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Investigating the Relationship of Financial Literacy to Financial Planning Retirement

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Abstract

Personal financial management, budgeting, and investing, or often known as financial knowledge is increasingly recognized as an important component of financial readiness towards retirement. However, the relationship between financial literacy and retirement financial planning is still quite limited explored in academic research. Research related to financial literacy is important to be developed because there is a slight increase in awareness of the urgency of financial literacy in every financial planning because the emergence of the sandwich generation is a failure in financial planning and management for retirement. Investigating the relationship between financial literacy and retirement planning on specific aspects with the most significant impact on retirement planning became the main objective of the study This study conducted an extensive literature review to identify previous research findings and collect data on financial literacy and retirement planning by Using statistical methods to examine the relationship between financial literacy, financial planning, The onset of the sandwich generation in retirement. The sampling technique used in this study is non-probability sampling using purposive sampling methods and pension planning results. The results of the study stated that financial literacy has a significant positive relationship with retirement financial planning. In addition, the results of the study also stated that the sandwich generation has a significant positive relationship with retirement financial planning.

Keywords: Financial Knowledge; Financial Management; retirement period; Sandwich Generation

1. Introduction

Financial understanding, use and skills such as personal financial management, budgeting, and investing, or often known as financial literacy are increasingly recognized as an important component of financial readiness towards retirement. On a broader level, an aging population and the need for self-directed retirement planning have focused more on improving individual financial literacy. However, the relationship between financial literacy and retirement planning is still quite limited explored in academic research. Research related to financial literacy is important to be developed because there is a small increase in awareness of the urgency of financial literacy in every financial planning. In line with the development of digital finance, and the crisis of trust in various financial institutions, the practice of financial fraud increasingly adds to the need for individuals to get more information before making decisions to buy financial products, be responsible for decisions taken and know the consequences of having inadequate knowledge when dealing with financial matters [1]. One of the concerns in financial planning today is financial planning for retirement. Because one of the effects of lack of attention in financial planning is predicted to increase the development of the Sandwich Generation. The sandwich generation refers to Miller (1981) is a generation that is between two different generations, namely between their aging parents and on the other hand their children, or their siblings who still need help with the age of more than eighteen years [2].

Lack of literacy and information can affect the ability to plan finances for retirement. Pesiun means a person quits or quits a job, withdraws from a paid work life [3]. Thus, the capacity to plan and save may be influenced by one's knowledge, abilities, liquidity and crystallization of intelligence, and psychological biases. Empirical evidence confirms that in financial well-being [4, financial literacy will ultimately enable retirees to interpret economic data based on their financial knowledge, their likelihood to make informed decisions about financial planning, saving initiatives, and asset growth [5]. Individuals' financial decisions are highly dependent on their financial health and their level of financial literacy [6]. Financial Planning for Retirement has great power to make one's life happy after retirement. includes a number of activities related to cash accretion to meet the requirements of the post-retirement phase of life [7] to ensure and maintain a smoothing pattern of needs and consumption.

Investigating the relationship between financial literacy and retirement planning on specific aspects of financial literacy with the most significant impact on retirement planning is the main objective of the study also aims to find out whether sandwich genration has an effect on retirement financial planning. Widely literature is used to identify previous research findings and collect data on financial literacy and retirement planning and research data is collected by distributing questionnaires.

2. Methodology

This study conducted an extensive literature review to identify previous research findings and collected data on financial literacy and retirement planning using statistical methods to examine the relationship between financial literacy, financial planning, the onset of sandwich generation in pension planning. The sampling technique used in this study is non-probability sampling using purposive sampling methods and pension planning results using the SPSS application in processing variable data.

Data was collected through the dissemination of online questionnaires using Google Forms. The sample size used in the study was 150 civil servant workers who were nearing retirement with male gender in Luwu district. While research sampling, initially collected as many as 30 samples to test the validity and reliability of the research tools used. After confirming that the data passed the test, 150 questionnaires were distributed and tested again with validity and reliability tests. As a result, as many items pass the classical acceptance test and meet multiple linear regression models. The collected data were analyzed using multiple linear regression with a classical assumption test consisting of a normality test. The data is then tested using the correlation coefficient and the coefficient of determination and the last step is the F hypothesis test, hypothesis testing using the t-test statistical test.

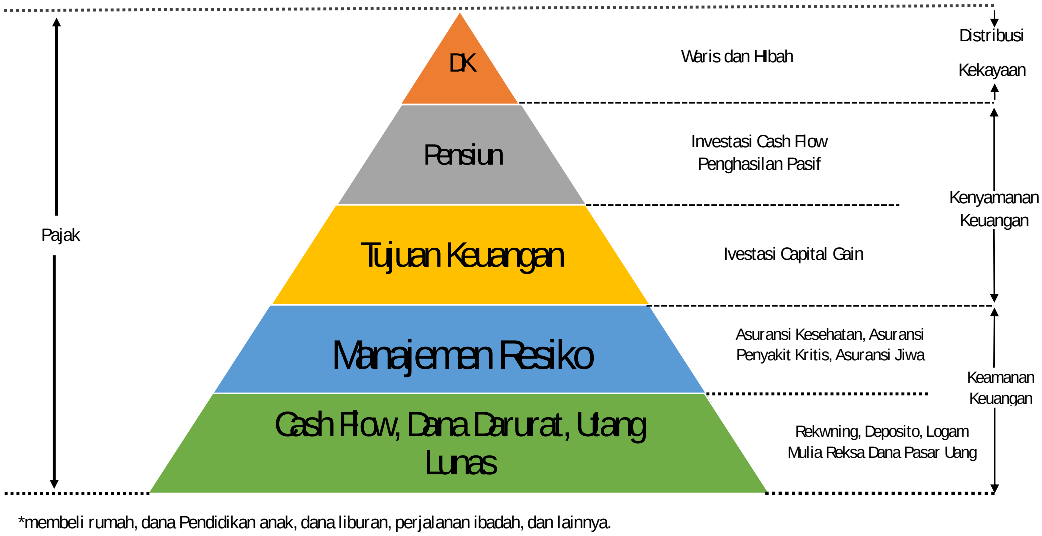

Figure 1 Financial Planning Pyramid

Figure 1 shows the overall financial planning pyramid. Your first priority is to meet short-term or day-to-day needs, such as cash flow, emergency funds, and debt management. Financial security comes first. The second priority is financial comfort. Financial comfort here means that a person is able to meet his financial needs in the medium term (1-5 years) and long term (more than 5 years), in terms of relying on cash flow investments and passive income. top., hoping to create economic comfort. The third priority is the distribution of property, including inheritance and gifts to his descendants.

Workers retire when they no longer receive regular income from their jobs, but these expenses continue until the end of their lives. You should prepare well for retirement for at least two reasons: (1) It is important to know that everyone has a 50% chance of living longer than their average lifespan is expected. (2) According to research reports, many couples in Asia, including Indonesia, do not consider how much time they will spend together in retirement. Therefore, the couple may not be able to save enough money for retirement. Therefore, it is necessary to systematically manage household finances during work in order to cover pension costs. Financial management is not about the amount of income received, but how to best manage the income [8].

3. Result and Discussion

3.1. Result

In this study, data was collected by 150 respondents. Judging from the gender characteristics of respondents, only male gender. Based on age, ranging from the age of 57 to 59 or approaching retirement preparation (MPP). For employment, respondents with jobs only have civil servant status.

Table 2. Demographic Characteristics of Respondents

Respondent Information	Category	Sum	Percentage
Gender	Man	150	100%
Age	55 - 58 year	90	60%
	65 - 75 year	60	40%

Education	SMA	15	10%
	S1	90	60%
	S2	45	30%
Employment Status	BUMN Officer	45	30%
	Private Officers	45	30%
	PNS	60	40%
Income	Rp. 2.579.400- Rp. 4.326.400	30	20%
	Rp. 2.688.500-Rp. 4.415.600	60	40%
	Rp. 2.802.300- Rp. 4.602.400	60	40%

Statistical Analysis of Data

Validation Test

Table 3. Financial Literacy Variable Validity Test Results (X1)

Butir	Nilai Corrected Item Total Correlation/r_{hitung}	Sig.	r_{tabel}	Kriteria
1	0.650	0.000	0.160	Valid
2	0.578	0.000	0.160	Valid
3	0.789	0.000	0.160	Valid
4	0.677	0.000	0.160	Valid
5	0.744	0.000	0.160	Valid

(Source SPSS 24)

Based on table 3, it can be seen that all statements for financial literacy variables have a valid status, because the calculated value (Corrected Item Total Correlation Value) > table is 0.160

Table 4. Variable Validity Test Results Sandwich Generation (X2)

Butir	Nilai Corrected Item Total Correlation/r_{hitung}	Sig.	r_{tabel}	Kriteria
1	0.585	0.000	0.160	Valid
2	0.725	0.000	0.160	Valid
3	0.711	0.000	0.160	Valid
4	0.695	0.000	0.160	Valid
5	0.689	0.000	0.160	Valid

(Source SPSS 24)

Based on table 4, it can be seen that all statements for financial literacy variables have a valid status, because the calculated value (Corrected Item Total Correlation Value) > table is 0.160

Table 5. Results of the Validity Test of Retirement Financial Planning Variables (Y)

Butir	Nilai Corrected Item Total Correlation/r_{hitung}	Sig.	r_{tabel}	Kriteria
1	0.654	0.000	0.160	Valid
2	0.741	0.000	0.160	Valid
3	0.802	0.000	0.160	Valid
4	0.724	0.000	0.160	Valid

5	0.51	0.000	0.160	Valid

(Source SPSS 24)

Based on table 5, it can be seen that all statements for financial literacy variables have a valid status, because the calculated value (Corrected Item Total Correlation Value) > table is 0.160

Reliability Test

Tabel 6. Reliability Test Results

No	Variable	r_{alpa}	Kriteria
1	Financial Literacy	0.714	Reliabel
2	Sandwich Generation	0.706	Reliabel
3	RetirementFinancialPlanning	0.718	Reliabel

Based on Table 6, reliability tests are carried out on variable statement items declared reliable or meet the requirements.

Correlation Coefficient Test

Table 7. Variable Relationship Test Results X1 and Y

Variable	Pearson Correlation	Sig.
Financial Literacy	0.464	0.000
Retirement Financial Planning	0.464	0.000

(Source SPSS 24)

Based on Table 7, the correlation coefficient of financial literacy is 0.464. Based on the interpretation value guidelines, the correlation value is in the range of 0.400 to 0.599 which means that the relationship between financial literacy and retirement financial planning is at a moderate level.

Table 8. X2 and Y Variable Relationship Test Results

Variable	Pearson Correlation	Sig.
Sandwich Generation	0.607	0.000
Retirement Financial Planning	0.607	0.000

(Source SPSS 24)

Based on Table 8, the sandwich generation correlation coefficient is 0.607. Based on the interpretation value guidelines, the correlation value is in the range of 0.600 to 0.799 which means that the relationship between sandwich generation and retirement financial planning is at a strong level.

Hypoplant Test

F Test

Table 9. Simultaneous Signification Test Results (Statistical Test F)

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1 Regresion		302.816	2	151.408	52.020	0.000
	Residual	427.857	147	2.911		
	Total	730.673	149			

(Source SPSS 24)

The calculated F value based on the F statistical test in Table 10 is 52.020 and the significance is 0.000. Since the significance level is less than 0.05, it can be said that financial literacy (X1) and sandwich generation (X2) simultaneously (together) affect retirement financial planning (Y). This probability is much smaller than the significance value of 0.05 so regression models can be used to predict the level of retirement financial planning.

T-test

Table 10. Persian Test Results (Uji T) Coenfficients

Model	Unstandardlzed coefficents		Standardized coefficents		Sig.
	B	Std. Error	beta		
1 (Constant)	7.680	1.399		5.489	0.000
Financial Literacy	0.214	0.063	0.236	3.394	0.001
GenerationSandwich	0.432	0.059	0.508	7.318	0.000

(Source SPSS 24)

Statistical tests consisting of financial literacy (X1) and Sandwich generation (X2), namely the t test, can be used to determine the partial impact on retirement financial planning. Testing the first hypothesis (H1) Based on Table 10, it shows that the significance value of the variable "Financial Literacy" of 0.001 is less than 0.05, meaning that H1 is accepted. Therefore, it can be said that financial literacy has a significant influence on retirement financial planning. A calculated t value of 3.394 indicates that the determined influence is positive on the independent variable. Test the Second Hypothesis (H2) Based on Table 10 it is seen that the significance level of the sandwich generation variable of 0.000 is less than 0.05. In other words, the sandwich generation has a huge impact on financial planning for retirement. A calculated t value of 7.314 indicates that the determined influence is positive on the independent variable.

Coefficient of Determination Test (R2)

Table.11 Coefficient of Determination Test Results (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.640	0.410	0.402	1.712

(Source SPSS 24)

Based on Table 9, the results of the coefficient of determination test in the table show an R value of 0.640 which shows that the relationship with retirement financial planning is very strong. Since the resolution is high, the value exceeds 0.60. While the R-squared of 0.410 or 41.0% shows that the magnitude of the influence of financial literacy variables (X1) and sandwich generation (X2) on retirement financial planning (Y) is 0.410 or 41.0%.

3.2. Discussion

From the results of the first hypothesis test (H1) regarding financial literacy, it was found that financial literacy has a significant relationship to the financial planning of retirement (Y), so the first hypothesis is accepted. This shows that the better the financial literacy possessed by civil servants (PNS), the level of financial planning for the retirement period will also be better. From the results of the study above, respondents' answers to the most dominant dimension in the form of variables Financial literacy (X1) " Retirement planning involves the concept of financial literacy knowledge, so as to achieve financial goals after retirement". This means that civil servants (PNS) feel they can plan for retirement to prepare for retirement, in accordance with the results of previous research [9] which stated that this study revealed that financial literacy has a significant effect on the retirement planning of public health sector employees in Ngororero District. The study concluded that financial literacy has a major effect on employees' retirement planning behavior because it impacts their financial decisions. Likewise, the second hypothesis test (H2) regarding the sandwich generation has a significant relationship with retirement financial planning in accordance with the results of previous research [10] which revealed that the sandwich generation has a significant positive influence on retirement financial planning behavior

The above studies are in accordance with the Theory of Planned Behavior (TBP) which can explain the influence of relationships between variables and are also used in similar studies. In 2019, Bongini and Cucinelli's research with the SDGs approach showed that knowledge of pension funds, financial management, and high levels of financial literacy positively affected the intention of civil servants to prepare pension funds [11]. Behavioral Beliefs The SDGs theory explains that individual behavior is influenced by individual beliefs regarding the consequences of the behavior [12].

The findings of this study are in line with [13] which proves that financial literacy has a significant relationship with retirement financial planning. This finding is also supported by the results of research by [14] which shows that financial literacy has a positive relationship and influence on retirement financial planning.

4. Conclusion

The purpose of this study is Investigating the relationship between financial literacy and retirement planning on specific aspects of financial literacy with the most significant impact on retirement planning being the main objective of the study also aims to find out whether sandwich genration has an effect on retirement financial planning, The results showed that financial literacy has a significant positive relationship with retirement financial planning. This is because they understand financial issues better so they have better knowledge and information to take financial decisions. Therefore, it is expected that everyone pays more attention to the purpose of shopping and supervises their finances so as not to spend money for unnecessary needs. In addition, the study also shows that the sandwich generation has a significant positive relationship with retirement financial planning. This means that people who have a positive attitude towards finances will think critically and plan their finances more wisely, making the most of their active activities while still having the ability in retirement, because we understand that you can prepare for your financial situation. Therefore, everyone is expected to be smart in managing finances and prioritizing obligations such as paying monthly bills and saving for retirement.

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