



Saving and Investment Pattern of Retired Households

KEYWORDS

Retirement, retired households, saving, investment,

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ABSTRACT Retirement, a transitional life event that involves role relinquishment and an increase in liesure hours often has an impact on the stuctural of daily activities among retirees. Retirement seems to be a crucial moment in the process of growing older since it is generally viewed as a point in time where older age begins. The need on studying the retired households is significant as this group of the population is living in the era of electronic, technological and wirless society and also been described as well-educated, confident, passionate, unbeat and socially consious with high integrity. The impact of technology has been considered as one of the factors of the retired households spending and saving habits. This generation highlight on the value of product purchased and as for managing their financial and investment requirements. Retired households became the target of research in similar form mainly due to this group of the population comprises of a large demographic segment of consumers with high spending power.

INTRODUCTION

The life course is a social clock that describes a sequence of stages people move through as they age; moving out of one stage into another is typically marked by a significant event. The life course influences us about how we are supposed to behave at various stages in our life. One major stream of research using the life course perspetive is about normative life transition that focuses on people as they enter the various stages in their life cycle. Retirement, a transitional life event that involves role relinquishment and an increase in liesure hours often has an impact on the stuctural of daily activities among retirees. Retirement seems to be a crucial moment in the process of growing older since it is generally viewed as a point in time where older age begins.

Retirement is defined as a condition in which and individual is forced or allowed to be and is employed less than full-time and in which his income is derived at least in part from a retirement pension earned through prior years of service as a job holder. It is clear then, that retirement, a major life changing event, involves an economic role transition occurring in later stage. In this decade of improved socio-economic situations, the present and the future cohort of retirees are expected to be better educated, would have less financial obligations and more time to engage in consumption-related activities. They are also involved in more liesure activities than the previous cohort of retirees, which are likely to create the need to purchase related to support their activites. As retirement can be a condition that is forced or voluntary, the age at which retirement takes place can be different. A person may retire at whatever age they please. However, a country's tax laws and/or state old-age pension rules usually mean that in a given country a certain age is thought of as the "standard" retirement age. The "standard" retirement age varies from country to country but it is generally between 50 and 70 (according to latest statistics, 2011). In some countries this age is different for males and females, although this has recently been challenged in some countries, and in some countries the ages are being brought into line.

RETIRED HOUSEHOLDS

A household (family) is a group of two or more persons related by blood, marriage or adoption, who resides together and takes food from a common kitchen. Retired household, is one who was retired from a job either regularly or voluntarily and lives along with his family and not residing in a long-term care facility. The retired elderly households are divided into two groups based on the age; 65 to 74 as "young-old" and 75 and older as "old-old". Retirees are often referred to as the "young old", a term that shows some of the uncertainty of those people's age identity. They often do not feel old, but nevertheless find themselves suddenly belonging to the category of the "elderly".

STATEMENT OF THE PROBLEM

Retired households became the target of research in similar form mainly due to this group of the population comprises of a large demographic segment of consumers with high spending power. A majority of previous research on retirement has primarily focused retirees or workers approaching retirement age from the perspective of their attitudes towards job and their lack in financial plan for retirement. Major changes have taken place in the cultural and socialogical ethos in India, which in turn have triggered changes in the investment and consumption pattern of retired households. Therefore this study is to know more about the retired households and to fill the knowledge gap on their spending, saving, investment pattern.

SCOPE OF THE STUDY

The scope of the study is limited to Coimbatore City and the retired households' aged 58-74 years termed as "young-old" were selected for the study since they are able to think conceptually and they can finsih concrete tasks by themselves. The data is only from the consumer units that have independent living status. Residents of retirement communities are included in the survey but long term care facility residents are excluded.

OBJECTIVE OF THE STUDY

- To determine the socio economic profile of the retired households.
- To study the monthly income, expenditure and savings of the retired households
- To analyse the factors motivated to save and their level of investment.

METHODOLOGY

The researcher administered a pilot study with 30 respondents which consists of both private and government retired households'. The data required for the study has been collected from both the primary data and secondary. Primary data have been collected through a structured questionnaire Secondary data have been collected from various journals, magazines and websites Suitable hypothesis were formed and tested in the relevant places.

REVIEW AND LITERATURE

William F.sharpe (2006)¹, talked about something that used to be a problem of average people. Average people had very few decisions to make about financing their retirement. Many average people are ill-prepared to make the complex financial decisions that are now required. He pointed out 2 reasons i). Most lack sufficient information about financial risks and returns, ii). Many lack sufficient foresight and/or self control. Those who practice and study finance need to provide all the help they can. And there is a key role for sensible social policy in that crucial area. Social security will provide a large part of most people's retirement income. Moreover, it serves as a safety net, since it is a defined benefit plan. He also concluded that it is needed to figure out how much to entrust individuals with their lifetime financial decisions and then constrain them or assist them so they may make decisions that will truly increase their personal welfare.

Amirtha Sangeetha Ganesan (2012)², investigated on generation Y consumption and spending behaviour which directly affect their saving and investment decision and to fill the knowledge gap on their spending, saving and investment behaviour. The main purpose of the study was to determine the consumption and spending patterns and to determine the level of saving and the forms of saving performed by them. The study targeted the population of working Malaysian Generation Y age between 19-32 years old and convenience Random Sampling was used. A total of 592 set of questionnaire has been collected both manually and online survey. It is concluded that investing in stock market are risky and majority of Malaysian Generation Y do not prefer investing in high risk investment. The results analysed from the project shall be great interests of policy makers such as government and business in providing appropriate products and services in line with their consumption, spending and investment behaviour.

Rob Alessie (1995)³, dealt with the study of saving behaviour and wealth holdings of the elderly. The analysis can be summarized as the wealth holdings among the elderly are very unevenly distributed. After the age of 65 the median household does not seem to accumulate or decumulate significant amounts of wealth anymore. The findings indicated that for most elderly, the wealth holdings are so low, that the remaining wealth can be seen as a buffer adverse shock. Regarding savings the representative sample have indicated that not only many elderly households saved in the past 12 months, but they also plan to continue savings in the future. The result investigated that for

the vast majority of the elderly social security and pensions are absolutely essential to maintain a decent standard of living.

TOOLS FOR ANALYSIS

- ❖ Simple percentage
- ❖ Friedman Test
- ❖ Chi-Square
- ❖ ANOVA

RESULTS AND DISCUSSIONS

Table No: 1
General Profile of the Respondents

PARTICULARS	CLASSIFICATION	No.	Percentage
Age Group	58-61years	4	13.3
	62-65years	12	40.0
	66-69years	5	16.7
	70-73years	9	30.0
Gender	Male	15	50.0
	Female	15	50.0
Marital status	Married	25	83.3
	Widowed	5	16.7
Educational Qualification	Up to School level	7	23.3
	Graduation	10	33.3
	Post graduation	6	20.0
	Professional	7	23.3
Area of Residence	Urban	15	50.0
	Rural	3	10.0
	Semi urban	12	40.0
Kind of Living	Living with children only	3	10.0
	Living with spouse only	7	23.3
	Living with family (spouse & family)	19	63.3
	Living alone	1	3.3
Size of households	Less than 3	9	30.0
	3-5	16	53.3
	More than 5	5	16.7

The general profile of the respondents is given in Table No. 1. Based on the outcome of the pilot study 40% of them belong to the age group of 62-65 years, Male and Female are equal and 83.3% of them are married. As regards educational qualification 33.3% are graduates and 50% are residing in urban area. Majority 63.3% of the respondents are living with their family and 53.3% of the respondents' households' size is between 3-5 members.

TABLE No: 2
Monthly Income, Expenditure and Savings of Retired Households after Retirement

PARTICULARS	CLASSIFICATION	No.	Percentage	
Monthly Income	Below 10,000	5	16.7	
	10,000-20,000	12	40.0	
	21,000-30,000	1	3.3	
	Above 30,000	12	40.0	

Monthly Expenditure	Below 5,000	5	16.7
	5,001-10,000	12	40.0
	10,001-20,000	2	6.7
	Above 20,000		36.7
Monthly Savings	Below 5000	15	50.0
	5,001-10,000	3	10.0
	10,001-20,000	2	6.7
	Above 20,000	10	33.3

Based on the outcome of the pilot study 40% of the respondents monthly income is between Rs.10, 000 to 20,000 and above Rs.30, 000. With regards to monthly expenditure 40.0% of the respondents' monthly expenditure between 5,000-10,000. 50.0% of the respondents' monthly savings is below 5,000.

FRIEDMAN TEST

Table No: 3
Factors Motivated To Save

S. No	Factors	Mean Rank	Actual Rank
1	I save as I fear of unforeseen circumstances	3.08	3
2	I save for medical emergency	3.33	4
3	I save for the benefit of my family financial future	3.47	5
4	My saving habit was influenced by information from media	2.48	1
5	I save to achieve financial freedom	2.63	2

Source: Computed Value

From the above table it is clear that the lowest mean rank of 2.48 is given to My saving habit was influenced by information from media which shows that this is the first preferred factor motivated for saving by the respondents, 2.63 is given to I save to achieve financial freedom is the second preferred factor by the respondents, 3.08 is given to I save as I fear of unforeseen circumstances is the third preferred factor by the respondents, 3.33 is given to I save for medical emergency is the fourth preferred factor by the respondents, 3.47 is given to I save for the benefit of my family financial future is the fifth preferred factor by the respondents.

Null Hypothesis (H₀): "The mean ranking of the respondents does not differ."

TEST STATISTICS

N	30
Chi-Square	11.366
Df	4
Sig.	.023

From the above table it is clear that with the significant value of .023, it is inferred that the mean ranking of the respondents differ at 1 per cent level of significance. Hence the Null Hypothesis is rejected.

CHI-SQUARE

TABLE No: 4

KIND OF LIVING	HIGH [>70%]	MEDIUM [40%-70%]	LOW [<40%]	Total
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Living With Children Only	0	2	1	3
Living With Spouse Only	4	3	0	7
Living With Family (Spouse & Children)	4	6	9	19
Living Alone	1	0	0	1
Total	9	11	10	30

Kind of Living and Saving Habits

Source: computed

From the above table it is clear that majority of respondent who are in the category of living with children only and Living with Family (Spouse & Children) have preferred medium saving habit, living with spouse only and living alone have preferred high saving habit. Hypothesis: There is no significance relationship between kind of living and saving habits.

CHI-SQUARE TESTS

	Value	Df	Asymp. Sig. (2 sided)
Pearson Chi Square	9.859 ^a	6	.131
Likelihood Ratio	12.589	6	.050
Linear-by-Linear Association	.197	1	.657
N of Valid Cases	30		

From the above table it is clear that with the significant value of .050, there exist relationship between kind of living and saving habits at 5 percent level of significance.

Hence, the hypothesis is rejected.

ANOVA

TABLE No: 5
Monthly Income and Level of Investment

Monthly Income	N	Mean	Std. Deviation
BELOW 10,000	5	2.71	.700
10,000-20,000	12	3.08	.325
21.000-30,000	1	3.00	.
ABOVE 30,000	12	3.77	.660
Total	30	3.30	.669

Source: computed

It is evident from the above table that the highest mean value of 3.77 has been found among the monthly income of above 30,000, so it is inferred that those respondent who are in the income category of above 30,000 have higher attitude towards level of investment than compared to the other groups. Hypothesis: There is no significant difference among the monthly income and their level of investment.

ANOVA FOR MONTHLY INCOME AND LEVEL OF INVESTMENT

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	5.062	3	1.687	5.543	.004
Within Groups	7.915	26	.304		
Total	12.977	29			

The ANOVA table states that the calculated value is .004 so it is evident that at 5% level of satisfaction there is significant difference between the monthly income of respondents and their level of investment.

Hence, the hypothesis is rejected.

CONCLUSION

The proportion of elderly in the population is increasing. Many elder people are living to an advanced age. The number of retirees is expected to increase since more and more people are engaged in the formal sector for which retirement applies. Increasing numbers of people are retiring earlier in life and, at the same time, many are living longer. These events, coupled with demographic changes in the elderly population, make the consumption and savings behaviour of the retired increasingly noteworthy and there is substantial diversity in the financial circumstances of households entering retirement. The study concluded that the respondent who are in the category of living with children only and Living with Family (Spouse & Children) have preferred medium saving habit, living with spouse only and living alone have preferred high saving habit and there is significant difference between the monthly income of respondents and their level of investment.

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