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## **LIFE-CYCLE FINANCIAL PLANNING IN MALAYSIA: INVESTMENT PLANNING AND STRATEGIES FOR THE POST-RETIREMENT PERIOD**

### **ABSTRACT**

This study examines the extent Malaysians make financial preparations and their readiness for retirement and the predictors of retirement plans based on the life-cycle model that people seek to maintain their living standards by smoothing their consumption, as they age and face life's various contingencies. The study delved into the concept of life-cycle financial planning, life-cycle theories of savings, consumption, and investing, and the critical issues surrounding the study of retirement, particularly investment planning strategies for financing consumption during the post-retirement period. The three potential sources of post-retirement income for Malaysians are: a defined benefit (DB) pension for retired civil servants, the Employees Provident Fund (EPF) for employees in the private sector, and personal savings. A total of 990 questionnaires were distributed to respondents with a 55.2% return rate. A total of 12 main hypotheses were analysed using ordinary and hierarchical regression analyses, as circumstances justified. The results revealed that 24 of the hypotheses or sub-hypotheses were accepted and 34 rejected. Principally, the hypotheses have focused on four major areas, namely: (1) the relationship between age cohorts and orientation towards financial planning, (2) the current financial resources and expected retirement age, (3) the effect of interrelationships between confidence in the economy and financial planning preparation within the context of current financial resources, and (4) confidence in the economy and various levels of consumption. It was observed that, with the demographic variables being included in the overall models, nearly half the hypotheses have shown some positive

effect. These effects are mainly involved with orientation towards retirement planning, expected retirement age, confidence in the economy, current financial resources and financial planning preparation. There is also evidence to indicate that the interrelationships between age cohort and orientation towards financial planning generally have some degree of mediating effect from Malaysians' confidence in the economy which may affect their plan for securing their post-retirement financial security. The implication was that not only should their individual perceptions of retirement planning become an increasingly important part of people's long-term commitment throughout their life-cycle, financial planning must also assume the role as a self-directed life-long learning process, in view of the ever-changing and complicated financial environment. Another implication is that the anticipated pattern of real income in the future is a very crucial part of optimal consumption patterns.

# **PENGARUH KITARAN HIDUP KE ATAS PERANCANGAN KEWANGAN DI MALAYSIA: PERANCANGAN DAN STRATEGI PERLABURAN DALAM KALANGAN INDIVIDU PRA PERSARAAN**

## **ABSTRAK**

Kajian ini meneliti sejauhmana individu di Malaysia membuat persiapan kewangan dalam menghadapi tempoh persaraan dan prediktor persaraan adalah berdasarkan kepada model kitaran hidup individu dengan mangandaikan bahawa individu akan berusaha untuk mempertahankan tahap kehidupan mereka yang sedia ada dengan memgekalkan tahap penggunaan mereka dengan mengambil kira faktor peningkatan umur dan faktor risiko kehidupan yang pelbagai. Antara teori yang memdasari kajian ini adalah teori perancangan kewangan dan simpanan dalam kitaran hidup, teori penggunaan dan pelaburan serta isu-isu kritikal yang berkaitan dengan persaraan khususnya strategi perancangan pelaburan bagi membiayai perbelanjaan penggunaan dalam tempoh pra persara. Terdapat 3 sumber pendapatan semasa pra persaraan bagi individu di Malaysia yang merangkumi: manfaat pasti seperti pencen untuk perara kakitangan awam, simpanan KWSP bagi pekerja sektor swasta dan simpanan peribadi. Sebanyak 990 soal selidik telah diedarkan dalam kalangan responden yang telah dipilih namun hanya 55.2% sahaja yang mengembalikannya dengan lengkap. Sejumlah 12 hipotesis utama dianalisis dengan menggunakan ujian regresi biasa dan regresi hirarkis mengikut kewajaran hipotesis. Hasil keputusan kajian mendapati bahawa 24 hipotesis dan sub-hipotesis telah diterima dan 34 ditolak. Hipotesis yang dikaji telah memberi tumpuan kepada empat bidang utama, iaitu: (1) hubungan antara kumpulan umur dan orientasi terhadap perancangan kewangan; (2) sumber kewangan semasa dengan usia persaraan yang dijangkakan; (3) perkaitan antara keyakinan terhadap keadaan ekonomi dan penyusunan perancangan kewangan dalam konteks

sumber daya kewangan semasa; dan (4) keyakinan terhadap keadaan ekonomi dengan pelbagai peringkat penggunaan. Dengan memasukan pembolehubah demografi ke dalam model yang dikaji, didapati bahawa hampir setengah hipotesis menunjukkan beberapa kesan positif. Kesan ini melibatkan orientasi ke atas perancangan persaraan, jangkaan ke atas usia persaraan, keyakinan terhadap keadaan ekonomi, keadaan kewangan semasa dan persiapan perancangan kewangan. Terdapat juga bukti yang menunjukkan bahawa hubungan di antara kumpulan umur dan orientasi terhadap perancangan kewangan umumnya mempunyai beberapa darjah kesan pengantaraan yang wujud hasil dari keyakinan individu di Malaysia terhadap ekonomi semasa yang mungkin boleh memejaskan perancangan kewangan mereka semasa tempoh pra persaraan. Implikasi hasil kajian ini sepatutnya dapat mengubah persepsi individu terhadap perancangan persaraan dan membantu meningkatkan lagi kesedaran terhadap matlamat jangka panjang dalam perancangan kewangan yang merupakan sebahagian daripada komitmen dalam kitaran kehidupan setiap individu. Selain itu, perancangan kewangan juga mestilah mengambil kira peranan sendiri dalam proses pembelajaran sepanjang hayat memandangkan persekitaran kewangan yang sentiasa berubah dan rumit. Implikasi yang lain pula merangkumi corak jangkaan pendapatan sebenar pada masa akan datang adalah bahagian yang sangat penting dalam memastikan corak penggunaan yang optimum.

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## **ABBREVIATIONS**

<b>FSA</b>	Financial Services Authority
<b>EPF</b>	Employees Provident Fund
<b>LIAM</b>	Life Insurance Association of Malaysia
<b>DB</b>	Defined Benefit
<b>DC</b>	Defined Contribution
<b>GDP</b>	Gross Domestic Product
<b>AKPK</b>	Credit Counselling and Debt Management Agency
<b>SOCSSO</b>	Social Security Organisation
<b>PTF</b>	Pension Trust Fund
<b>AFF</b>	Armed Forces Fund
<b>AARP</b>	American Association of Retired Persons
<b>SPSS</b>	Statistical Package for Social Scientists