CHAPTER II

REVIEW OF RELATED LITERATURE

2.0 Introduction

The literature review covers relevant research articles (especially those authored by respected academics and prominent scholars), doctoral theses, or research studies from refereed journals. In particular, the articles must be those directly or indirectly related to financial planning leading to retirement security which would be researched by a three-pronged approach i.e. (a) accumulations of normal savings, assets and investment income, (b) the implications which financial learning and literacy might have on sound investment strategies, and (c) financial, emotional and exchange support from adult children to elderly parents under the filial piety concept. In the course of reviewing these academic articles etc., hard copies of all the relevant selected works have been extracted (or downloaded through computer), and, wherever possible, such articles etc would be directly viewed on the Internet from relevant sources. It is expected that critical reviews of this large body of literature would substantially enhance the author's knowledge in the field of retirement savings, preparation for old age retirement, financial education and all the issues associated therewith. The vast spectrum of research results would undoubtedly reflect many cross-cultural, diverse views, perceptions and practices of different people from different cultural, economic, ethnic and political backgrounds in different nations. The multitudinous research findings would also serve as an invaluable source of reference materials for the successful conclusion of the study being undertaken into the question of the Malaysian people's financial planning for retirement, perceptions of post-retirement living standards and of children as a reliable source of financial educational and literacy (Bernheim, 1997; Crenshaw, 2001) on the one hand, and emotional/ financial support and intergenerational transfers (Aboderin, 2004; Eggebeen, 1992; Mancini and Bliesner, 1989; McChesney and Bengtson, 1988; Shanas, 1979) for their retirement years, on the other hand.

This Chapter has 6 Sections, each with various subheads to highlight the relevant issues. They are Section 2.1 Theory on income savings; Section 2.2 Retirement resources adequacy; Section 2.3 Other Retirement Issues; Section 2.4 Financial education and literacy; Section2.5 Filial piety: retirement security; and Section 2.6 Summary.

2.1 Theory on Income Savings

Researchers and scholars have propounded a number of economic theories on income savings and asset accumulations including (a) lifecycle hypothesis (LCH) and permanent income hypothesis (PIH); (b) psychological and sociological theory; (c) behavioural theory; and (d) institutional theory. A number of articles relating to these economic theories are being critically reviewed over the next few pages for the purpose of the study.

2.1.1 Lifecycle and Permanent Income Hypotheses

During the period from mid-1950s to early 1960s, two well-known neoclassical economic theories on saving had emerged. They were (a) the lifecycle hypothesis or (LCH) (Ando and Modigliani 1963; Modigliani and Ando 1957; Modigliani and Brumberg, 1954); and (b) the permanent income hypothesis or (PIH) (Friedman, 1957). The LCH was based on the notion that individuals were forward-looking and well informed when making decisions about retirement and saving, after having taken into consideration the possible effects of the economic decisions on their standard of living enjoyed during the period of working and for the period of retirement. In other words, the LCH theory has asserted that people would use all their available resources at a given time, make 'optional' spending and saving decisions for the present and future needs, and then adjust their financial behaviours according to new information available (Aaron, 1999; Burtless, 1999; Rust, 1989). Their decisions were based not only on payment for work in the current period but also on returns or incomes available in future. The LCH has also predicted that those with very valuable employer-provided pensions were likely to save significantly less than those without the benefit of such pensions (Gustman and Steinmeier, 2002). Thus, the LCH theory has many limitations. For one thing, it did not explain why people were saving little for their retirement needs (Korczyk, 1998; Mitchell, 1996). The PIH theory on saving, on the other hand, was based on the notion that the consumption by households or individuals would depend upon their permanent income, which they expect to get from work and sources of their wealth accumulated during their lifetime (Friedman, 1957). According to the Dictionary of Modern Economics (1983), the PIH assumes that 'the individual consumes a constant proportion of the present value of the income flow from his work and wealth while maintaining his holdings of wealth intact'.

In sum, both the LCH and PIH (generally referred to as the "buffer-stock" models of saving) assume that households and individuals were principally concerned with their long-term consumption opportunities. Specifically, for example, Friedman (1957) was concerned with 'straightening out the consumption stream', whilst Modigliani and Brumberg (1954), in the discussion of the consumption function, had essentially focused on 'the recognition that, if an individual plans rationally to maximise utility over his lifetime, his consumption in any given year will depend not on his income in that year but on the resources of which he disposes during his lifetime'; hence 'the desire to accumulate assets through saving to meet possible emergencies whose occurrence, nature and timing cannot be perfectly foreseen'. Given the above scenario and the fact that people would think more about the near future rather than about the distant future (Eson and Greenfeld, 1962; Fingerman and Perlmutter, 1995), it would be a matter of great concern for households and individuals to properly plan their consumption-saving patterns so that they would be consistent with their expected income streams after taking into account income fluctuations or uncertainties (Schulz and Carrin, 1970). Consumption is a measure of ultimate economic well-being (Shapiro, 2009). People would also believe that if they could personally influence their life outcome (Lachman and Burack, 1993; Levenson, 1974) they would view their commitment as responsive to their behaviours (Bandura, 1977; Heckhausen and Schulz, 1995), and that, this being the case, they would then adjust their behaviours accordingly in order to optimise their level of control (Heckhausen, 1999). Contrary to these assumptions, recent economists have advanced another economic theory to the effect that people should emphasized a precautionary motive for saving especially in the case of younger households and those facing greater income fluctuations (Carroll, 1997; Carroll and Samwick, 1997; Deaton, 1991), and that households and individuals would rationally and predictably respond to changes in incentives. To this end, Pollak (1998) has also added his view that opportunities (or constraints) and individual preferences should be the two broad determinants of households' and individuals' behaviour towards their consumption and saving patterns.

2.1.2 Psychological and Sociological Theory

From the perspective of psychology and sociology, extensive research works had been conducted on the effects of families (Cohen, 1994); Duesenberry, 1949), and on past saving experience (Furnham, 1985; Katona, 1975) in relation to consumption patterns, saving-related beliefs and aspirations for saving. The research has indicated that the effects of external stimuli on households' economic behaviour were conditioned by such intervening variables as motives, aspirations and expectations (Katona, 1975; Olander and Seipel, 1970; Strumpel, 1972, 1975; Van Raaij, 1989). According to Katona (1975), saving was the function of households' financial ability and their willingness to save. On the one hand, because of limited financial resources, households might defer certain portions of their consumption expenditure to a later date. In other words, their willingness to save might be tied to their consumer sentiment such that they might postpone some consumption spending in order to save for their future security if they pessimistically perceive, amongst other factors, the uncertainty of their household income, the possible interest rate hikes, the incidence of unemployment and the inflation factors. On the other hand, research has revealed that greater financial resources for retirement are directly related to higher income and asset accumulations (Hsieh, 2001; O'Rand and Henretta, 1999), and physical health the concern for the individuals (Beckman and Gurland, 1998; Najman, 1993; Williams and Collins, 1995). By the same token, the research has also discovered that greater financial resources for retirement years would also result in better healthcare utilisation (Gornick *et al.*, 1996; Kassab *et al.,* 1996) and, finally, higher satisfaction in life (Fernandez-Ballesteras *et al.,* 1995; Oropesa, 1995). From the 'psychographic approach', the line of research was to capture the motives underlying individual's saving decisions using a combination of demographic and psychographic variables as predictors (Bagozzi and Dholakin 1999; Ehrlich and Fannelli 2004).

2.1.3 Behavioural and Institutional Theory

From the behavioural perspective, households and individuals might, however, be unable to resist the temptation to spend on consumption much against their wishes. To resist this temptation, it was suggested that households and individuals should create their own buffers or behavioural patterns on incentives and constraints (Maital and Maital 1994; Shefrin and Thaler 1988; Thaler and Shefrin 1981) for example, by opening Christmas saving accounts or adopting the 'rules of thumb' to avoid borrowings or restrict them to some specific purposes. From this perspective, behavioural theorists would view the household saving issue as 'the result of successful and sophisticated imposition of wellness improving, self-imposed constraints on spending' (Maital and Maital, 1994). The goals in recent studies were also directed to identify biases in saving decisions and to understand how investors dealt with uncertainty (Camerer *et al.,* 2004; Shiller, 1999).

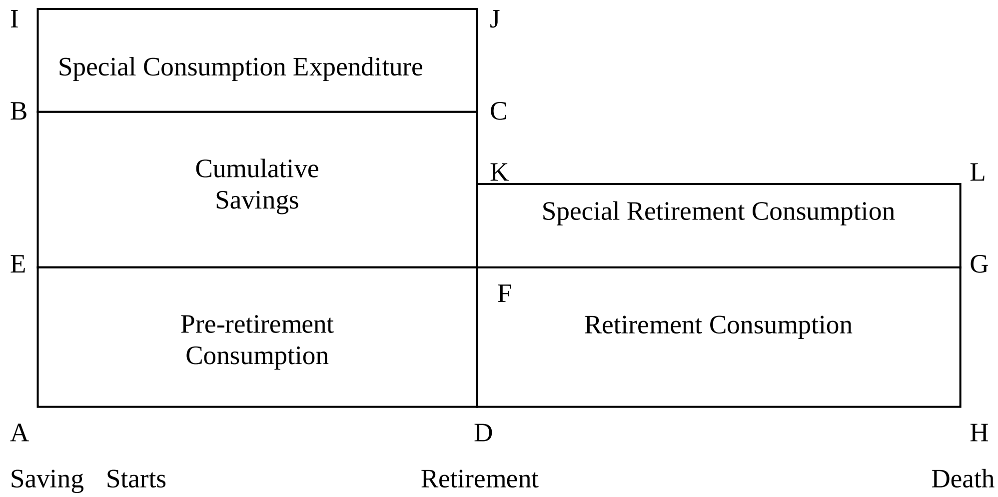
With regard to savings adequacy and asset accumulations according to the institutional theory, Sherraden (1991) had posited a welfare theory defining the institutional role as "formal and informal relationships, rules and incentives" in which societal institutions were said to have influenced individual behaviour. As such, it would be rational for individuals (having access to these institutions) to acquire properties and accumulate assets, as "institutionalised arrangements provide tremendous access and incentives to accumulate assets. *A priori* choices are made by social policy, and individuals into the pattern that has been established (Sherraden, 1991). He further argued that "asset accumulations are primarily the result of institutionalised mechanisms involving explicit connections, rules, incentives and subsidies" (p.116). Beverly and Sherraden (1999) had also identified incentives, information, access and facilitation as four different types of institutional variables, expected to affect households' and individuals' patterns of saving and asset accumulations. They had also suggested that the limited access to institutions (which had essentially promoted and facilitated saving and asset accumulations) might however help explain the saving rates and the limited asset accumulations of low-income households and individuals.

2.1.4 Conceptual Economic Model on Income Savings

Changes in personal circumstances, earning power and/or economic factors are issues requiring individuals to critically plan for their life course including financial planning for their retirement resources. At the same time, they may also have certain realistic expectations about their financial situations in retirement (Taylor-Carter and Cook, 1995) and are therefore in a better position to retire earlier than people who have had no financial planning whatsoever (Taylor and Shore, 1995). In this respect, some economists have taken a different approach in the ascertainment of individual's or his household's retirement adequacy i.e. by spreading the individual's or his household's pre-retirement income over to his post-retirement year period (Schieber, 2004). The following Figure 2.1 (Conceptual Model of lifetime earnings, savings and consumption) has reflected Schieber's conceptual explanation on this issue.

Figure 2.1

Conceptual Model of Lifetime Earnings, Savings and Consumption



Source: Schieber, S.J. (2004)

By way of elucidation, the above model shows that rectangle ABCD essentially represents an individual's or his household's expected cumulative earnings during the period of working life, whilst rectangle EBCF denotes the normal cumulative savings during the same time period and that rectangle DFGH indicates his or his household's normal consumption throughout the retirement period. This bare-bone conceptual structure has therefore briefly explained the phenomenon of a real-life situation. To reflect a person's changing economic circumstances, there is however a need to add two small rectangles namely: (a) rectangle BIJC to indicate his or household's special consumption expenditure such as higher taxes, children's education and so forth, which would be incurred in his life course and (b) rectangle FKLG to reflect his special retirement consumption, which includes *inter-alia* inflation, higher medical and healthcare costs. The improved version of this economic model implies that the person's or his household's savings and asset accumulations (together with any additional income arising from sources both before and after retirement) must be of such a magnitude that the final aggregate amount would be adequate to cover the normal as well as the special consumption expenditure during the post-retirement period.

In conclusion, it would appear that planning in life course for post-retirement financial needs could be very beneficial to people in many ways and that, for example, people who have effective financial planning for retirement security are likely to have adequate income resources for their retirement (Beehr, 1986; Ferraro and Su, 1999) and are, therefore, more satisfied with their income level for retirement (Hershey *et al.*, 1998).

2.2 Retirement Resources Adequacy

Generally speaking, low incomes do not necessarily destine households to a low standard of living. Similarly, high incomes are no guarantee of a high standard of living in retirement for the affluent households. In other words, low-income households would generally need a lower income level than would the upper-income households, to achieve their satisfactory living standards. The differences between them could be partially explained by the close association between their respective current income and their respective retirement income adequacy. Also, people with adequate resources for their retirement years are less likely to depend upon family members for financial or material support and/or to depend upon government welfare programs for survival. For purposes of evaluating the adequacy issue of retirement resources, researchers over the years have used various approaches including *inter alia* (a) the lifecycle model and Poverty line (Grad, 1990; Haith, 1997; Yuh *et al.*, 1998); (b) the Simulation lifecycle model (Bernheim, 1992; Yuh *et al.*, 1998); (c) the Stochastic lifecycle method (Engen *et al.*, 1999); (d) the annuity method (Gustman and Steinmeier, 1998; Moore and Mitchell, 2000); (e) the secondary data analysis approach (Wolfe, 2002); and (f) the multidisciplinary way (Haveman *et al.*, 2002). Key issues contained in these academic and research works are explained in the succeeding sub-sections.

2.2.1 The Lifecycle Model and Poverty Line

According to Friedman (1957), the lifecycle model predicts that people consume an annuity of their expected lifetime income at all points in their life. As retirement wealth takes into account all accumulated retirement resources inclusive of assets, pension income, defined benefits or defined contributions and social security, Hatch (1997) had defined a household's retirement as adequate if its total resources were equal to or greater than its total retirement consumption level. Hatch's findings coincide with those that, after retirement, a retiree's ability to consume at his pre-retirement level would indicate retirement adequacy under the lifecycle model (Yuh *et al.*, 1998). Grad (1990) had however referred to two benchmarks, *namely*: the poverty line relevant for each household and the household's permanent earnings for the years prior to retirement(9). In Grad's works, pension wealth, housing wealth and social security wealth were all annuitized (and, in some cases, even discounted), in his various attempts to gauge households' aggregate retirement resources. Revealing a 33.3 percent median replacement rate against the five highest earnings years (used as standard) for married people and a 50 percent median replacement rate against the last five earnings years (used as alternative standard), for non- married people, Grad's enquiry had also indicated that, for married households, the median replacement rate was 35% against the five highest earnings

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(9) The official poverty line standard (established in the US in 1963) had gone up to US$8,860/- per annum for a single household, and to US$11,940/- per annum for a household with 2 members and above, in 2002.

years, 60 percent for men, and 70 percent for women respectively, when compared to the last earnings years as a standard.

2.2.2 The Simulation Lifecycle Model

Research studies have suggested (a) that, in the US, about 50 percent of the baby boomer households were on track to have adequate resources to maintain their current standard of living in retirement, if heads of their households had retired as originally planned; (b) that another 25 percent of the low-skilled and low-income households had thus far accumulated negligible financial assets and housing wealth for retirement (as these households were likely to find themselves largely dependent upon government benefits in retirement); and (c) that the remaining 25 percent of the households had presented a rather mixed picture of their preparedness for retirement (Bernheim, 1997; Butrica *et al.,* 2003; Eastern *et al.,* 1993; Gustman and Steinmeier, 1998; Montalto, 2001; Sabelhaus and Manchester, 1995). In the context of this study, the term 'baby boomer' refers to someone born during the demographic birth boom between 1946 and 1964 (U.S. Census Bureau). These studies had further revealed that, for some of the low-income households, social security benefits alone would be sufficient to maintain their pre-retirement consumption in retirement, whilst the remaining low-income households were expected to face a decline in their post-retirement standard of living. On the whole, the American baby boomer households were reasonably well-prepared, if their financial assets and wealth were measured on a broad basis, and could face significant shortfalls, if measured on a more-restrictive basis. Towards this end, by excluding households' social security and pension wealth, Bernheim (1992) had developed a simulation lifecycle mode to compare older people's actual levels of total financial savings and housing wealth with the targeted level of savings for American baby boomer households. His finding had, however, only revealed approximately 33.3 percent of the targeted level of savings of their actual retirement savings. Thus, American baby boomers were found generally inadequately prepared to have a pre-retirement standard of living for retirement. Bernheim's study would, therefore, have only limited applicability, as he had not taken into account households' other financial wealth and asset accumulations as was done in the research conducted by Yuh *et al.,* (1998). The inclusion of these variables, together with income accruals thereon, would have the positive effect on the savings margin. According to the predictions contained in Bernheim's simulation lifecycle model, a household would steadily accumulate its assets and investments until retirement but this assumption would seem subjective as personal financial wellness in other studies was also found positively related to education, among other variables (Ross and Huber, 1985; Shinn, 1993).

2.2.3 The Stochastic Lifecycle Method

The stochastic lifecycle method predicts the lifecycle consumption expenditure in the presence of realistic labour income uncertainty i.e. by providing a rational decomposition of saving and wealth into its precautionary and lifecycle components (Gourinchas and Parker, 2002). Under a stochastic lifecycle model, Engen *et al.,* (1999) had examined the retirement adequacy issue for households who had, over time, set aside savings both for retirement and against uncertainty. The researchers had calculated the optimal savings for households and then interpreted any shortfalls in their calculations as non-optimal. In view of the difficulty in assessing savings adequacy brought about by the possible pre-retirement years' earning fluctuations, Engen *et al.,* (1999) had introduced heterogeneous earnings shocks over the pre-retirement years so that households with the same characteristics (i.e. age, education, social security and pension status) would have a distribution of the optimal savings level. In the study, average replacement rates between 70 percent and 80 percent (defined as the ratio of annuitised wealth to final earnings) were used. The research had revealed that households with adequate savings would have wealth-savings ratios below the median or inadequate savings, while households with the same characteristics but optimal savings would have wealth-savings ratios above the median or adequate savings. By excluding work-related costs, mortgage interests and children's education expenses (which most households were unlikely to incur after retirement), their findings had further indicated that households had generally accumulated adequate wealth for retirement, whilst some households in the bottom quartile of the distribution of actual annuitised wealth earnings ratios appeared to have inadequately prepared for retirement.

2.2.4 The Annuity Method

The annuity method is a procedure of the classical dynamic investment calculation. In computing households' retirement resources under the annuity method, Gustman and Steinmeier (1998) had estimated the values of households' financial assets, housing wealth, social security and pension, and then compared the aggregate values with the current earnings of households within the (51-61) age group. Their study had indicated that the nominal replacement rate for households in the median 10 percent of the distribution of lifecycle earnings was 97 percent against the real replacement rate of 66 percent, while the mean nominal rate was 86 percent against the average real rate of 78 percent. The replacement rates calculated at the average age of 56 years had not reflected any additional pre-retirement savings, returns on assets and continued accruals of values of social security and pension. Thus, Gustman and Steinmeier had concluded that, on average, older American households on the verge of their retirement were adequately prepared. The study would have presented a more realistic picture of a household's retirement adequacy, if all other additional income sources such as financial assets, social security, pension and housing wealth were taken into consideration especially housing wealth which might constitute a large portion of the total net worth (Wakita *et al*., 2000) and could, over time, appreciate in value (Keister, 2000; Spilerman, 2000).

By application of secondary data(10), recent studies on the retirement adequacy issue had projected the current financial and housing values for householders aged between 51 and 61 to their retirement age first at 62 and then at 65 respectively (Moore and Mitchell, 1997, 2000). This was based on the assumption that, prior to retirement, households had no further savings but only with interest accruals on their existing financial assets and housing wealth. After having annuitised the projected values of the households' social security and pension wealth at the assumed retirement age, Moore and Mitchell had then aggregated these values and used them as the total retirement resources to compare with the households' pre-retirement consumption. Their findings had revealed that the median required saving rate was 16 percent at the retirement age 62, yielding a 69 percent replacement rate but, if retirement age 65, the median required saving rate would drop to 7.3 percent, thereby giving a 78 percent targeted replacement rate. These figures seem to suggest that there was substantial under-saving for households on the verge of retirement and that they were unlikely to have accumulated sufficient retirement wealth until just prior to retirement. There was apparently

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(10) Data were extracted from the Health and Retirement Survey (HRS).

a fallacy in this assumption as the use of the current earnings level as a proxy for pre-retirement permanent earnings would essentially imply that households with a temporary high current income level would require very large savings to maintain consumption in retirement years or their post-retirement living standard.

2.2.5 The Secondary Data Analysis Approach

Another approach to the households' retirement adequacy study was through an analysis of the secondary data for years 1983, 1985, 1989 and 1998[11] performed by Wolfe (2002) who was able to calculate the mean and median levels of households' wealth, (inclusive of financial wealth) housing, pension and social security wealth. Specifically, for households within the (47-64) age group, he found an increase in the expected retirement income per household from $47,000 in 1989 to $50,000 in 1998 (with large and increasing disparities), while the number of households within this age group had increased from 17 percent to 19 percent. Wolfe's findings had also suggested that the households' median net worth, median social security wealth and median total wealth had, over time, all declined, except for median pension wealth which had however increased, implying a serious shortfall in households' retirement income in 1998, which would gradually worsen. Despite his meticulous calculation and impressive findings, Wolfe (2002) had not taken into account any possible increase in real value of the financial assets and housing wealth (Wakita *et al.*, 2000; Keister, 2000; Spilerman, 2000) for the period up to the year preceding the retirement year, as this additional input would have drastically changed the

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(11) Data were extracted from the Survey of Consumer Finance (SCF).

picture of the households' retirement income. In the course of conducting, a survey of the various pension plans with a view to evaluating the adequacy of the elderly people's retirement benefits, alternative pension arrangements, income levels and expenditure patterns relative to the elderly people's economic environment, Denton *et al*., (1981) had also broadly discussed *inter alia* the strengths and weaknesses of the Canadian government income support programs and the expansion of the coverage of private plans.

The retirement adequacy issue was also taken up by Jeremy Lise (2001) with regard to the Canada's 1996 Federal Budget, in which the government's goal was to provide "a basic income guarantee for seniors and [to help] Canadians avoid a serious disruption in their living standards at retirement". By restricting his examination to a number of households randomly selected in some major urban centres for the period (1959-1998), Jeremy Lise had conducted an investigation into the issue of living standards at retirement by using the secondary data from FAMEX (12) and SHS (13). Based on a series of households from different years' cross-sectional surveys, his observations of the average behaviour of a (45-74) age group of households had suggested that the retirement resources or savings were adequate for retirees to maintain their retirement consumption level and that the not-yet-retired cohorts would also have no problem of retaining their consumption level, provided that their saving rates were at least as high as those of the cohorts already in retirement. Consumption was defined by Jeremy Rise as 'current consumption of non-durables plus a consumption flow from the stock of durables' (Pendakur, 1998; Browning and Grossley, 1999), and term 'saving rate' as 'the net change in assets divided by disposable income.

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(12) FAMEX is the acronym for Family Expenditure Survey.

(13) SHS is the acronym for Survey of Housing Spending (*see* Public-use Microdata File Users Guide, Statistics Canada).

2.2.6 The Multi-disciplinary Approach

Due recognition should be given for the adoption of a more practical multi-disciplinary approach as a means to measure retirees' resources adequacy (Haveman *et al.*, 2002). By using the secondary data from BBDS(14) and SCF (of households headed by individuals aged 47 or above) as the basis, Haveman and colleagues were able to compute the permanent earnings of the householders over their working years and to observe the relevant implications of several components of households' wealth available at retirement age, instead of extrapolating their estimated values, as was previously done by other researchers in similar studies. After having projected the households' life expectancies, Haveman and colleagues then discounted the annuitised values of the pension benefits at 3.5 percent and the inflation-indexed social security benefit at 2.75 percent, assuming that the country's inflation rate would remain constant at 4 percent. Thereafter, they calculated the households' possible level of wealth (upon retirement) by taking into account the question of ethnicity, marital status and age. This research has proven that households who had delayed their retirement until 70 years old or beyond would have financial assets and property twice as much as those of the younger retirees and that these households upon retirement would also have substantially more housing wealth than the younger retirees (Wakita *et al.*, 2000; Keister, 2000; Spilerman, 2000). Based on the 'twice-the-poverty-line' standard which Haveman and colleagues had also used as a yardstick to measure the households' retirement resources, the findings had however indicated that nearly 50 percent of the sample households had inadequate retirement resources especially among those with

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(14) BBDS is the acronym for New Beneficiary Data System (comprising households headed by individuals aged between 51 and 61).

low pre-retirement earnings. Undeniably, Haveman and company had positively contributed to the growing literature on the retirement resource adequacy issue. Ideally a more practical approach for assessing the issue would have been the combined application of the elements of both the 'poverty-line' standard and the 'twice-the-poverty-line' standard as the integrated part of the research techniques.

Using a 1995 national households sample in their studies on retirement adequacy, Yuh *et al.*, (1998) found that 52 percent (on a more liberal basis) and 42 percent (on a conservative basis) of American households were on track in their retirement preparation i.e. in the accumulation of their financial wealth and other assets. Following Moore and Mitchell's (2000) approach, i.e. with absolute standards or "poverty-line" standard to measure an income replacement rate, Wolfe (2002) had assumed that household's post-retirement needs were relatively uniform, while retirement adequacy could be gauged as a percentage of either pre-retirement income or the "poverty-line" standard. This standard income adequacy rate had previously been debated with differing agreement by DeVaney (1997) and Lynton *et al.* (1991), who suggested that 25 percent should be used as the appropriate standard adequacy guideline against the 50 percent recommended by other experts such as Greninger *et al.*, (1996). In his early examination of financial ratios (including the capital accumulation ratio or CAR) as the basis for income adequacy ratio calculations, DeVaney (1993) had found that the median value of the 'investment-to net worth' ratio was 30 percent in 1983 with 62 percent of the households meeting the 25 percent guideline, compared to the 40 percent 'investment-to-net worth' ratio in 1986 with 64 percent of the households meeting the 25 percent guideline.

To check the usefulness of the above guidelines, Yao *et al.*, (2003) had (re)/examined the relationships or significance between meeting the CAR guideline and the retirement adequacy ratio. Yao and company found that about 63 percent of the American households were meeting the 25 percent ratio guideline and were, therefore, adequately_prepared for retirement, whilst 46 percent of them were meeting both the 25% threshold and the CAR guideline and were, therefore, also sufficiently prepared for retirement. Notwithstanding these findings, they however made no firm commitment as to which particular ratio should be preferred but had simply pointed out that meeting the 25 percent ratio was merely a better indicator than the 50 percent guideline, which by itself might not necessarily be an accurate retirement adequacy indicator.

2.3 Other Retirement Issues

This subsection continues with the review of literature on retirement and related issues with particular reference to Canada, all the member countries within the European Union, Japan, Korea, and the United States under the sub-head 'Overseas Countries'), and Malaysia and Singapore under another sub-head, for ease of identification.

2.3.1 Overseas Countries

Generally, the issues covered in this subsection include income maintenance, pension rights and the role of savings (Dave, 1984; Lindbeck, 2002; Schulz and Carrin, 1970), pre-retirement roles of men and women within the family environment (O'Rand and Landeman, 1984), age and gender-based discrimination (Watson, 1990), financial well-being model for retirement adequacy (Porter, 1990), acceptable post-retirement living standards (Petras and Petras, 1991; Schulz, 1997), the US medic-aid-managed programs (Felt-List *et al*., 1999), and part- or flexible time as a solution to postpone retirement age (Redy-Mulvey, 2004).

Dave (1984) had also conducted an investigation on old age pension benefits supported by the major investments, which were the means to provide social services for the elderly people in Denmark for the period from 1920 to 1984. Dave's findings had revealed that the universal pension system had permitted payments of liberal social benefits to any Danish citizen aged 67 and above, that payments of the pension benefits were considered not only too generous but also unjustifiable from the financial standpoint, given the country's economic environment that the universal pension system might ultimately have to be supported by a supplementary pension scheme in order to provide additional pension payment for retirees with no other income sources to meet their living requirements. Lindbeck (2002) had investigated the comprehensive income maintenance systems existing in the EU countries for the provision of a wide range of benefits (such as subsidy for childbirth, single motherhood, unemployment, sickness and old age), free secondary and tertiary mass education, comprehensive healthcare for the entire population, and payment of certain occupational industry-specific pensions. Noting the individuals' high income level partially brought about by the wide-ranging social benefits, Lindbeck had discovered serious weaknesses in these comprehensive income maintenance systems, which were not financially robust to withstand the varying types of shocks in terms of demography, productivity growth and macroeconomic disturbances such as the undesirable behavioural adjustments in response to changes in economic incentives. Lindbeck doubted the suitability of the EU experience for adoption by developing nations, given the differences between nations in social conditions, the role of informal welfare arrangements, and the economic and social policies, as 'mass poverty can never be replaced by mass affluence without sustained economic growth during many decades.

In the US, Schulz and Carrin (1970) had investigated “the role of savings and pension systems in maintaining living standards in retirement” by using households’ personal savings rates as a basis to check whether average American workers were able to accumulate enough savings for retirement. Schulz and Carrin focused on such issues as criteria for resource adequacy, inflationary impact, stage of the country’s economic development, social security as a source to provide supplementary income, and private pension as a means to provide additional income. Their findings had indicated that, to effectively provide the needed supplementary income to meet households’ shortfalls, the general social security levels should be appropriately increased or a supplementary social security should be created in areas, where private pensions were inadequate to meet the minimum standard in living. Through examination of the earnings records and longitudinal retirement history study of the US social security administration with a view to studying the retirement income status of men and women, O’Rand and Landeman (1984) had revealed that the pre-retirement roles of women within the context of the family environment had greater effect on their economic status than on men’s roles, and that this disparity had thus affected their post-retirement living standards, based on their lifelong retirement resources. Their findings had further indicated that the most important influence on men’s and women’s retirement income and their advantageous positions (such as higher status jobs and higher income levels and, for women, occupational locations as well) was significantly affected by their family roles such as child-rearing, work schedule and family responsibility. Watson (1990) had also studied the issues of age and gender-based discriminations, which were rooted in both the private and public retirement schemes, and he had discovered that gender-based discrimination was predominant by the disproportionate representation of poor women among the elderly, in addition to other overlaps between gender and age. His findings had also revealed age- and gender-based discriminations in women's participation in the workforce and entitlements especially in the private sector benefits, namely: benefit determination, integration and insurance coverage.

Through observable indicators such as income, savings and the perceived measure of financial domain in another US study, Porter (1990) had tested a model of financial well-being in the area of retirement adequacy. His financial domain of study included cash management, credit management, capital accumulation, risk management, retirement and estate planning, and general management. The perceived attributes were "the value-related qualitative indicators of financial situation" (Porter, 1990). The subjective perception in cash management was measured with the question: 'I am satisfied with the amount of money that I can save each year'. Utilising a random sampling of respondents, Porter had identified perceived attributes as the single most significant predictor of financial well-being. In a study on financial planning for retirement, Schulz (1992) had advocated that an acceptable goal of retirement planning was to provide enough retirement income to prevent a household's postretirement living standard from dropping much below the pre-retirement level. On the issue of retirement adequacy, Kathryn and Ross Petras (1991) had also concluded that most American retirees generally were likely to spend between 60 percent and 80 percent of their pre-retirement consumption level in order to maintain their perceived living standards. Kathryn and Ross Petras, however, suggested the use of the higher end of the consumption level to measure the post-retirement consumption as this would provide a cushion for a lower return on investments (ROI), an unexpected higher inflation or higher medical and healthcare costs. On the retirement consumption issue, Blake (1992) had *inter-alia* examined the cultural variations, on the assumption that the government's social policies (coupled with the social services rendered by charitable organisations or nongovernmental organisations) would not only meet the needs of the general population especially the elderly but also be tailor-made to suit the requirements of the different ethnic groups. In the area of the US social programs, Felt-Lisk *et al.*, (1999) had studied the medic-aid-managed programs implemented in rural areas of ten different states non-randomly selected for a diversity of programs, geography, and enrolment levels. Their findings had indicated that primary care management programs appeared feasible in remote and more populated rural areas, with the variety of the care programs offering benefits to the enrolled rural medic-aid populations (although, for effectiveness, implementation would require considerable efforts and flexibility), and that the financial implications and administrative burden on the program providers could however raise serious concerns.

Finally, on the question of developing part-time or flexible work to meet both the wishes of workers and the needs of employers as a way of postponing retirement age, Redy-Mulvey (2004) had concluded (a) that most women in the EU countries had combined employment with family responsibilities by working on part- or flexible time basis, (b) that, for example, 73 percent of the Dutch women were part-time workers against 22 percent working Dutch men, and (c) that employers had developed part-time opportunities, where 57 percent of women had become part-timers, and 43 percent of men aged between 50 and 64 had also become part-time workers against 25 percent in Switzerland, 28 percent in the U.K. and 19 percent as the average in the EU countries(15). The findings had indicated that part-time employment was a crucial factor to increase Dutch workers' retirement age by 2 years.

2.3.2 Malaysia and Singapore

By virtue of the proximity between Malaysia and Singapore, the two countries are

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[15] Data were extracted from the European Social Statistics – Labour Force Survey Results 2002.

grouped under the same subhead. For Malaysia, there are only a few research papers pertaining to the defined benefit (DB) and defined contribution (DC) retirement security schemes. Hence, the topics cover such issues as the negative effect of the EPF pre-retirement withdrawals (Caraher, 2000; Ong 2005; Williamson and Pampel, 1998), the weakness of the EPF board's structure to administer the scheme (Thillainathan, 2004), the suitability/or adequacy of the EPF as Malaysia's retirement savings scheme for the private sector (Lindbeck, 2002; Townsend, 1994; Udry, 1994), the necessity to increase the pension age in tandem with the higher life expectancy in Malaysia (Lindbeck, 2002) and, finally, the adequacy of the EPF retirement savings scheme at replacement rates (Kumar, 1997), Review of similar research papers for Singapore has also touched upon such questions as workers' attitudes towards retirement and post-retirement work in order to maintain a meaningful life (Lim, 2003), and the adequacy or otherwise of the Central Provident Fund (CPF) as a retirement savings scheme for Singaporeans (Mehta, 1999; Shantakumar, 1999).

Lump sum withdrawals by EPF contributors upon retirement and pre-retirement withdrawals under designated accounts for purposes of purchasing houses and share investments had not been favourably looked upon by researchers as they would over time weaken EPF's position as contributors' reliable retirement income source (Caraher 2000). Caraher had also examined the issue of the disability and the invalidity pensions (16) as well as their conditions of payment. To remedy the weaknesses, he had proposed (a) implementing a social insurance-based pension scheme in order to provide a supplementary income, and (b) increasing worker's minimum wage and retirement age appropriately.

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[16] Both the current disability pension and the invalidity pension were introduced in l969 by the Malaysian government, under the Employees' Social Security Act, 1969, for the protection of employees.

Thillainathan (2004)[17] had critically reviewed the constitution of the EPF Board and highlighted its weaknesses in the appointment of both board and investment panel members by the Finance Minister, who was also the fund's regulator and supervisor, thereby defeating the very purpose of good governance. In his enquiry, Thillainathan had also criticised the management practices on dividend policy and performance measurements, which had significantly departed from the normal commercial 'best practices', which had in turn raised serious doubts on the governance issues. As a remedy to the 'practice' weaknesses, he had advocated (a) an increase in both the EPF contribution rates and contributor's retirement age so as to increase their savings, (b) a restriction on contributors' pre-retirement withdrawals, and (c) a separate management for the designated 'pre-retirement withdrawals' accounts so that effective management control could be monitored. Finally, he also recommended the development of a market to boost the mobility and earnings of the pension fund. Ong (2005) and Williamson and Pampel (1998) had also pointed out the weaknesses in EPF's current practice especially in its pre-retirement withdrawals schemes, given the people's low mortality rate, low fertility rate and long life expectancy, bearing in mind the fact that 90 percent of the current 5.7 million active members have less than RM100,000 in their accounts at age 54, and that over 70 percent of the members have exhausted their total contributions within three years of withdrawing the lump-sum at the retirement age as revealed in a recent survey (The Star, 31/08/09).

Notwithstanding the inherent weaknesses of the EPF as a retirement savings scheme, Lindbeck (2002) had however advised developing nations against destroying their own existing retirement systems such as the social insurance and employees' provident fund

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[17] Dr Thillainathan, who once served as President of the Malaysian Economic Association, has been a frequent seminar speaker on current economic issues.

(EPF) in Malaysia (Townsend 1994; Udry 1994) in favour of other retirement saving systems, and that, as financial problems for pension systems were related to a higher longevity of life among individuals, the logical remedy should be to increase the pension age and to remove subsidies for early retirement. To avoid heavy unemployment among the elderly people, he also saw the need for greater flexibility in relative wages (for workers of different ages) and for an increase in the possibility for retirees to individually choose the length of their workweek (Lindbeck 2002). As a contradiction to the views expressed above, Kumar (1997) had also investigated the adequacy of the EPP retirement savings scheme, and found that the monthly annuity payments for the manual, clerical and executive categories were adequate at their replacement rates of 58 percent, 53 percent and 40 percent, respectively.

In a related Singapore study, Lim (2003)[(18)] had also investigated the issue of older workers' attitudes towards retirement and their willingness to continue working after retirement. Her findings had revealed that work had occupied an important part of the workers' lives, and that they generally held rather ambivalent attitudes towards their retirement prospect, contrary to previous findings in Western countries where individuals had generally experienced considerable anxiety pending retirement (Fletcher and Hanson 1991; Skarborn and Nicki 2000). Singaporean respondents were generally not anxious about retirement but only certain aspects thereof, whilst the majority would rather remain employed in some ways after retirement (Lim, 2003).

Apart from a much-needed income source and an excuse for structuring their time to keep themselves occupied, "work enables [them] to feel useful which thus contributes to their

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(18) Dr Vivien KG Lim was once a professor attached to the Department of Management and Business, NUS Business School, University of Singapore.

self-esteem" (Lim, 2003) and, at the same time, unemployment could affect their self-esteem, thereby making them feel life as meaningless and purposeless (Feather and Bond, 1983; Wanberg *et al.*, 1997). According to Lim (2003), 57 percent of the respondents saw their CPF savings as sufficient for retirement, but Mehta (1999) and Shantakumar (1999) had previously found that, despite high contribution rates, the CPF savings were generally inadequate for most individuals for old age retirement, while the Singapore government claimed that the CPF contributions were sufficient to generate an annuity of between 20 percent and 49 percent of the last 'take-home' income excluding housing and medical needs (Low and Aw, 1997). The next subsection deals with the various issues of financial education and literacy.

2.4 Financial Education and Literacy

This section includes a brief review of a large body of literature pertaining to financial education and literacy and how they are related to retirement financial planning. Some of the articles discuss issues of the financial literacy and financial planning (Lusardi and Mitchell, 2005, 2006, 2007, 2008), adequate knowledge of personal financial facts and vocabulary (Garman and Forgue, 1997), inadequate level of financial understanding (Cutler and Delvin, 1996), the importance of continuing education (Becker, 1975), being knowledgeable about financial assets, investment and financial planning (Feuerbach and Erdwins, 1994; Sorensen and Pinquart, 2000), and continuing education to achieve academic qualifications, personal development or occupational status enhancement (Stalker, 1993). Other research articles delve into such areas as need for continuing education specialists, well-educated people's ignorance about finances (Kozlowski, 1995), relationships between education level and financial knowledge (Bernheim, 1997), financial education programs to enhance literacy level

(Page, 1995), employer-provided retirement education programs to improve financial planning strategies (Bernheim and Garrett, 1996; Joo, 1998), need for personal finance education (Garman and Leech, 1997), comprehensive financial education programs (Mannix, 1998), and relationships between financial knowledge and retirement planning (Ekerdt and Hackney, 2002). Among others, there are also articles covering such topics as issues of financial behavior and effects of financial education (Clark and Schieber, 1998; Fletcher *et al.*, 1997; Garman *et al.*, 1999; Lusardi, 2003),effects of self-study materials on financial behavior (Bayer *et al.,* 1996; Bernheim and Garrett, 2003; Clark and Schieber, 1998), good financial practices to reduce financial problems, absenteeism and turnover (Garman *et al*., 1996; Bolhuis and Voeten, 2001), Classroom instructions impractical to improve financial knowledge (Barlett and Kotrlik, 1999), self-directed financial learning method a way to make good financial choices (Bernheim, 1994), a learning guide comprising learner, teacher and teaching sources (Knowles, 1975), examination of factors relating to retirement preparation (DeVaney, 2005), education level and income sources as deciding factors for giving inheritance (McGarry and Schoeni, 1997), using four models to review job satisfaction, organizational commitment, and career satisfaction (Lease, 1998), and finally career and personal financial satisfaction contributing to less-distressed family life (Parasuraman and Greenhaus, 2002). Details of the review of the aforementioned articles and more are to follow hereinafter.

In the field of financial planning for retirement, acording to Lusardi and Mitchell (2006, 2007, 2008), the least literate are also the least likely to plan and save for retirement. As Financial planning being a very strong predictor of wealth, hence, people who failed to undertake any retirement planning calculations would reach retirement age in much worse shape financially than those who did (Lusardi and Mitchell, 2006, 2007a). Specifically, people who cannot do a simple interest calculation or compound interest are also much less likely to calculate how much they need to save for retirement (Lusardi and Mitchell, 2006, 2008). Likewise, people who are more literate are more efficient at devising retirement planning (Lusardi and Mitchell, 2007a). According to Garman and Forgue (1997), one of the reasons giving rise to financial problems was individuals' financial literacy in regard to adequate knowledge of personal finance facts and vocabulary for successful financial management. In this regard, a US national survey of self-assessment financial literacy in the area of retirement has shown inadequate level of understanding (Cutler and Delvin, 1996).

Continuing education was once viewed as a way of getting ahead (Becker, 1975). Today, it has become a necessity to keep current with the swift pace of change as people with higher education are expected to be more knowledgeable about financial assets, investment and financial planning for their future (Feuerbach and Erdwins, 1994; Sorensen and Pinquart, 2000). People's desire for continuing education was attributed to achieve academic qualifications, personal development or enhancement of occupational status (Stalker, 1993). According to Kozlowski (1995), there was a need for continuing education specialists who could not only expand their view as to who could benefit from their efforts but also be able to help trainees develop their own content knowledge and solutions on demand. Notwithstanding the argument by Tan & Folk (2011) that many well-educated individuals may have little knowledge about finances, an individual's education level is expected to be positively related to financial knowledge (Bernheim, 1997).

In the area of financial education, employees with higher expectations working in a high growth country were beginning to rely on (a) the various types of financial benefits as part of their employment remuneration, and (b) financial education programs to increase their literacy level as revealed in a study by Page, (1995). Other studies had also indicated that more workers had made use of the employer-provided retirement education programs to improve their financial planning strategies, whenever available (Bernheim and Garrett 1996; Joo, 1998). In a comparative study on personal finance education, Garman and Leech (1997) had even suggested that workers should familiarised themselves with the following areas of study: (a) ‘how to make effective decisions about the financial opportunities offered through employer-provided fringe benefits’, (b) how to avoid personal financial problems’, and (c) ‘how to obtain remedial assistance’ (p.179). Additionally, Mannix (1998) had also noted that many companies had expanded their retirement education to include comprehensive financial education programs.

In an early study, financial knowledge was already found positively related to retirement `planning (Ekerdt and Hackney, 2002). However, Selman *et al.*, (1998) had lamented that although there were education providers, they were still unable to address certain learning needs in adult education. To provide effective adult education, the providers must be able to demonstrate expertise, empathy, enthusiasm and clarity in their dispensation of education (Wladkowski, 1985) including such characteristics as personal involvement, self-initiation, pervasiveness, learner evaluation, and essence in meaning (Rodgers, 1982). In particular, there is a growing need for lifelong learning attributed to three factors, namely: demographic factor, social change, and technological change and the explosion (Cross, 1981).

Mitchell and Moore (1998) had further disclosed that many individuals failed to plan for retirement, due to lack of sufficient domain-specific knowledge. In this regard, Gourgues and Homrich (1988) thought of personal financial planning as comprising a series of synergistic activities such as risk management, investment, banking, tax accounting and law. Note that effective personal financial planning comprises five important steps: (a) assessment of one’s financial situation, (b) setting of goals to direct financial planning, (c) creation of plan/(s) to accomplish the goals, (iv) execution the plan/(s), and (v) monitoring and reassessment of the plan/(s) (Kwok *et al.*, 1994). Gourgues and Homrich had further advocated that careful combination and coordination of lifetime and estate planning could synergistically produce financial efficiency far greater than that accomplished in a vacuum. As financial advisor, Holzer (2000) has revealed that people over 50 years were more concerned than others about keeping their savings for a long comfortable lifestyle. Surprisingly, other studies have, however, indicated that the saving levels of people between age 50's and 60's were rather not congruent with their expected retirement age (Bernheim, 1992; Lusardi, 2000). On the same subject, Hershey *et al.*, (2001) had found retirees lacking financial knowledge about savings and investments in their young days (see also Elder and Rudoph, 1999; Rosenkoetter and Garris, 2001). Grable and Lytton (1997) had also found a positive relationship between investment knowledge and saving behaviours, while discovering that (a) a good knowledge of financial planning had a profound effect on retirement saving decisions, (b) personal economic decisions should not occur in a vacuum, and (c) social forces also had a profound impact on peoples' predisposition to plan and save (Hershey *et al.*, 2003).

In a lifecycle model on personal financial planning, Gustman and Steinmeier (2002) had revealed that forward-looking and well-informed individuals would generally make their retirement savings plan, having regard to their current earnings, future returns on financial commitment and the financial implications on their pre- and post-retirement living standard. Gustman and Steinmeier had however lamented that many individuals approaching retirement were still poorly informed about their pensions, pension entitlements in early retirement or pension rights upon retirement. They had therefore concluded that individuals who had participated in their retirement planning were better informed than the non-participants, and that those too optimistic in relying upon their pension and social security benefits did not seem to significantly alter their retirement behaviour when approaching retirement. On the same issue, research studies have also indicated that individuals who have prepared their retirement planning may have realistic expectations about their financial situation in retirement (Taylor-Carter and Cook, 1995) and may further adjust themselves better to the retirement transition as the sense of control and preparedness would lead them to greater satisfaction in retirement (Anderson and Weber, 1993; Marcellini *et al.*, 1997; Rosenkoetter and Garris, 2001). By the same token, other studies had also revealed that future orientations were positively related to both subjective financial knowledge and perceived financial preparedness, and with internal locus of control (Nurmi, 1987; Platt and Eisenman, 1968; Strathman *et al*., 1994).

In view of people's shallow knowledge on personal financial planning for retirement, David Hunt (2005) saw a market niche for financial planning education. He also regarded the retirement-related risks i.e. healthcare costs and inflation pressures as an opportunity for financial institutions in marketing risk-mitigating products and services to the 'needy'. Whilst doubting this as an absolute solution to retirement problems, Hunt argued that financial institutions should nevertheless take full advantage of this opportunity by offering tailor-made financial products (such as longevity insurance(19) and asset preservation(20) to clients for risk protection and financial packages to workers in specific sector employer-

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(19) **A longevity insurance policy is one, under which the insurer undertakes to provide the insured with a certain income flow for live effective from a given date, in exchange for a lump-sum insurance premium payment.**

(20) **Asset preservation is a form of financial undertaking entered into between a financial institution and a client, whereby the former assumes certain business risks in respect of the latter's investments, in exchange for a share of the benefits derived therefrom, while guaranteeing a certain minimum income per month for the latter.**

provided defined benefit retirement schemes. In their study of the self-directed financial learning, Hiemstra (1994) and Loibl and Hira (2005) were satisfied with its effectiveness and the role played by good financial management practices in the relationship between financial learning with financial satisfaction and employees' satisfaction with career progression. Self-directed learning as part of lifelong learning (Mocker and Spear, 1987) was popular among adults as an adult education's goal (Bolhuis 2003; Bolhuis and Voeten 2001), whilst financial knowledge and money management skills were indispensable to making good financial decisions (DeVaney, 1995; DeVaney *et al.*, 1995, 1996; Hira *et al.*, 1993; Titus *et al.*, 1989a) especially long-term financial decisions on retirement planning (Bernheim and Garrett, 2003; Salisbury and Jones, 1994). In their examination of differences and similarities between participants and non-participants in the financial workshops, Garman *et al.,* (1999) had obtained strong evidence indicating that workplace financial education was effective in achieving better financial wellness for workers. Furthermore, when workers do not attend company-provided retirement planning seminars, they could be still influenced by peer group effects (Duflo and Soez, 2004). By using a household survey to investigate the effects of employer-based financial education on broad measures of personal financial savings, Bernheim and Garrett (2003) had also found that employer-based financial education had stimulated savings especially for retirement. In a somewhat related study on financial education, Joo and Garman (1998) investigated the problem of personal financial wellness affecting worker job productivity, and found the close relationships between personal financial wellness and productivity, suggesting that the potential effects of workplace financial education were positive for workers and employers. Since workers' financial behaviors were related to absenteeism and time spent on dealing with personal financial matters, positive behavioral change stimulated by workplace financial education might possibly lead to lower absenteeism and less time spent on personal financial matters. A separate study by Garman (1998) has also found positive effects on employees in making informed decision, producing better performance, and reducing absenteeism and turnover. Note that, according to Joo (1998), financial wellness was a comprehensive multidimensional concept incorporating financial satisfaction, objective status of financial situation, financial attitudes and behaviors that cannot be assessed through one measure. He has further suggested that financial knowledge be regarded as a significant component of subjective perception, which could influence financial attitude and finally lead to better financial behavior, thus better financial wellness. Within this context, the two terms 'economic well-being' and 'financial well-being' have been interchangeably used with a slight difference. Whilst the term 'financial well-being' has been most commonly used with income level (Breen, 1991; Hayhoe, 1991; Porter and Garman, 1993; Williams, 1993), the term 'economic well-being' has, however, been theorised to mean a function of material and non-material aspects of one's financial situation (Williams, 1993).

Good financial practices were essential for achieving financial satisfaction and career satisfaction, and for minimizing employees' financial problems, absenteeism and turnover (Garman *et al.,* 1996; Garman *et al.,* 1999; Joo, 1998; Kim 2000; Kim *et al.,* 1998). However, Bolhuis and Voeten (2001) had observed that, by raising their new role in activating and process-oriented teaching, teachers did not devote much attention to the teaching of students as to how to learn. Bolhuis (2003) had further discussed (a) the important role of experiences in the social and cultural context, prior knowledge, and the emotional aspects of learning in relation to lifelong self-directed learning, and (b) the challenges facing teachers and schools in the development of a process-oriented approach. When classroom instructions were not practical for various reasons (Barlett and Kotrlik, 1999), the self-directed financial learning method was a readily available way to make good financial choices (Bernheim, 1994). In this regard, Knowles (1975) had designed a self-directed learning guide (comprising learner, teacher and learning resources), while visualising the teacher's role as the learning facilitator rather than the teacher and as a procedural guide rather than the content transmitter.

Finally, DeVaney (1995) had examined factors relating to retirement preparation of older and younger cohorts of the baby boomers, and found that the older cohorts had increased the likelihood of meeting the guideline (if the household head was in good health and had pension coverage), and that the expectation of an inheritance would also be associated with retirement preparation. Undoubtedly, inheritances could be important sources of retirement income, but according to McGarry and Schoeni (1997), individuals' education level and income sources are the deciding factors as to whether they would transfer their income-producing assets to their children by way of inheritance. On work attitudes and outcomes for the period from 1993 to 1997, Lease (1998) had used four models for an organizational structure and reviewed the constructs pertaining to individual and work environment characteristics or models i.e. job satisfaction, organizational commitment, turnover intentions and turnover behaviors. Note that personal financial satisfaction and career satisfaction were found closely related to a balanced, less-distressed family life (Parasuraman and Greenhaus, 2002).

The next subsection deals with important issues relating to the various aspects of the filial piety concept and how they could partially help resolve the retirement security of elderly parents through financial and emotional support, and/or cohabitation.

2.5 Filial Piety and Retirement Security

On the one hand, according to the view of Western moral philosophers, adult children do not have any moral obligations to support their elderly parents and such obligations should be left to the elderly peoples themselves or should be dealt with as a societal burden on the public (Daniels, 1988). Furthermore, “the relationship between children and their parents should be one of friendship characterised by mutuality rather than one of reciprocal favours, and after a friendship ends, the duties of friendship end” (Sommers and Sommers, 1993). On the other hand, the cultural tradition of filial piety has been understood as central to intergenerational relationships among Chinese families for two fundamental reasons, namely: (a) children may perceive filial norms as morally and socially acceptable as they have internalised these norms through socialisation or abide by them under social pressure (Blieszner and Hamon, 1992); and (b) the social exchange theory further has interpreted filial duty as an act of reciprocation because intergenerational relationships serve as channels for the exchanges of resources and power (Pyke, 1999). Hence, from the perspective of the three-generational cohabitation traditional household, any attempt to place one’s parents in a nursing home would, therefore, be perceived as disgraceful on the part of the adult children (Hu, 1995) (however, see arguments elsewhere in this Chapter).

For generations, filial piety has been practised not only by the Chinese as part of the Confucianism but also by the Japanese and Koreans (Kong, 1995; Lew, 1995; Takahashi, 1995) as this practice essentially directs children to recognise the care and aid they receive from their parents and to repay them with respect and care, in due course. Apart from Confucianism, Buddhism has also taught people to practise filial piety (Singhal, 1984). In Confucianism, filial piety or *Xiao* in Chinese is one of the virtues to be held above all else, a respect for the parents and ancestors, according to the Classic Xiao or *Xiao Jing* written 470 B.C. In somewhat general terms, filial piety means to be good to one's parents, to take care of them, and to engage in good conduct inside and outside the house so as to bring a good name to one's parents and outsiders (Barker, 1979). Familial, social and political stability, and harmony are the ultimate aims of Confucianism (King and Bond, 1985; Liu, 1986; Lu, 1983), due to the importance of the harmony concept, and, harmony being an important concept, the Chinese also emphasize being polite, honest, modest, and respectful to others (Ahmad, 2001).

In Malaysia, the ethnic Chinese and Indians also have a strong cultural tradition upholding a son's commitment to care for his elderly parents, the practice of filial piety, the respect for elders and a cultural norm of support between parents and sons, thereby creating a strong bond of social and economic commitment between different generations. This has in term translated into a higher proportion of the parent-child living arrangements within their families. Consequently, the extended family household patterns, being less popular among the Malays, are most popular among the ethnic Indians and the ethnic Chinese especially the latter who emphasize filial piety and strong respect for elders [(21)]. In a recent case study on work environment, the Malays were also found to share with their Chinese colleagues a number of cultural values, namely: ambitious, filial piety, honesty, knowledgeable and trustworthiness (Dahlia Zawawi, 2000).

Many previous studies were conducted on (a) the general aspects of filial piety (Jones, 1993; Lillard and Willis, 1997), (b) the filial responsibility forming part of the ideals of Confucianism (Kitagawa, 1969; Liu, 1986; Osako and Liu, 1986), (c) the importance of an authoritarian respectful parent-child relationship (Sue *et al.*, 1975), and (d) the traditional

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(21) see Article: "Malaysia – Marriage and the Formation Patterns" <http://family.jrank.org/pages/1090/malaysia.html

values of obedience and conformity by children (Connor, 1976). Some anthropological studies had also traced the Asian American family structure and kinship to the cultural traditions of filial piety (Connor, 1976; Nakano, 1990; Yanagisako, 1985).

Bearing in mind the above revelations and within the context of filial piety (Hsu, 1971; Osgood, 1951), this literature review has involved a large number of literary works covering such areas as (e) the emotional support between elderly parents and adult children (Perlman and Peplau, 1984); (f) adult parents' cohabitation or coresidence with adult children; (g) the financial support between them (Lawton *et al.*, 1994; White and Rogers, 1997); (h) the issues of intergenerational relationships (McChesney and Bengtson, 1988; Solberg, 1966); (i) the instrumental support given to elderly parents (van Groenou and van Tilburg, 2003); and (j) employment of fictive kin or subcontracting of filial responsibilities in special family circumstances. Notwithstanding the large of literature available in the field of filial piety, it is regretfully noted that the articles reviewed in this study had only dealt with issues or problems generally facing Chinese families from many regions around the world, and that, except for the few articles referred to earlier, the position of the Indian and Malay families has not been covered within the context of Malaysia. By way of further elucidation, the aforementioned issues are highlighted below under appropriate headings.

2.5.1 Modernisation Effect on Filial Piety

Essentially, filial obligation refers to the quantum of assistance (financial or otherwise) to which adult children would give to their elderly parents to meet their needs in priority of their own (Seelback, 1984). Within this context, intergenerational relationships (McChesney and Bengtson, 1988) in terms of respect to the elderly parents by adult children and grandchildren (Osako and Liu, 1986) are characterised by the younger family members showing a strong sense of filial obligation to their elderly parents (Najman, 1993). Unfortunately, there were already signs on the wall, indicating that the filial piety concept was gradually cracking up as the process of globalisation, modernisation, industrialisation, urbanisation and Westernisation (Chekki, 1988; Hong and Keith, 1992; Lee, 1989; Roh and Ireland, 1972; Wong, 1972) began to erode family support and filial piety closely associated with the values of Asian cultures (Martin, 1989; Schulz, 1993). The intergenerational transfer has played an important role in looking after the elderly people in retirement as older people are more willing to accept support, while feeling less burdensome to families who are more willing to provide them with support as a complementarity and reciprocity (Chappell and Blandford, 1991). On the issue of complementarity and reciprocity, Gouldner (1960) had managed to distinguish (a) the reciprocity as a pattern of mutually contingent exchange of gratifications; (b) the existential or folk belief in reciprocity, and (c) the generalized moral norm of reciprocity. For example, daughters and sons gave about the same support to their parents (Kaufman and Ublenberg, 1998), but the former would generally give instrumental support e.g. domestic chores (Dwyer and Coward, 1991; Stoller and Earl, 1983). Another study had also revealed that sons gave parents advice and helped them with financial matters, while daughters helped parents perform domestic chores (Blieszner and Hamon, 1992).

Although families in Malaysia were known as the central welfare providers for elderly people not only in terms of financial assistance but also in social care or services (Da Vanzo and Chan, 1994; Lillard and Willis, 1997; Schulz, 1997), the rapid pace of industrialisation and urbanisation was expected to have a detrimental effect on the ability of many families to offer continuing support to those more vulnerable family members. Prior research has indicated that while geographical proximity in parent-child residential location was strongly associated with frequency of contact and exchange of support (Lawton *et al.,* 1994), coresidence or cohabitation with adult children was also found to be closely associated with higher level of interaction and exchange support than living nearby (White and Rogers, 1997). On the other side of the coin, the revelation that child contact and support always have a positive effect on parental well-being might also suggest a certain amount of tension or ambivalence between the two poles of dependence and autonomy within the realm of the intergenerational relationships (Luscher and Pillemer, 1998; Pillemer and Suitor, 2002) in that an apparently conflicting norm of obligation could exist regarding the willingness and wish of both the adult children and the elderly parents for assistance and care for each other over the life course (Lye, 1996).

On the negative effect of globalisation, industrialisation and so forth, Caraher (2000) had further argued that the geographical dispersion and the growing trends for small household units might also have an adverse effect on the current status quo, and hastened the need for a formal social protection to fill the traditional role closely associated with the family (Schulz, 1997)). Structural circumstances of adult children (e.g. taking on employment, having young children, parents' preference for small families) would also influence the quantum of instrumental support given to parents. The higher the filial responsibility of the parent and children, the more support the parent would receive, as reciprocity would be an important determinant of the support that the parent would receive (Ikkink *et al.,* 1999). Filial expectations are a reflection of general social norms or beliefs about how people should behave in a certain situation (Nydegger, 1991), while filial obligations in family relationships entail the knowledge of how the general rules are interpreted in specific settings (Rossi and Rossi, 1990). This could also be looked at as an attitude about children's responsibility towards the maintenance of their parents' well-being, with emphasis on the importance of duty, protection and care (Blieszner and Hamon, 1992). In this context, the term 'attitude' refers to the extent to which adult children are expected to provide the support and care to their elderly parents (Seelbach and Sauer, 1977).

By application of the cultural concept of filial obligation to explain an adult child's commitment to his elderly parents, Ishii-Kuntz' (1997) findings had also revealed that the discharge of filial obligation was dependent on several financial and structural factors such as socioeconomic status, higher income, social network, parent's need for assistance and living proximity. Other research has also shown that parents with only stepchildren were less likely to receive care from children than parents with only biological children (Pezzin and Steinberg, 1999), and that remarried parents have less contact with both biological and stepchildren than first-marriage parents with no stepchildren (White, 1992). Surprisingly, remarried mothers have more frequent contact with children than remarried fathers (Amato *et al.*, 1995). For the purpose of the aforementioned research papers, stepfamilies have been viewed as 'incomplete institutions' (Cherlin, 1978) or 'deviant or deficit family forms' (Coleman and Ganong, 1990) or 'reconstituted unclear families' (Levin 1997).

Furthermore, aging parents' filial responsibility expectations were positively related to the amount of assistance they had given to children when parental resource variables were controlled, but unrelated to the assistance received from children (Lee *et al.*, 1994). Lee and company had defined the term "filial responsibility expectations" as the extent to which adult children felt obligated to support their aging parents, whilst functional solidarity was measured by the assistance given by aging parents to adult children, and *vice versa*. The functional solidarity, where both parents and children had built up a certain amount of expectations about filial responsibilities (Hanson and Sauer, 1985; Stein, 1993), was one of the three dimensions of intergenerational solidarity, the other two being the normative and structural dimensions (Bengtson and Roberts, 1991). Notwithstanding this, parents' expectations for assistance from children might not always be realised. Note that the solidarity concept has been used to evoke the practice of reciprocity and mutual assistance at both the family and the kinship level (Martin, 2004), that the family has been traditionally considered an important cornerstone of society built around solidarity (Komter and Vollebergh, 2002), and that the family solidarity would be structurally related to both circles of the family, namely: the unclear and the extended family (Knijn, 2004).

2.5.2 Kinship Effect on Filial Piety

Many research articles and doctoral papers have been written covering, inter-alia, the kinship effects on filial piety. Some of the more relevant ones as outlined here are selected for this study. Previous research has revealed that older parents frequently had contact with their children and received social support from them (Mancini and Bliesner, 1989), and that the parent-child relationship was framed by the filial obligation mandating that parents and children assist and care for each other over the life course (Lye, 1996). Prior research has also indicated that parents' age and children's age were closely related to the contact and support exchange (Morgan *et al.*, 1991), and that the older they grew the more support they received and conversely the less support they gave to the others, irrespective of changes in health (van Groenou & van Tilburg, 2003). There is also other evidence indicating that older parents with higher education have less contact with their children, and would receive less instrumental support from children but still give comparatively more support to their children than older parents with lower education (Van Groenon and Van Tilburg, 2003). Notwithstanding the indication of the continuation of family bond (Troll, 1971) and the frequency of contact and mutual support between parents and children as revealed in prior research (Mancini and Bliesner, 1989), the notion of a 'breakdown' of family support has persisted in both popular and professional perceptions (Aboderin, 2004). Furthermore, Finch and Mason (1990) had also found that, if the filial expectations were negotiated between parents and children, the parents could often justify why their children were unable to adhere to the expectations.

As regards the salient aspects of the kin and other categories of relationships, Shulman (1985) in investigating people's lifecycle at different stages had found the close relationships (conceptualized as personal networks) to vary with age and life stage, in composition, stability, and degree of involvement. Given the limited amounts of time, needs and emotional energy, the principle that close relationships must be cumulative had led to the expectation that those with spouses would have fewer unmet needs and less available time for involvement with others. His findings had also revealed that people at each stage of their lifecycle had tended to establish and sustain networks of relationships geared to the needs and concerns of the particular stage of their lives. Still on the subject of intergenerational relationships, Rossi and Rossi (1990) had focused their enquiry on affectionate closeness, using ratings of closeness to parents, children, parents-in-law, and children-in-law, and between grandparents (G1) and grandchildren (G3). The biographic roots of current intimacy or strain in the parent-child relationship were traced to early family life. They had tested whether family characteristics and experiences during the formative years would show persistent effects on current relations. Finally, they had also looked into the effect of parents' attitudes on adult children's attitudes towards contemporary issues and the *reciprocal effect* of children's attitudes on parental attitudes. Among the determinants was *interaction frequency* (controlling for geographic distance between parents and adult children), as of *help exchange* patterns (controlling for distance and interaction frequency), which together had set the *opportunity pattern* within which help exchange was analyzed.

2.5.3 Elderly Parents: Filial Support

Under this subhead, the term ‘filial support’ includes emotional support, financial support, and co-residence insofar as they relate to elderly parents’ well-being. In this connection, various studies had been conducted on a number of filial expectations items such as older parents’ expectation to live together with or near their adult children or for the latter to take of them financially (Bliesner and Mancini, 1987; Lee *et al.*, 1994; Seelbach and Sauer, 1977). The intergenerational relationships among kin have been traditionally accepted as one of the key determinants of social cohesion (McChesney and Bengtson, 1988). Because of modernisation, older people had however gradually felt alienated from their kin, apart from the impact of the changing family structure (Mancini and Bliesner, 1989). These various pertinent issues had also been explored by other researchers as their research works.

Dwyer and Coward (1991) had explored the situation, where there might be any gender differences in persistent parental care after controlling for additional caregiver and care-receiver characteristics known to affect the provision of care. While the study was not substantially different from any previous research, the methodological approach had however provided a better empirical base for estimating the effect of gender. In the course of enquiry, the issue of assistance with activities of daily living (ADL) was examined separately from assistance with instrumental activities of daily living (IADL), given the fact that full-time employed adult children were less likely to provide ADL help to needy parents but full-time employment was not, however, found directly related to the IADL help (Dwyer and Coward, 1991; Lee *et al.*, 1994). The problem of filial piety erosion in a foreign soil was very serious as revealed in a study on Korean-Americans, where aged Korean parents who had followed their children to the foreign land were found more dependent upon their children than those living in their home country, because of their own economic, linguistic and social limitation (Kim *et al.*, 1991; Kim, 1986). Notwithstanding this revelation, it might also be interesting to note that, although the practice of the three-generational cohabitation among the traditional Chinese families might have declined on foreign soil, the family has remained the nexus of care networks and economic ties among them, and that the Chinese immigrant adult children in the US, for example, had managed to maintain the cultural ideal of filial piety, through the employment of home care workers or 'fictive kin', apart from the subcontracting of filial piety (Lan, 2001). Within this context, the term 'Fictive kin' refers to those workers providing care and services as family members would i.e. they are given the tasks of kin with attendant affection, rights and obligations (Lan, 2001; Karner 1998).

With regard to financial support to, and co-residence with aged parents in the context of filial piety, research has indicated that the traditional male Chinese fulfilled their filial obligations by either living in their parents' households after marriage or by inviting their aged parents to live with them after having established their own households (Yu, 1983). On the issue of extended family, research has indicated that, with a country's fast economic development and modernization, the traditional extended family systems might generally have lost the past glories in agrarian societies (Goodes, 1982), but such family systems in Japan are still a tradition with the strong support of intergenerational ties (Morgan and Miroshima, 1983). On the one hand, research had also indicated that the modernization process had led to structural, cultural, social and psychological changes (Hendricks, 1982), which in turn had led to disintegration of the extended family forms and the rise of the alternative forms (Glick, 1989). On the other hand, the family's economic situation and the government might also have mediated the modernization process (Cherry and Magnuson-Martinson, 1981; Olson, 1990; Peil, 1983). For example, China's political and economic policies and programs have directly benefited the elderly thereby mediating the modernization effect (Olson, 1990). Walker *et al.,* (1995) in their study had concluded that (a) family care-giving should be distinguished from other aid exchanges, (b) care-giving perceptions might vary by gender and relationship, (c) researchers and practitioners should attend to the positive care-giving outcomes, and (d) some interventions might be beneficial, where family and professional caregivers were conceptualized as partners (Lan, 2001; Karner, 1998). Obviously, the formal system has unique and vital resources especially in expertise and power and the same could be said of the informal system, because of proximity, affection, long-term commitment, and intense knowledge of the elderly. Both systems were however needed, if family care-giving were to be sustained with positive outcomes.

By using independent samples of young married couples, singles and college-age adults, Stein (1993) had identified (as expectations for appropriate behaviour among them) five dimensions of felt obligation, namely: (a) family contact and participation in family ritual (see Mancini and Blieszner, 1989), (b) assistance, (c) conflict avoidance, (d) self-sufficiency, and (e) personal sharing in specific relationships with kin. Stein's study had also revealed that women had generally reported higher levels of obligation than men (see also Spitze and Logan, 1990), and that, among married couples, felt obligation towards parents was related to higher levels of psychological symptomatology, depression and neuroticism for men (Kaufman and Uhlenberg, 1998). The issue of filial responsibility expectations may be defined as a social attitude towards adult children's duty to meet older parents' needs especially from the parents' perspective (Bliesner and Mancini, 1987). The concept of filial responsibility expectations has been treated as a uni-dimensional construct including different types of filial expectations (van der Pas *et al.,* 2005) such as emotional and instrumental support to elderly parents (Mancini and Bliesner, 1989).

In the area of intergenerational relationships, Lee *et al.,* (1995) had examined the extent to which older parents from different ethnic backgrounds had believed that they were entitled to children's support. In this respect, bivariate analyses had shown that the Blacks had higher filial responsibility expectations than the Whites, probably due to the limited resources among the Blacks, thereby constraining the extent of their behaviors to conform to cultural norms. On the same issue, Lye (1996) had found that adult children and their parents had frequent contact and emotionally satisfying relationships, but exchanges of practical and financial assistance were uncommon. Recent research has also indicated that retired parents in some cases have to offer unpaid child-care service and household chores in exchange for co-residence with their adult children as well as financial and emotional support (Hu, 1995). From the psychological perspective, intergenerational support from adult children to elderly parents has been found to increase their depression when their expectations were higher than being given (Lee *et al.,* 1995). According to Silverstein *et al*., (1996), excessive intergenerational support (i.e. low expectation, high support) had a more negative effect on depression than under support (i.e. high expectation, low support). The maintenance of intergenerational relationships between adult children and parents was dependent upon women's work as kin keepers (Karner, 1998; Lan, 2001). Lye (1996) had found that parents' divorce had greatly weakened adult children's relationships with parents (see also Aquilino, 1994; Eggebeen, 1992). Consequently, divorce was also found to result in less contact as well as less instrumental and emotional support between divorced parent and the child (Popenoe, 1993; White, 1992). Similarly, prior research has also shown that children who were divorced or single had poorer relationships with their parents than married children (Kaufman and Uhlenberg, 1998).

2.5.4 Filial Relationships and Pitfalls

In analyzing the National Survey of Families and Households data, Marks (1996) had observed that one in seven U.S. adults (and one in five women aged 35-64) had reported caring for relatives or friends. This analysis of filial responsibility to relatives and friends had also revealed that gender, age, marital status, education, ethnicity, and employment status were important variables for care-giving. In a separate study, filial responsibilities to parents' needs were shared, and once parents were perceived to have sufficient needs, sibling groups mobilized to meet them (Mathews and Rosner, 1988). The study had identified three factors, namely: family structure, family history, and extra familial ties which had affected the method of discharging responsibilities. Over to the European Union countries, Walker (1995) had also noted that, under the European Ageing Policies, the older population had to face five main challenges, namely: (a) ensuring economic security in old age; (b) maintaining intergenerational solidarity; (c) combating social exclusion caused by age discrimination; (d) providing long-term care in the context of changes in the family and residence patterns; and (e) enabling older people to participate as full citizen. In a study on whether older people upon reaching retirement age should generally work or retire, Ward (1979) had suggested as preventive measures that a new age strata should be created within the retirement systems whereby the aged people could be given work with new roles different from their previous positions. In his investigation into the issue of the late-life crisis for retirees in Japan, Germany and the United States, Lynch (1993) had also conducted a comparative study of the social insurance models (including pension schemes and retirement benefits) by examining the prevailing complete post-retirement benefit packages. His findings revealed different social attitudes towards the retirees in each of those countries.

In order to assess people's retirement security adequacy, Esam and Berthoud (1999) had delved into independent benefits for men and women. In their study, they examined the implications of existing "disaggregation" policy in the UK i.e. treating men and women as completely independent of each other for tax and social security benefit purposes. Apart from looking into benefit entitlements being given out on the basis of a means-test of joint family income, they had attempted to monitor the disaggregation impact on incomes and opportunities of the targeted individuals. Furthermore, they had also examined some partially independent models on choices between unemployment benefits and family's financial support, and had concluded that completely independent benefits (with means-tested entitlements) would be impractical as such schemes required government's financial support through levying additional taxes.

2.5.5 Intergenerational Relationship

Generally speaking, females are more involved in maintaining intergenerational relationships (Spitze and Logan, 1990). Also same-sex dyads differ from cross-sex dyads, in that children often identify more strongly with parents of the same sex especially in the case of the mother-daughter relationship (Aquilino, 1994; Lee *et al.*, 1994). Towards this end, a number of studies had previously been carried out on the various aspects of intergenerational relationships (see Mancini and Bliesner, 1989; Martin, 2004; Komtter and Vollebergh, 2002). The intergenerational relationships among kin had been traditionally regarded as one of the key determinants of social cohesion (McChesney and Bengtson, 1988) while older people were more alienated from their kin and were concerned about the impact of the changing family structure (Mancini and Bliesner, 1989). Earlier research had also confirmed that both parents and adult children had devoted less time and energy to intergenerational relationships during the 'empty-nest' phase when children went through the transition from youth to adulthood and became more independent (Aquilino, 1997). There are also other prior studies indicating that parents and adult children could have different perspectives on the same relationships (Aquilino, 1997; Antonucei and Israel, 1985; Klein *et al.*, 1999). As each generation had a different investment in the generational bond i.e while parents would attempt to maintain the intergenerational continuity, their children might try to maximize a sense of separate identity (Acock and Bengtson, 1980). By the same token, the perceptions of parents were also different from their adult children with regard to their preferred support exchange (Suitor *et al.*, 2006). Due to the impact of environmental changes, the attitudes and behaviors of the younger generation had however become more guided by principles of equality and autonomy than anything else, with the result that, the relationships between parents and adult children might be based more on individual choice and negotiations than "fixed obligations" (Stacy, 1993). In this respect, an important characteristic of negotiation is intensive communication about differing opinion between parents and children (Du Bois-Raymond, 1998). Consequent upon the effect of the social mobility of the young generation Japanese Americans on the intergenerational conflict and strain, the issue of psychological well-being of the older Japanese migrants has also been explored (Osako and Liu, 1986). Within this context, the ebb and flow of intergenerational support has been described in a latent kinship matrix as a network of members alternating between being potential support providers and being actual support providers (Riley and Riley, 1993). On the same issue, Confucianism has emphasized the fulfillment of filial piety and obedience towards parents, given the fact that parents have the duty to rear and educate their children who, in turn, have the duty to support and assist their parents (Stevenson *et al*., 1990). According to a Chinese saying, 'to have a son is to provide security for old age' (Lan, 2001).

In China, for example, the migration of the working adults from the rural to the urban area has completely altered the traditional patterns of living arrangements and intergenerational support among the elderly persons who have normally remained living in the remote regions (Silverstein *et al.,* 2006). Silverstein and company had also discovered that, despite the residential distance, elderly parents living in the three-generational households or with grandchildren in skipped-generation households had better psychological well-being than elderly people living in single generation households, and that receiving greater remittances from adult children had increased their well-being while explaining why living with their grandchildren was beneficial, apart from increasing stronger emotion cohesion with children. Intergenerational support did not necessarily flow 'upward' to the elderly especially when economic difficulties facing younger people. With regard to intergenerational support, moderate amounts were seen as beneficial to both the recipient and the giver (Silverstein *et al.,* 1996), and excessive support to/from adult children might be harmful, as it would erode the recipient's competence resulting in excessive demands. In this respect, Silverstein and company had discovered that, amongst the unmarried or people with low expectations for support, greater amount of children's support would initially elevate positive mood up to a certain threshold, where greater support would begin to depress positive mood, and that providing support to children would however reduce depression associated with late marriage.

Luescher and Pillemer (1998) had also put forth their argument that the parent-child intergenerational relationships were such that they had generated various types of ambivalence among family members, which had resulted in incompatible normative expectations giving rise to contradictory attitudes and behavior (Merton & Barber, 1963). Luescher and Pillemer had further discussed three likely ambivalent aspects of the intergenerational relationship. The first aspect dealt with sociological ambivalence results, requiring contradictory attitudes and actions. The second aspect (a feminist theory) had challenged the assumption that a harmony of interests had existed among all members of a family, by virtue of the fact that care-giving was humanizing, meaningful, fulfilling, and forming part of women's roles, which was seen as potentially oppressive since women could be overwhelmed by their care-giving responsibilities. The third aspect was the individual's psychological experience generally viewed as simultaneous feelings of love and hate toward the same person (typically a parent).

2.6 Summary

A number of theories had been propounded on income savings and asset accumulations including the lifecycle hypothesis (Ando and Modigliani, 1963; Modigliani and Ando, 1957; Modigliani, 1988), and the permanent income hypothesis (Friedman, 1954). Both of these hypotheses had led to new financial behaviours in accordance with new information available (Aaron, 1999; Burtless, 1999; Rust, 1989). Both had dealt with long-term consumption opportunities after factoring in income uncertainties (Schulz and Carrin, 1970) especially for younger households facing greater income fluctuations (Carroll, 1997; Carroll and Samwick, 1997; Deaton, 1991). From the psychological and sociological perspectives, past savings experience was either closely related to consumption patterns, saving-related belief and aspiration to savings (Furnham, 1985; Katona, 1975) or was conditioned by intervening variables such as motives, aspirations and expectations (Katona, 1975; Olander and Seipel, 1970; Strumpel, 1972, 1975; Van Raaij, 1989). Whilst greater retirement financial resources were directly related to higher income savings and asset accumulations (Hsieh, 2000; O'Rand and Henretta, 1999), physical health was also the concern for individuals (Beckman and Gurland, 1998; Najman, 1993; Williams and Collins, 1995), since greater retirement financial resources could lead to better health care utilisation (Gornick *et al.*, 1996; Kassab *et al.*, 1996). Greater retirement resources would also lead to higher satisfaction in life (Fernandez-Ballesteros *et al.*, 2001; Oropesa, 1995). To prevent consumption overspending, households had created their own constraints (Maital and Maital, 1994; Shefrin and Thaler, 1988; Thaler and Shefrin, 1981). People with realistic expectations about their financial situations (Taylor-Carter and Cook, 1995) could retire earlier than those without any financial planning (Taylor and Shore, 1995). Similarly, people with effective retirement financial planning (Beehr, 1986; Ferraro and Su, 1999) were generally more satisfied with their retirement income level (Hershey *et al.*, 1998).

There was a large body of literature dealing with various issues pertaining to retirement resources adequacy. Through the lifecycle model, Ando and Friedman (1957) had predicted people's accumulated retirement resources to be either about the total consumption level (Hatch, 1997) or about the poverty line relevant to each household (Grad, 1990). On a simulation lifecycle model, the US baby boomers had however presented a mixed picture of preparedness for their retirement (Bernheim, 1994; Butrica *et al.*, 2003; Eastern *et al.*, 1993; Montalto, 2001). For example, the assumption about households steadily accumulating their assets and investment (Bernheim, 1992) was being disputed, as personal financial wellness was also found positively related to education level among other variables (Ross and Huber, 1985; Shinn, 1993). The stochastic lifecycle method was also employed to classify saving and wealth into lifecycle components (Pierre-Oliver *et al.,* 2002) and to factor income uncertainties into the retirement resources adequacy (Engen *et al.,* 1999). Using the annuity method to estimate households' financial assets, housing wealth and social security, Gustman and Steinmeier (1998) had found that older Americans were, on average, adequately prepared for retirement. Their findings would have been more positive, if all other income sources were also taken consideration (Wakita *et al.,* 2000). By projecting households' financial and housing values, most households would have 'under-saved' for their retirement (Moore and Mitchell, 1997, 2000). Based on secondary data, Wolfe (2002) had found serious inadequacy in households' retirement income, which could substantially improve with the inclusion of all other financial and housing assets (Wakita e*t al.,* 2000; Keister, 2000; Spilerman, 2000). Still on the use of secondary data, householders (aged 45-74) were, on average, able to maintain their retirement consumption level but not the not-yet-retired cohorts, according to Lise (2001). By a multi-disciplinary approach and still using secondary data, households' wealth available for retirement was dissected into several components in order to address the adequacy issue (Haveman *et al.,* 2002). The following were the results. On the "twice-the-poverty-line" standard, 50 percent of the American households would have inadequate retirement resources, and on a liberal basis, 52 percent (and on a conservative basis, 42 percent) of them were on track in their retirement preparation (Yuh *et al.,* 1998). Since all these results were rather subjective, DeVaney (1997) and Lynton *et al.,* (1991) had recommended 25 percent as the appropriate standard adequacy guideline rather than 50 percent as was also suggested by other researchers (Greninger *et al.,* 1996).

Notwithstanding the fact that Denmark had provided generous and liberal social benefits to the country's retirees aged 67 and above under the universal pension systems

(Dave, 1984), there were serious weaknesses in these income maintenance systems which would be unable to withstand shock in terms of demography, productivity growth and macroeconomic disturbances, according to Lindbeck (2002). As a preventive measure against such shortcomings, Reday-Mulvey (2004) had conducted an inquiry to see whether flexi-time employment was a crucial factor for increasing the Dutch workers' retirement age while reducing the government's financial burden. After taking into consideration households' personal saving rates, the inflationary impact and the country's stage of economic development, Schulz and Carrin (1970) had, in a similar vein, suggested that the social security level be increased to supplement the private pensions in order to maintain the people's minimum living standard. Porter (1990) had identified perceived attitudes as the most significant predictor of financial wellness, where the term 'perceived attitudes' refers to "the value-related qualitative indicators of financial situation" (Porter, 1990). According to Kathryn and Ross Petras (1991), Americans generally had spent between 60 percent and 80 percent of their pre-retirement consumption level to maintain their perceived post-retirement living standards which, according to Blake (1992) should be tailor-made to suit different ethnic groups to be more meaningful. In Malaysia, the EPF lump-sum withdrawals (upon retirement) were found inadequate for retirement purposes, while the pre-retirement withdrawals from the designated accounts would further aggravate the EPF contributors' financial situation, thereby further weakening their reliable retirement income source (Caraher, 2000; Ong, 2005; Williamson and Pampel, 1998). Thillainathan (2004) had also voiced his concern about the weaknesses in the EPF board's peculiar structure as a contributory factor. Despite these obvious weaknesses, the EPF retirement savings scheme as a DC retirement saving plan had however received favourable comments (Lindbeck, 2002; Townsend, 1994; Udry, 1994). Furthermore, the adequacy of the EPF scheme was also found as adequate retirement saving scheme with a high percentage of the contributors meeting the adequacy ratios (Kumar, 1997). Singapore workers were found to have ambivalent views about prospects after retirement, and they preferred to remain working in some way (Lim, 2003). This was quite different from the feeling of anxiety expressed by workers nearing retirement in western countries (Fletcher and Hanson 1991; Skarborn and Nicki, 2000). Therefore, the Malaysian EPF contributors and the Singapore CPF contributors (though the two countries are geographically adjoining each other) have different perceptions about their retirement prospect and resources adequacy. On the one hand, the EPF in Malaysia was found to be an ineffective retirement saving scheme (Mehta, 1999; Shantakumar, 1999), although the view was disputed (Kumar, 1997). On the other hand, 57 percent of respondents in a study in Singapore had expressed their confidence that their CPF contributions would be sufficient for their retirement, apart from their wish to continue working after retirement (Lim, 2003). The Singapore government has also claimed that the CPF contributors were sufficient to generate an annuity equivalent to between 20-49 percent of the last 'take-home' income in addition to housing and medical needs (Low and Aw, 1997).

According to Lusardi and Mitchell (2006, 2007, 2008), there was strong relationship between financial literacy and retirement financial planning. There was also strong relationship between financial literacy and successful financial management (Garman and Forgue, 1997). Continuing education has to keep up with the changes and people with higher education were found to be more knowledgeable about financial assets and financial planning for their future (Feubach and Erdwins, 1994; Sorensen and Pinquart, 2000). Even though many well-educated individuals might have no knowledge about finances, individuals' education level was positively related to financial knowledge (Bernheim, 1994). Furthermore, employer-provided retirement education programs were also found to have improved workers' financial planning strategies (Bernheim and Garrett, 1996; Ekerdt and Hackney, 2002; Joo, 1998). Selman *et al.*, (1998) were, however, disappointed with the shortage of effective education providers who could demonstrate expertise, empathy, enthusiasm and clarity in impart with their knowledge (Wladkowski, 1993). With no domain-specific knowledge, many people were unable to plan for their retirement (Mitchell and Moore, 1998) but careful combination of lifetime and estate planning could synergistically produce the financial adequacy desired (Gourgues and Homrich, 1988). In point of fact, many retirees were found lacking in financial knowledge about savings and investment (Grable and Lytton, 1997; Hershey *et al.*, 2001), while social forces had also had a profound impact on people's predisposition to plan and save (Hersley *et al.*, 2006). At the same time, people who had planned might have realistic expectations about their future retirement (Taylor-Carter and Cook, 1995), and they would be able to better adjust themselves to the retirement transition (Anderson and Weher, 1993; Marcini *et al.*, 1997; Rosenkutter and Garris, 2001). In the area of self-directed financial learning, its effectiveness and good financial management practices were significant factors between financial satisfaction through financial learning and employees' satisfaction with career progression (Hiemstra, 1994; Loibl and Hira, 2005). Thus, self-directed learning as part of the lifelong learning process (Mocker and Spear, 1987) was an important adult education's goal (Bolhuis, 2003; Bolhuis and Voeten, 2001). The self-directed financial learning method was a good replacement for classroom instructions to make good financial choices (Barlett and Kotrlik, 1999; Bernheim, 1994). Financial knowledge and money management skills were indispensable to making good financial decisions (DeVaney, 1995; DeVaney *et al.*, 1995, 1996; Hira *et al.*, 1993; Titus *et al.*, 1989b) especially long-term retirement financial decisions (Bernheim and Garrett, 2003; Salisburg and Jones, 1994). Likewise, workplace financial education was also an effective tool in achieving workers' financial wellness (Garman *et al.,* 1999) and even their non-participaint colleagues could be influenced by the peer group effects (Duflo and Soez, 2004). Finally, financial knowledge could lead to better financial behaviour, according to Joo & Grable (2001).

Filial piety has played the central role in the intergenerational relationships among Chinese family members under social pressure (Blieszner and Hamon, 1992) and for exchange of resources and power (Pyke, 1999). The same has also been practised by the Japanese and Koreans as part of Buddhism (Kong, 1995; Lee, *et al.*, 1995; Takahashi, 1995). Simply put, filial piety means to be good to one's parents including taking care of them and so forth (Barker, 1979). The filial piety concept was well-documented in studies on family support for elderly parents (Jones, 1993; Lillard and Willis, 1997), while anthropological studies had also related the Asian American family structure and kinship to the ideals of these cultural traditions (Connor, 1976; Nakano, 1990; Yanagisako, 1985). In this context, filial obligation refers to financial and other support given to elderly parents over one's own needs (Nisei *et al.,* 1994; Seelback, 1984). Notwithstanding its important values, the filial piety concept was gradually cracking up consequent upon the process of globalisation, modernisation, industrialisation, urbanisation and westernisation (Chekki, 1988; Hong and Keith, 1992; Lee, 1989; Roh and Ireland, 1972; Wong, 1972), which has eroded the practice of these traditional cultures (Martin, 1988; Schulz, 1997). Filial piety erosion aside, according to norms, daughters and sons usually gave the same amount of support to parents (Kaufman and Ublenberg, 1998), the former in instrumental support and the latter in domestic chores (Dwyer and Coward, 1991; Stoller and Earl, 1983). Meanwhile, geographical proximity was found to have a strong positive effect on contact frequency and exchange support (Lawton *et al.*, 1994). Co-residence with adult children had also given rise to higher level of interaction and exchange support than residential proximity (White and Rogers, 1997). However, the residence concept was also the cause for ambivalence between dependence and autonomy within the contact of the intergenerational relationships (Lusardi and Pillemer, 1998; Pillemer and Suitor, 2002) or the cause for the conflicting norm of filial obligation between parents and children over the life course (Lye, 1996). In this regard, Caraher (2000) had further argued that the geographical dispersion and the emerging trends for small household units would hasten the need for a formal social protection for the family (Schulz, 1997). On the one hand, filial piety expectations within the context of family relationship had reflected the general norms of people's behaviour in a certain situation (Nydegger, 1991). On the other hand, filial obligations were the general rules in specific settings (Rossi and Rossi, 1990) or attitudes about children's filial responsibility towards parents' well-being (Blieszner and Hamon, 1992; Seelback and Sauer, 1977). Consequently, discharging filial obligations would depend upon a number of financial and structural factors (Ishii-Kuntz, 1997), and parents' filial responsibility expectations would be positively related to assistance being given to children but not assistance received from them (Lee *et al.*, 1994). At this point, it might also be appropriate to emphasize the importance of the intergenerational solidarity concept i.e. the practice of reciprocity and mutual assistance at the family and the kinship level (Martin, 1990), with the family being the cornerstone of society built around solidarity (Komter and Vollebergh, 2002). Parents' age and children's age were also closely related to the contact frequency and exchange support (Morgan *et al.*, 1991). That is to say, the older they are, the more support they receive but the less they would give to the others (Van Tilburg & Van Groenou, 2002). Conversely, parents with higher education would have less contact with children (Goenon and Bengtson, 1997) and would also receive less instrumental support from them (Van Tilburg Goenon and Van Groenou, 2002). While the traditional extended family systems might generally have lost some colours of their past glories, researched has indicated that strong intergenerational ties have still existed in Japan (Morgan and Miroshima, 1983), even though the modernisation process in other parts of the world had led to structural, cultural, social and psychological changes to people (Hendricks, 1982) and to disintegration of extended family forms (Glick, 1989). The problem of filial piety erosion in the US was serious among immigrant Koreans who had to depend more on their children because of their own linguistic and social limitations (Kim, 1986; Kim *et al.*, 1991). On the brighter side, the family's economic situation and the government policy especially in the case of China (Silverstein *et al.,* 2006), were found to have a mediating effect on the modernisation process (Cherry and Magnuson-Martinsson, 1981; Olson, 1990; Peil, 1983). On the one hand, intergenerational relationships, to some extent, would depend upon women's work as kin keepers (Karner, 1998; Lan, 2001). On the other hand, parents' divorce was found to have weakened adult children's relationships with them (Aquilino, 1994; Eggebeen, 1992), thereby resulting in less contact, instrumental and emotional support being given to them (Popence, 1993; White, 1992). Similar findings were also applicable to divorced or single children (Kaufman and Uhlenberg, 1998). Generally speaking, females were more involved in the maintenance of the intergenerational relationships (Spitze and Logan, 1990), and usually children often identify more strongly with parents of the same sex especially in the case of the mother-daughter relationship (Aquilino, 1994; Lee *et al.,* 1994). By the same token, parents and adult children might have different perspectives on the type of parent-child relationship (Aquilino, 1999; Antonucci and Israel, 1985; Klein *et al.,* 1999). That is to say, the former would attempt to maintain the intergenerational continuity and the latter separate identity (Acock and Bengtson, 1980). Thus, the ebb and flow or pros and cons of the intergenerational support was presented in a kinship matrix as a network of potential and actual support providers (Riley and Riley, 1993). Finally, moderation was seen as more beneficial to both the recipient and the giver of the emotional, financial or social support (Silverstein *et al.*, 1996) as this could avoid any conflict of the intergenerational relationships which, as it was, had already generated various types of ambivalence (Luescher and Pillemer, 1998; Merton and Barber, 1963).

The above summarises the various findings, scholarly comments, critical reviews and views on multitudinous issues pertaining to (a) retirement resources adequacy, (b) the effects of financial education and literacy on retirement financial planning, and (c) the close relationship between filial piety (assuming the form of financial, emotional and exchange support in a variety of intergenerational relationships) and retirement planning. From the numerous studies done overseas, namely in U.S., we can surmised that in the field of filial piety and financial education, this area can be highly specialised and subject to extensive reviewing using both quantitative and qualitative models. It seemed both pointless (and given the resource limitations, impossible) to replicate these reviews. The extant reviews in this field have been drawn on extensively in relevant sections of this study and applied in the Malaysian context. The knowledge elicited from this lengthy literature review would be extremely useful for, and relevant to the various aspects of the present study**.**