

**INVESTIGATING THE RETIREMENT READINESS OF INDIVIDUALS IN THE  
NELSON MANDELA BAY**

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**INVESTIGATING THE RETIREMENT READINESS OF INDIVIDUALS IN THE  
NELSON MANDELA BAY**

by

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2018

## DECLARATION

I, **Haydn Demetri Hayidakis, 215064143** hereby certify that the treatise entitled **“Investigating the retirement readiness of individuals in the Nelson Mandela Bay”** is my own work, and that it is has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification.



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**HAYDN DEMETRI HAYIDAKIS**

**Date:** October 2018

## **DECLARATION (cont.)**

I, **Sergio Duncan Malgas, 210072814** hereby certify that the treatise entitled “**Investigating the retirement readiness of individuals in the Nelson Mandela Bay**” is my own work, and that it is has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification.



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**SERGIO DUNCAN MALGAS**

**Date:** October 2018

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## ABSTRACT

Retirement planning can be regarded as one of the most important components within the financial planning framework. Previous research has indicated that most South African citizens do not partake in adequate retirement planning activities. As a result, they are not able to ensure their financial independence at retirement and as such have deficiencies in their state of retirement readiness. This lack of retirement readiness is seen to have severe consequences not only for the retiree, but also for their family, friends and community. It was therefore hypothesised that retirement planning is a key determinant in individuals' retirement readiness. While previous studies have suggested that various factors can influence individuals' retirement planning activities and ultimately their state of retirement readiness, limited evidence was found to support these claims in the Nelson Mandela Bay. Therefore, in an attempt to expand on the limited local research on this topic, the primary objective of this study was to investigate the retirement readiness of individuals in the Nelson Mandela Bay.

A comprehensive literature review was conducted, and the following independent variables (*Financial literacy*, *Attitudes towards retirement*, *Future time perspective* and *Access to financial planning services*) were identified as having a possible significant influence on the mediating variable (*Retirement planning*), and ultimately the dependent variable (*Retirement readiness*) in this study. Based on the literature findings, a hypothesised model was developed, and hypotheses were formulated to assess the relationship between the above-mentioned independent variables, the mediating variable and the dependent variable.

In order to establish the influence of these independent variable on the *Retirement planning* and *Retirement readiness* of individuals in the Nelson Mandela Bay, an empirical investigation was undertaken. A measuring instrument in the form of a questionnaire was used to collect primary data. Moreover, the non-probability sampling method of convenience sampling was used to identify the 90 respondents that completed questionnaires in this study. These respondents were required to be pre-retirees between the ages of 40 and 60 years, as it was believed that this group of individuals could provide the greatest insight into the retirement practices of individuals in the Nelson Mandela Bay.

A range of statistical techniques were employed to analyse the data that was captured from the questionnaires. The validity of the measuring instrument was confirmed through an exploratory factor analysis (EFA), and the reliability of the measuring instrument was verified through the calculation of Cronbach's alpha coefficient. Based on the results of the EFA, the factor loadings of the independent variables of *Financial literacy* and *Future time perspective* loaded together to create a new variable named *Future financial considerations*. After taking this alteration into consideration, a new hypothesised model was constructed and included three independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*), a mediating variable (*Retirement planning*) and a dependent variable (*Retirement readiness*).

Moreover, descriptive statistics were computed to summarise the sample data. To conclude the empirical investigation, Pearson's product moment correlations and multiple regression analyses (MRA) were conducted. These statistical techniques were utilised to assess the correlations and significant relationships of the variables under investigation in this study.

The main empirical results of the study found positive correlations between all the study's variables. Furthermore, the results of the MRA revealed that statistically positive relationships exist between all three of the independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*) and the mediating variable (*Retirement planning*). A positive relationship was also found to exist between the three independent variables and the dependent variable (*Retirement readiness*). Additionally, the role of *Retirement planning* as the mediator was calculated and confirmed by the results of the MRA.

This study has contributed towards the body of research pertaining to retirement planning, by investigating the retirement readiness of individuals in the Nelson Mandela Bay. Moreover, this study provides recommendations to pre-retired individuals as to how they can go about improving their state of retirement readiness in order to ensure that their financial needs are provided for once they reach retirement age.



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## **CHAPTER ONE**

### **INTRODUCTION TO THE STUDY**

#### **1.1 INTRODUCTION AND BACKGROUND TO THE STUDY**

Globally, the landscape of retirement is constantly evolving. Significant changes and fluctuations in the external environment present obstacles preventing individuals from achieving their financial objectives and preserving their current standard of living, both prior to and during retirement. A possible method to overcome these obstacles is by engaging in deliberate financial planning. (Billingsley, Gitman & Joehnk, 2017:3). Financial planning is defined as a process that is geared towards assisting people in achieving future goals, while also navigating the financial hurdles which are an inherent feature of everyday life (Financial Planning Association of Minnesota, 2018). This process takes an individual's personality, financial status, socio-economic and legal environments into account, and uses financial tools to aid in achieving the individual's financial goals (Warschauer, 2002:202). Effective financial planning has many benefits that include and transcend economic prosperity, such as social and psychological well-being of individuals (Irving, 2012:49). In hind-sight, the most beneficial and necessary component of financial planning in terms of retirement readiness is retirement planning (Warschauer, 2002:202; Irving, 2012:49).

During the course of every individual's life, choices need to be made with regard to their present living situation and that of the future. Decisions regarding planning for retirement are among the most important decisions individuals are advised to make. (Tavor & Garyn-Tal, 2016:688). Retirement planning can be described as the process that allows an individual to formulate estimates with regards to their future consumption requirements, and construct a strategy to satisfy those requirements when they are no longer working (Winger & Frasca, 2006:9; Tavor & Garyn-Tal, 2016:688). Furthermore, retirement planning can also be described as the process of making financial provisions so that individuals are able to live comfortably off of their savings during retirement (Botha, du Preez, Geach, Goodall, Palframan, Rossini & Rabenowitz, 2016:143). Due to the fact that many people live on for many years after retirement, good retirement planning before retirement is crucial to ensure life satisfaction during retirement (Rowe, 1994).



Retirement can be defined as the status of someone who is no longer employed and has no intention of returning to the workforce (Gruber & Wise, 2004:408). Furthermore, retirement is seen as the transition from one stage of a person's life to the next, where life consisting largely of work ends and one of relaxation begins (Burjek, 2018:28). This transition brings about various adjustments and changes to individuals' lives and transforms their physical and social worlds (Kim & Moen, 2001:84). In addition, as individuals advance into retirement, their income will decline and many may be uncertain of their future sources of income. This further adds to the need to make use of financial planning techniques and services. (Ng, Tay, Tan & Lim, 2011:197).

Individuals are living longer on average than ever before, which means that population aging has become more apparent. According to Friedman and Mendelson (2014:175), there are more people over the age of 65 than ever before. In the United States of America (USA) alone, it is estimated that roughly 10 000 people turn 65 every day. This will lead to a two-fold increase in the size of the USA's elderly population to 72 million by the year 2030 (Friedman & Mendelson, 2014:175). Furthermore, the United Nations (UN) estimates that the global population over the age of 60 is at around 901 million, which will reach an estimated 2.1 billion by 2050. Thus, over the next few decades, retirement readiness will be one of the more serious issues facing the world. (World Population Aging, 2015). Bonlender (2017) defines retirement readiness as one's ability to make adequate provisions and investment decisions such that one has a financially secured retirement. Furthermore, according to Morrissey and Johnson (2017:2), retirement readiness describes a situation in which an individual will be adequately prepared for retirement. This preparedness can be achieved through the sufficient accumulation of income to cover the costs associated with retirement, such as daily lifestyle expenses and health care (Morrissey & Johnson, 2017:2). Therefore, the ability of individuals to make adequate provisions for a secured retirement are largely influenced by many factors, such as savings, investments and overall retirement planning practices. Thus, in future, both public and private retirement schemes will play an increasingly larger role in financially supporting the aging global population. (Mitchell, 1992; Morrissey & Johnson, 2017:4).

The concept and life stage of retirement brings with it considerable uncertainty and nervousness, especially in an economic and political environment as seen in South

Africa. Comprehensive retirement planning provides a method to alleviate the psychological factors associated with retirement, such as anxiety, and ensures peace of mind. In addition, proper retirement planning will ease the transitioning process from employment to retirement and result in a smooth shift in an individual's self-identity. (Wong & Earl, 2009:3). This is an area where South Africans fall significantly short due to the fact that they are such poor savers. This was highlighted by data released by The World Bank (2016), which indicates that South Africans are among the worst savers in the world, with a savings rate of just 16 percent of the nation's GDP (The World Bank, 2016). Being a developing country, these statistics paint a bleak picture for the retirement readiness of South Africans and the financial health of the elderly, which needs to be urgently addressed. From this, it can be concluded that South Africans are not sufficiently prepared to permanently exit the workforce (Roberts, Struwig, Gordon, Viljoen & Wentzel, 2012). In order for South Africans to overcome these retirement readiness deficiencies, it is important to make provisions for retirement at an early age (Koning & Harbor, 2013:90).

By investigating the retirement readiness of individuals who are close to retirement, insight can be gained as to why and how they have, or have not made provisions for retirement. Included in this study will be the identification of certain factors which play a crucial role in determining the extent to which individuals are adequately prepared for retirement. As such, the focus of this study will be to analyse the retirement readiness of individuals in the Nelson Mandela Bay.

## **1.2 PROBLEM STATEMENT**

Previously undertaken research indicates that individuals do not plan well for retirement. South Africans are unaware of the importance of saving for retirement, nor do they possess the required financial knowledge to plan for this future occurrence (South Africa National Treasury, 2012). It has been recommended that individuals should save for a duration of 40 years in preparation for retirement. This duration allows for a monthly pension which is equates to 75 percent of individuals' pre-retirement income. South Africans have been identified to save for 12 years fewer than the recommended average savings period of 40 years. (Van Rensburg, 2013:19). Additionally, South Africans only save and invest an average of two percent of their

annual household spending, which is well below the global norm. This contributes to research, which suggests that a mere six percent of South Africans are financially independent upon their retirement. The remaining 94 percent are left to depend solely or largely upon relatives, friends, or government funded public retirement schemes. (Financial Services Board, 2018).

Thus, it can be seen that retirement readiness is a major problem in South Africa, with far reaching consequences. If retirement planning continues to be neglected, retirees could be forced to rejoin the workforce or rely on others for financial support. In turn, this will impede the retirement planning efforts of those who now bear the burden of supporting these unprepared retirees, creating a cycle of inadequate retirement readiness. This situation is especially prevalent among South Africans, where 23 percent of working individuals are a part of the sandwich generation. This sandwich generation refers to those working individuals who support both their children, as well as their parents. (Old Mutual Retirement Monitor, 2017).

Several factors have been identified which lead to possible complexities when planning to save for retirement, thus influencing the retirement readiness of individuals. Demographic factors are seen to play a role in retirement decision-making, but psychological influences such as pessimism regarding the economy and the fear of uncertainty are also major influences (Moorthy, Chelliah, Chiau, Lai, Ng, Wong & Wong, 2012:56). Furthermore, individuals' lack of retirement readiness can be attributed to a culture of "living beyond your means". This behavior can be due to individuals' positive rate of time preference, which suggests that an individual would prefer to consume their financial resources now, rather than save them for later. This entails individuals' desire to live in the moment and neglect to think about the future. (Kossova, Kossova & Sheluntcova, 2014:39). Snyman, van der Berg-Cloete and White (2017:208) mention that it is important to strike a balance between living comfortably in the present, as well as during retirement. This can be achieved by starting and maintaining good saving habits early in life.

There is limited information and research pertaining to the topic of retirement readiness of a local demographic, especially in the Nelson Mandela Bay area. This is problematic when attempting to identify all applicable aspects pertaining to the local

retirement environment, and more research is required in this regard. Thus, the reason why this topic was chosen is because saving for and being prepared for retirement is an activity that every individual should undertake in a serious manner. This is currently not the case and is an important social issue that has received insufficient attention, and thus needs to be addressed. For this reason and the discussions above, this study's focus will be on the retirement readiness of individuals in the Nelson Mandela Bay.

### **1.3 RESEARCH OBJECTIVES AND RESEARCH QUESTIONS**

The following research objectives will provide an outline of what the study aims to achieve and poses applicable questions in need of answering.

#### **1.3.1 PRIMARY STUDY OBJECTIVE**

In line with the problem statement, the primary objective of this study is to investigate the retirement readiness of individuals in the Nelson Mandela Bay.

#### **1.3.2 SECONDARY STUDY OBJECTIVES**

In order for the primary objective to be achieved, the following secondary objectives will also have to be pursued:

- To identify the nature and importance of retirement planning and retirement readiness.
- To identify and analyse the factors that influence the retirement planning and retirement readiness of individuals.
- To apply an appropriate methodology that will empirically test the influence of the selected independent variables affecting the retirement planning (mediating variable) and retirement readiness (dependent variable) of individuals in the Nelson Mandela Bay.
- To provide conclusions and recommendations based on the findings of this research, which could assist individuals in the Nelson Mandela Bay with

improving their retirement planning practices in order to ensure that they are ready for retirement.

### **1.3.3 METHODOLOGICAL OBJECTIVES**

In order to achieve the above-mentioned primary and secondary objectives, the following methodological objectives have been identified:

- To undertake a theoretical investigation into the retirement planning practices and retirement readiness of individuals in the Nelson Mandela Bay.
- To determine the appropriate research methodology to address the identified research problem and research objectives.
- To develop an appropriate measuring instrument that will be used to empirically test the influence of the independent variables on the mediating variable and the dependent variable.
- To source primary data from a pre-determined sample of individuals in the Nelson Mandela Bay, and to statistically analyse the data.

### **1.3.4 RESEARCH QUESTIONS**

Based on the problem statement, primary, secondary and methodological objectives of the study, the following research questions are posed:

- What is retirement readiness and why is it important?
- What are the factors that influence the retirement planning and retirement readiness of individuals?
- How do these factors influence the retirement planning activities and the retirement readiness of individuals?

## **1.4 LITERATURE REVIEW**

This section will include a brief literature review highlighting the influence of retirement planning on retirement readiness, as well as the factors that influence retirement planning.

#### 1.4.1 THE INFLUENCE OF RETIREMENT PLANNING ON RETIREMENT READINESS

Retirement readiness is a concept that describes the provisions made by individuals to ensure that sufficient finances are available to comfortably survive on once their primary source of income ceases to exist upon their retirement (Bonlender, 2017). Making such provisions for retirement is an activity that should rank among individuals' top priorities. Key elements that individuals need to consider when making these provisions involve having a clear vision of what their retirement will entail, and then formulating a strategy as to how this vision will be achieved. Thus, the retirement strategy will entail making various decisions regarding diverse saving and investment methods. (McGuinness, 2013). Retirement readiness can be used as a distinguishing factor that identifies those who are scheduled to meet their retirement objectives. This will then assist those who are not on course and allow them to identify areas in need of improvement and the actions which are required to be implemented in order to have a secure retirement. (Isaacs, 2013).

There are several methods which can be used when preparing for retirement and ensuring retirement readiness is at an optimum level. Certain individuals may feel that they prefer to go about making their own retirement decisions and may simply seek formal advice from conferences, or informal advice from friends and relatives (Noone, Stephens & Alpass, 2009:296). In other words, these individuals are engaging in a form of personal financial planning. This approach could be preferred due to a lack of trust that individuals might have in financial planners (Botha *et al.*, 2016:8-9). Alternatively, financial planning services are available to individuals who require assistance and guidance when constructing retirement planning strategies. Through these financial planning services, financial advisers, who are experts in the field of retirement and investments, are hired to assist in formulating the best strategies to suit specific individuals' retirement needs. These financial advisers may merely advise these individuals as to what direction to take and what choices need to be made, or personally and actively manage their investments and stock portfolios. (Botha *et al.*, 2016:5).

By engaging in effective retirement planning, individuals are then able to transfer their pre-retirement standard of living into the post-retirement stage of their lives and maintain it (Irving, 2012:49-50). Thus, the extent of individuals' retirement readiness depends on the effectiveness of their retirement planning activities. There are various benefits accrued to individuals by engaging in retirement planning early on in their work lives. These benefits will include monetary factors, such as financial independence at retirement and maximising wealth, which can cover various expenses that occur during retirement (Botha *et al.*, 2016:4). Alternatively, benefits will also be experienced of non-monetary nature, such as reduced stressed levels and increased life satisfaction, all of which facilitate individuals' transition into retirement (Noone *et al.*, 2009:296). When individuals are adequately prepared for retirement, it reduces the retirement assistance that government needs to provide, since the responsibility is now shifted to the individuals. Additionally, this benefits society because government can spend these funds in other sectors, such as health care or education, which both may be underdeveloped as is the case in developing countries like South Africa. (Dan, 2004:16-17; Stewart & Yermo, 2009:2).

While retirement planning is a top priority for many individuals, there are many factors which hamper their ability to save successfully (Shaw, 2005:28). In turn, these factors indirectly affect individuals' retirement readiness, since it is an outcome of individuals' ability to save for their retirement (Malkiel, 2015:1-2). The following section will identify and briefly analyse four identified factors influencing individuals' retirement readiness. It can be noted that there are additional factors that could be referred to, but do not fall within the scope of this study.

#### 1.4.2 THE FACTORS INFLUENCING THE RETIREMENT PLANNING AND RETIREMENT READINESS OF INDIVIDUALS

In the 21<sup>st</sup> century, individuals are faced with additional issues regarding retirement, such as longer life spans and uncertain economic conditions, which differ from those experienced several decades earlier (Kennedy, 2017:2). Thus, it is important to investigate the factors that affect individuals' retirement planning. This section will provide a brief overview of the influence of these four identified factors on retirement planning.

#### 1.4.2.1 Financial literacy

Financial literacy can be defined as one's ability to understand and effectively utilise financial concepts and resources in order to maximise their financial well-being (Huston, 2010:296). This is negatively compounded by the lack of quality education in developing countries, such as South Africa. It has been seen by Young, Hudson and Davis (2017:552), that individuals who are educated show higher levels of financial literacy and have greater skills and confidence to overcome financial obstacles that may arise. Given these skills, individuals are more likely to be more prepared for retirement than those who are less financially literate (Young *et al.*, 2017:552)

Therefore, it can be seen that financial education and literacy are important determinants of predicting individuals' saving and retirement planning activities. (Bernheim & Garrett, 2003:1510). With this having been identified, it can be established that the issue of financial illiteracy is required to be addressed through the primary and secondary education system (Bernheim *et al.*, 2003:1510). This will help individuals to better understand the steps that should be taken in order to achieve retirement readiness through retirement planning activities, at an early age. (Bernheim & Garrett, 2003:1510; Taylor & Wagland, 2013:69).

#### 1.4.2.2 Attitudes towards retirement

Research has indicated that the financial aspects of retirement were once largely considered to be the dominant determinants for retirement planning. This focus has now shifted to individuals' personal attitude towards retirement. (Noone *et al.*, 2009:296; Burjek, 2018:30). Individuals' well-being during retirement is largely influenced by their perceptions of their circumstances, or retirement itself (Dolan, Peasgood & White, 2008:99). Additionally, individuals' perceptions influence how they view retirement and their opinions towards it, meaning it could have an adverse or a positive impact on retirement (Osuji, 2014:357; Burjek, 2018:30). Certain individuals may view their retirement as a milestone in their life and will thus want to ensure they are prepared for it by making adequate retirement saving decisions. Alternatively, others may not see retirement as a primary reason to save and thus neglect to make adequate provisions. In other words, the marginal propensity to save differs among



individuals. Thus, it can be seen that individuals who are more positive about retirement will actively partake in retirement planning activities, and are thus more likely to achieve adequate retirement readiness than those individuals who harbour negative attitudes towards retirement. (Lens, Paixao, Herrera & Grobblers, 2012:322).

#### 1.4.2.3 Future time perspective

An alternative concept that can determine individuals' mentality towards retirement planning is their future time perspective, which relates to individuals' desire to either save now or to postpone saving activities until later in their life (Bradford, Zoller & Silvestri, 2010:116). Individuals who are more future-focused tend to be proactive in making provision for their retirement, giving them a sense of control regarding the outcome of their retirement (Brucker & Leppel, 2013:7). When individuals perceive greater control over their lives or the outcome thereof, it leads to an increased sense of well-being later in retirement (Frith, 2017). Individuals who are more concerned with the present are unlikely to make significant savings or provision for their retirement. This could be the case since they believe that their retirement is a distant, future occurrence and thus neglect to plan for it (Glicken & Haas, 2009:13). Sometimes individuals underestimate the importance of starting early in saving for retirement, as they may not consider a scenario where their retirement funds start to diminish later in their retirement years (Daugherty, 2013:15). Individuals may also value the social status that their jobs provide and thus largely focus on the present with the intention of postponing their retirement for as long as possible. Research shows that these individuals are likely to be worse off in retirement due to either the lack of provision for retirement or by leaving it too late. (Marais, 2016a). Therefore, it can be concluded that the perceptions of individuals' time and future will have an impact on their retirement planning activities and thus, on their retirement readiness.

#### 1.4.2.4 Access to financial planning services

Many South Africans do not have access to financial planning services despite there being an established and growing private financial services sector. The South African economic climate is of such nature that even though financial planning services are in place, many South Africans are still not sufficiently covered during the retirement

period of their lives. (Manamela, 2015:14). This is especially prevalent in a society that originates from a racially divided past where the impact of past segregation is still felt (National Treasury, 2004:4). Only six percent of South Africans are adequately prepared for retirement, thus raising concerns for the other 94 percent who are not able to adequately provide for their retirement (Financial Services Board, 2018). A myriad of reasons for this can be raised, such as high unemployment rates, poor provision by the public retirement system, or the growing informal sector. Employed individuals are generally covered by their employers and the state, through employer and public retirement schemes respectively. Some may even have private retirement plans to which they voluntarily make payments. (National Treasury, 2004:6).

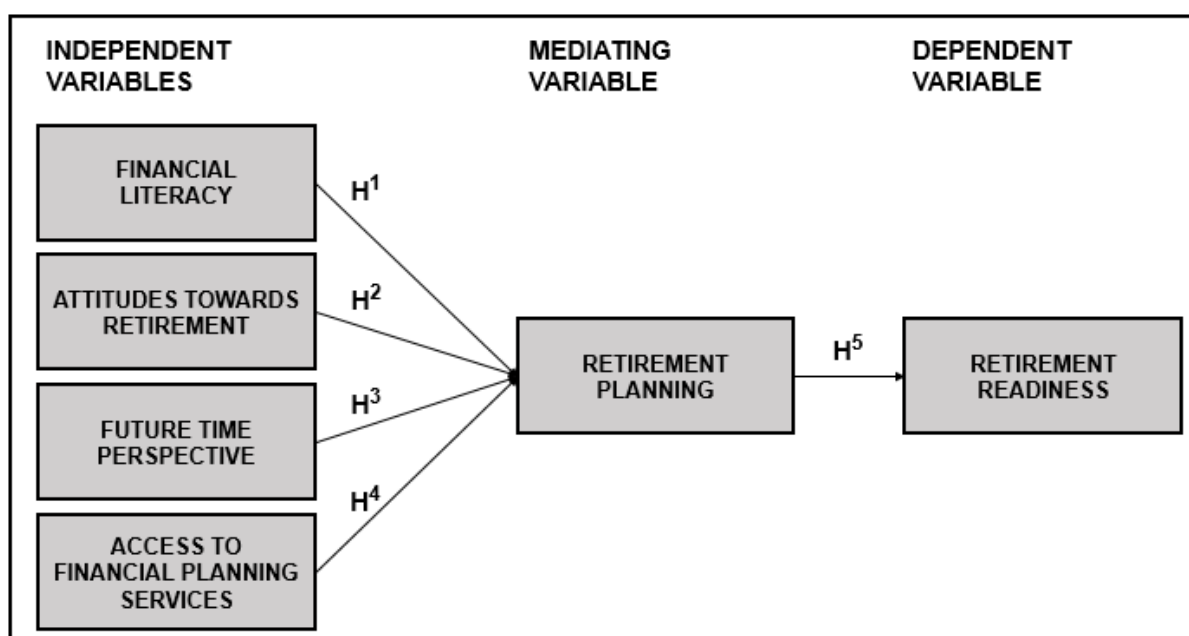
Conversely, South Africa's high unemployment rate means that many individuals do not have access to these employer and private retirement schemes. A compounding issue is that the public retirement provision from government is barely enough to allow for a moderate standard of living. (Kaseke, 2010:161-163). In addition to this, individuals - both employed and unemployed - live on a "from hand to mouth" basis resulting in many not even thinking about saving for old age (Ebenezer & Abbyssinia, 2018:236; Ma, Wang, Cheng & Hu, 2018:167). While investing in the informal sector can assist low income individuals in saving, the large disparities in their incomes when compared to high income earners still results in them being worse off in retirement (Ebenezer & Abbyssinia, 2018:236). Thus, it is evident that the lack of access to financial planning services hinders individuals' goal of being financially independent in retirement. It is also evident that access to effective financial planning services will in turn affect individuals' retirement readiness.

In conclusion, retirement can be seen as a period of freedom where retirees can engage in hobbies and interests which have previously been put off due to work-related obligations. Furthermore, it is a time for individuals to rest. However, this will only be possible should the above factors be taken into consideration and overcome when planning for retirement. (Saeed & Sarwar, 2016:2). It can be seen from the above literature that there are a variety of factors that influence the retirement readiness of individuals. Thus, it is important for individuals to consider all of these factors in order to achieve an adequate retirement readiness status and enjoy a stress-free retirement.

## 1.5 HYPOTHESISED MODEL AND RESEARCH HYPOTHESES

As previously stated, the primary objective of this study is to investigate the retirement readiness of individuals in the Nelson Mandela Bay. While investigating secondary information sources, several variables were identified to have an influence on the retirement readiness of individuals. Using these variables that were identified from literature, a hypothesised model was constructed to aid this investigation, as illustrated in Figure 1.1. In this study, the independent variables that were identified are *Financial literacy*, *Attitudes towards retirement*, *Future time perspective* and *Access to financial services*. The mediating variable is *Retirement planning*, and the dependent variable is *Retirement readiness*.

**Figure 1.1: Proposed hypothesised model**



Source: Researchers' own construction

As observed in Figure 1.1, the following hypotheses have been formulated for the purpose of testing the relationships in the proposed hypothesised model:

- H<sup>1</sup>: There is a significant relationship between *Financial literacy* and *Retirement planning*.
- H<sup>2</sup>: There is a significant relationship between *Attitudes towards retirement* and *Retirement planning*.

- H<sup>3</sup>: There is a significant relationship between *Future time perspective* and *Retirement planning*.
- H<sup>4</sup>: There is a significant relationship between *Access to financial planning services* and *Retirement planning*.
- H<sup>5</sup>: There is a positive relationship between *Retirement planning* and *Retirement readiness*.

These hypotheses will be tested by conducting a quantitative empirical investigation on a selected sample of pre-retirees in the Nelson Mandela Bay.

## **1.6 RESEARCH DESIGN AND METHODOLOGY**

As previously mentioned, this study aims to investigate the retirement readiness of individuals in the Nelson Mandela Bay. In order to successfully address the research objectives of this study, the research is divided into two categories, namely a secondary and a primary study. These two categories of research will now be discussed.

### **1.6.1 SECONDARY STUDY**

Secondary data analysis is the analysis of data that was originally collected and analysed by another researcher(s) for a unique primary purpose, other than that of the current research (Doolan & Froelicher, 2009:203; Struwig & Stead, 2013:82). This secondary data is useful to researchers should they be unable to personally acquire applicable primary data, which is often the case (Doolan *et al.*, 2009:205). To achieve the primary and secondary research objectives set out in this study, a comprehensive literature review will be conducted to investigate the retirement readiness of individuals in the Nelson Mandela Bay. Secondary data will be analysed and utilised to construct the literature review. This secondary data is obtained from various academic sources, such as journal articles, textbooks, working papers, print media, academic internet articles and reports, corporate filings, and government publications. International and national secondary data will be accessed through the use of the Nelson Mandela University online library facilities and a variety of other databases, such as Google

Scholar, Sabinet and EBSCO Host. The secondary data acquired will provide a detailed background and introduction to the primary research and offers the means to derive the hypothesised model for the study, as depicted in Figure 1.1.

### 1.6.2 PRIMARY STUDY

Primary data is information that is collected and analysed for the sole purpose of the research topic at hand and calls for decisions to be made on the population, sample frame and sample of the study (Grimsley, 2017). The primary data of this study will be collected by means of an empirical investigation among pre-retired individuals in the Nelson Mandela Bay. This empirical investigation will be divided into three subsections. These subsections include identifying a suitable research paradigm and methodology, identifying the sample and a data collection method, and analysing the data collected using methods which are deemed to be the most suitable. These subsections will now be elaborated on in the content to follow.

#### 1.6.2.1 Research paradigm and methodology

A research paradigm provides a theoretical framework that acts a guide to outline how research should be conducted and how issues are to be resolved (Schwandt, 2001:257; Katsirikou & Skiadas, 2010:8). According to various researchers, there are two main research paradigms which can either be positivistic, which are associated with a quantitative methodology, or phenomenological, which are associated with a qualitative methodology (Kim, 2003:10; Gravetter & Forzano, 2012:158; Collis & Hussey, 2014:44).

The term “positivism” was created by Auguste Comte and is associated with a strict empirical approach which suggests that experience directly influences knowledge and outlines the causes of certain types of behaviour (Bogdan & Biklen, 2003:125). Thus, the positivistic research paradigm is applied in order to discover that there are universally acceptable laws that govern social occurrences (Wardlow, 1989:4). Furthermore, Collis and Hussey (2014:43) state that the positivistic research paradigm aims to discover and explain theories that originate from empirical research, while typically applying scientific methods and knowledge to study human actions. These

theories are objective in nature as science is value free, so values cannot influence any decisions or actions of the researcher (Struwig & Stead, 2013:268). Woodside (2010:47) goes on to mention that a positivistic research paradigm is associated with quantitative research.

Struwig and Stead (2013:268) indicate that the phenomenological research paradigm represents the opposite side of the spectrum that the positivistic paradigm represents. Thus, it can be determined that this paradigm includes research that is orientated towards socially constructed world, which includes subjective experiences, perceptions, and human interactions (Teddlie & Tashakkori, 2009:341). The research included in this paradigm is made up of what is observed, and the researcher is required to interact with the individuals being studied to develop an understanding of the underlying reasons, opinions and motivations of the individuals (Struwig & Stead, 2013:269). A phenomenological research paradigm makes use of and is associated with qualitative research (Woodside, 2010:49).

For the purpose of this study, a positivistic research paradigm, in conjunction with a quantitative research methodology will be adopted, using a descriptive research approach and quantitative numerical data techniques to analyse data. Quantitative research is a form of research that makes use of large representative samples and structured data collection techniques, such as statistical analysis. The primary role of quantitative research is to test hypotheses and examine the relevant relationships between the dependent and independent variables. (Kumar, 2011:394; He, 2018:110). This is in contrast to qualitative data which instead identifies a smaller sample and looks into detailed feelings and opinions rather than numerical facts (Kumar, 2011:395). Figure 1.1 indicates the variables within the hypothesised model for this study, whose relationships will be investigated and tested using the quantitative data acquired.

#### 1.6.2.2 Population, sampling and data collection

For the purpose of this study, primary data will need to be collected and analysed in addition to secondary data. According to Struwig and Stead (2013:64), the collection of primary data calls for choices to be made about the population, sample frame and

sample. A research population refers to any well-defined individuals or objects that comply with a given set of specifications and are thus under consideration for a particular study (Polit & Hungler, 1999:278; Collis & Hussey, 2014:51). For the purpose of this study, the research population consists of all pre-retired individuals living in the Nelson Mandela Bay. However, due to the inability of researchers to test all of the pre-retired individuals in the Nelson Mandela Bay, a sample will be selected to represent the population. The distinction between the sample frame and sample of this study will now be made.

A sample frame refers to a list of all individuals that make up the research population and it is from this list which the sample is drawn (Struwig & Stead, 2013:115). This research study will therefore have no sample frame, as a list of pre-retired individuals in the Nelson Mandela Bay does not exist. Sampling is defined as the process of selecting a specific portion of the research population which is representative of the entire population (LoBiondo-Wood & Haber, 1998:250). After researchers have identified the appropriate population for the study, they will have to choose between two sampling methods, namely probability and non-probability sampling. Probability sampling provides all elements of the population with a fair, equal chance of being selected for the research sample to partake in the study. Alternatively, non-probability sampling implies that not all elements in the population have an equal probability of being selected as a part of the research sample, which could taint the reliability and credibility of the selected sample. Examples of non-probability sampling techniques include convenience, quota, purpose, and snowball sampling. (Burns & Grove, 2001:804). LoBiondo-Wood and Haber (1998:263-264) recommend that the sample size be as large as possible to allow for the best representation of the population, while it is also recommend that a sample should consist of more than 100 respondents (Hair, Black, Babin & Anderson, 2014:100).

With all of the above considered, this study will adopt the non-probability sampling technique of convenience sampling to identify at least 90 pre-retirees in the Nelson Mandela Bay, due to the absence of a sample frame. Convenience sampling has been defined by Struwig and Stead (2013:116) as a method of sampling where respondents are selected to be a part of the sample based purely on their availability. Furthermore, the respondents will be required to be between the ages of 40 and 60, as it is believed

that this age group of pre-retirees will provide the greatest insight into the factors affecting retirement planning and retirement readiness in general. Additionally, due to the study being quantitative in nature, a large sample will be required, resulting in the use of a survey research method. This method will require the use of a structured questionnaire to collect the required data, which will in turn be statistically analysed and interpreted. Selected individuals who meet the previously stated sample requirements will be approached by field-workers from Nelson Mandela University. These field-workers will personally hand out the self-administered questionnaires to willing respondents or distribute them via e-mail. Upon completion, the field-workers will collect the completed questionnaires from the respondents or acquire them through their e-mail inboxes.

#### 1.6.2.3 Data analysis

Cooper and Schindler (2014:86) indicate that data analysis is the process of examining each aspect of the primary data received using logical and analytical reasoning techniques. Furthermore, it is during this phase that raw data is converted into useful information, whereby patterns can be identified and interpreted (Cooper & Schindler, 2014:86). For the purpose of this study, the primary data collected from the research questionnaire will be captured in Microsoft Excel. Once the data is captured, cleaned and sorted, it will be analysed using the statistical programme known as Statistica version 13. An exploratory factor analysis (EFA) and Cronbach's alpha coefficients will then assess the validity and reliability of the measuring instrument.

The validity of research data refers to the extent to which a measuring instrument measures data that it is intended to measure, to ensure that the data is useable for the study which it was collected for (Kumar, 2011:402). Murphy and Davidshofer (2005:38) reiterate this by stating that "a valid test is simply one that measures what it intends to measure". An exploratory factor analysis will be conducted to evaluate the validity of the measuring instrument. It will also investigate the relationship between the various variables and summarise them into more manageable factors (Struwig & Stead, 2013:149). In this study, only factor loadings greater than 0.5 will be considered valid (Hair *et al.*, 2014:117). Reliability refers to the extent to which a measuring instrument has the ability to reproduce accurate scores and can generate consistent



results when used repeatedly under the same conditions (Pusic, Lemaine, Klassen, Scott & Cano, 2011:1363). The reliability and internal consistency of the measuring instrument can be identified by calculating Cronbach's alpha coefficients. Cronbach's alpha is a technique that tests the reliability of a measuring instrument that requires only one test administration to provide a unique estimate of the reliability of a test. (Mitchell & Jolley, 2010:153; Tavakol & Dennick, 2011:53). Cronbach's alpha coefficients range from 0 to 1, where a coefficient at or above 0.7 is considered reliable. In this study, Cronbach's alpha coefficients that are lower than 0.7 will be considered unreliable. (Andrew, Pedersen & McEvoy, 2011:202).

Descriptive statistics refer to a group of techniques that are used to summarise and organise data into manageable quantities for research purposes (Lombaard, Van der Merwe, Kele & Mouton, 2011:35). Descriptive statistics include a variety of concepts such as the mean, standard deviation and frequency distribution (Collis & Hussey, 2014:226). These will all be calculated according to the data received and presented in tables within the empirical investigation in order to summarise the sample data.

Pearson's product moment correlations will be calculated to determine and examine the correlation and association between the variables of this study. The correlation coefficient ( $r$ ) ranges between -1.00 and +1.00. (Andrew *et al.*, 2011:215). The closer the coefficient is to 1, the stronger the relationship, and the closer it is to 0, the weaker the relationship (Bryman, 2012:342). Additionally, Uyanik and Güler (2013:234) explain that a multiple regression analysis (MRA) is a valuable statistical technique that assesses the relationship between a dependent variable and two or more independent variables. In this study, multiple regression analyses will be undertaken to investigate whether relationships exist between the independent variables (*Financial literacy, Attitudes towards retirement, Future time perspective, and Access to financial planning services*), the mediating variable (*Retirement planning*) and the dependent variable (*Retirement readiness*).

## **1.7 SCOPE AND DEMARCATION OF THE STUDY**

As discussed throughout this chapter, it has been identified that retirement readiness is a key issue in South Africa. The literature review of this study will highlight and

discuss four independent variables that influence the retirement planning activities of individuals, which in turn affect their retirement readiness. These factors include financial literacy, attitudes towards retirement, future time perspective, and access to financial planning services. It should be brought to the reader's attention that there are some factors that fall within the scope of this study, but are not subsequently investigated.

For the purpose of this study, the primary research will only include pre-retired individuals between the ages of 40 to 60. The reason for this is that this age group has been identified to be near retirement and will provide the greatest insight into the retirement practices of pre-retired individuals. The geographic scope of the research will be focused on individuals who reside in the Nelson Mandela Bay area of the Eastern Cape, South Africa. However, this scope is sufficient for this study, as the study is exploratory in nature.

## **1.8 CONTRIBUTION OF THE STUDY**

The primary reason for undertaking this research can be attributed to the importance of retirement readiness and the subsequent lack of retirement planning occurring on a global and local scale. South Africans lack a savings culture, with research showing a debt-to-disposable income ratio of over 77 percent. This is seen to be a major issue which is in need of further attention and is urgently required to be addressed. (Indebted South Africans showing resilience, 2016). The issue is compounded by the fact that the Eastern Cape is statistically one of the two poorest provinces in South Africa in economic terms (Eastern Cape Socio-Economic Consultative Council, 2017). Thus, this study aims to add value and expand on the limited body of knowledge that currently exists regarding the retirement planning practices and retirement readiness of individuals in the Nelson Mandela Bay. Through this study it is hoped that certain issues can be identified and solutions can be recommended.

## **1.9 STRUCTURE OF THE STUDY**

The structure of the research will be as follows:

**Chapter one** will introduce the topic of the study and provide an introduction and background to the topic being investigated. Following the introduction is the problem statement and purpose of the study. Several research questions were posed in this chapter, along with an introduction of the primary, secondary, and methodological research objectives. A brief literature review was also included to establish a theoretical base for the study. Following this, an overview of the research design and methodology was proposed. To conclude Chapter one, the structure, scope, and demarcation of the study was provided, along with the study timeframe.

**Chapter two** will provide an overview of the influence of retirement planning on retirement readiness. A definition of financial planning will be given and reference will be made of its key concepts. A discussion on retirement planning, its advantages, and the ways to go about planning for retirement will also be presented. To conclude the chapter, a comprehensive analysis of the factors that influence retirement planning and thus, retirement readiness will be conducted. The factors discussed include financial literacy, attitudes towards retirement, future time perspective, and access to financial planning services.

**Chapter three** will focus on the research design and methodology to be used in this study and the rationale behind the selected methodology. The population, sample frame and sample will be defined and indicated. In addition, the sampling techniques and the measuring instrument to be used in the study will be discussed. The chapter will conclude with an overview of the methods chosen to analyse the collected data.

**Chapter four** of the study will report on the empirical results of the study. A discussion on the reliability and validity of the measuring instrument will be presented. An overview will then be given on the empirical results of the study regarding the retirement readiness of individuals in the Nelson Mandela Bay. To conclude the chapter, the results of the various statistical tests will be examined and the results of the hypothesised relationships will be determined.

**Chapter five** will present a succinct summary of the main findings from the literature overview and empirical results. Lastly, conclusions will be drawn on the conducted

research and recommendations will be made, based on the results of the research study.

## **1.10 STUDY TIMEFRAME**

Table 1.1 depicts the activities which are to be completed for the purposes of this study, as well at the date which each activity is set to be completed by.

**Table 1.1: Study timeframe**

<b>Order</b>	<b>Activity</b>	<b>Completion date</b>
<b>1</b>	Finalise research proposal (Chapter 1)	30 April 2018
<b>2</b>	Literature chapter (Chapter 2)	21 May 2018
<b>3</b>	Methodological chapter (Chapter 3)	30 June 2018
<b>4</b>	Data collection	20 August 2018
<b>5</b>	Empirical results chapter (Chapter 4)	7 October 2018
<b>6</b>	Summary, conclusions and recommendations chapter (Chapter 5)	16 October 2018
<b>7</b>	Submission	26 October 2018

Source: Researchers' own construction

## **CHAPTER TWO**

### **RETIREMENT PLANNING AND RETIREMENT READINESS IN PERSPECTIVE**

#### **2.1 INTRODUCTION**

As previously stated, the primary objective of this study is to investigate the retirement readiness of individuals in the Nelson Mandela Bay. As stated in Chapter one, retirement readiness is directly influenced by retirement planning and is the result of adequate retirement planning practices (Rowe, 1994). Retirement planning is a fundamental component of financial planning (Oladipo & Clovey, 2008:66). Thus, the purpose of this chapter is to discuss the factors that affect retirement planning and its link to retirement readiness. In order for this to be achieved, an outline of financial planning, the financial planning process and the components of financial planning will be given. This will be followed by an in-depth discussion on the importance of retirement planning. To conclude the chapter, a detailed overview will be provided on the four identified factors that influence retirement planning, which include financial literacy, attitudes towards retirement, future time perspective and access to financial services. The chapter will be drawn to a close with a summary of the literature provided and the link between retirement planning and retirement readiness will be reinforced. Therefore, this chapter will achieve the first and second secondary objectives and first methodological objective of the study.

#### **2.2 FINANCIAL PLANNING IN CONTEXT**

Warschauer (2002:202) defines financial planning as a process of identifying financial issues and creating strategies to solve them. Garman and Forgue (2017:5) further state that the financial planning process refers to the creation and execution of a coherent financial plan enabling individuals to achieve their financial goals. Given the multiple definitions of financial planning, all state that certain activities must be performed in order for effective financial planning to occur. These activities include evaluating individuals' financial situations, identifying their financial goals, planning ways to manage their financial resources and identifying ways to overcome any obstacles faced. (Rossini & Maree, 2010:5). Thus, it can be seen that financial planning is an activity that seeks to guide individuals' decision making and help them

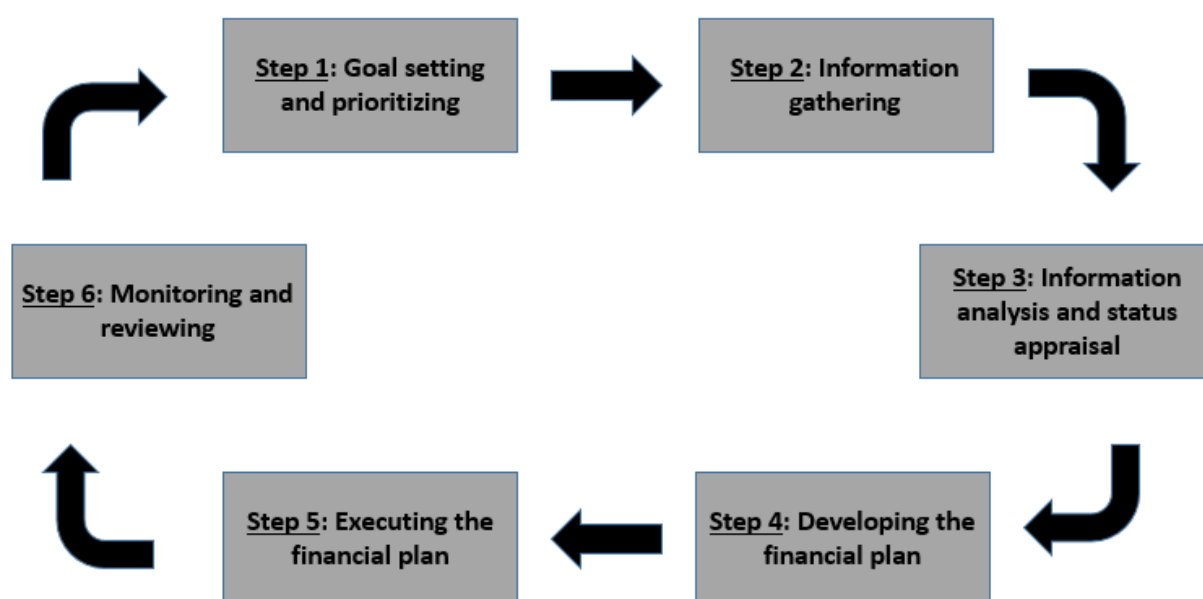
achieve their short-term and long-term goals. These goals are the optimal results of a well-established and executed financial plan and as such, should be realistic, attainable and well-defined. (Lowe, 2010:4).

Financial goals can be defined as the outcomes that individuals would like to attain after a pre-determined timeframe (Blanchett, 2015:43; Billingsley *et al.*, 2017:9). These timeframes include short-term, medium-term and long-term. Short-term financial goals are set to be accomplished over a one year period and could include minor activities that possibly contribute towards the accomplishment of medium-term or long-term financial goals, such as regular contributions to an investment fund (MacCosham & Gravelle, 2017:390). Medium-term financial goals are more future-focused and financially demanding than short-term financial goals and are set over a two-to-five year period. Long-term financial goals are set to be accomplished over a period of more than five years and include retirement planning activities. (Gitman & Joehnk, 2005:15). In order to achieve their financial goals, individuals will need to utilise the full extent of their resource capabilities and possibly make use of professional financial planning facilities and processes (Callaghan, Fribbance & Higginson, 2007:34).

### 2.2.1 THE FINANCIAL PLANNING PROCESS

According to Billingsley *et al.* (2017:16), effective financial planning practices allow individuals to successfully manage their resources and achieve their financial goals. Throughout the various definitions for financial planning, a common process has been identified that needs to occur for effective financial planning to take place. This process can be carried out by individuals themselves or by professional financial planners who specialise in the area of financial planning. (Callaghan *et al.*, 2007:38). Figure 2.1 illustrates the financial planning process. This is followed by a brief explanation of the financial planning process and its six identified steps.

**Figure 2.1: The financial planning process**



Source: Adapted from Tan, Hoe & Hung (2011:150)

Based on the financial planning process depicted in Figure 2.1, Step one involves determining the goals of the individual and prioritising these goals in terms of their importance (Lawson & Klontz, 2017:49). This requires analysing the individual's financial and general situation, which can be done personally by the individual or by seeking the assistance of a professional financial planner (Callaghan *et al.*, 2007:38). Step two entails gathering the necessary quantitative and qualitative information or data needed to ascertain the individual's financial situation. The quantitative information is used to draw up a budget, whilst the qualitative information defines the individual's financial and lifestyle goals (Botha *et al.*, 2016:139). Step three involves the analysis of the individual's personal information and financial status. During this step, the individual or financial planner analyses the information and determines whether the stated goals in Step one are attainable (Lawson & Klontz, 2017:51).

Step four is to develop the financial plan. In addition, a strategy is recommended as well as a suitable action plan. These recommendations should show how the previously stated goals and needs of the individual will be met, or what revisions will be made to ensure that they are met. (Botha *et al.*, 2016:148). According to Cull (2009:27), these recommendations should enable the individual to make informed

decisions regarding the achievement of their financial goals. In Step five, the financial plan is implemented and executed. This also involves selecting the financial products that are most appropriate to meeting the individual's needs (Callaghan *et al.*, 2007:38). The sixth and final step of the financial planning process is monitoring and reviewing the financial plan. This entails periodically reviewing the plan on an on-going basis to ensure that it continues to function as expected and achieves the required results (Botha *et al.*, 2016:151).

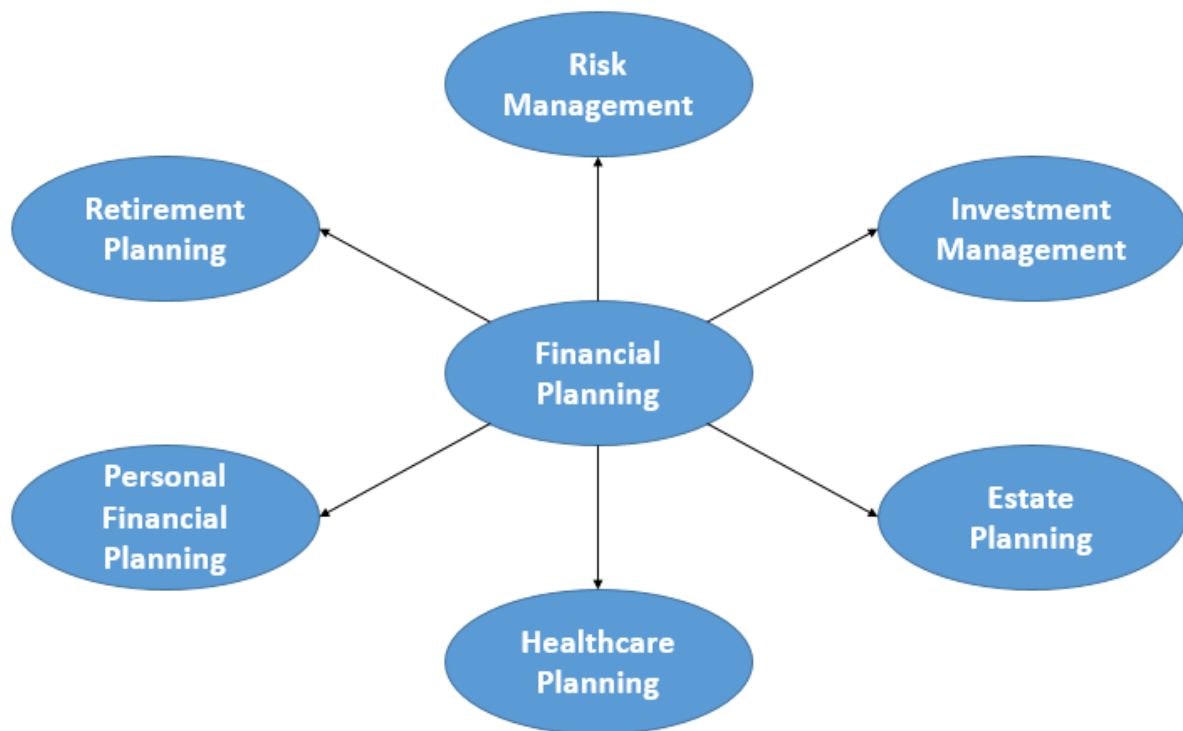
It is important to note that the financial planner's role is not to tell their client what to do, but rather to guide them through the financial planning process (Lawson & Klontz, 2017:50). Thus, it can be concluded that the financial planning process is continuous and requires constant monitoring and remedial actions, should the individual's circumstances change. A simple and flexible financial plan serves as a blueprint for individuals in attaining their financial goals, which are key to achieving the optimal goal of financial independence. (Billingsley *et al.*, 2017:9; Financial Planning Institute, 2018).

## **2.3 THE KEY COMPONENTS OF FINANCIAL PLANNING**

As previously mentioned, financial planning provides a means for individuals to achieve their financial goals. This involves constructing a financial plan which incorporates and integrates numerous components associated with financial planning. (Oladipo & Clovey, 2008:66). According to Tan *et al.* (2011:150), there are six components of financial planning that are key to individuals achieving their financial goals that are relevant to this study. These key components include risk management, investment management, estate planning, health care planning, personal financial planning and retirement planning, which are illustrated in Figure 2.2.



**Figure 2.2: The components of financial planning**



Source: Researchers' own construction

A discussion of each component will now follow.

### 2.3.1 RISK MANAGEMENT

Risk management can be defined as the process through which risks are highlighted and control measures are implemented to reduce individuals' susceptibility to these risks. Additionally, risk management refers to a process whereby an action plan is developed and executed to reduce risks that were previously identified and evaluated. (Hough, Thompson, Strickland & Gamble, 2011:341; Botha *et al.*, 2016:167). Swart (2012:386) explains that there are two different types of risk, namely, speculative and pure risk. Speculative risk refers to a situation that could potentially give rise to either a gain or loss for individuals, when investing in shares or bonds for example. Pure risk on the other hand refers to a scenario that would end in a pure loss for individuals with little to no possibility of a gain. (Ferrer & Mallari, 2011:118).

Individuals are vulnerable to various subcategories of risk, such as personal risk, property risk, liability risk and non-performance risk (Friedberg, 2015:204). Personal risk refers to situations such as death, illness, or injury that could lead to individuals experiencing a financial loss. Furthermore, property risk occurs when tangible assets such as homes and motor vehicles are damaged, stolen or irreparably vandalized. In other words, these are direct property losses. (Sethi & Bhatia, 2012:169-170). Indirect property losses occur when further monetary losses are incurred as result of the direct loss (Friedberg, 2015:204). Moreover, liability risk may arise due to deliberate or unintended damage to an individual or property belonging to them. Finally, non-performance risk is experienced as a consequence of investment, and refers to the possibility that investments may yield poor returns, or even losses. (Friedberg, 2015:205).

According to Botha *et al.* (2016:167), risk management seeks to reduce and contain these risks through the implementation of strategies such as risk avoidance and reduction. Risk avoidance entails taking a path that bypasses the likelihood of these risks occurring (Botha *et al.*, 2016:167). Since risk in some cases is unavoidable, risk reduction strategies can assist individuals in reducing risk to levels that can be tolerated and overcome (Hough *et al.*, 2011:341). As such, risk management is a crucial component of the financial planning process as it allows individuals to make provisions to protect their finances against possible risks that may arise.

### 2.3.2 INVESTMENT MANAGEMENT

The term “investment” is defined by Reilly and Brown (2015:3) as the current commitment of a specific amount of money by an individual during a period of time for the purpose of creating future income that will compensate the individual for the risk encountered, the time the money was committed and the inflation incurred over the period. It is no longer sufficient to merely evaluate risk and add relevant risk-benefits to counteract the identified risk. It has becoming increasingly important for individuals to create a structured investment plan that defines and explains their long-term financial goals. (Botha *et al.*, 2016:383). This investment plan provides methods and strategies for how individuals can use their available capital resources to create

customised investment portfolios to achieve specific investment goals and financial needs that they have (Jordan, Miller & Dolvin, 2015:47).

An investment portfolio is defined by Swart (2012:229) as the collective whole of all the different investment assets that an individual owns. An individual's investment portfolio must be continuously monitored and analysed to determine its risk, return, diversification, maturity dates, and liquidity to ensure that it continues to meet the individual's changing needs and/or circumstances. The allocation of assets and selection of securities have been identified as being the most important decisions to make in terms of creating and managing an investment portfolio. (Jordan *et al.*, 2015:47). The allocation of assets refers to the way in which investment portfolios contain a wide variety of broad asset classes, such as shares, bonds, property and cash, while security selection identifies the specific securities selected within each broad asset class (Winger & Frasca, 2006:228).

During the investment planning process, decisions about the investment portfolio must be taken in order to determine which assets and securities must be acquired, retained, adapted, and disposed of, in line with the financial needs and goals of the individual (Winger & Frasca, 2006:229). These decisions are based on the individual's attitude towards risk and their willingness to incur risk in order to attain greater financial gains. An individual can either be risk adverse, which entails avoiding taking as much risk as possible in order to protect their initial investment, risk-seeking, which involves selecting the riskiest assets in an attempt to maximise returns, or risk-neutral, which is the middle-path between the two extremes. Factors such as age, liquidity, time, volatility of the investments, inflation, interest rates, the individual's goals, unexpected events, asset classes and the individual's personality affect the amount of risk that an individual elects to take. (Winger & Frasca, 2006:230; Botha *et al.*, 2016:385-390). Thus, investment planning is an important activity that creates the funds needed to adequately plan for the future and live comfortable in the present, which is a key factor in preparing for retirement and ensuring retirement readiness.

### 2.3.3 ESTATE PLANNING

Estate planning is a continuous process in which an individual ensures that their financial affairs are organised in a way that ensures maximum enjoyment from the individual's assets throughout their lifetime, as well as by the individual's beneficiaries after their death (Mayer, Warner, Siedel & Lieberman, 2012:507; Hachfeld, Bau & Holcomb, 2013). The beneficiaries of a deceased individual's assets are determined by the individual prior to their passing and are stipulated in a last will and testament. As part of estate planning, testamentary planning involves ensuring that an individual has a valid and up-to-date will. This last will and testament is a legal document that outlines the individual's wishes and instructions as to how and who they want their assets distributed to upon their death. This document needs to be flexible and constantly updated to suit the testator's changing needs, conditions and wishes. (Winger & Frasca, 2006:405; Botha *et al.*, 2016:494). Should an individual die without having created a valid will, it means that no estate planning has occurred and the individual is said to have died intestate. This means that the deceased's assets may not be distributed to the specific individuals that the deceased may have wished for should they had chosen to draft a will. This is due to the distribution being guided in accordance to the South African Intestate Succession Act, which follows a specific hierarchy of individuals with a claim to the deceased estate. (Bajtelsmit & Rastelli, 2008:408)

In addition to these activities, estate planning also involves performing a variety of calculations to determine the liabilities, taxes and costs that are incurred upon the liquidation and distribution of the deceased's estate (Mayer *et al.*, 2012:507; Botha *et al.*, 2016:351). Such expenses include estate duty payable, executor's fees, capital gains tax, outstanding liabilities payable and the financial income needs to the deceased's dependants, among others. Estate planning further aims to minimise these expenses and liabilities through various strategies. (Botha *et al.*, 2016:492). This can be done through estate duty and other tax deductions and rebates, such as transferring assets to the surviving spouse as per Section 4q of the Estate Duty Act (Botha *et al.*, 2016:343-.350). Thus, it can be seen that estate planning is an important financial planning activity that is often overlooked, but is necessary for individuals to ensure that their loved ones are provided for after they pass away.

#### 2.3.4 HEALTH CARE PLANNING

In South Africa, health care services are provided either through free public health care or private health care. In addition, private health care is predominantly received through access to medical aid services. Whilst membership is voluntary, it is usually only those in higher-paying jobs who have access to these medical aid services. (Botha *et al.*, 2016:193). Out of a population numbering more than 50 million individuals, under nine million are covered by medical aid schemes (Alexander Forbes, 2017:10). Furthermore, statistics show that more than half (55.5 percent) of South Africans live below the poverty line (Statistics South Africa, 2017). As such, provision of adequate health care remains a significant obstacle for developing countries such as South Africa, where more than 80 percent of the population rely on public health care (Botha *et al.*, 2016:193). Medical costs for private health care can be excessive for individuals without medical aid. Thus, individuals should consider health care costs when drafting their financial and retirement plans. This will greatly assist in covering any health-related costs incurred during retirement. If possible, individuals should consult health care advisors to assist in this regard. (Botha *et al.*, 2016:194).

#### 2.3.5 PERSONAL FINANCIAL PLANNING

Personal financial planning can assist individuals in determining their financial goals and developing appropriate plans of action to achieve these goals. Additionally, it can be defined as a mechanism which enables individuals to realize their financial or lifestyle goals. (Seese, Weinhardt & Schlottmann, 2008:211; Billingsley *et al.*, 2014:3). Personal financial planning can be done through self-management, or professional assistance may be sought from professional financial planners and advisors (Tan *et al.*, 2011:152). Relevant data regarding individuals' expenses is then collected. This allows an appropriate budget to be drafted in order to assist them in meeting their goals. In addition, financial statements are also drafted to give individuals an idea of their financial situation. (Botha *et al.*, 2016:134).

Personal financial planning allows individuals to consider repayment options to reduce debt, and guides them in creating an emergency fund (Old Mutual, 2017). By setting up an emergency fund, individuals can safeguard their financial security. This is further

enhanced by implementing and committing to the budget that was previously drafted. By budgeting, individuals can effectively manage their finances and reduce debt through disciplined buying and prioritising of their spending habits. With the costs of living steadily increasing annually, the need for adequate financial planning will continue to rise. (Callaghan *et al.*, 2007:97; Fisher, Hayhoe & Lown, 2015:8; Old Mutual, 2017).

### 2.3.6 RETIREMENT PLANNING

Retirement planning is defined by Holtzman (2002) as a process or action that involves planning and decision making with regards to the assignment of limited financial resources to various investment strategies to maximise returns to be used during retirement. Additionally, retirement planning can be described as the process that allows an individual to formulate estimates with regards to their future consumption requirements, and construct a strategy to satisfy those requirements when they are no longer working (Winger & Frasca, 2006:9). This essentially involves creating a plan to maintain one's current standard of living once their primary source of income from employment ceases to exist and eliminating the risk of living through their retirement years without having adequate financial provisions (Callaghan *et al.*, 2007:272). Retirement planning allows individuals to set realistic, comprehensive retirement goals and determine the finances needed to reach the said goals and identify the sources of the required finances (Pfau, 2011).

To ensure that sufficient provisions have been made for retirement, individuals need to begin the planning and implementation of retirement strategies as soon as possible. It is recommended that individuals begin saving immediately upon entering the workforce. (Winger & Frasca, 2006:416). The earlier that planning commences, the more likely an individual is to maintain their standard of living during retirement and thus, ensuring retirement readiness (Irving 2012:55). Furthermore, research shows that individuals who begin saving from the age of 20 should aim to save at least 12 to 15 percent of their pre-tax income annually to adequately prepare for retirement. Individuals who begin planning for retirement after the age of 30 will have to save at least 20 to 25 percent of their annual pre-tax income. This illustrates how important it is to make provisions and start saving for retirement earlier in life, as the later planning

starts, the greater the burden will become on the individual and the more difficult it will become to be to achieve retirement readiness. (Garman & Forgue, 2003:531).

While private savings contribute hugely towards an individual's retirement, there are two other identified sources of retirement income, which include employer-sponsored and governmentally funded public retirement schemes (National Treasury, 2004:6; Financial Services Board, 2018). In South Africa, the government has a public retirement scheme that helps support individuals nearing retirement or who are retired. This scheme is provided in the form of the Old Age Grant, which provides an income to pensioners over the age of 60 (Financial Services Board, 2018). However, this grant is far from sufficient to support an individual entirely on its own, as it will only provide pensioners with a circumstantial maximum of R1 700 per month by the end of 2018 (Presence, 2018). In addition, employer-sponsored funds are also available to the employees of many corporations. This refers to funds that have been established for the benefit of employees, such as pension funds and provident funds to assist employees in providing for their retirement. (National Treasury, 2004:6; Financial Services Board, 2018).

Considering the above discussion, it can be determined that the best strategy to ensure total financial soundness and attain optimal retirement readiness is to part take in all the components of financial planning simultaneously. This will allow individuals to achieve all of their financial goals and ensure that their present and future financial needs are adequately met. The help of financial planners may be needed to gain financial advice and insight to ensure that the correct decisions are made. With this being said, retirement planning is considered to be one of the most important components of financial planning. (Oladipo & Clovey, 2008:66; Billingsley *et al.*, 2017:557). This is the case, as it incorporates all aspects of the financial planning framework and affects individuals' standard of living at all stages of life, with emphasis being placed on the often financially neglected golden years of retirement (Kossova *et al.*, 2014:39). As such, the following section will emphasize the importance of retirement planning and provide an overview of the current retirement planning landscape within South Africa.

## **2.4 THE NATURE AND IMPORTANCE OF RETIREMENT PLANNING**

Kim and Moen (2001:84) mention that retirement is the stage of life in which a person's primary source of income ceases to exist as they transition into old age. According to Friedberg (2015:198), retirement is an elusive concept with no set definition, with it being interpreted differently by individuals according to their perceptions of it. However, the general consensus is that retirement is not an isolated occurrence, but rather a continuous process in which individuals gradually reduce their psychological and emotional obligations towards work and withdraw from the workforce (Wang, 2013:4; Friedberg, 2015:198). From this point, these individuals have no intention of willingly returning full-time to the workforce (Kim & Moen, 2001:84).

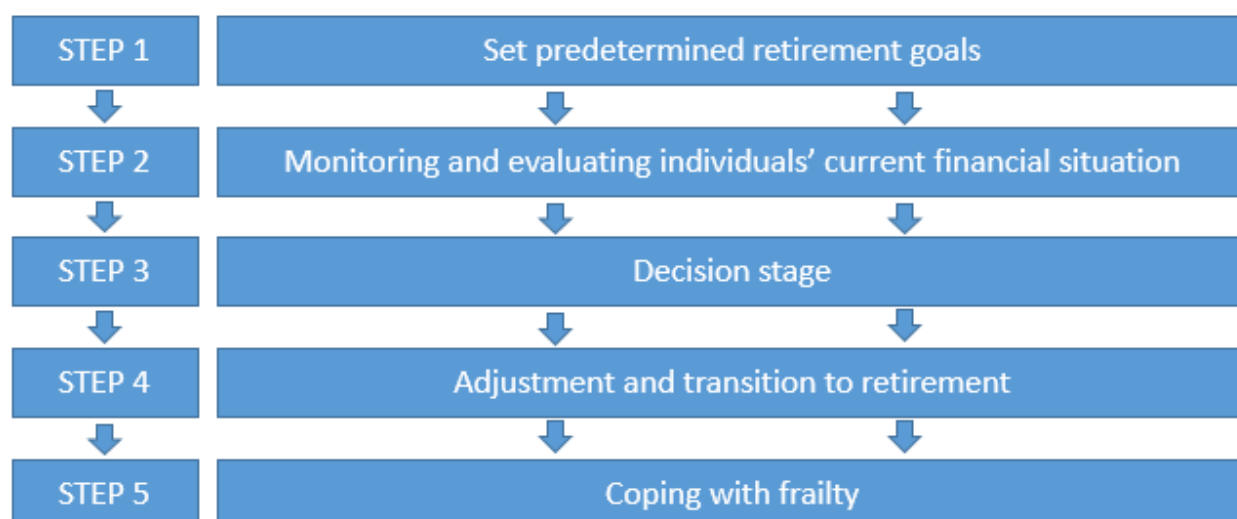
The transition into retirement brings about many risks and challenges that individuals need to consider. This is a particularly uncertain and stressful period for individuals due to them no longer having an inflow of regular income and a decline in their overall health. (Onoyase, 2013:86). Individuals often do not consider that their income will fluctuate and that their health will inevitably decline, thus leaving them unprepared to deal with these circumstances (Muir, 2016:14). Various other external risks also contribute to the uncertainty experienced during this transitional phase. Inflation has been identified as a major consideration for retirees, as there is concern that the inflation rate may surpass the value of their retirement provisions. This is especially true for many of the goods and services used by the elderly, in comparison to goods and services used by younger people, such as rising medical costs. (Fashagba, 2016:4; Gustafson, 2018). In addition, market risk is also experienced, which involves the risk of an individual losing a substantial portion or the entirety of their retirement investments due to fluctuations in the investment market (Callahan, Finefrock & Lahey, 2012:65). This emphasises the need for individuals to consider these risks and adequately prepare for retirement, in an attempt to predict and prepare for these risks and challenges. The best method for considering these risks and preparing to alleviate them is by engaging in active retirement planning. (Callaghan *et al.*, 2007:272).



### 2.4.1 THE RETIREMENT PLANNING PROCESS

Retirement planning, as mentioned previously, involves the process in which individuals set aside a portion of their income in order to meet their retirement goals (Sheposh, 2017). When planning for retirement, individuals may do so independently or they can seek the assistance of a certified financial planner who can assist the individuals in making the best investment decisions and formulating the most effective retirement strategies (Periysamy & Mageswari, 2014:1810). Since retirement planning should occur throughout an individual's working life, the following five steps will provide a brief overview of the retirement planning process from an individual's perspective. The five steps of the retirement planning process are illustrated in Figure 2.3 and discussed thereafter.

**Figure 2.3: The retirement planning process**



Source: Adapted from Collison (2014)

While the retirement planning and financial planning processes are similar in nature, their approaches differ, with retirement planning geared more toward making provisions for retirement (Botha *et al.*, 2016:143-144).

Step one states that all financial plans should start with identifying and defining the individual's desired objectives or outcomes. As such it is only fitting that the first step in this process be to set predetermined retirement goals. Not only will this state

individuals' desired retirement outcomes, but it also acts as a road map to guide individuals in making provisions for their retirement. (Fuscaldo, 2012). Even though the exact monetary amount needed to comfortably retire cannot be easily determined, the plan serves to steer individuals towards a state of retirement readiness (Snyman *et al.*, 2017:206). Whilst individuals' perceptions regarding retirement may differ, there is a common desire for a financially secure retirement. This is where these stated goals will assist individuals in moving toward their chosen retirement conditions. (Snyman *et al.*, 2017:207).

Step two of the retirement planning process entails continuously monitoring and evaluating individuals' current financial situation. During this step, the retirement plan is executed, with individuals' financial circumstances monitored on an ongoing basis, to determine the progress made towards achieving their retirement objectives (Baker, Logue & Rader, 2005:243; Periysamy & Mageswari, 2014:1810). This allows individuals to track their progress and to make any adjustments deemed necessary (Botha *et al.*, 2016:145).

Step three is known as the decision stage. With retirement age imminent, individuals need to start considering whether or not to retire. This decision may be guided by their desire to exit or remain in the workforce, and is influenced by various factors such as their psychological well-being, health status, current financial position and progress made towards achieving their retirement goals (Collison, 2014; Jaworski, Reed & Vernon, 2016:3).

The fourth step involves the movement and adjustment of individuals from being in the workforce into the retirement stage of their life cycle. The retirement phase is where individuals get to travel more often, spend time with family and engage in hobbies that were previously limited due to employment obligations (Mansor, Hong, Abu & Shaari, 2015:108; Botha *et al.*, 2016:143). Early and effective retirement planning assists individuals in ensuring that retirement is a quick and stress-free transition (Periysamy & Mageswari, 2014:1806; Collison, 2014).

During Step five of the retirement planning process, individuals face increasing susceptibility to illness or injury. This is a natural part of the aging process as

individuals' physical mobility progressively declines over time and they rely more on others for help. During this stage, the proximity of health care facilities is also an important consideration for individuals. (Rantakokko, Mänty & Rantanen, 2013:19; Manini, 2013:2). An adequate retirement plan would include making provision for the potential of increasing health care expenses. It would also compensate for individuals' declining health and prepare them for old age in all spheres during the retirement phase of life. (Pekorski & Berg, 2017:53).

#### 2.4.2 THE BENEFITS OF PLANNING FOR RETIREMENT

Judging from the retirement planning process, it can be determined that retirement planning is a vital consideration for all individuals. Through the effective execution of retirement planning, individuals can attain various psychological and financial benefits, such as having a sound peace of mind and being financially secure during retirement. (Merton, 2014; Santos, 2015:15). According to Noone *et al.* (2009:296), research showed that individuals who engaged in pre-retirement planning, were not only financially better off, but also experienced an improved well-being. Conversely, when individuals did not engage in early pre-retirement planning, this was more likely to significantly reduce their well-being during retirement (Wang, Henkens & van Solinge, 2011:4-5). It is important to note that the use of well-being here also refers to psychological aspects such as life satisfaction, and both the physical and mental health of individuals. Psychological aspects of well-being have not received as much focus as its financial aspects, namely retirement income and standard of living (Noone *et al.*, 2009:296). Considering these psychological aspects is important because well-being is subjective and may vary among individuals. Additionally, Noone *et al.* (2009:297) argues that individuals' well-being after retiring is largely dependent on factors such as their financial status, physical and mental health.

#### 2.4.3 CHALLENGES RELATING TO RETIREMENT PLANNING

Marais (2016b) mentions that individuals should aim to save between 15 to 20 times their annual pre-tax incomes before retirement in order to ensure sufficient finances are available to achieve retirement readiness. Statistics have shown that South Africans have a low marginal propensity to save and find it difficult to spend less,

especially given the economic climate of the country. This has resulted in South Africans saving for periods that are much shorter than the global and recommended averages. (Van Rensburg, 2013:19). With this considered, it has been found that only six percent of South Africans are financially secure for retirement (Swart, 2012:421; Financial Services Board, 2018).

Neglecting to plan sufficiently for retirement can cause a plethora of further issues. Individuals who have not made sufficient provisions for retirement may be required to delay their retirement and remain in or rejoin the workforce in order to accumulate the funds needed to ensure an eventual comfortable retirement. (Phua & McNally, 2008:590). Alternatively, individuals may be forced to rely on government subsidies and the support of friends and family. This has created a phenomenon known as the “sandwich generation”, where individuals not only support their children financially, but their parents as well. As a result, the individuals who make up the sandwich generation will struggle to finance their own retirement planning process and likely incur large sums of debt, thus creating a cycle of individuals who are not ready for retirement. (Old Mutual Retirement Monitor, 2017).

Thus, the primary objective of retirement planning is to achieve a state of retirement readiness (Jaiswal, 2016). Retirement readiness is defined as being financially prepared for retirement. This preparedness is determined by the progress made by an individual in meeting and achieving their personal retirement-based financial goals. Being retirement ready further entails that individuals are able to maintain or improve upon the same standard of living during retirement that they experienced throughout their working lives. (Collinson, 2013; Morrissey & Johnson, 2017:2). The amount of planning and capital required to achieve retirement readiness will differ among individuals due to each having unique needs and circumstances. Therefore, it can be seen that retirement planning is the key contributor to ensuring adequate retirement readiness is achieved. (Jaiswal, 2016).

## **2.5 THE FACTORS INFLUENCING THE RETIREMENT PLANNING AND RETIREMENT READINESS OF INDIVIDUALS**

The primary objective of this study is to investigate the retirement readiness of individuals. In order to do this, four factors have been identified that are seen to have a direct influence on the retirement planning practices of individuals, and thus their retirement readiness. These four factors include financial literacy, attitudes towards retirement, future time perspective and access to financial planning services.

### **2.5.1 FINANCIAL LITERACY**

The financial landscape has evolved into one of a complex nature and requires greater understanding to effectively navigate it (Lusardi & Mitchell, 2011:1). With this comes the rising issue of inadequate financial literacy. Financial literacy can be defined as an individual's capability to understand and interpret financial conditions that affect their own personal economic well-being. (Hung, Meijer, Mihaly & Yoong, 2009). Furthermore, Zait and Berteau (2014:38) define financial literacy as an individual's capacity to make well-informed decisions regarding their financial affairs and understanding basic aspects of the greater financial environment. In order to be considered financially literate, individuals are required to possess certain basic financial skills that enable them to utilise financial knowledge and convert it into financial behaviour (Calderone, Mulaj, Sadhu & Sarr, 2013). These skills will allow individuals to interpret basic economic indicators such as interest and inflation rates and enable them to understand the various financial products and services that are available. Thus, financial literacy encompasses the knowledge and financial skills that individuals have with regards to finances. (Boglárka, 2018:40).

Financial knowledge has been determined to play a dominant role in financial literacy, with Garg and Singh (2018:173) stating that the two concepts are often used interchangeably. Financial knowledge is gained largely through education, which is one of the main determinants of financial literacy. This financial education can be obtained in a number of different ways, such as training programmes, conferences, seminars, campaigns and other types of learning events. These events entail providing individuals with an experience in which financial knowledge is learned and financial

skills are acquired. This may also include learning about financial concepts and techniques from informal sources, such as friends and family, or from formal sources, such as schools and tertiary institutions. (Hogarth, Beverly & Hilgert, 2003:11; Starček & Trunk, 2013:1447). Financially uneducated individuals have been discovered to struggle with implementing financial planning and specifically retirement planning practices (Kaur, Mittal & Agarwal, 2013:714). This problem is especially prevalent in developing countries such as South Africa, where basic education levels are considerably inferior to their developed counterparts (Young *et al.*, 2017:552). Young *et al.* (2017:552) go on to mention that individuals who have been through an established process of education are far more financially literate than those who have not. This could be linked to why South Africa has such a poor savings and retirement planning culture as identified earlier (Financial Services Board, 2018).

As such, it can be determined that steps need to be taken to improve the quality of education and provide greater access to education for all. However, it is necessary to note that being well educated does not equate to being financially literate (Mitchell & Lusardi, 2015:3). In spite of this, Mitchell and Lusardi (2014:10) further explain that individuals who are better educated are more informed about fundamental financial literacy concepts. Financial education is a lifelong learning process and individuals should continue to learn new things in the field of finance in order to improve their financial knowledge, as it will benefit them in their financial and retirement planning processes. (Starček & Trunk, 2013:1449). Research confirms that financial education results in individuals having higher levels of financial literacy (Starček & Trunk, 2013:1445).

As a result of receiving financial education, individuals develop transferable financial skills and competencies that allow them to effectively conduct the daily management of their finances and planning for the future (Starček & Trunk, 2013:1450-1451). These skills give individuals the confidence and ability to overcome any financial obstacles that may arise. By improving these skills, individuals also exhibit improved budgeting habits and management of their expenses and debts. (Agarwal, Chomsisengphet & Zhang, 2015:8). Additionally, the acquisition of these skills present individuals with the ability to efficiently and effectively manage financial situations and competently plan for retirement. Preparing for retirement is a lifelong process, therefore individuals

possessing these financial skills are best prepared for retirement (van Rooij, Lusardi & Alessie, 2012:450). On the other hand, individuals who do not possess these skills are more likely to mismanage their finances and fall into debt (Mitchell & Lusardi, 2014:41). Furthermore, these individuals tend to have excessive debt levels due to them incurring higher transaction costs, resulting in them being in an even more precarious financial position. It can be concluded that individuals who do not possess sufficient financial skills are more likely to leverage their pension funds by borrowing against it, leading to them being worse-off in retirement. (Mitchell & Lusardi, 2014:41).

In conclusion, the purpose of this sub-section was to establish the possible relationship between financial literacy and retirement planning to determine its influence on retirement readiness. It was found that individuals who are more financially literate are more likely to engage in retirement planning and are thus, more prepared for their retirement (Agnew, Bateman & Thorp, 2013:16). Furthermore, it was found that financially literate individuals understood the impacts of economic indicators, such as inflation and they were more likely to consider risk when making financial decisions. Moreover, these individuals show a greater propensity to plan for their retirement and to begin planning for their retirement sooner. (Brown & Graf, 2013:17). Thus, this highlights the importance of financial literacy as a determining factor of retirement readiness (Young *et al.*, 2017:552).

## 2.5.2 ATTITUDES TOWARDS RETIREMENT

Attitude is a concept that involves the way that individuals feel and react towards a certain person, object or event, as well as the beliefs that the individuals hold with regards to that specific person, object or event. These attitudes are learned responses and are often influenced by the situation, circumstances and people affecting the lives of certain individuals. (Dolan, Peasgood & White, 2008:99; Logan & Hodges, 2012:5). Attitudes towards retirement refer to the way that individuals perceive retirement as an upcoming occurrence and thus, the importance of planning for it. Thus, it is an important retirement planning variable as it can determine whether or not retirement is acceptable for certain individuals and how seriously they consider being financially prepared for it. (Deborah & Temitayo, 2013:212).

Some individuals may perceive retirement as a death sentence and do not believe that there is much to live for once they cease to work, which results in them living life to the fullest while they still have the means to do so. Additionally, other individuals identify retirement as a road to uncertainty, poverty, stress and the loss of friendships, which clouds their judgment of the positive aspects of retirement. (Fletcher & Hansson, 1991; Deborah & Temitayo, 2013:212). Those individuals who view retirement in a negative light are unlikely to think about it, and as a result are unlikely to plan and save for it. (HSBC 2010:7). On the other hand, there are individuals who see retirement as an opportunity to enjoy life without the burden and responsibility of working. This in turn prompts them to actively plan for their retirement, so as to enjoy it to the fullest with as few worries as possible. (Isaksson & Johansson, 2008:286; Deborah & Temitayo, 2013:212).

It was found by Calderone *et al.* (2013) that financial education and thus, financial literacy has a positive influence on attitudes towards financial planning and retirement planning specifically. This may be the case because those individuals who are educated in the importance of savings and investments will likely consider retirement as an important occurrence to plan for and will perceive it in a positive manner (Calderone *et al.*, 2013). In addition, there are psychological factors that determine the extent to which individuals plan for retirement. While financial factors were once seen to be the primary determinants of retirement planning, this has since shifted towards psychological factors and the attitudes that individuals portray towards retirement. (Noone *et al.*, 2009:296; Burjek, 2018:30).

While the retirement attitudes of pre-retirees determine their preparations towards retirement, the attitudes of those individuals who have already retired must also be considered (Wood & Vibert, 2017:25). The attitudes towards retirement of retirees determine how they manage their finances which they have available to them during retirement and involves the lifestyle choices of these retirees (Lum & Lightfoot, 2003:38). However, the main factor affecting these individuals' attitudes towards retirement are health-related. Prior research has also shown a positive correlation between retired individuals who are in conditions of good health and their attitudes towards retirement. (Wong & Earl, 2009:2). Due to health deteriorating in old age, more money is spent on health care, and physical discomfort is experienced.



Individuals who are not required to spend excess funds on constant health care and are generally living more pain-free and enjoyable lives will have a better outlook on life and enjoy their retirement years more than those who experience poor health (Wang & Hesketh, 2012). Additionally, these individuals will feel less financial pressure as they will not have the excess expenses of those individuals who are in poor states of health. These retirees will thus be able to be more lenient with their financial planning and management practices. (Ares, López & Búa, 2015:75).

Additionally, personal attitude toward risk-taking can also influence individuals' attitude towards retirement and affect their retirement planning practices (Munnell, Sundén & Taylor, 2001:94). Individuals who are more risk-seeking prefer investing in riskier financial products in order to achieve higher returns, while risk-averse individuals invest in safer financial securities to negate the risk of losing their initial investment, at the expense of smaller returns (Moisan, 2014). With this being said, it can be seen that individuals with lower levels of risk aversion are more likely to save for retirement (Munnell, Sundén & Taylor, 2001:94). Furthermore, it has been suggested that there is a negative relationship between risk-aversion and the ownership of pension funds. This may be caused by the discovery that individuals who are more risk-averse usually choose this direction as a result of having few available economic resources and high liquidity preferences. Consequently, less returns are earned by choosing this path. Thus, the more risk-seeking individuals are, the more positive their attitude and behaviour is towards retirement and retirement planning. (Yang & DeVaney, 2012:51).

Therefore, it can be seen that having a positive outlook and an open mind towards retirement can result in a positive attitude towards retirement. Should individuals' view retirement positively, it is likely that they will implement retirement planning practices to ensure that they can enjoy retirement as much as possible. Thus, it is in the best interests of all individuals to take retirement seriously and to keenly anticipate and prepare for its occurrence to ensure that adequate retirement readiness is attained. (Lens *et al.*, 2012:322)

### 2.5.3 FUTURE TIME PERSPECTIVE

Often individuals' actions are influenced by and based upon their perceptions of the future and their capacity to plan for it. In other words, they can see how their current actions may influence their future, especially when considering retirement. This psychological dimension is referred to as individuals' future time perspective. Future time perspective can be defined as the extent to which individuals are future-focused and how it influences their current actions. (Henry, Zacher & Desmette, 2017:2). Additionally, future time perspective refers to how individuals perceive their futures and how their perceptions are integrated into the present (Andre, van Vianen, Peetsma & Oort, 2018:3).

Henry *et al.* (2017:2) argues that it is a flexible construct which is influenced by individuals' age in relation to their perceptions of how much longer they think they will live. Younger individuals tend to think less about the future and more about the present, due to them thinking they have got their whole lives ahead of them. This outlook is highlighted by the risky behaviour of young adults in terms of their financial situation, such as living beyond their means and falling into debt as result. (Kossova *et al.*, 2014:39; Henry *et al.*, 2017:2). This flexibility is evident when considering the conduct of young adults of similar age, but with a poorer health status or terminal illness who believe they might not live for much longer. These individuals wanted to spend more time with family since they believed they may die soon, hence their thought and behaviour differs from those who are less future-focused. (Henry *et al.*, 2017:2).

Regarding future time perspective, there exists two conditions, with individuals being either future-focused or more concerned with the present or the past (Glicken & Haas, 2009:13; Brucker & Leppel, 2013:7). Individuals who are future-focused tend to orient their actions or behaviour more towards planning for the future. These individuals can anticipate the consequences of their current actions and how they might affect their future goals. (Simons, Vansteenkiste, Lens & Lacante, 2004:121). Additionally, future-focused individuals are proactive in planning for their future, and are most often the ones who start preparing for retirement early on (Brucker & Leppel, 2013:7). Individuals can accrue several benefits by engaging in retirement planning early on in

their careers. An obvious benefit of early retirement planning is that more time is spent on saving activities, which could result in more money saved, hence increasing individuals' chances of maintaining their standard of living after retiring (Koning & Harbor, 2013:88). While this may be true, economic forces such as inflation or the volatility of interests will also play a role (Hashim, Pin & Modh Isa, 2017:55). However, on the whole this notion should hold, thus emphasising the need to start planning as soon as possible. Secondly, early retirement planning gives individuals a greater sense of control over their lives or the outcome thereof (Irving, 2012:53). Furthermore, these individuals also tend to enjoy an increased sense of well-being later on during retirement (Frith, 2017).

On the other hand, there are individuals who are more concerned with the present and exhibiting behaviour that is geared more toward current consumption as opposed to postponing consumption until later. This is a concept known as individuals' rate of time preference and is often used interchangeably with time perspective (Copping, Campbell & Muncer, 2014:830). In other words, these individuals would rather consume now than to save for some future occurrence such as retirement. Since these individuals are less likely to make contributions toward their retirement, this could leave them being worse-off when eventually retiring. (Snyman *et al.*, 2017:207). Furthermore, individuals might not consider the importance of making preparations for retirement, hence them not having enough time to adequately prepare for it. Moreover, they may not consider the possibility of their retirement funds running out during retirement. (Glicken & Haas, 2009:13; Daugherty, 2013:15). Research shows that these individuals are likely to be worse-off in retirement due to either the lack of provision for retirement or simply by leaving it too late (Marais, 2016a).

It is of utmost importance that individuals start making provisions for retirement early on during their working careers. Not only will this give individuals a sense of control, but it will generate a feeling of security regarding their retirement. (Irving, 2012:53). Furthermore, individuals who show greater concern for the future are more likely to engage in retirement planning sooner, positively influencing their retirement readiness. Therefore, it can be concluded that the perceptions of individuals' time and future will have an impact on their retirement planning activities and thus, on their retirement readiness. (Marais, 2016a).

#### 2.5.4 ACCESS TO FINANCIAL PLANNING SERVICES

When it comes to financial planning, individuals can choose to conduct the relative planning activities on their own, or by following informal advice from friends and family. Alternatively, they may seek the services and assistance of certified financial planners who specialise in the field of financial planning. (Plachta, 2018). The choice to make use of financial planning services is a personal choice which is dependent on individuals' unique needs. There is a large amount of ignorance and unawareness among individuals that can lead to them resisting the use of financial planners and receiving financial advice. (Nga, Yong & Sellappan, 2010:277-278). However, financial planners are able to view individuals' situations from an unbiased viewpoint which can better guide the individuals to make the best choices with their finances and investments (Gibson, 2014). Furthermore, they can assist individuals simplify complex life situations and finance options. The role of financial planners is essentially to guide their clients to make the best financial decisions. (Botha *et al.*, 2016:4-5).

Technological advancements and increased domestic and foreign competition in the financial planning industry has increased the industry's effectiveness and efficiency. This has created a greater need for independent, unbiased financial advice. Thus, it can be seen that having greater access to information has allowed individuals to realise that receiving quality financial advice from certified financial professionals is a very important and necessary activity in the modern financial environment. (Cull, 2009:29). In addition, rapid developments in the marketing of financial products and services have occurred in recent times, which has emphasised the need for quality financial advice and guidance by professionals (Glick & Lansing, 2011).

Research has found that income levels influence individuals' access to retirement schemes. Individuals with substantial financial resources have access to both employer provided retirement schemes and voluntary retirement schemes, due to them having sufficient means to provide for these retirement plans. (Koning & Harbour, 2013:88). It goes without saying that these individuals will be better off in retirement. Individuals with lower income levels often rely on the informal sector for saving, such as being a member of a stokvel or savings clubs (Mashigo & Schoeman, 2012:50). These alternative methods are often used to save over the short- or medium-term.

Stokvels can be used to fund individuals' retirement savings, but any interest earned is negligible. (Mfeti, 2017; Mulaudzi, 2018).

Thus, it can be seen that access to financial planning services plays a huge role in the effectiveness and extent to which individuals plan for retirement. Without access to adequate professional financial advice, individuals may be left with little knowledge and direction when planning for retirement. (Burke & Hung, 2015). This is an issue that is compounded in developing countries where underlying socio-economic issues such as unemployment and poverty contribute to individuals not being able to afford financial assistance. As a developing country, it has been identified that South Africa fails to provide its citizens with affordable, readily available financial planning services for all. Additionally, many South Africans lack access to an affordable retirement funding vehicle. This issue may be due to South Africa's economic structure that boasts concerning unemployment statistics of over 26 percent and a large informal sector. (National Treasury, 2004:6; Quarterly Labour Force Survey, 2018).

As a result of not having access to affordable financial services, individuals will likely neglect to plan for retirement as concisely as they could have if they had such access. Furthermore, these individuals may partake in personal financial planning practices, but without the guidance of financial professionals, they may make errors and misjudgments that could have been avoided if proper guidance had been received. (Nga *et al.*, 2010:277-278). These shortfalls experienced in retirement planning results can be attributed to the unavailability or simply the non-usage of financial planning services (Ebenezer & Abbyssinia, 2018:236). As a result, individuals will not have adequate provisions for retirement and not achieve satisfactory retirement readiness.

## **2.6 SUMMARY**

This purpose of this chapter was to provide an overview of financial planning and retirement planning. The chapter begins with a background to financial planning and its importance was discussed. Several components of financial planning were highlighted, as well as an elaboration of their influence on the financial security of individuals. The six financial planning components covered include risk management, investment management, estate planning, health care planning, personal financial

planning and lastly retirement planning. In addition to this, the six steps of the financial planning process were also discussed.

As the purpose of this study is to investigate the retirement readiness of individuals, a detailed explanation of the nature and importance of retirement planning followed. By elaborating on retirement planning, several steps of planning for retirement were discussed. To conclude the chapter, a comprehensive analysis of the factors that influence retirement planning and thus, retirement readiness were conducted. The factors discussed include financial literacy, attitudes towards retirement, future time perspective, and access to financial planning services. From this several conclusions could be drawn.

The financial literacy levels of individuals were largely influenced by their level of education, as well as their income levels, as these individuals had more to lose by not engaging in financial planning, thus adversely influencing their retirement readiness. It was also found that individuals' attitudes towards, or their perceptions of retirement influenced their level of involvement in preparing for retirement. Those with a more positive outlook on retirement and who have a positive future time perspective tended to be more proactive in retirement planning and were most likely to be financially prepared for retirement. Access to financial planning services showed that individuals' preparations for retirement were affected by the amount of access they had to financial planning services. In developing countries like South Africa, adequate retirement provisions usually come in the form of private retirement schemes, to which only those with high remuneration benefits generally have access to. As such, these individuals are more likely to achieve a state of retirement readiness. Following will be Chapter three, which deals with the research design and methodological approach assumed for the purpose of this study.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 INTRODUCTION**

Chapter two of this study provided an overview of the financial planning environment and a detailed investigation of the nature and importance of retirement planning. Chapter two of the study also highlighted the factors that are perceived to influence the retirement planning and retirement readiness of individuals. These factors included financial literacy, attitudes towards retirement, future time perspective and lastly, access to financial planning services. This chapter will provide a description of the research design and methodology applied for this study.

The purpose of this chapter is to achieve the second and third methodological objectives of the study, as well as the third secondary objective. Commencing the chapter will be a description of the research paradigm and methodology utilised in this study. Following this, will be a discussion regarding the data collection procedure conducted, which will include the collection of primary and secondary data. To conclude the chapter, the data analysis procedure will be outlined and finally, a summary of the chapter will be provided to draw the chapter to a close.

#### **3.2 RESEARCH PARADIGM AND METHODOLOGY**

This section will identify and discuss the research paradigm and the research methodology applicable to the study.

##### **3.2.1 RESEACH PARADIGM**

The term paradigm originated from the Greek word “paradeigma” - which means “pattern” - and was initially conceptualised by American physicist Thomas Kuhn in 1962. Kuhn described a research paradigm as “an integrated cluster of substantive concepts, variables and problems attached with corresponding methodological approaches and tools”. (Kuhn, 1962:33). Thus, according to Kuhn (1977:175), a research paradigm refers to a research culture of values, beliefs and assumptions that

a variety of researchers have uniformly accepted and have in common regarding the nature and means through which research is conducted. Furthermore, a research paradigm has been interpreted by various researchers and ultimately defined as a structure and system of scientific and academic assumptions, values and ideas. This essentially means that a research paradigm provides a theoretical framework that guides the methods used to conduct research and outlines how issues should be dealt with. (Olsen, Lodwick & Dunlop, 1992:16; Schwandt, 2001:257; Katsirikou & Skiadas, 2010:8). A positivistic paradigm and a phenomenological paradigm have been identified by Collis and Hussey (2014:44) as the two main research paradigms. It is important to distinguish between these two paradigms as their characteristics differ and influence the research being undertaken.

### 3.2.1.1 Positivistic paradigm

The positivistic paradigm is the oldest and most frequently used research paradigm which was theorised by French Philosopher August Comte. Comte suggested that this paradigm involved exploring social reality and that observation, experimentation and reason are the most accurate means of attempting to understand human behaviour and accrue true scientific knowledge. (Henning, Van Rensburg & Smit, 2004:17). The positivistic research paradigm is derived from the natural sciences and applied to research in order to discover that there are universally acceptable laws that govern social events (Wardlow, 1989:4). Additionally, the positivistic research paradigm indicates that social reality is objective and of an independent nature (Woodside, 2010:47). As such, reality is assumed to be uninfluenced by the beliefs of the researcher and his or her instruments, and all individuals are believed to have the same or a similar sense of reality (Collis & Hussey, 2014:47). Hence, the general principle of the positivistic paradigm is that only phenomena that are observable and measurable can be justified as scientific knowledge and data. Personal beliefs and unmeasurable theories are seen as invalid and unusable as science is value free, so personal values and beliefs cannot influence any decisions or actions of the researcher. (Struwig & Stead, 2013:268). In essence, knowledge is seen to be objective and quantifiable (Henning *et al.*, 2004:17). Thus, the positivistic research paradigm makes use of a quantitative research methodology (Woodside, 2010:47; Collis & Hussey, 2014:43).



### 3.2.1.2 Phenomenological paradigm

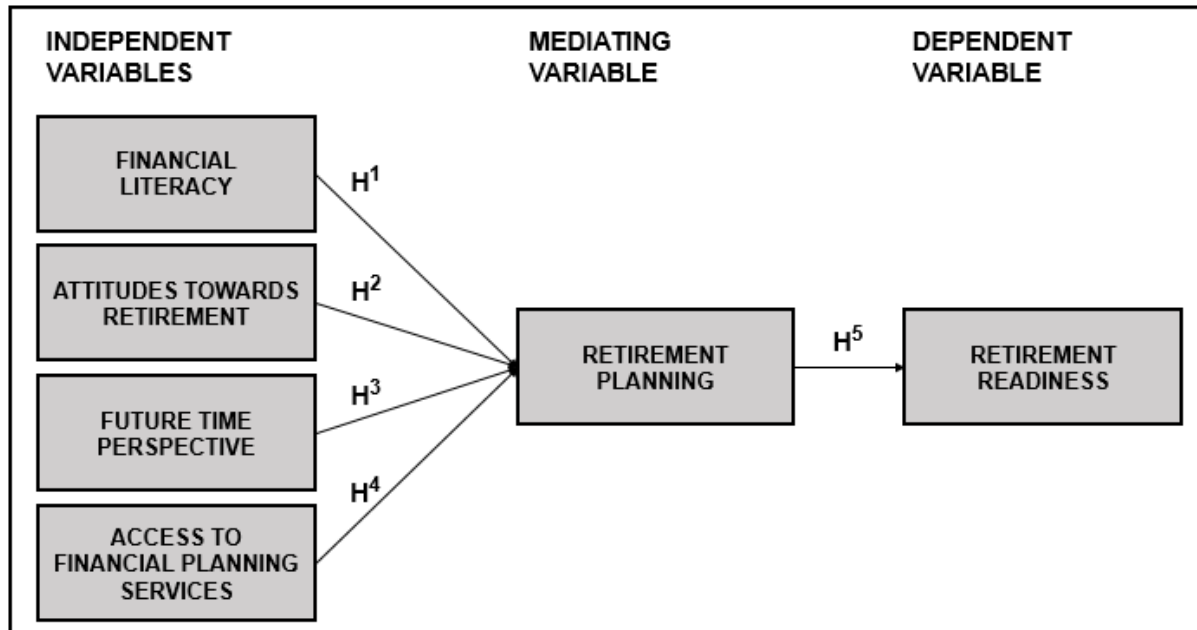
The phenomenological paradigm offers a more philosophical approach to studying individuals' feelings, experiences and perceptions than the positivistic paradigm (Guest, Namey & Mitchell, 2013:10). This paradigm was created and theorised as a solution to certain identified shortcomings and inadequacies found in the positivistic paradigm and as such holds distinctly different views from the positivistic paradigm (Guest *et al.*, 2013:6; Collis & Hussey, 2014:44). The phenomenological research paradigm, in contrast to the positivistic paradigm, assumes that reality is subjective and each individual holds their own perception of reality. The underlying theory behind this revelation is that no two individuals are alike and thus cannot be categorised according to perceived similarities. (Woodside, 2010:48; Collis & Hussey, 2014:47). As a result, the researcher will conduct specialised analyses into each individuals' personal views to gain a deeper understanding of their own unique perspective of reality. A comprehensive description and analysis of the social data received from each research participant will be emphasised. (Groenewald, 2004:44; Struwig & Stead, 2013:11). The interpretive findings are not typically associated with quantitative data, and as such, the phenomenological research paradigm makes use of a qualitative research methodology. (Groenewald, 2004:44; Collis & Hussey, 2014:45).

### 3.2.2 RESEARCH METHODOLOGY

A research methodology refers to the process of research, which involves a variety of collection and analytical methods (Collis & Hussey, 2014:10). This study will make use of a quantitative research methodology as it will use numerical data and quantitative analysis, and is thus part of a positivistic research paradigm. Quantitative research is a form of conclusive research that involves a large representative sample of a population and a fairly structured data collection procedure (Albers, 2017:216). Therefore, quantitative research tends to make use of large samples, and aims to produce data that is quantitative and objective in nature. This means that the researcher is an objective observer who does not personally participate in the research, nor does the researcher influence what is being studied. (Albers, 2017:218). The primary role of quantitative research is to test hypotheses (Albers, 2017:217). As such, the relationships between the various variables in the hypothesised model in

Figure 1.1 will be investigated through the use of quantitative research. Figure 1.1 has been reproduced as Figure 3.1 for ease of reference.

**Figure 3.1: Proposed hypothesised model**



Source: Researchers' own construction

As shown in Figure 3.1, the following hypotheses have been formulated for the purpose of testing the relationships in the proposed hypothesised model:

- H<sup>1</sup>: There is a significant relationship between *Financial literacy* and *Retirement planning*.
- H<sup>2</sup>: There is a significant relationship between *Attitudes towards retirement* and *Retirement planning*.
- H<sup>3</sup>: There is a significant relationship between *Future time perspective* and *Retirement planning*.
- H<sup>4</sup>: There is a significant relationship between *Access to financial planning services* and *Retirement planning*.
- H<sup>5</sup>: There is a positive relationship between *Retirement planning* and *Retirement readiness*.

### **3.3 DATA COLLECTION**

One of the primary tasks of researchers is the collection of data required to accomplish the research objectives. Data collection can be defined as the process through which researchers source and gather the data and information required for their research. In addition, this allows them to test their hypotheses and provide answers to their research questions. (Collis & Hussey, 2014:196; Hahn, 2016). Data can be collected in one or more of the following ways, namely, observation, interviews or questionnaires (Hahn, 2016). Research data consists of two main types: secondary data and primary data (Nicholson & Bennett, 2009:417). The following section will provide an outline of both secondary and primary data.

#### **3.3.1 SECONDARY DATA**

Secondary data refers to data sets gathered previously for purposes other than the current research. In other words, secondary data refers to second-hand data that had already been gathered and is readily available to researchers. (Vartanian, 2011:3; Struwig & Stead, 2013:82). Secondary data includes information gathered from sources such as textbooks, journal articles, websites and statistical publications such as those collected by Statistics South Africa (Smith, 2008:4; Geel & Gray, 2010:15). Secondary data is useful when researchers are unable to source primary data or when faced with budget constraints. Not only is secondary data a more cost-effective source of information, but it is also more easily accessible than primary data (Wiid & Diggines, 2013:74; McInnes, 2017:3). This allows researchers to spend more time testing their hypotheses or models than they would collecting primary data. Furthermore, secondary data enables researchers to contrast their findings against those of past studies, allowing them to identify any existing trends in their field of interest. (Cheng & Phillips, 2014:374). In spite of these advantages, researchers should exercise due diligence in ensuring the validity and reliability of the secondary collected data (Heale & Twycross, 2015:67).

For the purpose of this investigation, secondary data will be obtained and analysed in order to determine the influence that financial literacy, attitudes towards retirement, future time perspective and access to financial planning services have on the

retirement planning of individuals and ultimately the influence of retirement planning on the retirement readiness of individuals. This secondary information will be sourced from online databases such as Emerald, Sage and Sabinet. Additional information will be sourced from the library facilities of the Nelson Mandela University, where both national and international data will be obtained relating to the factors influencing the retirement planning and retirement readiness of individuals.

### 3.3.2 PRIMARY DATA

Primary data refers to information that is directly obtained by researchers for the purpose of the study being conducted. Furthermore, it is information that is original and is specifically tailored for the research problem at hand. (Salkind, 2010:1330; Ajayi, 2017:3). Primary data can be obtained through various sources, such as observations, surveys and interviews. Of these methods, surveys have been identified as the most popular method for obtaining primary data. (Lamb, Hair & McDaniel, 2013:149; Kelley, 2014:17). Primary data is useful when researchers are experiencing difficulties in sourcing existing information that is applicable to their study (Lamb *et al.*, 2013:149). The following section will be a discussion of the population, sample frame, the sampling technique and the measuring instrument used in this study.

#### 3.3.2.1 Population and sample

The population can be defined as the group about which some information is needed in order to achieve the objectives of the study being undertaken (Goldstein, Lynn, Muniz-Terrera, Hardy, O'Muircheartaigh, Skinner & Lehtonen, 2015:449). Additionally, a population is made up of the total number of units or individuals who are of interest to the researcher (Gravetter & Forzano, 2012:138). Banerjee and Chaudhury (2010:62) state that the population does not necessarily have to be people, but can also consist of measurable criteria such as weights or heights. Moreover, a population is a well-defined group with explicit inclusion and exclusion criteria (Banerjee & Chaudhury, 2010:62). A researcher may not use the entire population, but can draw a sample from which inferences will be made. These results can be seen as a generalised representation of the entire population that is of interest to the researcher. (Patterson & Merunka, 2014:1035). For the purpose of this study, the research

population can be defined as all pre-retired individuals in the Nelson Mandela Bay area. A sample frame refers to a list of all individuals that make up the research population. It is from this list which the sample is drawn (Struwig & Stead, 2013:115). This research study will therefore have no sample frame, as a list of pre-retired individuals in the Nelson Mandela Bay does not exist. Furthermore, due to the inability of the researchers to test all the pre-retired individuals in the Nelson Mandela Bay, a sample will be selected to represent the population, with the size of the sample for this study being a minimum of 90 respondents. The sample size of 90 respondents is believed to be adequate for the purposes of this study.

### 3.3.2.2 Sampling technique

Sampling can be defined as the process of selecting a segment of the research population to serve as a representative of the entire population. Researchers often use samples when they are unable to investigate the entire population, due to limited time and resources (Wimmer & Dominick, 2014:89). Hence, when the population is large, then sampling is appropriate, provided that the population is homogenous (Etikan, Musa & Alkassim, 2016:2). Sampling allows researchers to collect data on a sample that can be seen as a representative of the whole research population (Neuman, 2014:247).

After researchers have identified the appropriate population for the study, they will have to choose between two sampling methods, namely probability and non-probability sampling (Lombaard *et al.*, 2011:10). Through probability sampling, all elements of the population have a fair and equal chance of being selected as part of the research sample. However, non-probability sampling means that not all elements have an equal chance of being chosen as part of the research sample, which would jeopardise the validity and reliability of the study. This could be due to samples being selected based on researcher's personal judgment or convenience. (Daniel, 2012:66; Etikan *et al.*, 2016:1). Examples of non-probability sampling techniques include convenience, quota, purpose, and snowball sampling (Burns & Grove, 2001:804). LoBiondo-Wood *et al.* (1998:263-264) recommend that the sample size be as large as possible to allow the best representation of the population, while Hair *et al.* (2014:100) recommend that a sample should consist of more than 100 respondents.

With all of the above considered, this study will adopt the non-probability sampling technique of convenience sampling to identify at least 90 pre-retirees in the Nelson Mandela Bay, due to the absence of a sample frame. Additionally, the respondents will be required to be between the ages of 40 and 60, as it is believed that this age group of pre-retirees will provide the greatest insight into the factors affecting their retirement planning and retirement readiness in general. This belief stems from the fact that these individuals are approaching retirement age and are thus able to provide detailed information into how they planned for retirement and how retirement ready they are as a result of their preparations, or lack thereof. Convenience sampling has been defined by Struwig and Stead (2013:116) as a method of sampling where respondents are selected to be a part of the sample based purely on their availability. Furthermore, convenience sampling is the appropriate method if selected elements of the sample are available and willing to take part in the study (Struwig & Stead, 2013:116). However, it is necessary to consider that this sampling method maybe be prone to bias on the researcher's behalf, which is beyond the scope of control of the researcher (Hedt & Pagano, 2011:563). The following subsection will discuss the measuring instrument to be used in conducting this research.

### 3.3.2.3 Measuring instrument

As previously mentioned, surveys are the most prevalent method used by researchers for collecting primary data. A survey can be defined as the process of collecting data from a sample using various methods, such as a questionnaire (Check & Schutt, 2012:260; Ponto, 2015:169). Additionally, surveys are convenient for collecting data on several types of information such as the attitudes, preferences or behaviours of the individuals or objects being studied (Gravetter & Forzano, 2012:217). Due to the study being quantitative in nature, a large sample will be required, resulting in the use of a survey research method. This method will require the use of a structured questionnaire to collect the required data, which will in turn be statistically analysed and interpreted. Additionally, researchers can use either postal, internet or self-administered questionnaires to gather information. Thus, the measuring instrument will be in the form of a self-administered questionnaire, used to determine the influence of the independent variables upon the dependent variable (Struwig & Stead, 2013:95). Questionnaires are inexpensive, convenient and easy to administer, while allowing

respondents to remain anonymous. However, they are known for having low response rates and may not allow respondents to clarify their responses. (Kumar, 2011:149; Gravetter & Forzano, 2012:217).

When constructing the questionnaire, the researcher must select questions that will produce the desired result. To achieve this, a clear distinction must be made between closed-ended questions and open-ended questions, in order to receive reliable responses. (Struwig & Stead, 2013:95). Closed-ended questions require respondents to choose between a set of predetermined responses, such as yes or no (Lochmiller & Lester, 2017:109). While convenient, closed-ended questions lack depth and responses might not fit within any of the categories, and may even skip the question. However, an advantage of close-ended questions is that they are easy and quick to answer and for the researcher to draw conclusions. (Lochmiller & Lester, 2017:109). On the other hand, open-ended questions allow respondents to provide unique and detailed responses, which are more suited to in-depth interviews. These questions enable researchers to gather in-depth responses from respondents, but it is more difficult to analyse these responses quantitatively. (Lochmiller & Lester, 2017:109). Closed-ended questions are most applicable when conducting a quantitative study (Bird, 2009:1310). As result, the measuring instrument used in this study will be a questionnaire consisting of closed-ended questions, spread across three sections.

Section A will consist of the respondents' biographical information, such as their gender, age and employment status, while Section B will collect data relating to the retirement plans of respondents. Sections A and B will be in multiple-choice format, with respondents deciding between a set of predetermined responses. Section C will collect data on the four previously discussed variables influencing the retirement readiness of individuals. Section C will follow a 5-point Likert-type scale. A Likert-type scale can be defined as a means for researchers to determine the intensity of respondents' attitudes towards a statement (Kumar, 2011:170; Joshi, Kale, Chandel & Pal, 2015:397). In other words, it allows respondents to choose how strongly they agree or disagree with a statement. For this study, a Likert scale ranging from 1 to 5 will be used, with 1 indicating a strong disagreement with a statement and 5 indicating a strong agreement. A position of neutrality is located at 3. (Joshi *et al.*, 2015:397). The Likert scale is a simple tool to use for gathering data, and provides respondents

with various options to choose from (Chomeya, 2010:399). The questionnaire will be distributed to a minimum of 90 pre-retired individuals and a cover letter will accompany the questionnaire. The cover letter will provide instructions and explain the purpose of the study. It will also indicate that the study is voluntary and that the respondents' responses will be treated with confidentiality, while the respondents' anonymity will also be maintained. A copy of the questionnaire is included in Annexure A.

#### 3.3.2.4 Response rate and missing data

A total of 120 questionnaires were distributed to relevant respondents. However, not all the questionnaires that were distributed were returned to the researchers. Of the 120 that were distributed, 26 were not returned. A further four questionnaires that were returned were unusable for the study, whereby one questionnaire was filled in by an individual under the age of 40 years old, which falls outside of the required sample, while three questionnaires were not completed and had too much information missing to contribute to the study. Given the above information, 90 completed questionnaires were usable for the purposes of this study.

Once captured, the data provided by the 90 respondents was examined for missing data. According to Hair *et al.* (2014:44), missing data normally occurs when a respondent fails to answer one or more questions in a given survey. Missing data normally occurs when a lack of supervision exists over the respondent by the researcher (Bryman, 2012:235). Missing data can influence the validity of the results of a study and hence there is thus a need to identify and resolve this issue (Hair *et al.*, 2014:40).

Various methods of imputation exist to solve the issue of missing data. These methods include complete data, case substitution, regression imputation and mean substitution (Hair *et al.*, 2014:53). Hair *et al.* (2014:51) describes mean substitution as a technique that involves replacing the missing values for a variable with a mean value of that variable calculated from all valid responses. This technique was used in this study to deal with the missing data. The mean substitution is suitable when only a few responses were missing for each variable (Hair *et al.*, 2014:53), as was the case in this study.



### 3.4 DATA ANALYSIS

Once the primary data has been collected from the respondents, it will be processed and analysed by means of several data analysis procedures. Data analysis has been described by Johnson and Christensen (2012:93) as the process of summarising and interpreting a great quantity of information in order to make it useable for research purposes. In this study, primary data was collected by means of a questionnaire and captured in Microsoft Excel. Once captured, Statistica version 13 was used to analyse and summarise the data. In the sections to follow, the validity and reliability of the measuring instrument will be discussed along with an explanation of the descriptive statistics that will be calculated to summarise the sample data. Furthermore, an overview of the statistical techniques used to test the hypothesised relationships will be provided, namely Pearson's product moment correlations coefficients and a multiple regression analysis.

#### 3.4.1 VALIDITY OF THE MEASURING INSTRUMENT

Validity has been defined as "the extent to which the data collected is a true reflection of what is being studied" (Cooper & Schindler, 2014:86). Therefore, a measuring instrument is considered to be valid if it successfully measures what it is intended to measure as the researcher claims it does, and adequately reflects the real meaning of the concept at hand. (Kumar, 2011:402; Hough *et al.*, 2011:303). Therefore, validity allows the researcher to determine whether a measuring instrument addresses its designed purpose (Andrew *et al.*, 2011:202). Three variants of validity have been identified that contribute to the overall meaning of the concept (Collis & Hussey, 2009:65). These concepts include:

- Construct validity – refers to the degree to which a measuring instrument measures what it is created to measure, and effectively evaluates how well it does its job.
- Content validity – the extent to which a measuring instrument represents all the variables related to the construct that it was designed to measure.
- Discriminant validity – the extent to which each construct is separated or independent from all other constructs.

To ensure the construct validity of the measuring instrument used in this study, a factor analysis was performed. A factor analysis is a multivariate statistical technique or process that is used to condense information into reduced and more manageable amounts of variables. (Yong & Pearce, 2013:80; Zikmund, Babin, Carr & Griffin, 2013:650). There are two ways in which a factor analysis can be performed, namely a confirmatory factor analysis (CFA) and an exploratory factor analysis (EFA). A CFA can be described as complex statistical technique that is concerned with the relationship between observed measures and latent variables. (Wiid & Diggines, 2013:241). Struwig and Stead (2013:262) further define a CFA as a statistical technique that is often applied in social research to confirm a measuring instrument's factor structure. Alternatively, an EFA is a statistical method used to reveal the underlying structure of a relatively large set of variables. An EFA is used to identify any underlying relationships that may exist between independently measured variables. This method is usually used when developing a scale for a research instrument for exploratory research. (Wiid & Diggines, 2013:241; Struwig & Stead, 2013:262). An EFA was performed for the purposes of this study in order to assess the construct validity of the measuring instrument.

To determine the composition of the factors in the measuring instrument, factor loadings are used. The loading of each item indicates the extent to which each individual item loads onto a factor. Factor loadings can be defined as the strength of the correlation between each individual variable and a given factor. (Wiid & Diggines, 2013:242). Thus, a factor analysis indicates and highlights any correlations that exist between a measured variable and a factor (Zikmund *et al.*, 2010:594). According to Wiid and Diggines (2013:242), the greater the loading, the more the variable is a pure measure of the factor. Hence, it has been established that loadings of 0.30 are considered to be the minimum significance level in a study, 0.40 is considered fair, and factor loadings of 0.5 or greater are considered to be significant and provide statistical evidence of validity. (Wiid & Diggines, 2013:242). Therefore, for the purposes of this study, only factor loadings greater than 0.5 will be considered valid.

### 3.4.2 RELIABILITY OF THE MEASURING INSTRUMENT

While the reliability and validity of a measuring instrument are closely related, reliability does differ slightly from validity in that it is concerned with how measuring should occur and not with what should be measured. Reliability can be defined as the absence of differences in the results if the research were to be repeated in similar conditions. (Collis & Hussey, 2009:64). Hough *et al.* (2011:303) reiterate this definition by defining reliability as the extent to which a measuring instrument achieves consistent results each time it is used. In essence, if the same individuals were measured using the same measuring instrument under identical conditions, the results would be constant if the measuring instrument was reliable (Hough *et al.*, 2011:303). It can be noted that the validity of the instrument is dependent on its reliability, but the reliability of the instrument is not dependent on its validity. Reliability is seen to make a significant impact on validity, highlighting its importance, as an instrument cannot be valid without being reliable. (Tavakol & Dennick, 2011:53).

Various aspects can influence the reliability of a measuring instrument, such as the way questions are worded and the presence of ambiguity in questions or instructions. These factors may affect the way in which the measuring instrument is interpreted and understood. (Kumar, 2011:182). One of the key attributes of reliability is internal consistency. Internal consistency refers to the degree to which all the items on a scale measure one construct and will repeatedly produce consistent results, regardless of the item's position in the instrument. (Kumar, 2011:183; Heale & Twycross, 2015:67).

For the purposes of this study, the calculation of Cronbach's alpha coefficients will be used to determine the internal consistency of the measuring instrument. Cronbach's alpha is a reliability test that focuses on internal consistency (Mitchell & Jolley, 2010:153). Tavakol and Dennick (2011:53) further define Cronbach's alpha coefficient as a technique that tests the reliability of a measuring instrument that requires only one test administration to provide a unique estimate of the reliability of a test. This technique will indicate a high score, should there be a high degree of correlation and similarities between questionnaire items, which indicates high reliability (Mitchell & Jolley, 2010:153). Cronbach's alpha coefficients range from 0 to 1, where a coefficient at or above 0.7 is considered reliable (Andrew *et al.*, 2011:202). Thus, for the purposes

of this study, Cronbach's alpha coefficients that are lower than 0.7 will be considered unreliable.

### 3.4.3 DESCRIPTIVE STATISTICS

Once data has been collected, it needs to be analysed in order to interpret its meaning into useful information. In this study, descriptive statistics were used to summarise the sample data. Descriptive statistics represents a number of methods used primarily to organise, summarise, analyse and compare large amounts of numerical data into manageable portions for the purposes of research. (Lombaard *et al.*, 2011:35; Gravetter & Forzano, 2012:396). Furthermore, descriptive statistics allow summarised data to be presented graphically, which enables researchers to identify and analyse patterns that were not visible in the raw data (Collis & Hussey, 2014:226).

Descriptive statistics include a variety of concepts, such as the mean, standard deviation and frequency distribution (Collis & Hussey, 2014:226). The mean is defined as the average of a set of data values. Standard deviations measure the amount of variation that exists between variables, which allows the researcher to establish whether the mean provides a good representation of the data. When the standard deviation is large in comparison to the mean, it suggests that the mean provides a poor representation of the data, and vice versa. (Lombaard *et al.*, 2011:61; Collis & Hussey, 2014:344). Frequency distribution is a statistical tool that provides a visual representation of the number of times in which a variable occurs at each of its possible values. This is a popular tool among researchers and it enables them to reveal trends and frequent occurrences within the data. (Lombaard *et al.*, 2011:37). These concepts were all implemented and calculated within this study according to the data received, and are presented using tables in order to summarise the sample data.

### 3.4.4 INFERENCE STATISTICS

In order to establish the relationships between the various factors under investigation, Pearson's product moment correlations were established. Pearson's product moment correlation is a technique that is used for examining the correlation and association between variables. The correlation coefficient ( $r$ ) ranges between -1.00 and +1.00

(Andrew *et al.*, 2011:215). The closer the coefficient is to 1, the stronger the relationship, and the closer it is to 0, the weaker the relationship (Bryman, 2012:342). According to Statsoft (2014), a coefficient value of 0 indicates that there is no correlation at all. The coefficient is either positive or negative, indicating the direction of the relationship between the variables (Bryman, 2012:342). Perfect positive relationships ( $r = +1$ ) imply that as one variable increases, the other variable increases by the same effect or amount. Perfect negative relationships ( $r = -1$ ) imply that as one variable decreases, the other variable decreases by the same effect or amount (Bryman, 2012:342).

Another technique that was used in this study is called a multiple regression analysis (MRA). Uyanik and Güler (2013:234) explain that an MRA is a valuable statistical technique that assesses the relationship between a dependent variable and two or more independent variables. In this study, a multiple regression analysis was undertaken to investigate whether relationships exist between the independent variables (*Financial literacy, Attitudes towards retirement, Future time perspective, and Access to financial planning services*), the mediating variable (*Retirement planning*) and the dependent variable (*Retirement readiness*).

### **3.5 SUMMARY**

The purpose of this chapter was to explain the research design and methodology applied to this study. The concept of research paradigms was explained and the two main research paradigms were identified and explained. Key differences between the positivistic and phenomenological research paradigms were highlighted and it was made clear that this study would make use of the positivistic paradigm. As such, the methodology for this study was identified as being quantitative. Following this, the data collection method was described by providing an outline of secondary data, and an in-depth explanation of primary data. Additionally, the population, sample and sample frame were also discussed as part of primary data. Convenience sampling was used as the sampling technique for the study. It was also identified how primary and secondary data are applicable to this study.

In terms of the data analysis procedure, the concepts of validity and reliability were explained as the methods to test the presence of these concepts in the study's measuring instrument. The statistical analysis undertaken to calculate the descriptive statistics was described, along with the inferential statistics that were utilised in the study, being Pearson's product moment correlations and a multiple regression analysis. The following chapter will consist of the analysis of the empirical results from the primary data collected. Chapter four will feature all the outcomes of the statistical techniques that were introduced in this chapter and display their practical functionality.

## **CHAPTER FOUR**

### **EMPIRICAL RESULTS**

#### **4.1 INTRODUCTION**

Chapter three provided an overview of the research paradigm and methodology used to achieve the primary objective of this study. Chapter three also included a detailed discussion of the data collection method used in this study, which consisted of the primary and secondary data, the population, sampling technique and measuring instrument used. In addition, the statistical techniques undertaken to analyse the collected data were also outlined. These statistical techniques comprised of validity and reliability tests, descriptive statistics, as well as inferential statistics. Chapter four will provide an analysis of the empirical data collected.

The purpose of this chapter is to achieve the fourth methodological objective of this study. The chapter will begin with a summary of the respondents' demographic information relating to the respondents as individuals, as well as their retirement plans. Following this, an analysis of the measuring instrument's validity and reliability will be conducted. In order to determine the validity of the measuring instrument, an exploratory factor analysis (EFA) was conducted. The reliability of the measuring instrument was assessed by means of calculating Cronbach's alpha coefficients. The descriptive statistics, consisting of the means, standard deviations and frequency distributions of the data collected will be tabulated to summarise the sample data. In addition, the inferential statistics will provide the Pearson's product moment correlations and multiple regression analyses (MRA) of the factors being investigated. Chapter four will then be concluded with a summary.

#### **4.2 DESCRIPTIVE STATISTICS OF THE DEMOGRAPHIC INFORMATION**

Section A of the questionnaire consisted of several statements concerning the respondents' demographic information. While Section B collected information relating to the respondents' retirement plans. Tables 4.1 and 4.2 summarise the demographic data collected in Section A and Section B of the questionnaire, and these results are discussed in the paragraphs to follow.

#### 4.2.1 DEMOGRAPHIC INFORMATION PERTAINING TO THE RESPONDENTS AS INDIVIDUALS

Table 4.1 below provides a summary of the demographic information collected under Section A of the questionnaire. This section consisted of questions concerning the respondents' gender, age category, population group, level of education, marital status, duration of employment and personal monthly income.

**Table 4.1: Demographic information pertaining to the respondents as individuals**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	33	36.67
Female	57	63.33
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Age category</b>	<b>Frequency</b>	<b>Percentage</b>
40 – 49 years	47	52.22
50 – 59 years	43	47.78
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Population group</b>	<b>Frequency</b>	<b>Percentage</b>
Asian	3	3.33
Black	9	10.00
Coloured	47	52.22
White	31	34.45
<b>Total</b>	<b>90</b>	<b>100.00</b>

Source: Researchers' own construction

The majority of the respondents in this study were female (63.33%), with male respondents only making up the minority (36.67%) of the sample studied. Moreover, respondents' ages were fairly evenly distributed between the ages of 40-49 years and 50-59 years. Most respondents were between the ages 40 and 49 years (52.22%), with the remaining 43 respondents between the ages 50 and 59 years (47.78%). In



terms of population group, the majority of respondents were Coloured (52.22%), followed by White (34.45%), Black (10%) and Asian (3.33%) respondents.

**Table 4.1: Demographic information pertaining to the respondents as individuals (cont.)**

<b>Highest level of education</b>	<b>Frequency</b>	<b>Percentage</b>
<Matric	2	2.22
Matric	19	21.11
National certificate/Diploma	21	23.33
Bachelor's degree	24	26.67
Honours/Post graduate certificate	14	15.55
Masters	5	5.56
Doctorate	5	5.56
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Marital status</b>	<b>Frequency</b>	<b>Percentage</b>
Never married	11	12.22
Not married but living with a partner	3	3.33
Married	60	66.67
Separated/Divorced	14	15.56
Widowed	2	2.22
<b>Total</b>	<b>90</b>	<b>100.00</b>

Source: Researchers' own construction

Most respondents indicated that their highest level of education attained was a bachelor's degree (26.67%), followed by a national certificate/diploma (23.33%) and a matric certificate (21.11%). The respondents also indicated that their highest level of education is an honours degree or a post-graduate certificate (15.55%). The education of the remaining respondents was split between those holding a master's degree (5.56%) and a doctorate (5.56%), while only two respondents had an education level lower than a matric (2.22%).

In terms of marital status, most respondents stated that they were married (66.67%), followed by those who were separated/divorced (15.56%) and those who had never been married before (12.22%). The remaining respondents were split between those who were not married but living with a partner (3.33%) and those who had been widowed (2.22%).

**Table 4.1: Demographic information pertaining to the respondents as individuals (cont.)**

<b>Employment duration</b>	<b>Frequency</b>	<b>Percentage</b>
0 – 5 years	4	4.44
6 – 10 years	4	4.44
11 – 15 years	11	12.22
16 – 20 years	18	20.00
More than 20 years	53	58.90
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Income per month</b>	<b>Frequency</b>	<b>Percentage</b>
R0 – R10 000	7	7.78
R10 001 – R20 000	26	28.89
R20 001 – R30 000	22	24.44
R30 001 – R40 000	13	14.45
More than R40 000	10	11.11
Not willing to say	12	13.33
<b>Total</b>	<b>90</b>	<b>100.00</b>

Source: Researchers' own construction

The respondents were required to indicate the duration of their employment. Most respondents indicated that they had been employed for more than 20 years (58.90%), followed by those who had been employed between 16 and 20 years (20%). Just over a ninth of the respondents had been employed for between 11 and 15 years (12.22%). The remaining eight respondents were employed for a period between 6 and 10 years (4.44%) or for 5 years or less (4.44%).

In terms of personal monthly income, the majority of respondents earn between R10 001 and R20 000 per month (28.89%), followed by those who earn between R20 001 and R30 000 per month (24.44%). There were several respondents who indicated that they earn between R30 001 and R40 000 (14.45%), with 13.33% of the respondents unwilling to disclose their monthly personal income. Lastly, ten respondents indicated that they earn more than R40 000 per month (11.11%), while there were 7 respondents who earn less than R10 001 per month (7.78%).

#### 4.2.2 DEMOGRAPHIC INFORMATION PERTAINING TO THE RESPONDENTS' RETIREMENT PLANS

Table 4.2 presents the demographic information found in Section B of the questionnaire concerning respondents' retirement plans. This included the respondents' planned retirement age, retirement fund membership, duration of retirement scheme contributions, adequacy of retirement savings, documented retirement plan, position on seeking financial advice, as well as their main source of financial advice.

**Table 4.2: Demographic information pertaining to respondents' retirement plans**

<b>Planned retirement age</b>	<b>Frequency</b>	<b>Percentage</b>
50 – 55 years	11	12.22
56 – 60 years	28	31.11
61 – 65 years	34	37.78
66 – 70 years	10	11.11
Cannot afford to retire	7	7.78
<b>Total</b>	<b>90</b>	<b>100.00</b>

Source: Researchers' own construction

Table 4.2 shows that the majority of respondents plan to retire between 61 and 65 years old (37.78%), followed by those who plan on retiring between 56 and 60 years old (31.11%). In addition, 12.22% of respondents stated that they would like to retire between the ages of 50 and 55 years. Lastly, 11.11% of respondents indicated that

they would retire between the ages of 66 and 70 years, however there were also respondents who felt that they could not afford to retire at all given their current financial and retirement planning circumstances (7.78%).

**Table 4.2: Demographic information pertaining to respondents' retirement plans (cont.)**

<b>Pension or provident fund membership</b>	<b>Frequency</b>	<b>Percentage</b>
Pension fund	57	63.33
Provident fund	21	23.33
Both	5	5.56
Neither	7	7.78
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Retirement annuity fund contribution</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	61	67.78
No	28	31.11
Other	1	1.11
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Duration of retirement scheme contributions</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	12	13.33
1 – 5 years	22	24.44
6 – 10 years	12	13.33
11 – 20 years	23	25.56
21 – 30 years	15	16.67
30+ years	6	6.67
<b>Total</b>	<b>90</b>	<b>100.00</b>

Source: Researchers' own construction

In terms of retirement fund membership, it was found that most respondents belonged to a pension fund (63.33%). This was followed by 23.33% of respondents who belonged to a provident fund. However, there were respondents who did not belong

to a pension fund nor a provident fund (7.78%). Lastly, only 5.56% of respondents belonged to both a pension fund and a provident fund.

The majority of respondents contributed to a retirement annuity fund (67.78%), however 31.11% of respondents indicated that they were not making any contributions into a retirement annuity fund. Moreover, 1.11% of the respondents stated that they made contributions to retirement schemes other than a retirement annuity fund. This was indicated to be a private property rental agreement tailored toward generating revenue specifically for retirement.

Respondents were asked to disclose how long they had been making contributions to their retirement schemes. Most respondents indicated that they had been making contributions for 11 to 20 years (25.56%). This was closely followed by respondents who had been making contributions for 1 to 5 years (24.44%). In addition, 16.67% of respondents had been making contributions for 21 to 30 years, while 13.33% of respondents had been making contributions for 6 to 10 years and less than 1 year respectively. The minority of respondents had been making contributions to a retirement scheme for more than 30 years (6.67%).

**Table 4.2: Demographic information pertaining to respondents' retirement plans (cont.)**

<b>Adequacy of retirement savings</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	30	33.33
No	42	46.67
I do not know	18	20.00
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Documented retirement plan</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	40	44.44
No	50	55.56
<b>Total</b>	<b>90</b>	<b>100.00</b>

Source: Researchers' own construction

Respondents were also required to specify whether they believed their savings were sufficient to support them during retirement. Most felt that their savings were not adequate (46.67%), with 33.33% of respondents claiming they had made sufficient savings for retirement. However, there were some respondents who did not know if their savings would be adequate to support them during retirement (20.00%). Furthermore, from Table 4.2, it can be ascertained that most respondents did not have a documented retirement plan (55.56%), while 44.44% of the respondents indicated that they had a documented retirement plan.

**Table 4.2: Demographic information pertaining to respondents' retirement plans (cont.)**

<b>Position on seeking financial advice</b>	<b>Frequency</b>	<b>Percentage</b>
I have received financial advice	50	55.55
I am planning on receiving financial advice	33	36.67
I am not interested in receiving financial advice	7	7.78
<b>Total</b>	<b>90</b>	<b>100.00</b>
<b>Main source of financial advice</b>	<b>Frequency</b>	<b>Percentage</b>
Friends/community	3	3.33
Family member(s)	12	13.34
Financial advisor/Financial planner	59	65.56
My employer	8	8.89
Banker	4	4.44
I do not ask for financial advice	4	4.44
<b>Total</b>	<b>90</b>	<b>100.00</b>

Source: Researchers' own construction

Respondents were then asked what their position was on seeking financial advice. Most respondents stated that they had received financial advice (55.55%), and 36.67% of the respondents were still planning on seeking financial advice. However, there were a few respondents who indicated a lack of interest in seeking financial advice (7.78%).

Additionally, 65.56% of the respondents stated that their main source of financial advice came from consulting industry experts such as financial planners and financial advisors. Family members (13.34%) and employers (8.89%) were the next most popular primary sources of financial advice for respondents. However, some respondents turned to their bankers for financial advice (4.44%), while an additional 4.44% of respondents have not consulted or asked anyone for financial advice to any extent. The remaining 3.33% of respondents consulted their friends or trusted members of the community for financial advice.

#### 4.3 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSES FOR THE INDEPENDENT VARIABLES

The results of the EFA undertaken on the independent variables, namely *Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement* are presented below. As previously mentioned, only factor loadings greater than 0.5 will be considered valid and useable in this study. Furthermore, the results of the Cronbach' alpha coefficients will be discussed for each independent variable, with values equal to or greater than 0.7 providing sufficient evidence of reliability. The resulting factor structure is presented in Table 4.3 below.

**Table 4.3: Factor structure of the independent variables**

Independent variables			
Items	Access to financial planning services	Future financial considerations	Attitudes Towards Retirement
AFP6	0.914	0.163	0.015
AFP5	0.912	0.056	0.025
AFP3	0.893	0.141	0.020
AFP1	0.871	0.076	0.151
AFP2	0.854	0.125	0.020
AFP4	0.796	0.016	0.015

**Table 4.3: Factor structure of the independent variables (cont.)**

<b>FTP6</b>	0.073	<b>0.838</b>	0.199
<b>FTP3</b>	0.115	<b>0.819</b>	0.159
<b>FL3</b>	0.221	<b>0.724</b>	-0.105
<b>FTP5</b>	0.101	<b>0.704</b>	0.212
<b>FTP2</b>	0.002	<b>0.703</b>	0.184
<b>FL2</b>	0.230	<b>0.621</b>	-0.277
<b>FL4</b>	0.356	<b>0.578</b>	-0.177
<b>FL6</b>	0.253	<b>0.542</b>	0.078
<b>FTP1</b>	0.312	<b>0.518</b>	0.287
<b>RA1</b>	0.090	-0.043	<b>0.748</b>
<b>FTP4</b>	0.230	0.324	<b>0.661</b>
<b>RA3</b>	-0.050	0.125	<b>0.646</b>
<b>RA2</b>	0.131	0.274	<b>0.636</b>
<b>Expl.Var</b>	<b>5.285</b>	<b>4.678</b>	<b>2.406</b>
<b>Prp.Totl</b>	<b>0.230</b>	<b>0.203</b>	<b>0.105</b>

Source: Researchers' own construction

#### 4.3.1 ACCESS TO FINANCIAL PLANNING SERVICES AS AN INDEPENDENT VARIABLE

All six factors intended to measure *Access to financial planning services* (AFP1, AFP2, AFP3, AFP4, AFP5 and AFP6) loaded together onto the first factor by means of the EFA. No other factors loaded with these six and thus, it can be seen that the factors relating to *Access to financial planning services* are completely valid, as presented below in Table 4.4. Table 4.4 summarises the validity and reliability results for the factor of *Access to financial planning services*.



**Table 4.4: Validity and reliability of Access to Financial Planning Services**

% of Variance: 24.168		Cronbach's alpha: 0.947		
Item	Statements relating to access to financial planning services	Factor loading	Item-total correlation	Cronbach's alpha if deleted
AFP6	I am able to consult with a financial planner to provide me with information on my retirement needs	0.914	0.903	0.930
AFP5	I have access to a financial planner that can advise me on matters that will help ensure financial security upon my retirement	0.912	0.896	0.930
AFP3	I am able to consult with a financial planner to ensure that I have sufficient savings for retirement	0.893	0.863	0.934
AFP1	I am able to consult a financial planner at my own convenience	0.871	0.871	0.933
AFP2	I am able to consult with a financial planner regularly to discuss my retirement planning	0.854	0.773	0.945
AFP4	I have access to financial planning services that can comprehensively review my financial situation	0.796	0.737	0.949

Source: Researchers' own construction

Table 4.4 shows that the reported factor loadings for these items were between 0.796 and 0.914, all of which are above the lower limit of 0.5. Therefore, sufficient evidence of validity for this variable was provided. Moreover, *Access to financial planning services* accounts for 24.168% of the variance in the data. This factor returned a Cronbach's alpha coefficient of 0.947, indicating that the chosen scale for measuring this variable is reliable. As the result of the EFA conducted, the factor name *Access to financial planning services* was retained due to the success of the factors that loaded together, however, the operational definition of this factor was adjusted to better suit the factors that loaded together. For the purposes of this study, the operational definition of *Access to financial planning services* remains unchanged and refers to one's ability to consult with a financial planner regularly and at one's own convenience to obtain financial and retirement advice.

#### 4.3.2 FUTURE FINANCIAL CONSIDERATIONS AS AN INDEPENDENT VARIABLE

A total of nine items loaded onto factor two by means of the EFA. Of the six items originally intended to measure *Future time perspective*, five managed to load together (FTP1, FTP2, FTP3, FTP5 and FTP6). The remaining item (FTP4), loaded onto the *Attitudes towards retirement* factor, while four items intended to measure *Financial literacy* also loaded onto this factor (FL2, FL3, FL4 and FL6). Similar wording in these *Financial literacy* items such as “important to”, “monthly”, “spent” and “save” provides a possible explanation as to why they loaded together onto one factor. Respondents may have confused questions intended to measure *Financial literacy* with ones directed at measuring their thoughts and feelings about the future, thus loading with items intended to measure *Future time perspective*.

Given the nature of the items that loaded together, a new factor emerged and was named *Future financial considerations*. This revised name allows for a broader definition that incorporates all the items that loaded together which were originally intended to measure *Future time perspective* and *Financial literacy*. As such, the items (FL1, FL5 and RA4) that loaded onto the original fourth factor of *Financial literacy* will be excluded from further analysis as there are insufficient unique items to merit forming their own factor. Thus, it can be assumed that the original factor of *Financial literacy* has merged with the original factor of *Future time perspective* to create a new factor named *Future financial considerations*. Table 4.5 summarises the validity and reliability results for the independent variable of *Future financial considerations*.

**Table 4.5: Validity and reliability of Future Financial Considerations**

% of Variance: 38.386		Cronbach's alpha: 0.864		
Item	Statements relating to Future Financial Considerations	Factor loading	Item-total correlation	Cronbach's alpha if deleted
FTP6	I enjoy making plans for the future	0.838	0.783	0.830
FTP3	I consider how my life will be in the future	0.819	0.779	0.832
FL3	It is important to keep record of where money is spent	0.724	0.657	0.843
FTP5	I think more about the future than the past	0.704	0.640	0.846
FTP2	I enjoy thinking about how I will live in the future	0.703	0.606	0.850
FL2	It is important to follow a monthly budget	0.621	0.504	0.857
FL4	It is important to keep money aside for an emergency	0.578	0.520	0.859
FL6	It is important to save for retirement	0.542	0.491	0.860
FTP1	I consider the future when I make plans	0.518	0.506	0.862

Source: Researchers' own construction

As can be seen in Table 4.5, *Future financial considerations* explains 38.386% of the variance in the data, and factor loadings of between 0.518 and 0.838 were reported for this factor, which were all above the required limit of 0.5. Therefore, the validity of the scale measuring this factor is confirmed. Furthermore, the Cronbach's alpha coefficient of *Future financial considerations* is 0.864, which is well above the required 0.7. Thus, it has been determined that the scale measuring this factor is also reliable. As a result of the EFA, the factor name was adapted to *Future financial considerations*. As such, for the purposes of this study, *Future financial considerations* refers to saving for, thinking about and making plans for the future while following monthly budgets, keeping records of where money is being spent and considering how present actions will affect future circumstances.

### 4.3.3 ATTITUDES TOWARDS RETIREMENT AS AN INDEPENDENT VARIABLE

A total of four factors loaded onto the third factor. Of the five factors originally intended to measure *Attitudes towards retirement*, three loaded together successfully (RA1, RA2 and RA3), along with one factor originally intended to measure *Future time perspective* (FTP4). Similar wording such as “clear idea”, “about” and “will look” provides a possible reason for this item loading onto this factor. One of the factors intended to measure *Attitudes towards retirement* (RA4) loaded with the fourth factor that has subsequently been removed, and the remaining item (RA5) did not load with any factor. As such, these two factors have been eliminated from further analysis. Table 4.6 below summarises the validity and reliability results for the factor of *Attitudes towards retirement*.

**Table 4.6: Validity and reliability of Attitudes Towards Retirement**

% of Variance: 14.544		Cronbach's alpha: 0.715		
Item	Statements relating to Attitudes Towards Retirement	Factor loading	Item-total correlation	Cronbach's alpha if deleted
RA1	I am not concerned about being bored at retirement	0.748	0.537	0.637
FTP4	I have a clear idea about how my future will look	0.661	0.524	0.642
RA3	Retirement will allow me to do things with friends/family that I was not able to do while I was working	0.646	0.422	0.698
RA2	Retired people can easily find things to do	0.636	0.548	0.624

Source: Researchers' own construction

The factor loadings returned for *Attitudes towards retirement* ranged between 0.636 and 0.748, which is above the limit of 0.5. It was also determined that 14.544% of variance in the data is explained by this factor. The Cronbach's alpha coefficient returned for *Attitudes towards retirement* is 0.715, which is above 0.7. Therefore, sufficient evidence of validity and reliability for the scale measuring *Attitudes towards retirement* is provided. As a result of the EFA, the factor name *Attitudes towards retirement* was retained, but because of the items that loaded onto this factor, the operationalisation thereof was adapted slightly. For the purpose of this study, *Attitudes*

*towards retirement* refers to one's acceptance of retirement. This positive retirement attitude encompasses having a clear idea of the future that includes pursuing activities with friends and family that were undoable while employed, while not worrying about becoming bored once retired.

#### **4.4 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSES FOR THE MEDIATING VARIABLE AND DEPENDENT VARIABLE**

An exploratory factor analysis was undertaken to assess the validity of the scales measuring the independent, mediating and dependent variables in the study. Tests for uni-dimensionality (using factor analysis) were undertaken on the mediating and dependent variables, namely *Retirement planning* and *Retirement readiness* respectively. Cronbach's alpha coefficients were also calculated to assess the reliability of the scales measuring the mediating and dependent variables in the study. As mentioned in Chapter three, a factor loading of at least 0.5 provides sufficient proof of validity, while Cronbach's alpha coefficients equal to or greater than 0.7 provide sufficient evidence of reliability (see Sections 3.4.1 and 3.4.2). As a result, only these factor loadings and Cronbach's alphas will be considered for further statistical analysis. The following sections will provide a summary of the results obtained from the validity and reliability analyses on both the mediating variable and the dependent variable.

##### **4.4.1 RETIREMENT PLANNING AS THE MEDIATING VARIABLE**

An exploratory factor analysis (EFA) was conducted, and the factor structure of the mediating variable of *Retirement planning* is presented in Table 4.7.

**Table 4.7: Factor structure of Retirement Planning**

<b>Mediating variable</b>	
<b>Items</b>	<b>Retirement planning</b>
RP4	0.269
RR6	0.127
RR5	0.241
RR4	0.200
RR3	0.342
RR2	0.771
RP6	0.767
RP1	0.721
RR1	0.704
RP5	0.616
RP3	0.579
<b>Expl.Var</b>	<b>3.501</b>
<b>Prp.Totl</b>	<b>0.292</b>

Source: Researchers' own construction

As mentioned in Section 1.5, *Retirement planning* was identified as the mediating variable when testing for individuals' *Retirement readiness*. Of the original six items selected for measuring *Retirement planning* (RP1, RP2, RP3, RP4, RP5 and RP6), only four items loaded as expected (RP1, RP3, RP5 and RP6). RP4 did not load at all and was subsequently discarded from further analyses of the mediating variable, while RP2 loaded for both *Retirement planning* and *Retirement readiness*. As a result of RP2 cross-loading onto both *Retirement planning* and *Retirement readiness*, it was removed from Table 4.7 as well as from further analysis. Two items (RR2 and RR1) initially intended to measure *Retirement readiness* loaded for *Retirement planning*. As such, these items were added to the items measuring *Retirement planning* instead. The wording of these two items such as “constantly monitor” and “making meaningful contributions” provides a possible explanation as to why these items loaded together

with items measuring *Retirement planning*. Table 4.8 below summarises the validity and reliability results for the mediating factor of *Retirement planning*.

**Table 4.8: Validity and reliability of Retirement Planning**

% of Variance: 21.609			Cronbach's alpha: 0.846	
Item	Statements relating to retirement planning	Factor loading	Item-total correlation	Cronbach's alpha if deleted
RR2	I consistently make meaningful contributions to a voluntary retirement savings plan	0.771	0.650	0.816
RP6	I have discussed my retirement planning goals with a professional(s) in the field	0.767	0.662	0.814
RP1	I am actively planning and saving for my retirement	0.721	0.701	0.808
RR1	I constantly monitor my retirement savings	0.704	0.684	0.809
RP5	I have identified specific spending plans for the future	0.616	0.539	0.837
RP3	Retirement planning is a priority for me	0.579	0.537	0.837

Source: Researchers' own construction

Factor loadings ranging from 0.579 to 0.771 were reported for the items seen to be measuring *Retirement planning* as shown in Table 4.8. These factor loadings serve as evidence of validity being present in this mediating variable. In addition, *Retirement planning* explains 21.609% of the variance in the data obtained. The Cronbach's alpha coefficient of 0.846, which is greater than the lower limit of 0.7, suggests that the scale measuring this variable is reliable. As a result of the EFA conducted, the factor name *Retirement planning* was retained, but because of the items that loaded onto this factor, the operationalisation of the factor was adapted slightly. For the purpose of this study, *Retirement planning* refers to individuals actively planning and making financial decisions regarding their future financial requirements at retirement, while consistently monitoring and making meaningful contributions to their retirement plans.

#### 4.4.2 RETIREMENT READINESS AS THE DEPENDENT VARIABLE

An exploratory factor analysis (EFA) was conducted, and the factor structure of the dependent variable of *Retirement readiness* is presented in Table 4.9 below.

**Table 4.9: Factor structure of Retirement Readiness**

Dependent variable	
Items	Retirement readiness
RP4	0.894
RR6	0.882
RR5	0.859
RR4	0.831
RR3	0.676
RR2	0.164
RP6	0.176
RP1	0.395
RR1	0.377
RP5	0.250
RP3	0.315
Expl.Var	4.264
Prp.Totl	0.355

Source: Researchers' own construction

Table 4.9 is a representation of the factor analysis conducted for dependent variable *Retirement readiness*. From Table 4.9 it is evident that not all six items (RR1, RR2, RR3, RR4, RR5 and RR6) intended to measure the *Retirement readiness* of the respondents loaded as expected. Only four of these items loaded together (RR3, RR4, RR5 and RR6) along with one item (RP4) that was intended to measure *Retirement planning*. The wording of this item in terms of "sufficient to meet my retirement goals" provides a possible explanation as to why this item loaded with the items measuring *Retirement readiness*. There was one item (RP2) that loaded for both *Retirement*



*planning* and *Retirement readiness* and was thus excluded from further analyses for this study. Table 4.10 below summarises the validity and reliability results for the dependent variable of *Retirement readiness*.

**Table 4.10: Validity and reliability of Retirement Readiness**

% of Variance: 16.194		Cronbach's alpha: 0.916		
Item	Statements relating to retirement readiness	Factor loading	Item-total correlation	Cronbach's alpha if deleted
RP4	My current retirement funds and future savings will be sufficient to meet my retirement goals	0.894	0.886	0.876
RR6	I believe I will be financially independent during retirement	0.882	0.816	0.891
RR5	I believe I will be satisfied with my overall financial situation during retirement	0.859	0.824	0.880
RR4	I believe I will be able to maintain my living standards during retirement	0.831	0.771	0.900
RR3	Relative to my peers, I am saving a great deal for retirement	0.676	0.637	0.926

Source: Researchers' own construction

Table 4.10 shows that the reported factor loadings for these items were between 0.676 and 0.894, all of which are above the lower limit of 0.5. Sufficient evidence of validity for this variable was thus provided. Moreover, *Retirement readiness* accounts for 16.194% of the variance in the data. *Retirement readiness* returned a Cronbach's alpha coefficient of 0.916, indicating that the chosen scale for measuring this variable is reliable, due to its value above the lower limit of 0.7. As a result of the EFA conducted, the factor name *Retirement readiness* was retained. However, the definition of *Retirement readiness* will be altered based on the results of the EFA. Therefore, for the purposes of this study *Retirement readiness* refers to making adequate savings for retirement in order to achieve financial independence, reach one's retirement goals and maintain living standards during retirement.

## 4.5 REVISED HYPOTHESISED MODEL AND HYPOTHESES

As a result of the factor analyses, the operationalisation of the independent, mediating and dependent variables was reformulated. Table 4.11 presents the reformulated operational definitions.

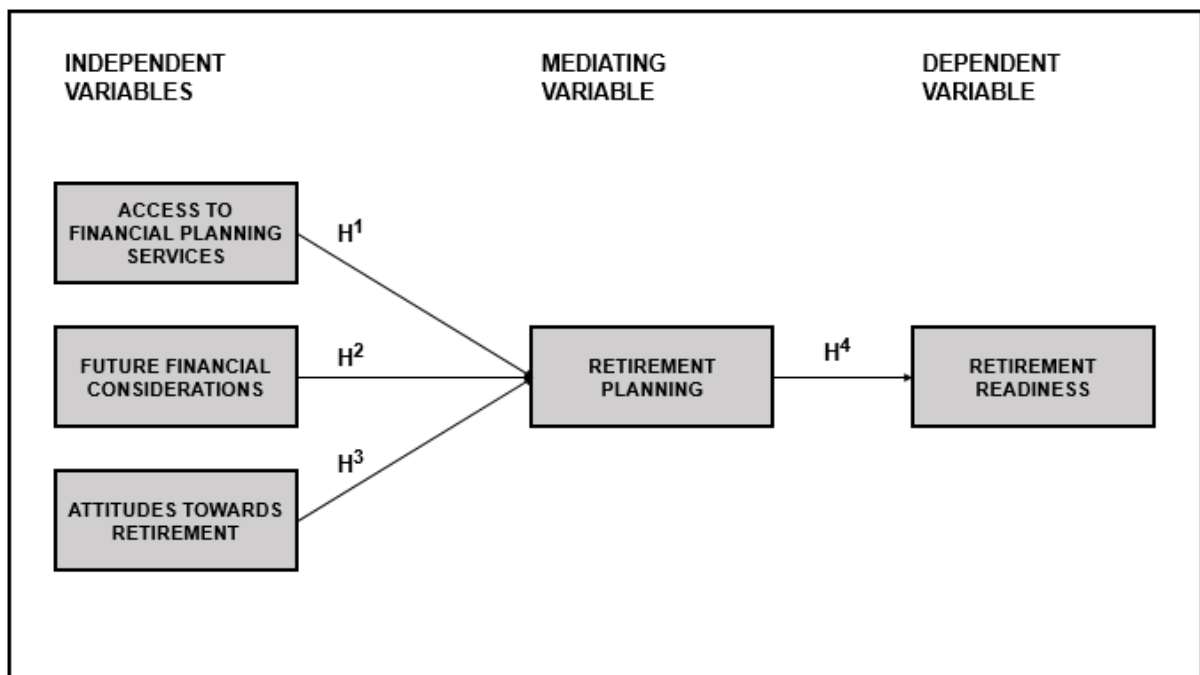
**Table 4.11: Reformulated operational definitions**

<b>Factor</b>	<b>Operationalised definition</b>
<b>Independent variables</b>	
Access to financial planning services	Refers to one's ability to consult with a financial planner regularly and at one's own convenience to obtain financial and retirement advice.
Future financial considerations	Refers to saving for, thinking about and making plans for the future while following monthly budgets, keeping records of where money is being spent and considering how present actions will affect future circumstances.
Attitudes towards retirement	Refers to one's acceptance of retirement. This positive retirement attitude encompasses having a clear idea of the future that includes pursuing activities with friends and family that were undoable while employed, while not worrying about becoming bored once retired.
<b>Mediating variable</b>	
Retirement planning	Refers to individuals actively planning and making financial decisions regarding their future financial requirements at retirement, while consistently monitoring and making meaningful contributions to their retirement plans.
<b>Dependent variable</b>	
Retirement readiness	Refers to making adequate savings for retirement in order to achieve financial independence, reach one's retirement goals and maintain living standards during retirement.

Source: Researchers' own construction

Based on the results of the EFA, the hypothesised model that was presented in Chapter one was revised (see Figure 4.1) and the hypotheses were reformulated. The relationships depicted in the revised hypothesised model and the reformulated hypotheses presented below are subjected to further empirical testing in this study.

**Figure 4.1: Revised hypothesised model**



Source: Researchers' own construction

The reformulated hypotheses are as follows:

- H<sup>1</sup>: There is a positive relationship between *Access to financial planning services* and *Retirement planning*.
- H<sup>2</sup>: There is a positive relationship between *Future financial considerations* and *Retirement planning*.
- H<sup>3</sup>: There is a positive relationship between *Attitudes towards retirement* and *Retirement planning*.
- H<sup>4</sup>: There is a positive relationship between *Retirement planning* and *Retirement readiness*.

## 4.6 EMPIRICAL RESULTS

A statistical analysis was undertaken for the purpose of this study using Statistica version 13. In this section, the results of the descriptive and inferential statistics of the variables are presented below. The descriptive statistics includes the calculation of means, standard deviations and frequency distributions. Inferential statistics involves

the calculation of Pearson's product moment correlations as well as undertaking multiple regression analyses to test the research hypotheses.

#### 4.6.1 DESCRIPTIVE STATISTICS

Descriptive statistics involves statistical concepts such as the mean, standard deviation and frequency distributions (Collis & Hussey, 2014:226). These concepts were calculated in order to describe the sample data that was obtained from the measuring instrument. The measuring instrument made use of a Likert scale with five response categories, where 1 = strongly disagree, 2 = disagree a little, 3 = neutral, 4 = agree a little, 5 = strongly agree. However, for the purposes of this discussion, the response categories from the Likert scale used in the measuring instrument were categorised as follows: responses from  $1 \leq x < 2.333$  were categorised as disagree;  $2.333 \leq x < 3.667$  were categorised as neutral; and  $3.667 \leq x \leq 5.000$  were categorised as agree. Table 4.12 below summarises and presents the descriptive statistics of all variables used in this study.

**Table 4.12: Descriptive statistics**

Factor	Mean	Std. Dev	Disagree%	Neutral%	Agree%
<b>Independent variables</b>					
Access to financial planning services	4.028	1.073	7.78	21.11	71.11
Future financial considerations	4.265	0.621	0.00	16.67	83.33
Attitudes towards retirement	3.636	0.929	8.89	38.89	52.22
<b>Mediating variable</b>					
Retirement planning	3.601	0.939	8.89	38.89	52.22
<b>Dependent variable</b>					
Retirement readiness	3.239	1.092	22.22	42.22	35.56

Source: Researchers' own construction

*Access to financial planning services* returned the second highest mean score of the independent variables ( $\bar{x} = 4.028$ ), with the majority of respondents (71.11%) agreeing that they have the ability to consult with a financial planner regularly and at their own

convenience in order to obtain financial and retirement advice. A minority of the respondents (7.78%) disagreed with the items measuring this factor, while the remainder remained neutral (21.11%). As such, it has been determined that the respondents largely agreed to having *Access to financial planning services* and actively making use of such services.

*Future financial considerations* reported the highest mean score of the independent variables ( $\bar{x} = 4.265$ ). The majority of respondents (83.33%) agreed with the statements measuring this factor. While no respondents (0%) negatively perceived the items measuring this factor, the remaining respondents (16.67%) remained neutral. As such, the respondents agreed that they were actively saving for, thinking about and making plans for the future, while following monthly budgets, keeping records of where money is being spent and considering how their present actions will affect their future circumstances.

*Attitudes towards retirement* reported the lowest mean score ( $\bar{x} = 3.636$ ) from the independent variables. However, the majority of the respondents (52.22%) agreed that they have accepted the occurrence of retirement, have begun preparing for retirement and are optimistic about pursuing activities with friends and family that were undoable while employed. Additionally, these respondents are not worried about becoming bored once retired. A large portion of the respondents (38.89%) remained neutral to the factor, while the minority disagreed (8.89%), indicating a lot of uncertainty around how they feel about retirement and how to view it.

With regard to the mediating variable of *Retirement planning*, a mean of  $\bar{x} = 3.601$  was achieved. The majority of respondents agreed (52.22%) with the statements that measured their retirement planning practices and perceptions, while a mere fraction of the respondents disagreed (8.89%). The remainder of the respondents (38.89%) remained neutral towards the items measuring *Retirement planning*. In other words, the majority of respondents agreed that they actively prepare for retirement, while consistently monitoring and making meaningful contributions to their retirement plans.

The dependent variable of *Retirement readiness* returned a mean of  $\bar{x} = 3.239$ . Respondents remained largely neutral with the way they perceived their retirement readiness (42.22%). However, some respondents (35.56%) agreed that retirement readiness was of concern to them, compared to those who disagreed with the statements relating to *Retirement readiness* (22.22%). These results largely indicate that the respondents are varied in their perception of their *Retirement readiness* and fear that they are not making adequate provisions for retirement in order to achieve financial independence and may not experience that same standard of living at which they currently live, during retirement.

#### 4.6.2 PEARSON'S PRODUCT MOMENT CORRELATIONS

The results of the Pearson's product moment correlation, which was undertaken to establish the associations between the various variables under investigation, are presented in Table 4.13 below. Bold numbers indicate positive correlations, while the red numbers indicate significant correlations between two factors.

**Table 4.13: Pearson's correlations coefficients**

Factor	1	2	3	4	5
1 Access to financial planning services	1.000				
2 Future financial considerations	<b>0.332</b>	1.000			
3 Attitudes towards retirement	<b>0.194</b>	<b>0.357</b>	1.000		
4 Retirement planning	<b>0.536</b>	<b>0.593</b>	<b>0.381</b>	1.000	
5 Retirement readiness	<b>0.404</b>	<b>0.422</b>	<b>0.452</b>	<b>0.606</b>	1.000

Source: Researchers' own construction

From Table 4.13, it can be seen that all independent variables are significantly ( $p < 0.05$ ) and positively correlated with both the mediating and dependent variables of *Retirement planning* and *Retirement readiness* respectively. R-values of between 0.452 and 0.404 were reported for the associations between *Retirement readiness* and the three independent variables. According to Statsoft (2014), these values all reflect moderate positive associations. The R-values of 0.452 and 0.422 respectively, reflect moderate positive correlations between *Retirement readiness* and *Attitudes*

*towards retirement* and *Future financial considerations*. Furthermore, the R-value of 0.404 reflects a slightly weaker, but still moderate positive correlation between *Retirement readiness* and *Access to financial planning services*. (Andrew, Pedersen & McEvoy, 2011:216).

In addition, R-values between 0.593 and 0.381 were reported for the associations between the mediating variable of *Retirement planning* and the three independent variables. The R-values of 0.593 and 0.536 reflect a strong positive association between *Retirement planning* and the independent variables of *Future financial considerations* and *Access to financial planning services* respectively (Andrew *et al.*, 2011:216). However, the R-value of 0.381 represents a moderate but positive association between *Retirement planning* and *Attitudes towards retirement* (Andrew *et al.*, 2011:216).

A strong positive association was reflected between the dependent variable of *Retirement readiness* and the mediating variable of *Retirement planning*, as seen with the R-value of 0.606 (Andrew *et al.*, 2011:216). This strength of association confirms the theorised influence of *Retirement planning* on *Retirement readiness* and provides evidence of significant correlation. In addition to these findings, significant positive relationships were also reported between all the independent variables themselves, excluding the relationship between *Access to financial planning services* and *Attitudes towards retirement*.

In terms of the independent variables, the R-value of 0.332 represents a moderate positive association between *Access to financial planning services* and *Future financial considerations*. However, an R-value of 0.194 between *Access to financial planning services* and *Attitudes towards retirement* indicated that a weak positive association was reported between these two factors (Andrew *et al.*, 2011:216). This indicates that there is little or no significant correlation between these two factors (Andrew *et al.*, 2011:216). Additionally, the R-value of 0.357 indicates a moderate positive association between the remaining independent variables of *Future financial considerations* and *Attitudes towards retirement* (Andrew *et al.*, 2011:216).

#### 4.6.3 MULTIPLE REGRESSION ANALYSES

In order to investigate the influence of the three independent variables on the levels of *Retirement planning* and *Retirement readiness* of individuals in the Nelson Mandela Bay, multiple regression analyses were undertaken. In addition, the relationship between the mediating variable of *Retirement planning* and the dependent variable of *Retirement readiness* was also assessed through a multiple regression analysis.

##### 4.6.3.1 Independent variables and the mediating variable (retirement planning)

**Table 4.14: Influence of the independent variables on Retirement Planning**

Mediating variable: Retirement planning		R-Square = 0.5038	
Independent variables	Beta	t-value	Sig.(p)
Intercept	-0.9277	-1.4981	0.1378
Access to financial planning services	0.3230	4.3812	0.0000*
Future financial considerations	0.6240	4.7660	0.0000*
Attitudes towards retirement	0.1659	1.9179	0.0585**

(\*p<0.001; \*\*p<0.05)

Source: Researchers' own construction

From Table 4.14, it can be observed that a positive linear relationship (beta = 0.3230; p<0.001) was reported between *Access to financial planning services* and *Retirement planning*. In other words, the more readily and conveniently available financial planners and financial advice are, the more likely individuals were to actively plan for retirement.

A significant positive linear relationship (beta = 0.6240; p<0.001) was also reported between *Future financial considerations* and *Retirement planning*. As such, the more that individuals thought about the future and kept monthly budgets while considering how present actions would affect their future circumstances, the more likely they were to engage in *Retirement planning* activities. Additionally, it can be noted that *Future financial considerations* exerted the greatest influence on *Retirement planning* with it reporting the highest reported beta of 0.6240 and t-value of 4.7660.



Another positive linear relationship ( $\beta = 0.1659$ ;  $p < 0.05$ ) was reported between *Attitudes towards retirement* and *Retirement planning*. This means that the more positively individuals perceived retirement and the lifestyle that comes with it, the more likely they were to participate in *Retirement planning* activities. From Table 4.14, it can be concluded that the three independent variables explained 50.38 percent of the variance in the mediating variable of *Retirement planning*.

Against this background, support was found for the hypothesised relationships between *Access to financial planning services* ( $H^1$ ), *Future financial considerations* ( $H^2$ ) and *Attitudes towards retirement* ( $H^3$ ), and the mediating variable of *Retirement planning*. Additionally, while these three factors account for only 50.38 percent of the total variance of *Retirement planning*, the various other influences have not been covered in the scope of this study.

#### 4.6.3.2 Independent variables and the dependent variable (retirement readiness)

This step indicates how the independent variables influence *Retirement readiness* directly, without the use of *Retirement planning* as the mediating variable.

**Table 4.15: Influence of the independent variable on Retirement Readiness**

Dependent variable: Retirement readiness		R-Square = 0.3461	
Independent variables	Beta	t-value	Sig.(p)
Intercept	-0.9349	-1.1312	0.2612
Access to financial planning services	0.2705	2.7489	0.0073**
Future financial considerations	0.3880	2.2204	0.0291*
Attitudes towards retirement	0.3735	3.2348	0.0017*

(\* $p < 0.001$ ; \*\* $p < 0.05$ )

Source: Researchers' own construction

From Table 4.15 it can be observed that a positive linear relationship ( $\beta = 0.2705$ ;  $p < 0.05$ ) was reported between *Access to financial planning services* and *Retirement readiness*. This suggests that with greater accessibility to convenient sources of

financial advice, comes a more desirable state of *Retirement readiness* as a result of the financial advice received from financial planners.

A significant positive linear relationship ( $\beta = 0.3880$ ;  $p < 0.001$ ) was reported between *Future financial considerations* and *Retirement readiness*. As such, the more that individuals consider their future financial situation, the more they will acquire sufficient savings to maintain their independence and standard of living during retirement.

Another significant positive linear relationship ( $\beta = 0.3735$ ;  $p < 0.001$ ) was also reported between *Attitudes towards retirement* and *Retirement readiness*. In other words, the more positive that individuals were towards the occurrence or retirement, the better their *Retirement readiness* would be as a result. The results of the multiple regression analysis show that the independent variables explained 34.61 percent of the variance in *Retirement readiness* (see Table 4.15).

#### 4.6.3.3 Mediating role of retirement planning on retirement readiness

In order to test whether *Retirement planning* mediates the relationship between the independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*) and the dependent variable (*Retirement readiness*), the steps recommended by Baron and Kenny (1986:1177) were followed. These steps involve a series of regression analyses that require the beta coefficients of three regression equations to be compared. First the mediator (*Retirement planning*) must be regressed on the independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*). Secondly, the dependent variable (*Retirement readiness*) must be regressed on the independent variables, and thirdly, the dependent variable must be regressed on both the mediator and the independent variables. Table 4.16 shows the results of these regression analyses.

**Table 4.16: Regression analyses testing for mediation**

			Step 1	
Mediating variable: Retirement planning			Beta	p-value
Access to financial planning services			0.3230	0.0000*
Future financial considerations			0.6240	0.0000*
Attitudes towards retirement			0.1659	0.0585**
R <sup>2</sup>			0.5038	
		Step 2	Step 3	
Dependent variable: Retirement readiness	Beta	p-value	Beta	p-value
Access to financial planning services	0.2705	0.0073**	0.1116	0.2763
Future financial considerations	0.3880	0.0291*	0.0811	0.6604
Attitudes towards retirement	0.3735	0.0017*	0.2919	0.0097
Retirement planning	/	/	0.4918	0.0005
R <sup>2</sup>	0.3461		0.4349	

Source: Researchers' own construction

(\* $p < 0.001$ ; \*\* $p < 0.05$ )

From Table 4.16 it can be seen that *Retirement planning* mediated the relationship between the three independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*) and the dependent variable (*Retirement readiness*). A perfect mediation occurred in Step 3 for *Access to financial planning services* and *Future financial considerations* when controlling for *Retirement planning*. This has been established because once *Retirement planning* had been added to Step 3, these two independent variables no longer had a significant influence on *Retirement readiness*, as they once had. However, it was identified that *Attitudes towards retirement* continued to have a large influence on *Retirement readiness* and was thus only partly mediated by *Retirement planning*. However, this partial mediation still held some merit in the overall regression process. Along with these observations, when controlling for *Retirement planning* in Step 3, the explanatory power of the model increased, which was indicated by an increase in R<sup>2</sup> of 0.0888 (from 0.3461 in Step 2 to 0.4349 in Step 3). Therefore, it has been

established that *Retirement planning* adds to explaining the variance in *Retirement readiness*.

Multiple regression analyses were conducted to test the hypotheses of the study. Three independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*) were regressed onto the mediating variable (*Retirement planning*). According to the results of the multiple regression analysis conducted on the mediating variable (see Table 4.14), it was observed that all three independent variables had significant positive relationships with the mediating variable. This supported the first three hypotheses (H<sup>1</sup>, H<sup>2</sup> and H<sup>3</sup>) and resulted in them being accepted for the study.

The relationship between the mediating variable and the dependent variable (*Retirement readiness*) was then tested. *Retirement planning* was regressed onto *Retirement readiness* along with the three independent variables to test the strength of the mediation on the dependent variable. This relationship (H<sup>4</sup>) was determined to be significant and confirmed the hypothesised relationship between *Retirement planning* and *Retirement readiness* (see Table 4.16). This highlights the theory that retirement planning practices positively influence the retirement readiness of individuals in the Nelson Mandela Bay. The results of the regression analyses indicated where there is evidence of significant relationships between the variables. Table 4.17 below summarises the results from the multiple regression analyses.

**Table 4.17: Summary of the acceptance of the hypotheses based on the multiple regression analyses results**

Hypothesis number	Hypothesis	Result
H <sup>1</sup>	There is a positive relationship between <i>Access to financial planning services</i> and <i>Retirement planning</i> .	Accepted
H <sup>2</sup>	There is a positive relationship between <i>Future financial considerations</i> and <i>Retirement planning</i> .	Accepted
H <sup>3</sup>	There is a positive relationship between <i>Attitudes towards retirement</i> and <i>Retirement planning</i> .	Accepted
H <sup>4</sup>	There is a positive relationship between <i>Retirement planning</i> and <i>Retirement readiness</i>	Accepted

Source: Researchers' own construction

## 4.7 SUMMARY

In this chapter, the empirical results of the study were presented and analysed. Chapter four began by providing a summary of the demographic data collected from the respondents. This included the demographic information pertaining to the respondents as individuals and the demographic information pertaining to their retirement plans. Then, the results of the validity and reliability analysis for the measuring instrument were provided. These results were obtained after conducting an exploratory factor analysis to test for the validity of the measuring instrument and the calculation of Cronbach's alpha coefficients that tested for the reliability of the measuring instrument. Factor loadings of greater than 0.5 provided proof of validity, and Cronbach's alpha coefficients equal to or greater than 0.7 provided sufficient evidence of reliability. Based on these results, the independent variables of *Future time perspective* and *Financial literacy* were merged and renamed *Future financial considerations*. The operational definitions of the factors used were therefore revised, along with a reconstruction of the proposed hypothesised model.

Thereafter, the empirical results of the study were presented and discussed. This was done by means of undertaking several statistical analyses. Descriptive statistics was used to identify the means, standard deviations and frequency distributions of the responses to the items measuring the factors that were investigated in this study. Pearson's product moment correlations were then calculated to identify correlations and associations between the various factors in this study. The chapter was concluded with the conduction of multiple regression analyses to identify the influence of the independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*) on the mediating (*Retirement planning*) and dependent (*Retirement readiness*) variables, as well as the influence of the mediating variable on the dependent variable.

The final chapter of the study, Chapter five, will provide a summary of the entire research undertaken in this study. Chapter five will also include a discussion and summary of the empirical data presented in Chapter four, upon which recommendations to pre-retirees are then made. Furthermore, the contributions of the

study will be highlighted, and the limitations of the study will be identified. To conclude Chapter five, some recommendations for future research will be presented.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

Chapter four provided a detailed discussion of the empirical findings of this study. Chapter five will be the last chapter of this study and will provide an overview of the study as a whole. Chapter five will discuss the research objectives of this study and provide a summary of the literature review. This will be followed by a brief outline of the research design and methodology implemented for this study. In addition, the main empirical findings will be presented and its interpretation will be discussed. Based on the empirical results, relevant recommendations will be made to pre-retired individuals in the Nelson Mandela Bay, along with a discussion of the contributions and limitations of the study. To conclude Chapter five, possible future research recommendations will be discussed. The fourth and final secondary objective of this study will be achieved in this chapter.

#### **5.2 OVERVIEW OF THE STUDY**

The following sections will provide a summary of each chapter.

##### **5.2.1 SUMMARY OF CHAPTER ONE**

The global retirement landscape is constantly changing. This poses various obstacles preventing individuals from achieving their financial objectives, prior to and during retirement. To overcome such challenges, individuals often engage in financial planning which integrates certain components. (Billingsley *et al.*, 2017:3). These financial planning components are key to an individual achieving financial independence (Mishra, 2015:89). In hind-sight, the most beneficial and necessary component of financial planning in terms of achieving retirement readiness, is retirement planning. Retirement planning is the process that allows an individual to generate sufficient financial resources in order to maintain their standard of living during retirement (Winger & Frasca, 2006:9; Botha *et al.*, 2016:143).

There is sufficient evidence to support the claim that those who proactively plan for retirement are more satisfied during retirement, than those who do not (Irving, 2012:53; Koning & Harbor, 2013:90; Frith, 2017). Moreover, several factors have been identified which lead to possible complexities when planning for retirement, thus influencing the retirement readiness of individuals. However, there is limited information and research pertaining to the topic of retirement readiness of a local demographic, especially in the Nelson Mandela Bay area. As such, the focus of this study was to analyse and empirically test the variables influencing retirement readiness of individuals in the Nelson Mandela Bay. A hypothesised model was proposed that presented the hypothesised relationships between selected independent variables, a mediating variable and a dependent variable. The independent variables that were identified are *Financial literacy*, *Attitudes towards retirement*, *Future time perspective* and *Access to financial planning services*. The mediating variable was *Retirement planning* and the dependent variable was *Retirement readiness*. These independent variables were selected based on the findings in existing literature which suggest that they have a significant influence on the mediating variable of *Retirement planning*. Additionally, it was found that *Retirement planning* was seen to positively influence the dependent variable of *Retirement readiness*. These variables are discussed in more detail in Chapter two.

Given the purpose of the study, the primary objective was to investigate the retirement readiness of individuals in the Nelson Mandela Bay. In order for the primary objective to be achieved, the following secondary objectives were pursued:

- To identify the nature and importance of retirement planning and retirement readiness.
- To identify and analyse the factors that influence the retirement planning and retirement readiness of individuals.
- To apply an appropriate methodology that will empirically test the influence of the selected independent variables affecting the retirement planning (mediating variable) and retirement readiness (dependent variable) of individuals in the Nelson Mandela Bay.
- To provide conclusions and recommendations based on the findings of this research, which could assist individuals in the Nelson Mandela Bay with



improving their retirement planning practices in order to ensure that they are ready for retirement.

In order to achieve the above-mentioned primary and secondary objectives, the following methodological objectives were also pursued:

- To undertake a theoretical investigation into the retirement planning practices and retirement readiness of individuals in the Nelson Mandela Bay.
- To determine the appropriate research methodology to address the identified research problem and research objectives.
- To develop an appropriate measuring instrument that will be used to empirically test the influence of the independent variables on the mediating variable and the dependent variable.
- To source primary data from a pre-determined sample of individuals in the Nelson Mandela Bay, and to statistically analyse the data.

Given the purpose of this study, a comprehensive literature review was conducted on financial planning and retirement planning, as well as the factors influencing the retirement planning and retirement readiness of individuals.

### 5.2.2 SUMMARY OF CHAPTER TWO

The overall focus of Chapter two was to discuss the nature and importance of retirement planning. The chapter began by defining and outlining the financial planning process and provided an overview of its key components. These components were risk management, investment management, estate planning, health care planning, personal financial planning and retirement planning. This was followed by a more in-depth analysis of the nature and importance of retirement planning. Furthermore, discussions on the retirement planning process, the benefits of planning for retirement and the challenges relating to retirement planning were presented. The chapter concluded with a discussion of the factors influencing the retirement planning and retirement readiness of individuals. These factors included *Financial literacy*, *Attitudes towards retirement*, *Future time perspective* and *Access to financial planning services*.

Considering the above, Chapter two achieved both the first and second secondary objectives, as well as the first methodological objective of the study.

### 5.2.3 SUMMARY OF CHAPTER THREE

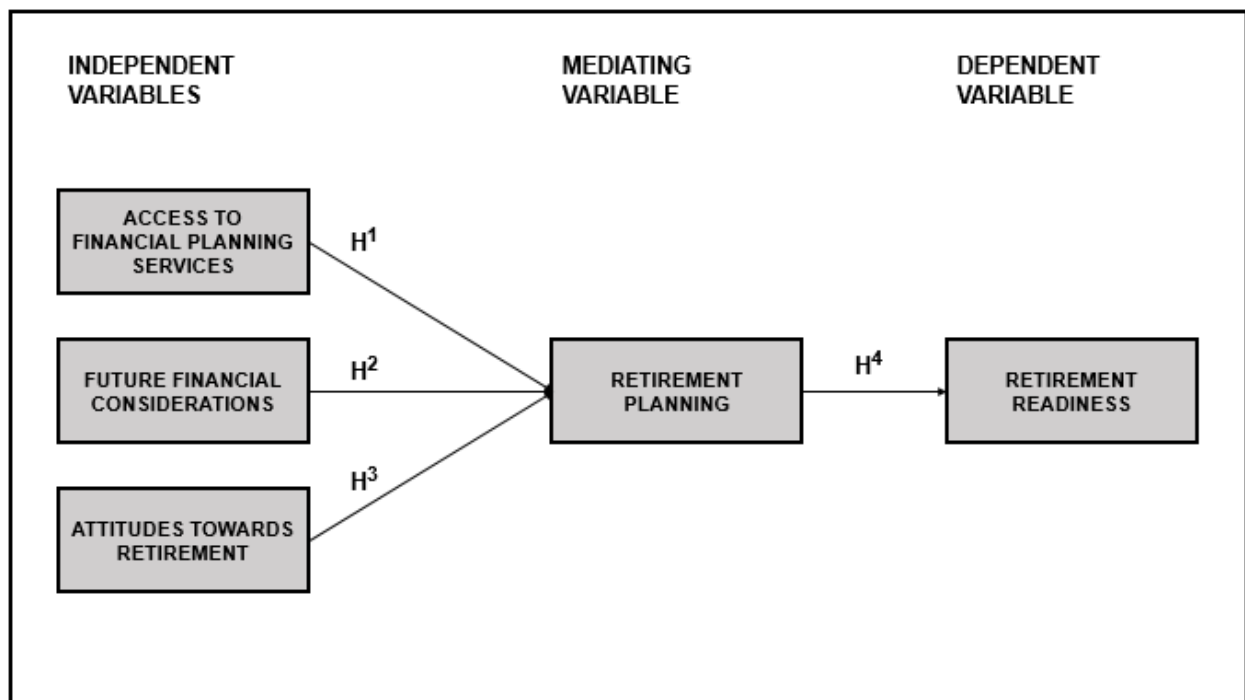
Chapter three focused on the study's research design and methodology. Considering that the study is quantitative in nature, the positivistic paradigm was chosen and discussed. Therefore, the research paradigm was elaborated on. Chapter three also provided an overview of the population, sample and measuring instrument employed in the study. Moreover, the research population was defined as all pre-retired individuals between ages 40 and 60, living within the Nelson Mandela Bay area. As a result, the sample was chosen from pre-retired individuals living in the Nelson Mandela Bay area, as these individuals were theorised to have the most insight into retirement planning activities, based on their age and proximity to retirement. The study adopted the non-probability sampling technique of convenience sampling to identify at least 90 pre-retirees in the Nelson Mandela Bay, due to the absence of a sample frame.

The data collection procedure utilised a self-constructed and self-administered questionnaire consisting of closed-ended questions, spread across three sections. Of the 120 questionnaires distributed, a total of 94 completed questionnaires were returned. Four of the questionnaires returned were unusable for the study, thus only 90 questionnaires were usable for further statistical analysis. The chapter concluded with a discussion of the statistical methods used in this study. These methods included the use of exploratory factor analyses and Cronbach's alpha coefficients to test the validity and reliability of the measuring instrument. In addition, these statistical methods also included descriptive statistics to summarise the sample data, Pearson's product moment correlations to ascertain the correlations between the variables in the study, and multiple regression analyses to test the hypothesised relationships. The third secondary objective was achieved in Chapter three. In addition, Chapter three also achieved the second and third methodological objectives.

#### 5.2.4 SUMMARY OF CHAPTER FOUR

The purpose of Chapter four was to provide an in-depth discussion on the relevant empirical findings of this study. In doing so, the fourth methodological objective of this study was achieved, which also contributed towards the primary objective of this study. The chapter began by providing a summary of the demographic information of the respondents pertaining to them as individuals as well as the demographic information pertaining to the respondents' retirement plans. Thereafter, the validity and reliability of the measuring instrument was analysed. The validity was determined by conducting an exploratory factor analysis (EFA). This EFA saw the merging of two independent variables (*Financial literacy* and *Future time perspective*) to form one independent variable (*Future financial considerations*). The EFA also ensured that only factor loadings of 0.5 or greater were considered for further analysis. Any items with factor loadings below 0.5, or that cross-loaded between two or more variables were removed from the study. Additionally, the reliability of the measuring instrument was determined by the calculation of Cronbach's alpha coefficients. Cronbach's alpha coefficients of greater than 0.7 were returned for each of the factors in the study, which provided sufficient evidence of their reliability. Thus, based on these results, it was determined that the scale measuring the factors of this study was valid and reliable. From the results, the hypothesised model for this study was revised. This revised hypothesised model with its revised hypothesised relationships are presented below for ease of reference.

**Figure 5.1: Revised hypothesised model**



Source: Researchers' own construction

The reformulated hypotheses are as follows:

- H<sup>1</sup>: There is a positive relationship between *Access to financial planning services* and *Retirement planning*.
- H<sup>2</sup>: There is a positive relationship between *Future financial considerations* and *Retirement planning*.
- H<sup>3</sup>: There is a positive relationship between *Attitudes towards retirement* and *Retirement planning*.
- H<sup>4</sup>: There is a positive relationship between *Retirement planning* and *Retirement readiness*.

Following this, the descriptive statistics of the sample data were then calculated. These statistics included means, standard deviations and frequency distributions. From the data measuring the independent variables, *Future financial considerations* returned the highest mean score of 4.265, with most of the respondents agreeing with the statements relating to thinking about and considering the future while undertaking their daily finance-related activities. Additionally, the independent variable of *Access*

*to financial planning services* returned a mean score of 4.028, indicating that the majority of the respondents agreed to the statements relating to them having convenient access to the services of financial planners/advisors. The remaining independent variable of *Attitudes towards retirement* returned a mean score of 3.636, which indicated that on average, the respondents were largely in agreement towards the items measuring their retirement attitude and thoughts about retirement. The mediating variable of *Retirement planning* returned a mean score of 3.601 and the dependent variable of *Retirement readiness* returned a mean score of 3.239. This implies, that on average, the respondents chose to remain neutral when considering the questionnaire items that were designed to measure their perception of *Retirement planning* and *Retirement readiness*.

Chapter four concluded with the calculation and interpretation of Pearson's product moment correlations and multiple regression analyses. These statistical techniques were calculated in order to identify the correlations and relationships between the factors of this study. Additionally, the multiple regression analysis assessed the strength of the mediation that the mediating variable (*Retirement planning*) had between the independent variables (*Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement*) and the dependent variable (*Retirement readiness*).

The fourth methodological objective of this study was achieved in Chapter four. The results and main findings of the above-mentioned statistical techniques, as well as recommendations to pre-retired individuals in the Nelson Mandela Bay are summarised in the section to follow.

### **5.3 MAIN FINDINGS FROM THE EMPIRICAL INVESTIGATION AND RECOMMENDATIONS**

This section will provide a discussion on the main empirical findings of this study, along with recommendations to pre-retired individuals in the Nelson Mandela Bay. As such, the fourth secondary objective of this study will be achieved in this section. This section will begin by highlighting the dominating demographic information pertaining to the respondents as individuals and their retirement plans. Following this, the results of the

validity and reliability analyses will be discussed. The section will be concluded with a brief overview of the significant relationships identified in multiple regression analyses, followed by recommendations with regards to each factor.

#### 5.3.1 DEMOGRAPHIC INFORMATION PERTAINING TO THE RESPONDENTS AS INDIVIDUALS AND THEIR RETIREMENT PLANS

The majority of the respondents indicated that they were females, between the ages 40 and 49 years. Coloured individuals made up the majority of the respondents in terms of population group, while the most common education level of the respondents saw them hold a bachelor's degree. The majority of respondents indicated that they are married, and in terms of the tenure of their employment, most of the respondents had been employed for more than 20 years. Monthly earnings of between R10 001 and R20 000 was the most commonly indicated level of income among the respondents in this study.

Of the respondents in this study, the majority indicated that they plan to retire between 61 and 65 years old, while most respondents stated that they are in possession of a pension fund and make contributions towards a retirement annuity fund. Additionally, the majority of the respondents have been making contributions to retirement schemes for 11 to 20 years. Most of the respondents do not feel that they will have sufficient savings to successfully retire, while the majority also do not have a documented retirement plan. Furthermore, the majority of the respondents have made use of financial planning services, with the primary source of the respondents' financial advice coming from financial planners/advisors.

The following section will summarise the key findings and results of the validity and reliability analyses.

#### 5.3.2 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSES

The results of the exploratory factor analysis revealed several interesting occurrences. In terms of the independent variables, all the factors intended to measure the factor of *Access to financial planning services* loaded together, showing that validity was

achieved for this factor and thus, it retained its original name. A Cronbach's alpha of 0.947 was calculated for this factor, indicating its reliability in the study. Therefore, for the purposes of this study, *Access to financial planning services* refers to one's ability to consult with a financial planner regularly and at one's own convenience to obtain financial and retirement advice.

Additionally, numerous items loaded onto the second factor. These items were made up of statements intended to measure the original hypothesised independent variables of *Future time perspective* and *Financial literacy*. At this point, it was decided to merge these two independent variables and form a new factor by the name of *Future financial considerations*. All items that loaded onto this new factor did so positively at factor loadings above the minimum acceptable level of 0.5, with a Cronbach's alpha of 0.864. Therefore, the reliability and validity of this factor was proved. The operational definition for the new independent variable of *Future financial considerations* stated that it refers to saving for, thinking about and making plans for the future. In addition, this definition also includes following monthly budgets, keeping records of expenses and considering how present actions will affect future circumstances.

The remainder of the unique and useable items intended to measure the independent variables loaded onto the third factor of *Attitudes towards retirement*. This ensured the factor's validity and a Cronbach's alpha of 0.715 proved its reliability. Based on these results and the items that loaded onto this factor, its original name was retained, however its operationalised definition was restructured to better suit the items that loaded together. For the purpose of this study, *Attitudes towards retirement* refers to one's acceptance of retirement. This positive retirement attitude encompasses having a clear idea of the future that includes pursuing activities with friends and family that were undoable while employed, while not worrying about becoming bored once retired.

In terms of the mediating variable of *Retirement planning*, sufficient items which were intended to measure this factor loaded onto it successfully. As such, its validity was confirmed, as was its reliability, as this factor returned a Cronbach's alpha of 0.846. All things considered, this factor's name was retained. Thus, for the purpose of this study, *Retirement planning* refers to individuals actively planning and making financial

decisions regarding their future financial requirements at retirement, while consistently monitoring and making meaningful contributions to their retirement plans.

The dependent variable of *Retirement readiness* saw four of the items originally intended to measure it load together with one item relating to retirement planning. However, the similarity of the factors that loaded together were considered reason enough to retain the factor name. Additionally, the factor was identified as reliable with all items loading with values above 0.5, while the Cronbach's alpha reported was 0.916, which indicated reliability. The operational definition was then reconstructed to consider the items that loaded together. Therefore, for the purposes of this study *Retirement readiness* refers to making adequate savings for retirement in order to achieve financial independence, reach one's retirement goals and maintain living standards during retirement.

### 5.3.3 DISCUSSION AND RECOMMENDATIONS ON THE RESULTS OF THE MULTIPLE REGRESSION ANALYSES

This section will discuss the main empirical results relating to each of the variables under investigation in this study and will include a discussion of the significant relationships discovered from the multiple regression analyses conducted in this study. Additionally, recommendations will be made to pre-retired individuals in the Nelson Mandela Bay.

#### 5.3.3.1 Access to financial planning services

The findings of this study revealed a significant positive linear relationship between the independent variable of *Access to financial planning services* and the mediating variable of *Retirement planning*. In other words, the more readily and conveniently available financial planning services are, the more likely individuals were to actively plan for retirement. Additionally, a positive linear relationship was also reported between *Access to financial planning services* and *Retirement readiness*. This suggests that with greater accessibility to convenient sources of financial advice, comes a more desirable state of *Retirement readiness* as a result of the financial advice received from financial planners.



Given these results for *Access to financial planning services*, the following recommendations are made:

- Based on the results of the study, it was determined that the greater access that individuals have to financial planners, the more proactive they are in planning for retirement. As such, it is recommended that financial planning institutions increase their clientele to those individuals who may otherwise not have had access to professional financial advice. Not only would this benefit these individuals, but financial institutions would gain more business as result.
- In addition to this, individuals could also make use of financial advice from alternative professional sources in their retirement planning endeavours. It is recommended that advice from reliable sources is obtained, such as online financial advisors or governmental forums and conferences, as it will greatly assist individuals in making the correct financial decisions and ensuring that sufficient provisions are made for retirement.
- It can also be recommended that financial planning institutions make attempts to reach all individuals. This can be done by providing low cost financial advisory services to individuals who may struggle to afford their regular services.

#### 5.3.3.2 Future financial considerations

According to the results of the multiple regression analysis, a significant positive linear relationship was reported between the independent variable of *Future financial considerations* and *Retirement planning*. As such, the more that individuals thought about the future and kept monthly budgets while considering how present actions would affect their future circumstances, the more likely they were to engage in *Retirement planning* activities. Furthermore, a significant positive linear relationship was also reported between *Future financial considerations* and *Retirement readiness*. As such, it can be determined that individuals who spend more time considering their future are more likely to acquire sufficient savings to maintain their financial independence and standard of living during retirement.

Therefore, the following recommendations are presented, based on the results concerning *Future financial considerations*:

- According to this study, the more that individuals consider their future financial situation, the more actively they will part-take in retirement planning practices and ultimately achieve a state of retirement readiness. Government and financial planning institutions could collaborate and run awareness campaigns that stimulate individuals to think about their current financial situations and what change is needed to ensure that they are financially secure in retirement.
- It can also be recommended that individuals keep track of their monthly expenditure and draw up monthly budgets to minimise unnecessary expenses and ensure that sufficient future provisions and savings are being made to achieve their financial goals.
- Additionally, individuals are recommended to save consistently and invest a specified portion of their finances in a liquid fund to insure them against unforeseen circumstances, and for the future. This should be done instead of spending money on goods and services and saving the remainder, as more often than not, this strategy leaves insufficient funds to successfully save for retirement.

#### 5.3.3.3 Attitudes towards retirement

The results of the study show that *Attitudes towards retirement* has a positive linear relationship with *Retirement planning*. This means that the more positively individuals perceive retirement and the lifestyle that comes with it, the more likely they are to participate in *Retirement planning* activities. Furthermore, the study's results revealed that there is a significant positive linear relationship between *Attitudes towards retirement* and *Retirement readiness*. In other words, the more positive that individuals are towards the occurrence or retirement, the better their *Retirement readiness* will be as a result.

The following recommendations are proposed, based on the results relating to *Attitudes towards retirement*:

- According to the results of the study, the more positively individuals perceive retirement, the more actively they plan for it. It can therefore be recommended that individuals attend retirement seminars to could help mould their perceptions regarding retirement as well as the positive aspects thereof.
- Individuals with excessive debt levels are more likely to have an adverse outlook on retirement. As such, individuals should work closely with debt counsellors to ensure that their debt levels are manageable.
- Individuals should set goals for themselves to achieve after retiring, as this could give them a sense of purpose in life and stave off any feelings of worthlessness which may affect individuals who devoted much of their lives to their careers.

#### 5.3.3.4 Retirement planning

The mediating variable of *Retirement planning* was seen to have a statistically significant positive relationship with the dependent variable of *Retirement readiness*. This infers that individuals undertaking retirement planning practices are more likely to achieve an adequate state of retirement readiness. The results from the test for mediation reveals that *Retirement planning* successfully mediates the relationship between the independent variable of *Access to financial planning services* and the dependent variable of *Retirement readiness*. Additionally, *Retirement planning* successfully mediates the relationship between the independent variable of *Future financial considerations* and the dependent variable of *Retirement readiness*. Furthermore, *Retirement planning* was discovered to partially mediate the relationship between the independent variable of *Attitudes towards retirement* and the dependent variable of *Retirement readiness*.

Given these results, the following recommendations are offered in relation to *Retirement planning*:

- Based on the results of this study, it was determined that individuals who part-take in retirement planning activities subsequently achieve greater retirement readiness. As such, it is recommended that individuals plan for retirement as early as possible to ensure that sufficient provisions are accumulated over time.

- Financial institutions should run free seminars for individuals to give them elementary insights into how they can enhance their preparations for retirement. This may generate additional business, as these individuals may opt to seek further financial advice from these institutions.
- Considering that almost two thirds of the sample was female, and that they on average earn less than their male counterparts. It is recommended that retirement plans be tailored to cater for this disparity and give females an equal chance to achieve financial independence at retirement.

#### **5.4 CONTRIBUTION OF THE STUDY**

In light of previous research that has been conducted in the field of retirement planning, numerous concepts and factors were discussed in this study. The study made use of prior literature to explore the financial planning frame work at large and identified several of its key categories. Retirement planning was then focused on from an individual's point of view. The study further assessed the nature and importance of retirement planning in general, as it was theorised to be a key determinant of individuals' retirement readiness. In doing so, four factors were identified to have a significant influence on the retirement planning practices of individuals, and as such, influence their ultimate state of retirement readiness. These factors included *Financial literacy*, *Attitudes towards retirement*, *Future time perspective* and *Access to financial services*. While the influence of these factors on individuals' retirement planning practices was widely acknowledged in prior research, little evidence was found to support these claims in the Nelson Mandela Bay area. Therefore, from a literature perspective, this study contributed towards the body of research pertaining to the field of retirement planning. This was achieved by investigating certain key variables that influence the retirement planning practices, and ultimately the state of retirement readiness of individuals in the Nelson Mandela Bay.

From an empirical perspective, the development of a valid and reliable measuring instrument assisted in the investigation of the above-mentioned factors. These factors influenced the retirement planning practices and retirement readiness of pre-retired individuals residing in the Nelson Mandela Bay. This measuring instrument could be

used to develop alternative questionnaires that focus on similar factors that were investigated in this study. Furthermore, the study developed a hypothesised model that was adjusted to consider the factor loadings that were calculated. This adjusted hypothesised model created a more specific and tailored set of variables that were seen to directly affect the retirement planning practices, and retirement readiness of individuals in the Nelson Mandela Bay. This hypothesised model can be reused in other geographical areas of South Africa. It can also be expanded to include other variables that may have an influence on individuals' ultimate retirement readiness, as it is known where statistically significant relationships are present within the model used in this study. Thereby, a significant contribution was made towards the understanding of the selected variables and their influence on individuals' decision to plan for retirement.

Other researchers are encouraged to expand the investigation into the various other factors that may have a significant influence on the retirement planning practices of individuals. From there, further analyses can be conducted to determine the overall relationship between retirement planning and retirement readiness on a more in-depth scale or from a qualitative approach. Overall, the study found a positive relationship between the hypothesised independent variables and retirement planning, as well as between retirement planning and retirement readiness. Thus, it can be established that *Access to financial planning services*, *Future financial considerations* and *Attitudes towards retirement* do in fact play a significant role in the extent to which individuals in the Nelson Mandela Bay plan for retirement. Moreover, this retirement planning determines these individuals' state of retirement readiness once they are retired. Based on the results of this study, recommendations were made to pre-retired individuals in the Nelson Mandela Bay to improve the retirement planning practices of individuals, to enhance their state of retirement readiness.

## **5.5 SHORTCOMINGS OF THE RESEARCH AND FUTURE RESEARCH RECOMMENDATIONS**

This study attempted to make a significant contribution to the field of retirement planning, especially regarding the status of individuals' readiness to retire. However, several limitations became evident while conducting this investigation. The non-

probability technique of convenience sampling used in this study proved to be a limitation. While convenience sampling was appropriate for conducting this investigation, it was associated with several shortcomings, such as not being representative of the entire population of Nelson Mandela Bay. In addition, convenience sampling entails the selection of a sample that could also lead to the underrepresentation or overrepresentation of a particular segment of the population. Additionally, convenience sampling could also result in sampling bias by the researchers. As result, the researchers cannot say the findings of this study apply to all pre-retired individuals within the research population. Future research should attempt to determine a more complete database from which probability samples can be identified.

Another limitation of this study was its narrow focus within the Nelson Mandela Bay area. The sample size for this study was 90 individuals, which could not be seen as a true representation of the research population. To overcome this limitation, future studies should expand the sample's scope, as this would provide a more accurate representation of the population being investigated. Additionally, this study only considered four factors, which were reduced to three based on the results of the exploratory factor analysis. Hence, this can be seen as another limitation of this study, as it goes without saying that there could be more variables influencing individuals' retirement planning and ultimately their financial independence during retirement, such as their level of income or their cultural beliefs. As such, researchers in future should aim to expand their focus into more factors that play a role in individuals' retirement planning and retirement readiness.

Further research on retirement planning should also be expanded to other regions of South Africa, as this would provide researchers with further information concerning the readiness of individuals to retire. Researchers could then use this data as a cross comparison with that of other regions which would allow researchers to draw inferences on a broader scale regarding the retirement planning efforts of individuals within South Africa.

## **5.6 SELF REFLECTION**

Conducting the treatise was an overall exciting and interesting experience. It not only exposed us to the field of retirement planning, but also emphasised the importance of making early financial contributions to one's retirement. The whole process of the treatise enhanced our understanding and perceptions of the factors that influence individuals' retirement plans. Researching this topic required us to spend countless hours reading and analysing many academic articles and journals. In doing so, this further developed our researching and academic writing skills and afforded us the opportunity to learn about the processes and techniques needed to go about these tasks successfully.

The most challenging and tedious section was analysing the data collected by our measuring instrument. Additionally, finding reliable respondents that met the parameters of the study was also very challenging. However, in hindsight it should be noted that this experience has afforded us with the chance to ensure that we make the best possible preparations for our own retirement. Sadly, this is not the case for many individuals as is highlighted by the findings of this study.

## **5.7 CONCLUDING REMARKS**

This study has contributed insights and knowledge concerning the influence of the selected variables on individuals' retirement planning activities and ultimately their readiness. In addition, this study sought to provide further insight into the importance of retirement planning and the variables that influence the retirement readiness of individuals in the Nelson Mandela Bay area. Moreover, retirement planning and the retirement readiness of individuals is a topic of growing interest. As such, this study has contributed toward the existing body of knowledge regarding the financial planning and retirement planning climate of South Africa. It is hoped that the findings of this study will provide pre-retired individuals with practical recommendations on how to improve and implement financial planning practices into their retirement planning activities. In addition, this study also seeks to provide suggestions on possible future research opportunities to pursue in the field of retirement planning.

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**ANNEXURE A:**  
**QUESTIONNAIRE**

August 2018

Dear Sir/Madam

Thank you for your willingness to participate in the study.

**Topic:** Investigating the retirement readiness of individuals in the Nelson Mandela Bay

**The aim** of this study is to investigate the retirement readiness of individuals in the Nelson Mandela Bay. Retirement planning pertains to the management of an individual's finances, such that their retirement needs and objectives will be met upon reaching retirement age. Prior research has indicated that most South Africans are forced to continue working once they have reached retirement age, or are dependent on family, friends or the state at retirement. Therefore, it is believed that this research will make a contribution by exploring which factors influence individuals' readiness for retirement, as individuals that are ready for retirement may experience financial independence during retirement.

It would be greatly appreciated if you could respond to the following questions so as to assist the researchers in the completion of this study. **All information will be treated in the strictest confidence and respondents will be kept anonymous. This is a voluntary questionnaire and respondents may withdraw at any stage.**

Your assistance will be greatly appreciated. If you have any queries, please feel free to contact us.

Yours sincerely,

*H Hayidakis*

Mr. Haydn Hayidakis  
Researcher

*S Malgas*

Mr. Sergio Malgas  
Researcher

*B Zeka*

Dr Bomikazi Zeka  
Supervisor

**A GENERAL INFORMATION**

Please mark your selection with an (X)

1 Indicate your gender (for statistical purposes only).

Male		1
Female		2

2 Indicate your age category (for statistical purposes only).

40 – 49 years		1
50 – 59 years		2
60+ years		3

3 Indicate your population group (for statistical purposes only).

Asian		1
Black		2
Coloured		3
White		4
Not willing to say		5

4 Indicate your highest level of education (for statistical purposes only).

<Matric		1
Matric		2
National certificate/diploma		3
Bachelor's degree		4
Honours/Post graduate certificate		5
Masters		6
Doctorate		7
Other (Please specify) :		8

5 Indicate your marital status (for statistical purposes).

Never married		1
Not married but living with a partner		2
Married		3
Separated/Divorced		4
Widowed		5

6 How long have you been employed? (in total)

0 – 5 years		1
6 – 10 years		2
11 – 15 years		3
16 – 20 years		4
More than 20 years		5

7 Please indicate your total personal income per month. Please note that this information will be treated with the strictest of confidence.

R0 – R10 000		1
R10 001 – R20 000		2
R20 001 – R30 000		3
R30 001 – R40 000		4
More than R40 000		5
Not willing to say		6

**B GENERAL INFORMATION REGARDING YOUR RETIREMENT PLANS**

Please mark your selection with an (X)

1 Indicate which age you plan to retire

Before 50		1
50 – 55 years		2
56 – 60 years		3
61 – 65 years		4
66 – 70 years		5
I cannot afford to retire		6

2 Indicate whether you are a member of a pension or provident fund

Pension Fund		1
Provident Fund		2
Both		3
Neither		4

3 Do you currently contribute to retirement annuity fund?

Yes		1
No		2
Other (Please specify):		3

4 Indicate how long you have been in your retirement scheme (for statistical purposes only).

Less than 1 year		1
1 – 5 years		2
6 – 10 years		3
11 – 20 years		4
21 – 30 years		5
30+ years		6

5 Do you think your retirement savings will be adequate for your retirement?

Yes		1
No		2
I do not know		3

6 Do you currently have a documented retirement plan?

Yes		1
No		2

7 Which of the following statements best describes your position of seeking financial advice for your retirement benefits before you retire?

I have received financial advice		1
I am planning on receiving financial advice		2
I am not interested in receiving financial advice		3

8 Please indicate your main source of financial advice.

Friends/community		1
Family member(s)		2
Financial advisor/Financial Planner		3
My employer		4
Banker		5
I do not ask for financial advice		6

## C RETIREMENT PLANNING AND RETIREMENT READINESS

Please answer the following questions based on your own perceptions. The columns are graded from **1** to **5**. The number **1** denotes strong disagreement with a statement, and at the other end of the scale, **5** denotes strong agreement with the statement. Please indicate the extent to which **you agree or disagree with each statement** by placing a cross (X) in the appropriate column.

	Statements relating to retirement planning and retirement readiness	Strongly disagree	Disagree a little	Neutral	Agree a little	Strongly agree
1	I believe I will be financially independent during retirement	1	2	3	4	5
2	Relative to my peers, I am saving a great deal for retirement	1	2	3	4	5
3	It is important to have money to save	1	2	3	4	5
4	Retirement provides more time to build personal relationships e.g. between family members	1	2	3	4	5
5	The sooner I save for retirement, the more financially prepared I will be at retirement	1	2	3	4	5
6	I have access to a financial planner that can comprehensively review my financial situation	1	2	3	4	5
7	I am able to consult with a financial planner at my own convenience	1	2	3	4	5
8	I constantly monitor my retirement savings	1	2	3	4	5
9	I am <b>not</b> concerned about being bored at retirement	1	2	3	4	5
10	Retirement will allow me to do things with friends/family that I was not able to do while I was working	1	2	3	4	5
11	I have a clear idea about how my future will look	1	2	3	4	5
12	Retirement planning is a priority for me	1	2	3	4	5
13	I am able to consult with a financial planner to provide me with information on my retirement needs	1	2	3	4	5
14	I started planning for my retirement earlier in my life	1	2	3	4	5
15	Retired people can easily find things to do	1	2	3	4	5
16	I am actively planning and saving for my retirement	1	2	3	4	5
17	I am able to consult with a financial planner regularly to discuss my retirement planning	1	2	3	4	5
18	My current retirement funds and future savings will be sufficient to meet my retirement goals	1	2	3	4	5
19	I believe I will be satisfied with my overall financial situation during retirement	1	2	3	4	5
20	I consider the future when I make plans	1	2	3	4	5
21	It is important to keep money aside for an emergency	1	2	3	4	5
22	I have access to a financial planner that can advise me on matters that will help ensure financial security upon my retirement	1	2	3	4	5
23	It is important to keep record of where money is spent	1	2	3	4	5
24	I enjoy thinking about how I will live in the future	1	2	3	4	5
25	I think more about the future than the past	1	2	3	4	5
26	I consistently make meaningful contributions to a voluntary retirement savings plan	1	2	3	4	5
27	I believe I will be able to maintain my living standards during retirement	1	2	3	4	5

	<b>Statements relating to retirement planning and retirement readiness</b>	<b>Strongly disagree</b>	<b>Disagree a little</b>	<b>Neutral</b>	<b>Agree a little</b>	<b>Strongly agree</b>
28	I am able to consult with a financial planner to ensure that I have sufficient savings for retirement	1	2	3	4	5
29	It is important to save for retirement	1	2	3	4	5
30	I enjoy making plans for the future	1	2	3	4	5
31	I have discussed my retirement planning goals with a professional(s) in the field	1	2	3	4	5
32	Retirement gives people a chance to re-establish relationships with old friends and meet new people	1	2	3	4	5
33	I consider how my life will be in the future	1	2	3	4	5
34	I have identified specific spending plans for the future	1	2	3	4	5
35	It is important to follow a monthly budget	1	2	3	4	5

**THANK YOU VERY MUCH FOR YOUR PARTICIPATION**

**ANNEXURE B:  
ETHICS FORM**

**FACULTY OF BUSINESS AND ECONOMIC SCIENCES**

**ETHICS CLEARANCE FOR TREATISES / DISSERTATIONS / THESES**

**Instructions:**

- Should be completed by supervisor and student
- Must be signed off by student, supervisor and HoD
- Submit completed form to Ms Lindie van Rensburg
- Please ensure that the research methodology section from the proposal is attached to this form
- ***Please note that by following this Proforma ethics route, the study will NOT be allocated an ethics clearance number***

**FACULTY:** Business and Economic Sciences

**SCHOOL / DEPARTMENT:** Department of Business Management

I, (surname and initials of supervisor) Zeka, B

the supervisor for (surname and initials of candidate) Hayidakis, H.D and Malgas, S.D

(student number) 215064143 and 210072814

a candidate for the degree of Bcom Honours (Business Management)

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

Investigating the retirement readiness of individuals in the Nelson Mandela Bay

considered the following ethics criteria (*please tick the appropriate block*):

		YES	NO
1.	Is there any risk of harm, embarrassment or offence, however slight or temporary, to the participant, third parties or to the communities at large?		x
2.	Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		x
2.1	Are subjects/participants/respondents of your study:		
2.1.1	Children under the age of 18?		x



2.1.2	NMMU staff?		x
2.1.3	NMMU students?		x
2.1.4	The elderly/persons over the age of 60?		x
2.1.5	A sample from an institution (e.g. hospital/school)?		x
2.1.6	Handicapped (e.g. mentally or physically)?		x
3.	Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		x
3.1	Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		x
4.	Will the participant's privacy, anonymity or confidentiality be compromised?		x
4.1	Are you administering a questionnaire/survey that:		
4.1.1	Collects sensitive/identifiable data from participants?		x
4.1.2	Does not guarantee the anonymity of the participant?		x
4.1.3	Does not guarantee the confidentiality of the participant and the data?		x
4.1.4	Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		x
4.1.5	Will create doubt whether sample control measures are in place?		x
4.1.5	Will be distributed electronically via email (and requesting an email response)?		x
	Note:		
	<ul style="list-style-type: none"> <li>If your questionnaire <b>DOES NOT</b> request respondents' identification, is distributed electronically and you request respondents to return it <i>manually</i> (print out and deliver/mail); <b>AND</b> respondent anonymity can be guaranteed, your answer will be NO.</li> <li>If your questionnaire <b>DOES NOT</b> request respondents' identification, is <i>distributed via an email link and works through a web response system (e.g. the university survey system)</i>; <b>AND</b> respondent anonymity can be guaranteed, your answer will be NO.</li> </ul>		
5.	Do you wish to publish an article from this study and submit to an accredited Journal?		x

Please note that if **ANY** of the questions above have been answered in the affirmative (**YES**) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

\_\_\_\_\_  
SUPERVISOR(S)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
HEAD OF DEPARTMENT

\_\_\_\_\_  
DATE

\_\_\_\_\_  
STUDENT(S)

25/10/2018

\_\_\_\_\_  
DATE