pension to which he was entitled when still living. Within this context, the term 'his' refers to both genders whilst the term 'dependent children' denotes the deceased's unmarried, non-working children aged 21 and below.

Over and above, Malaysia under the Social Security Organisation (SOCSO) Act 1969 has also set up an invalidity pension scheme to cover an injured and permanently incapacitated employee with payment of a monthly pension up to 65 percent of his last drawn wages, subject to fulfilment of certain terms and conditions. The reason behind this invalidity pension scheme was Malaysia's direct response to the requirements of the Invalidity Insurance (Industry etc) Convention 1933, No. 37, implemented by the International Labour

Organisation. Under this convention, Malaysia as an ILO member country was obliged to set up such an invalidity pension scheme for the country's manual and non-manual workers (including apprentices (in commercial and industrial undertakings and in liberal professions), outworkers and domestic servants. To enable interested parties to have a better understanding of SOCSO, the Malaysian Medical Association (MMC) in collaboration with SOCSO had recently held a seminar to highlight the scope of SOCSO medical claims and the platform to clear the grey areas during process of SOCSO claims. For the purpose of this Section, the term "outworkers" refers to those workers who do cleaning and alternation repair works etc., while "domestic servants" would include cook, driver, gardener, house servant, washerwoman, and watchman.

In due course and in tandem with the country's economic development, the government under the same SOCSO Act has found it necessary to introduce the Employment Injury Insurance Scheme to provide those 'uncovered' Malaysian and Permanent Resident workers, with full coverage for (a) accidents which occur while travelling, arising out and in the course of employment, and (b) occupational diseases. The Scheme under SOCSO Act does not, however, cover employees who earn RM3,000/- per month and above, foreign workers, government employees, employees aged 55 and above, domestic servants (such as cooker, driver, gardener, house servant, washerwoman and watchman), and self-employed persons. Briefly, the benefits which could be derived from the Employment Injury Insurance Scheme include the following: (a) medical treatment and hospitalisation; (b) temporary disablement benefit or daily allowance up to 80% of the average assumed daily wage or RM52/- per day in circumstances where the employee's monthly wage exceeds RM1,900/- per month; (c) temporary disablement benefit up to 90% of the average daily wage; (d) constant attendance allowance up to 40% of the rate of the permanent total disablement benefit subject to a maximum of RM50/- per month; (e) funeral benefit of RM1,500/- (with the payment made to the eligible next-of-kin) or the actual amount of expenditure whichever is the lower; (f) rehabilitation benefit i.e. all expenses incurred for the purpose of vocational and physical rehabilitation; and (g) dependants' benefit of RM10/- per day or 90% of the average assumed daily wage whichever is the higher, on condition that the dependants depend wholly or partially on the employees' income at the time of his death.

Under the Workmen's Compensation Act 1952 (as amended), the government has also put in place a workmen's compensation scheme as a blanket coverage for providing an employee with a certain amount of compensation in respect of any employment injury sustained and occupational disease contracted, as a result of his work or in the performance of his duty, on condition that such an employee has not been covered by any of the aforementioned schemes. Under the Act, the Labour Department is responsible for the provision of compensation payment to workmen for injury in the course of their employment and to workers' dependants in the event of fatal accidents. Specifically, the workmen's compensation scheme covers all private sector workers whose monthly earnings are not more than RM500/- and all manual workers, regardless of their earnings[7]. Under the Act, employers are required to pay the designate insurance companies an annual insurance premium of RM72/- per annum per employee.

Notwithstanding the government's noble objective, relentless efforts and caring attitude, making the rightful and proper claims has remained a big challenge, as far as the claimants are concerned either because of their ignorance of the existence of the scheme and, even if they were aware, they would not know how to proceed with their claims. Rather than

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(7) Effective from 01/03/98, this scheme has been expanded to encompass all foreign workers for compensation in respect of employment and non-employment injury. Under the Act, the employer is obligated to take out such an insurance policy from any of the designated insurance companies at an annual insurance premium of RM72/- per annum per employee.

being resolved, the problems have been further compounded, as not many of the older generation or illiterate workers (other than Malays themselves, perhaps) were capable of effectively using the country's official language for obvious reasons, especially when they were required to complete a large bundle of claim forms in the official language. Subject to such social welfare amenities and medical facilities as they might need or be able to obtain from the social welfare sources discussed in the following Section, the majority of the employees or 'retirees' from the aforementioned sector are potentially the kind of individuals or householders who would face inherent financial problems not only during their working life but also for their 'retirement' years.

1.10 Social Welfare Services

Encyclopaedia Britannica (1965) defines "Social welfare" as an "organised activity that aims toward a mutual adjustment of individuals and their social environment" including such attempts as may be made to help families and individuals by providing them with medical care and public health services. As their countries progress from agrarian to industrial economies, these services would be developed according to their needs and the stage of the economic development of their countries. Within this context, research in the US has indicated that with the older adults constituting about 12% of the country's population (Hetzel and Smith 2001) the old-age programs have become extremely expensive costing two-fifths of the Federal government's annual budget (Binstock, 1998). Unfortunately, attempts to find the type of information specifically on social welfare services from the various Malaysia Plans[8] and any other sources have not been able to yield any useful results. One thing, however, is certain that Malaysian people have gradually become very health conscious, over the years, as a result of the availability of healthcare and social welfare services. In this regard, Malaysia's elderly people, on an average, visited public and private primary healthcare centres six times a year (Chia, 1996), and the same research had also indicated that 50 percent of the survey respondents had taken prescribed medicines with the remaining 50% buying either the over-the-counter (OTC) or traditional medicines for their treatment. In terms of health status based on self-assessment, the majority of older persons felt that they were healthy with a higher percentage from among urban elderly people (Chen & Silverstein, 2000; Chia, 1996; Tan *et al.*, 1999) and a higher proportion of males than females stating their heath as "very good" or "good" (Chen and Jones 1989). In tandem with the country's socioeconomic development, more and more social welfare services have also been introduced throughout the country to meet the increasing needs.

Since the 1990s, geriatric hospitals and rehabilitation centres, old peoples' homes (Rumah Seri Kenangan), residential homes (Rumah Sejahtera) and long-term care (LTC) centres have therefore been established in strategic locations. Along therewith many private-run old folks' homes with donations from generous individuals, business firms and charitable organisations have also sprung up to cater for the homeless elderly people or those whose family members could not look after them for various reasons including the adverse effects of

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(8) Since its independence in 1957, Malaysia has implemented a total of nine Malaysia Plans each for a duration of fives between 1966 and 2010, where Malaysia's national objectives for the first Plan (1966-1970) was "to promote the welfare of all citizens and improve the living standards, particularly among low income groups" (see also Henderson et al, 1977); and Malaysia's national mission (not objectives as previously suggested) for the most current i.e. the 9th Plan (2006-2010) is "(a) to move up the value chain; (b) to raise the country's capacity for knowledge, creativity and innovation and to nurture first class mentality, (c) to address persistent socioeconomic inequities constructively and productively; (d) to improve the standard and sustainability of our quality of life, and (e) to strengthen the institution and implementation capacity of the country" (see 9th Malaysia Plan).

industrialisation, globalisation and urbanisation (Pramualratana, 1991; Yang and Chandler, 1991). In 2001, on a rough count, there were in existence two geriatric centres, two LTC centres, 11 old peoples' homes and 115 residential homes and huts, all of which were government-funded and managed directly under the ambit of either the Ministry of Health or Ministry of Social Welfare. In terms of medical services, the LTC centres are primarily set up for providing home nursing, home visits by doctors, follow-up visits to geriatric patients, and assessment as well as for training of domestic maids to care for the older persons. Notwithstanding this, these health-care facilities and services are apparently still inadequate or they have not been evenly distributed around the country to solve the problems. For example, with all these medical facilities, LTC patients still have to depend on informal sources such as family members, friends and community organisations for support (Phillips, 2000).

Generally speaking, both the family and the community have been perceived as of primary importance in caring for the elderly people (Chow, 1992) but in the context of Malaysia where competing needs were varied, while other issues were, at times, seen as more urgent than the seemingly less important ones relating to older persons, family and community have become the most viable alternative to the welfare approach (Ong, 2005). Over and above the social welfare and health-care services, other similar organisations have also come into existence in the country in order to either strengthen or complement and supplement the health-care and social welfare services already handled by other organisations. For example, the government-funded 'Home Help Service' under Central Welfare Council of Malaysia (MPKSM) has been equipped to provide such services as home visits, hospital visits, occupational therapy and simple medical tests, whilst the NGO-sponsored 'Golden Age Foundation' or 'Usiamas' was also capable of rendering day-centre services, training of caregivers and delivery of domiciliary care (i.e. basic care, nursing and home visiting) to older persons especially those newly discharged from hospital (Tinker, 1996). Home-help services and home visiting (not specifically provided for elderly people *per se*) are, however, rather limited in scope, as home-nursing services in Malaysia are traditionally provided by voluntary organisations and private or public sector organisations (Awang, 1992).

Needless to say, apart from a large number of Day-Care Centres offering the independent elderly people a place for social interaction there are the 23 government-funded senior citizens' associations overseen by the National Council of Senior Citizens' Organisation Malaysia (NACSCOM). These senior citizens' associations are essentially, voluntary, nongovernmental, non-sectarian and non-profit organisations, which *inter-alia* conduct seminars, forums on ageing issues and training courses for volunteers, who are willing to handle the out-reach programs for the affairs and welfare of the community. Finally, it may be pertinent to mention that by 2001 there were approximately 50 moderate-sized nursing homes each with about 40 beds in Malaysia concentrated principally in the Klang Valley and on Penang Island, apart from the hundreds more smaller homes operated in Bungalows and other private residences (The Edge, 19 May 2001). All these nursing homes which offer 34-hour personal care for people with different needs inclusive of elderly people could be regarded for formal facilities for long-term care (Cheah, 1995).

The above review has briefly covered a multitude of social welfare and health-care services being provided as either part of the government medical services or those rendered by private-funded or sponsored organisations under many different names in an attempt to extend them to the needy either for free or at a minimum cost. While it is true that the availability of these services would, in the strictest sense, help the people especially the elderly ease rather than increasing their financial burden or part thereof which they otherwise would have to bear, such services would, nevertheless, form part and parcel of their financial commitment during their retirement years. As such, many of the beneficiaries of these services may require some planning for retirement resources after having taken into consideration these pertinent issues. The next Section discusses some relevant aspects of financial education and literacy, which may have some bearing on retirement resources.

1.11 Financial Education and Literacy

Financial learning or financial education is about supporting adults to develop the skills, knowledge and understanding which they require in order to manage their finances effectively (http://money.aloscotland.com/flo/23.html). In the present pervasive uncertain financial environment, it is important to have a have a certain amount of financial literacy which Mitchell (2003) has outlined the following three areas for individuals and households to protect their retirement savings: (a) the previously discussed deterioration of personal finances; (b) the proliferation of new and often complex financial products that demand more financial expertise; and (c) the replacement of the DB pension plans with DC retirement savings plans which have shifted the responsibility from employer to employee to fund retirement. Other exceptional circumstance necessitating a sound financial literacy include the persistence of turbulent market conditions, the unexpected changes in taxation laws and/or the uncertainty of housing assets (Hermann, 2003), given the fact that illiterate people would generally be reluctant to buy financial products which they could not understand (Mitchell, 2003). Evidence has also shown that financially unsophisticated households tend to avoid the stock market, and that they are less likely to choose mutual funds with lower fees (Hastings and Tejeda-Ashton, 2008).

Over and above the issues discussed earlier, other educationists have put forward five important steps for a successful adult education i.e.: needs assessment, design, facilitation, transfer of learning, and program continuation. Needs assessment is defined as “a systematic way to identify education gaps or problems” (Caffarella, 1994) or “a preventive measure to guard against future problems” (Cline and Seibert, 1993). Caffarella (1994) has also advanced five supportive reasons for the design of a proper adult education training program i.e. (a) encouraging adults’ continuing development and growth; (b) asserting them to respond to practical problems and challenges; (c) preparing them for future work opportunities; (d) helping organizations achieve desired results; and (e) adapting to changes. In this respect, Brookfield (1986) has however cautioned against over-reliance on predetermined objectives which, according to him, might leave very little room for unanticipated learning. On the issues of facilitating learning and encouraging self-direction, MacKeracher (1996) has opined that facilitators should present ways of thinking, behaving and living, while Chovanec (1998) has argued that self-directed learning was primarily influenced by the premises of humanist and behaviorist philosophy, and developmental psychology. Finally, for facilitation of self-directed learning to be truly effective, there must be a general atmosphere of flexibility, respect and a genuine regard for adult persons as learners (Campbell, 2000).

On the issue of better education, lifelong learning advocates have also argued that education should be seen as a continuing process in one form or another throughout life, while its purposes and forms must be adapted to the needs of individuals at different stages in their development (Darkenwall and Merriam 1982). Other research has also indicated that lifelong education has revolutionary implication for preparatory and continuing adult education, which would in turn call for a restructuring of the educational system (Evers *et al.,* 1998). Towards this end, it is heartening to observe that there has been in Malaysia an increasing number of local institutes of higher learning and foreign university branches conducting myriads of financial courses (including postgraduate studies), which would not only generally raise the standards of people's financial knowledge but also specifically train many of them to be financial experts in a variety of disciplines. Joining the business game but for a different reason are, of course, the Financial Planning Association of Malaysia and the many financial institutions conducting various financial courses or seminars in the training of their personnel in the marketing of their financial products to the general public. The missing link might be those of general public who have not yet responded to the challenges. There is, therefore, possibly a wide gap in this expanding economy, where people might need to have a certain degree of financial literacy for the purpose of planning for their retirement resources, notwithstanding Malaysia's high literacy rates which may be irrelevant to financial planning as such.

Finally, it may be interesting to note that, as of 2004, Malaysia's total adult literacy rate was 89%, with the male adult rate recorded at 92% and the female adult 85% (http://www/ilo.org/public/asro/bangkok/skills-ap/skills/malaysia). Research has further advocated that literacy should not be just confined to the ability of reading and writing in the vernacular language or the second language of the country but also be extended to include the ability to deal with a wider connotation including computer literacy; and that improving people's literacy must begin with the younger generation who generally represent the information-rich society (Halimah Zaman (1998) (http://www.readingonline.org/international/malaysia/article/html). The next Section deals with the various issues of filial piety as partial determinants of or contributory factors to elderly people's retirement security, which may be briefly described as the normal type of parent-child relationships existing in a traditional Malaysian family environment especially among the Chinese.

1.12 Filial Piety as Retirement Adequacy Factor

Notwithstanding the availability of the various medical and social services for the benefit of people especially the elderly, both the family and the local community are still required to care for the elderly (Chow, 1992). Besides, the deeply rooted Asian culture, which stresses the importance of filial piety, has thus far dictated that the family should be responsible for the provision of care and security for the elderly (Jones, 1993; Lillard and Willis, 1997). Recent research has indicated that, in 1991, among the extended families, 25% of the older persons had co-resided with their spouse, children and/or others (Tan *et al.*, 1999). Contrary to this finding, Cowgill and Holmes (1972) and Goodes (1982) have both argued that, despite the deep-rooted influence of filial responsibility and moral obligation under the Confucius' concept, extended families were breaking up and shifting towards a conjugal form of family corresponding with industrialisation and urbanisation (Goldstein and Beall, 1981; Lee, 1989; Wong, 1972; Yu, 1983). Conjugal families are essentially nuclear families which are "relatively autonomous from extended family ties and when parental bond is of primary importance" (Hutter, 1989). In this respect, Martin (1990) has argued that individuals with greater economic resources would have more options for the kind of relationships they could have with their kin or family members. On the same issue, Kim (1990) has also expressed his opinion to the effect that, as a result of the encompassing effect of urbanisation, individuals are compelled to neglect their traditional obligation because of distance. On the one hand, for reasons already advanced above, the elderly parents' relationships with adult children are today characterised by choices rather than by obligations to remain together (Foner, 1986; Hess and Waring, 1978; Suitor and Pillemer, 1987). On the other hand, in the contemporary society, the young are more dependent on the labour market than on their elderly persons for their livelihood (Myles, 1989).

Notwithstanding the decline in the traditional extended family supported by a multitude of reasons given above, this study would rely upon Mancini and Bliesner's (1989) arguments that adult children were not necessarily isolated from their parents as they could have frequent contact and exchange support with their parents even though they did not co-reside with their parents. This kind of family structure was also described "modified extended family" (Shanas, 1979), which was based not on co-residence but on residential proximity, visiting and exchange of support between parents and children.

Generally Malaysian families are known as the central welfare providers for the elderly in financial terms and social care (Da Vanzo and Chan, 1994; Lillard and Willis, 1997; Schulz, 1997). However, for similar reasons as discussed earlier, the erosion of the extended family system, the emergence of the nuclear family concept and the dwindling number of female family members (who otherwise would generally be available for providing such services, if not for their increased participation in the labour force) have all placed tremendous strain on families as the primary caregiver (Ong, 2005). Furthermore, traditional family systems are gradually facing problems of generation succession, economic support of the non-active elderly and physical care of the frail (Mason, 1992). These problems are inevitably further compounded by: (a) adverse effects of industrialisation, rapid urbanisation and, consequently, interregional migration (Prammualratana, 1991; Yang and Chandler, 1991), and (b) values of individualism and self-actualisation purveyed by the Western brand of education (Caldwell, 1980).

In this connection, it may be pertinent to mention that Confucianism and generally the various filial piety virtues have served to direct familial relationships towards the creation of a tightly knit body, where, for example, adult Chinese children especially the males are supposed to take care of their elderly parents and to succeed their family businesses. Confucianism in particular also teaches the importance of filial piety as the value of respect in a parent-child relationships situation, and respect for (and obedience to) parents (Kitagawa, 1969; Liu, 1986; Osako and Liu, 1986; Sue *et al.*, 1975). These traditional and cultural values of respecting the elderly are all embedded in the filial piety concept (Connor 1976). In this connection, it might also be of interest to note that Malaysia's social policies, over the past 50 years, have pursued various approaches according to prevailing socio-economic priorities, including *inter-alia* the effective use of Bahasa Malaysia as the principal medium of instruction for dispensing education from primary school to institute of higher learning (see discussions in Malaysia Plans). As the result, cultural values are heavier on customary traditions compared with religious traditions in Malaysia, probably as a result of ethnic groups having managed to live alongside each other and making compromises along the way (Yusnani, 2005). This might have some direct or indirect impact on intergenerational transfers or moral obligations in the area of elderly persons' retirement security.

For purposes of resolving these problems, greater government commitment would be needed, in that government should undertake to provide more fiscal incentives for the promotion of greater community care and for addressing the issue of higher social welfare and healthcare costs which are closely associated with the phenomenon of demographic ageing. In Joaquin-Yasay's (1996) learned opinion, government interventions of this kind in order to mitigate these costs should include adjustments in retirement age, training and effective employment of older persons as recommended by the 4th Pillar, better education and training for younger people, and the introduction of appropriate government policies for regulating migration and temporary foreign labour, which, if unchecked, would become very serious, over time as has presently happened. It is, however, heartening to note that the government has finally and partially resolved, as a temporary measure, the issue of the compulsory retirement age by raising it to 58 from 56. Towards this end, positive responses from the private sector are yet to be seen.

Malaysia is fast becoming an ageing society, with the elderly population projected to increase from 4.6 percent or 1.129 million against the population of 23.935 million in 2005 to 7.3 percent by the year 2010 and 10.0 percent by the year 2020 as discussed in an early Section. This ageing population problem would need serious consideration especially at the level of the middle-income and low-income group especially the latter where the majority of individuals and households could not obviously make both ends meet, given the ever-increasing costs of living and higher and higher inflation rates. There is, undoubtedly, an urgent need to critically look at the issue of financial planning by the people concerned in order to assess the level of their retirement security together with the important issue of the availability of social welfare and health care services (to which they might be entitled to enjoy for free) so that they could have a big picture of how they would fare upon retirement. These issues might even be more serious than they appear, given the fact that, according to a research carried out by Kumar (1999) 38.2 percent of the total employed persons or those in the informal sector in 1998 were not even covered by either the direct contribution (DC) or EPF retirement savings scheme or the direct benefit (DB) retirement or pension plan. Even though the remaining 61.8 percent of the total employed persons in the private and public sectors were covered by either the EPF retirement savings scheme or the DB retirement pension plan, it is doubtful that, upon retirement, the EPF lump-sum payments (after taking into consideration the spill-over negative effect of the pre-retirement withdrawals, which would inevitably reduce the Fund’s asset base for income generation purposes) would represent the best income security into old age, on one side of the scale, and that the existing EPF contributions per se would be adequate to meet the needs of the increasingly elderly population, on the side of the scale, given the fact that many of the retirees and their households might be vulnerable to the socially exclusive aspects of poverty in old age (Caraher, 2000). In this connection, Ong (2005) has also expressed his fear that the possible 'leakages' from the present practice of allowing members to make large pre-retirement withdrawals might eventually pose a big challenge to members in their effort to build up the adequacy of their retirement savings. All the same, one must not lose sight of the fact that, if the withdrawals were wisely invested in good housing assets, they would eventually contribute a significant retirement income sources (Lusardi, 2000; Poterba *et al.,* 1994; Pynoos and Golant, 1996) as such assets tend to appreciate in value, over time (Keister, 2000; Spilerman, 2000).

Of special concern are issues of the phenomenon of longer life expectancy, the lower rates of fertility especially amongst the affluent Chinese families, and the lower mortality rates are all expected to have significant effects on the elderly people in terms of retirement savings adequacy, healthcare costs and social welfare services. Consequently, there could be heavy demands on funds and personal financial planning strategies in an attempt to mitigate the adverse effect of high inflation and low or negative returns on bad investments. Note that greater financial resources can relate to better physical health during retirement (Beckman and Gurland, 1998; Najman, 1993; William and Collins, 1995), better quality health-care services (Gornick *et al.,* 1996; Kassab *et al.,* 1996) and higher life satisfaction (Fernandez-Ballesteros *et al.,* 2001). The next Section discusses the justification for the present study.

1.13 Justification for the Study

Given the importance of retirement saving adequacy to the elderly population, there is an urgent need for an enquiry into the following areas: (a) Malaysians' personal financial planning strategies, given their perceived pre- and post-retirement living standards; (b) the contributory effect of adult education and learning literary towards enhancing retirement savings adequacy, and (c) the intergenerational role in providing senior family members with financial assistance, support exchange, and emotional care especially towards their retirement satisfaction. In order to evaluate retirement security and its adequacy, the study would finally focus on two main issues: the importance of financial education in relation to retirement security (Joo and Garman, 1998; Mannix, 1998), and the filial piety concept in relation to old age security (Chan, 1991; Da Vanzo and Chan, 1994; Lillard and Willis, 1997).

The study is expected to provide some useful insights into retirement (financial) planning strategies adopted by respondents for the preparation of their old age retirement security made possible partly by financial learning and literacy and partly by filial piety virtues. Successful conclusion of this study is also expected to provide some information on the retirement adequacy issue, which might be of special interest not only to Malaysians themselves but also to financial advisors, financial planners and financial education providers. Furthermore, this research work may also enrich the knowledge, in both areas, for academic purposes. Finally, this research may also reveal the interrelationship (as perceived by the givers and by the recipients) between intergenerational transfers and old age retirement security planning as well as the interrelationship between filial responsibility/expectations and old age retirement planning.

Furthermore, this study may also serve as a platform for conducting an enquiry into: (a) the position of each of the ethnic groups in Malaysia to see how they fare in terms of retirement savings, and (b) the relationships between personal well-being and the quality of life within the context of Malaysia. Apart from indicating the level of the financial wellness, the profile of financial wellness as revealed by the enquiry could possibly provide useful information to financial counselors, financial planners or financial practitioners in packaging the types of financial planning or investment strategies which Malaysians would generally require for their old age retirement. Finally, the study may also be able to produce some information on the type/(s) of financial education needed by financial educators, practitioners or individuals (who manage their own finances and investments), as the important role of retirement financial education and the issue of financial matters are constantly affecting people's daily lives (Bayer *et al.*, 1996; Staten *et al.*, 2002).

1.14 Summary

The Chapter has outlined some problems which Malaysians generally would have to contend with in preparing themselves for retirement. As effective ascertainment of retirement security, of necessity, involves the application of some or all of the four pillars in the ILO-formulated framework, the review within the Malaysian context has detected some weaknesses in (a) the DB retirement savings plan for civil servants or public sector employees, and (b) the DC retirement plan or EPF retirement savings scheme for employees in the private sector, which itself has included 38.2% of the population in the informal sector (Kumar, 1999).

With regard to the public sector employees, the review has unearthed that, despite the civil servants' eligibility for their pension rights which they enjoy during their retirement years (and which, in some cases, might even be extended to their family members after death), these ‘civil service’ retirees might still face some serious financial difficulties per se by virtue of the fact that rules governing pension payments have hardly been revised over the years, with the result that the civil service pension has almost remained static against the ever rising inflation rates and health care costs (Ong, 2005; Williamson and Pampel, 1998). This was based on the assumption that the civil service pensioners would continue to be entitled to free medical attention and health care benefits as previously (However, see discussions below). Besides the issue of civil service pension, reviews were also made of the disability pension, invalidity pension and the workmen’s compensation scheme, all of which were supplementary social security schemes intended to cover (a) the welfare of the injured individuals in the informal sector, (b) the permanently incapacitated employee in the private sector, and (c) all other ‘uncovered’ Malaysian and permanent resident workers for accidents suffered in the course of duty or during traveling and occupational diseases under the Employees’ Security Act 1969 and SOCSO Act 1969 respectively. Subject to other social welfare and medical services as they might be eligible, these three categories of employees are expected to face inherent financial problems for both pre- and post-retirement years, unless they have other income sources.

As regards the private sector employees (other those referred to earlier), the review has revealed three main problematic areas in the EPF or direct contribution retirement savings scheme (the second Pillar for the accumulation of retirement resources). These revelations seem to confirm with the arguments that the EPF retirement saving scheme was not seen in the long run as an effective social security institution to promote national savings (McKinnon 1996) or as a retirement saving scheme to provide the EPF contributors with a comfortable living in retirement (Fazilah Abdul Rahman, 2004). First was the obvious problem of the inadequacy of the savings for retirement purpose as the average total savings as of 2008 was RM132,000 at age 54 (EPF Annual Report 2008). Second problem was related to the difficulty in spreading the total withdrawals over the retirement period or in generating investment therefrom for the same period (Caraher, 2000; Gustman and Steinmeier, 2002; Ong, 2005; Schor, 1998; Thillainathan, 2004). Third would be the pre-retirement withdrawals' direct negative effect on the fund's asset base and, hence, on its dividend yield (Ong, 2005).

Over and above the abovementioned EPF issues, the Chapter has also looked at the range of social welfare and health care services intended for the general public. Some were government-provided and therefore forming part of the government medical services, which could be obtained at no costs or minimum costs while others were provided directly under aegis of the Social Welfare Ministry or funded by NGOs where such services would be either free or charged at minimum costs (see Binstock, 1998; Chin, 1982; Hetzel and Smith, 2001). However, for those privately-managed organizations, the expenses and fees would be costly and, hence, beyond the means of many ordinary people. From a different perspective but somewhat related to social welfare and health care are the various filial piety issues. In particular, the important role of filial piety would be reflected in the provision of emotional and exchange support and intergenerational transfers as these issues are part and parcel of the filial responsibilities and moral obligations in financial terms and social care from adult children to their parents especial the elderly parents (Da Vanzo and Chan, 1994; Lillard and Willis, 1997; Schulz, 1997) as traditional and cultural values of respecting the elderly are all embedded in the filial piety concept (Connor, 1976). To a greater or lesser extent, the perceptions and views relating to the practices of filial piety and intergenerational transfers were also seen as affecting the retirement planning strategies for retirement security.

Finally, the Chapter has also examined the relevance of financial learning and financial literacy (as distinct from general literacy) to the enhancement of investment planning strategies for retirement resources one way or another.