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"Retired and Free?" A Focus Group Discussion on Financial Preparation for Retirement among Private Sector Employees in Klang Valley, Malaysia

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Abstract
Being financially prepared for retirement is challenging due to the escalating cost of living and the slower labour income movement. Moreover, people have lower pay and consequently, are contributing less to the Employee Provident Fund. The problem is exacerbated by poor money management and the increasing demand to accumulate more retirement funds due to longer life expectancy. Failing to do so would increase one's vulnerability economically, hence, a proper plan needs to be put in place. The objective of this study is to explore financial preparedness for retirement among private-sector employees in the Klang Valley with research question of "what are the experiences of private-sector employees in financially preparing for their retirement"? A total of 15 informants consisting of private-sector employees were chosen for the focus group discussion. A thematic analysis was used to analyse the qualitative data. The study found that the themes related to the perspective on retirement, preparing, planning, saving, and dealing with financial challenges were detailed as aspects of financial preparedness for retirement. The results which have categorised the respondents into clusters with similar characteristics, allow the identification of targets for intervention by financial educators or government bodies in the attempt to help them in their area of need.
Keywords: Financial Preparedness, Retirement Planning, Private Sector, Employee, Focus Group Discussion.

Introduction
No longer bound by working hours, retirees are often described as "retired and free" or masters of their own time. However, happiness in retirement can only be accomplished by proper planning for retirement. For example, a recent study found that being financially prepared for retirement is associated with higher levels of life satisfaction in retirement (Liu, Bai, & Knapp, 2021). Retirement planning can be performed based on the four life aspects:

namely, the social, psychological, health, and financial aspects, to prolong independence (Joo & Grable, 2005; Lusardi & Mitchell, 2011). Therefore, future retirees must invest properly in their health, social relationships or support, and be shrewd in managing their finances. Besides, good health status, adequate income, a positive retirement attitude, goal clarity, saving attitude, and social influence are associated with retirement planning (Afthanorhan, Mamun, Zainol, Foziah, & Awang, 2020; Noone et al., 2021). Van Rooij, Lusardi, & Alessie (2011) explained that financial preparedness is indicated by having proper financial planning and adequate retirement savings. Recent study has proved that individual with higher levels of financial literacy is associated with a better financial preparedness for retirement (Safari et al., 2021). According to Dulebohn (2002), financial preparedness for retirement begins with the retirement intention and savings made in the early life cycle, which would be the resources for later retirement years. Employees do note that they will retire one day in the future and their earnings from working would cease during their retirement. Failure to plan adequately before the "sudden" loss of regular income, following mandatory retirement, has led most Malaysians to scratch their heads to find a new income source (Ng et al., 2011).

There are many investment vehicles to help future retirees prepare for their retirement. Contributing to the Employee Provident Fund (EPF) is not an option for those in the formal sectors, particularly private-sector employees, as the EPF contribution is a compulsory retirement savings plan imposed by the government. Future retirees can also contribute to the Private Retirement Scheme (PRS), i.e., the voluntary savings plan, to complement their EPF. This is especially important because 65% of 6.7 million active contributors aged 54 years had less than RM50,000 in their account in 2016 (KS, 2017). Given that retirees have a retirement life of about 20 years, most retirees who depend solely on their EPF savings to survive in old age would outlive their retirement savings and are at risk of falling into poverty soon after. In short, insufficient retirement funds are primarily triggered by people's behaviour (Liu et al., 2021). People will think that retirement in the future is still far away; but now it needs to be prepared earlier to ensure that they would have enough to sustain themselves later. Future retirees must, therefore, not only ensure that they do not underestimate their retirement needs but also begin to plan early for their retirement and opt for more varied sources of retirement income (Kolb & Kolb, 2005).

Previous studies (Hassan et al., 2016; Hershey, Jacobs-Lawson, McArdle, & Hamagami, 2007; Ibrahim, Isa, & Ali, 2012) indicated that there are two types of motivation that could help employees in preparing for retirement, which are conscious and unconscious motivations. Consciousness can be defined as being aware of and responding to one's surroundings or knowing something and vice versa for unconsciousness (Vithoulkas & Muresanu, 2014). However, the unconscious is often a more dominant factor than the conscious. Thus, it is unnecessary to overhaul the tremendous mass of evidence that indicate the crucial importance of unconscious motivation. Other factors influencing retirement preparedness include investment uncertainty. Different retirement policies and unpredictable economic changes have heightened the significance of financial preparedness for retirement (Krishnan et al., 2018). In addition, Hassan et al. (2016) found that individuals who initiate early preparations for retirement were affected by their demographic factors such as age, education, gender, income, and marital status. Meanwhile, scholars also study how employees manage their retirement preparedness. Employees should take charge of their retirement planning: such as creating a good social relationship atmosphere, being psychologically stable and mentally prepared to face retirement, maintaining good physical health condition, and having adequate fund for smooth consumption (Yao et al., 2003). Consequently, individuals' self-ratings towards financial setbacks, discipline regarding savings, impulsive spending, credit card debt, research and planning of large purchases, and financial planning, do contribute to financial preparedness for retirement (Danes & Yang, 2014).

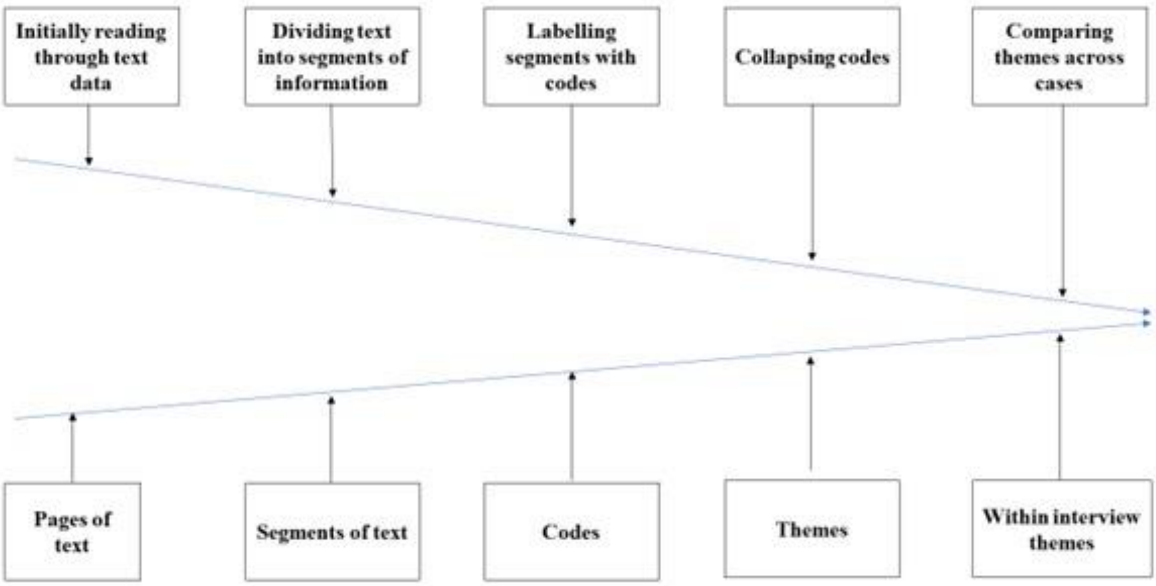
The lack of EPF contribution and poor behaviour towards retirement also increase the risk of an insufficient fund to finance and maintain a decent life in old age. Therefore, this study will help us deepen the understanding in financial preparedness for retirement among private-sector employees. The idea is to gather the necessary information on what triggers private sector employees towards financial preparedness for retirement. The research question of this study was “what are the experiences of private-sector employees in financially preparing for their retirement”? Financial preparedness becomes more important since Malaysians are living longer. The average life expectancy at birth in Malaysia for males has increased by 0.2 years, from 72.4 years old (2014) to 72.6 years old (2020), while females increased by 0.6 years as compared to 77.0 years old for the same period (Department of Statistics Malaysia, 2020). According to Moorthy et al. (2012), an increase in elderly lifespan further enhances the importance of retirement preparedness among Malaysians to manage and reduce poverty among retirees as more funds are needed to survive. Therefore, if retirees are not prepared and become financially independent in old age, as the Malaysian population is ageing – i.e., when the elderly consists of 14% of the total population, it will be economically burdensome for the government to support more and older persons. Besides, Malaysia is not a welfare state, so social assistance for older persons is only given to a selected few (i.e., mean tested based aid). Changes in family structure and erosion of filial piety have created a situation whereby an older person is unable to depend on or expect their children to take care of them financially during retirement, as practiced before (Higo & Klassen, 2015). Moreover, understanding the profiles of those prepared and unprepared for their retirement is important before embarking on any changes in a policy or intervention programme. Thus, this study explores and conceptualizes factors which motivate financial preparedness for retirement among private-sector employees in Klang Valley, Malaysia. The study provides awareness of the importance of retirement planning in Malaysia to trigger pre-retirees to manage their finances effectively in the earlier stage of their working life. It is also intended to help employees understand the life transitions, especially in terms of financial well-being, to encourage individuals to save for their current and future needs. The study can also be influential in the ageing policy in Malaysia regarding a ruling on the allowable withdrawals of the mandatory savings in the EPF and cash assistance for older adults.

Methodology

This study employed a qualitative research method using focus group discussion (FGD), which was performed in two different sessions. The main objective of this FGD was to explore financial preparedness for retirement among private-sector employees. A purposive sampling method was chosen to understand the informants' central phenomenon (Fraenkel & Wallen, 2011). A total of 15 workers (informants) from various private sector firms were purposely selected as potential FGD participants. These 15 consented individuals fulfilled the pre-determined criteria of importance (Patton, 1990). The inclusion criteria were those employed in the private sector, contributing to the EPF, and aged between 20 and 59.

In this study, the FGD reached data saturation at the 8th informant. Informants could agree or disagree with each other. Key questions were developed, and the agenda was planned. Facilitation was conducted to ensure that all informants had the opportunity to speak, and efforts were made to carefully voice the key questions, maintain a neutral attitude and appearance, and summarise the session to represent the views equally and reasonably (Stewart & Shamdasani, 2014). The FGD's findings were audio-taped and transcribed, as suggested by Krueger (2014). Thematic analysis is a method for identifying, analysing, and reporting patterns (themes) on financial preparedness for retirement. As outlined by Creswell (2002), Figure 1 explains the Visual Model of Qualitative Data Analysis to illustrate the steps taken to analyse the qualitative data using a thematic analysis. The verbatim FGD transcriptions were thoroughly read, separated, and coded into segments of information. The labelling of segments into codes was completed using an online computer-assisted qualitative analysis software - the NVivo 11 Pro for Windows.

Figure 1: Visual model for qualitative data analysis



Results

Table 1 shows the background information of informants. A total of 15 purposively selected private-sector employees agreed to join the FGD. Among the 15, there were seven females and eight males. Table 1 shows the demographic information of all the informants. The participants were given pseudonyms to protect their identity. The FGD informants consisted of a mixture of all ethnic groups with a ratio of 8:5:2 for Malays, Indians, and Chinese, respectively. They were aged between 28 to 51 years. Four of them were above the age of 40, only one participant was above 50, while the rest were aged between 30-40 years old.

Table 1: Demographic characteristics of informants

Informants	Ethnicity	Gender	Age	Occupation
I1	Malay	F	35	Administration officer
I2	Malay	F	43	Medical officer
I3	Indian	F	43	Lecturer
I4	Malay	F	35	Administration assistant
I5	Indian	F	30	Nurse
I6	Indian	F	36	Kindergarten teacher
I7	Malay	F	33	Medical assistant
I8	Malay	M	28	Supervisor
I9	Chinese	M	40	Finance Officer
I10	Indian	M	46	Quality control officer
I11	Chinese	M	43	Operational Manager
I12	Malay	M	48	Software Technician
I13	Indian	M	30	Teacher
I14	Malay	M	36	Administration officer
I15	Malay	M	51	Ambulance driver

Five main common emergent themes were identified from the extensive computer-assisted coding and categorising process. The five themes were perspective on retirement, preparing, planning, saving, and dealing with financial challenges. These were the main themes for financial preparedness for retirement found in this study. The themes found were saturated as there was no new information obtained after the 8th informant although with adequate probing during the interview process.

Theme 1: Perspective on Retirement

The first theme that emerged from the thematic codes (aggregated word similarities) was what 'retirement' meant for the participants. Specific initial emergent under this theme was a description of related concepts to retirement such as age, health, finance, life expectancy, and rest, to describe the meaning of retirement.

> *…Retirement is when a person is no longer... uhm... in charge, and when the individual reaches the age of 60, he or she needs to be retired. Hmm... They may be inactive for duty and give others the opportunity to work, but there are some cases of extending work. Extending happens when a firm may require their expertise and so on… (*I7).
> *...For me, if we retire, it means we do not have to go work. It means I'm no longer an employee. I no longer need to work office hours. So just sit down and relax… ha ha…* (I9).
> *…Retirement means stay at home. No need to work, allowing the next generation to be in the workforce…* (I1).

The first theme hovered around the participants' view on retirement, which can be summarised as follows: (1) no longer in charge and participants have no authority for his/her current job; (2) reaches mandatory retirement age; (3) no longer being employed; (4) not bound by office hours, and so their time is all their private time; (5) enjoying free time such as staying at home in a relaxed manner.

Theme 2: Preparing [For Retirement]

"Preparing for retirement" emerged as the second common theme. In this theme, the focus was on being financially prepared for retirement. Specific initial emergent under this theme was a description of the related concepts to financial preparedness including when is the best time to start preparing for retirement, the importance of preparing, the meaning of financial freedom, early preparation, and knowledge required to be prepared financially.

> *…for me, it is important to prepare for retirement. Especially we need to start early... uhm... maybe starting after getting a job and start thinking about retirement plan... But most employees do not know about retirement. So, when he is near 50, 55 to 60, he is not prepared; it's too late…* (I11).
> *…lack of knowledge is one of the reasons why people are not prepared…* (I12).
> *…especially in financial. You have to prepare before retirement at a young age... financial freedom is important...you have to start thinking to depend on EPF only or start a business. Who will be our dependents at that time…?* (I1).
> *…usually, the beginning of the first ten years of an individual's employment. But the actual truth is people start preparing ten years before their retirement…* (I4)
> *…usually when we look at the preparedness for this retirement. Usually, people do not take it seriously...* (I15).

In this theme, participants acknowledged the importance of: (1) starting to prepare early, such as starting to prepare for retirement during the first ten years of one's career; (2) having multiple sources of income; (3) taking stock of one's financial dependants upon retirement [i.e., to consider financial demand or liability during retirement]. Simultaneously, two barriers were identified which could make financial preparation difficult: namely, lacking in financial literacy that could help in their financial preparedness and not taking retirement preparation seriously, earlier in their career life.

Theme 3: Planning

The next emergent theme was making a "plan.' The way employees deal with their financial planning choices was crucial in financial preparedness for retirement. Specific initial codes under this planning theme include awareness of the need, effort, years, and exposure, to plan for a successful retirement.

> *…when someone is getting near to retirement, then they start getting nervous about it... they usually don't get information, or they are not aware of retirement in their first 10 years or 20 years of working... hmm... Nobody here to plan for you, you have to plan yourself with your own effort…* (I14).
> *…firms should alert and remind... the employees about retirement... That kind of thing is not compulsory to do... but it's a kind of social work... uhm... like giving the employee a little more of exposure by informing earlier...* (I13).

> *…okay, if you have a good plan, then it's good. It depends on the individual; not everyone likes to start early; maybe some want to enjoy their money first. Of course, we expect the employee to start saving once they start working... I do not think so... hmm... we cannot push people... we can inform and let them get the awareness for retirement. Firstly, we can tell them to have enough savings... we can keep repeating the same thing ... uhm. Every five years, every ten years... but we cannot force them to save... It's up to the individual.* (I1).

This theme centred around planning for retirement and can be categorised into two key points: (1) emphasizing that making a retirement plan is an individual responsibility, but also acknowledging that people typically do not plan early enough for their retirement; (2) identifying employer's responsibility in alerting their employees to prepare for their retirement, but at the same time acknowledging that in the end, it is the employee's own decision that determines his retirement preparedness.

Theme 4: Saving
'Saving' emerged as the fourth common theme. In 'saving,' the focus was saving for the future by understanding the function of the EPF and other retirement savings plans. Specific initial codes under this theme were EPF, back-up, marriage and family life, and money management.

> *…for me, I don't save separately for retirement, I depend 99% on EPF. The problem here is, EPF may be enough or not enough…* (I5).
> *…but we do not know 10 years to come, 15 years to come, how the Malaysian economy will be... hmm... so I don't want to rely 100% on EPF. That's why I plan now... so that I have something for back-up...* (I6).
> *…I think the EPF is good, just depends on you how you want to manage your money and savings…* (I8)
> *…in terms of my own savings, I started 3 years back. Little by little…hmm... usually RM50 a month... not a compulsory saving, but I started when I was 32...* (I14).
> *I'm in my 40's ... I should have started retirement saving actually ... but I have not saved anything yet. Hmm... as for me a person should start retirement saving once a person is married and have a family... uhm... it's a good idea to start in 30 years old...* (I11).

Theme 4 provided a snapshot of the participants' saving behaviours. Employees understand the importance of retirement savings but have not started doing so. Some do not specifically allocate savings for retirement; some allocate a small and insufficient amount; some perform retirement saving consistently while others, otherwise. Participants also suggested a good age to start saving, which is in their 30s. The participants acknowledge the need to diversify the income sources in retirement, as they realize that the EPF funds alone will not be sufficient to finance their old age.

Theme 5: Financial Challenges
"Financial challenges" emerged as the final common theme. In dealing with financial challenges, the focus was on savings being still inadequate although so much effort has

been put in retirement savings earlier in life. Specific initial codes under this theme were the commitments, children, expenses, cost of living, and adequacy.

> *…of course, everyone will experience money problem... for saving… hmm because of their commitment... like buying a house, commitment towards child, car and so on... petrol expenditure ... and our salary is too small, have to wait a one year for salary increment... when we have a salary and with our commitment, it is a deficit every month...*(I3)
> *… sometimes we save money for retirement, then suddenly children will fall sick; the car will need sudden repairs and so on... so we must take money from savings... so that's the problem…*(I4)
> *…there is no extra. Like what comes in, I finish it off paying bills and debts. Even if there is extra, if the child is sick, the car needs repair, so I'm forced to use up the saved money or use the credit card, which will increase the debt... that's where we are experiencing unexpected things.* (I9).
> *...that's a high cost of living nowadays compare to ten years back…* (I8).
> *…for me... if monthly, with an existing commitment, maybe in RM3000 with a wife. Children by the time have worked. No need to cover for children... RM3000 is enough for my wife and me…* (I12).
> *…if I do not have any commitment, I would feel that RM3000 is enough for one person. If together with a spouse, then I think we will need RM5000…* (I9).
> *…I still look for other resources available for retirement savings like... uhm... invest in the stock market. Still, it is a very high risk... so far, I have invested in insurance... personal insurance... maybe I will consider PRS because I already know the benefit of it…* (I13).
> *… I will open a business... if I open my business, I don't sell things, I want to serve. It's not about profit… I want to help people... that's why I want to open a day-care because I know how hard it is for parents to find a school for her child. I will charge an affordable fee because we are urban poor…* (I2).

The fifth theme hovered around various reasons contributing to the difficulties in saving for retirement, namely: (1) experiencing income deficit or no extra income for savings due to having too many financial commitments, such as spending for necessities, paying for loan and mortgage; (2) withdrawing their savings due to unexpected events, such as family members falling sick or for car repair; (3) the rising cost of living makes it difficult for participants to make ends meet, making saving difficult. Participants were also aware of various potential income sources for retirement other than the EPF, such as the PRS and insurance.

Discussion
The aim of this study is to explore the financial preparedness for retirement among private-sector employees in the Klang Valley. The five emergent themes from the FGD outcome provide a snapshot of factors leading to financial preparation among private sector employees towards financial preparedness for retirement. This study found that most workers did not start retirement planning and savings early. A study from Hong Kong found that almost 42% of Hong Kong workers do not save privately for retirement (Chou et al., 2014). A review has concluded that many people are under-informed about the basic

economic concept that causes them to be unable to perform retirement planning and savings on time, and this is very common among young and older people (Lusardi & Mitchelli, 2007). Hershey and colleagues postulated a *Capacity-Willingness-Opportunity* model to further explain the retirement saving and planning behaviour (Hershey et al., 2007). Capacity refers to the cognitive factors and skills required to plan and save for retirement: namely knowledge, skills, fluid and crystallized intelligence, and psychological biases that would influence the ability to plan and save.

Meanwhile, willingness consists of the motivational variables that drive planning and saving activities. Hence, this dimension includes the motivational forces and the attitudinal and emotional factors that determine the likelihood that a given individual will begin planning and sustain the activity over time. Some examples are the clarity and nature of one's financial goals, retirement-related fear and anxiety, perceived social norms, and self-image. Finally, the opportunity dimension refers to the existence of certain external influences, such as the environmental facilitators and constraints, which affect effective financial tasking. For instance, the availability of voluntary retirement savings programs, tax incentives for saving, and financial advisors in the proximal environment, would be associated with the tendency to plan and save (Hershey et al., 2007; Topa et al., 2018).
Informants of this study verbalised that lack of financial literacy forbids them from performing retirement saving. Financial literacy is important as it is a cognitive skill required to plan and save for retirement (Hershey et al., 2007; Safari et al., 2021). Past studies proved that financial knowledge is associated with private retirement savings engagement and retirement planning (Chou et al., 2014; Kumar, Shukla, & Sharma, 2019). Besides, people who had higher perceived financial knowledge are also associated with higher amount of savings (Chou et al., 2014). In terms of demographic differences, empirical evidence suggested that females and younger people are less likely to utilise educational information and more at risk of not accumulating sufficient funds for retirement (Ntalianis & Wise, 2011). People without adequate financial literacy skills do not understand some important principles of retirement savings, such as, how to calculate the expenses required during retirement, the amount of money to allocate for retirement savings, and what are the financial products to invest in. Therefore, financial education programmes especially organised by government agencies should be implemented to all the workers. Attending the training can be initiated via the online platforms and to be one of the requirements for newly appointed employees.

Most informants of this study reported positive attitude and perspective towards retirement. Their views were mostly on having the opportunity to rest, giving opportunities to younger generation, and creating more quality time with the family. Attitudes and emotional factors pertaining to retirement could also determine the retirement planning and saving behaviour (Hershey et al., 2007). In other words, people tend to plan and save for retirement if they are looking forward to retirement. For those who still wish to work after the retirement age, they perceive their income to still be available, and therefore, having less tendency to have good retirement planning and saving. However, having a good attitude towards retirement alone does not guarantee good retirement planning and saving, because they still need to have a good level of financial literacy and opportunities for them to plan and save effectively. Aside from the attitudes towards retirement, their attitudes towards investments are also important determinants of financial preparedness for retirement (Ibrahim et al., 2012). Some workers might view making investments as something complex and complicated, and therefore, not willing to deal with it. Again, the findings emphasised the need for educating workers on retirement savings and investments. Workers will have higher capacity to plan and save by understanding more about retirement needs, financial literacy, and investments.

Informants of this study also verbalised that they did not have adequate opportunity to save for retirement due to frequent financial emergencies and the increased cost of living. Undeniably, some environmental factors affect financial tasking. Financial emergencies, such as financial needs for children and parents, as well as health issues are among the most commonly reported barriers for retirement saving. Besides financial emergencies, a study showed that other environmental factors, such as support from spouse and friends, as well as social regulations are also associated with the engagement in private retirement savings (Chou et al., 2014). The findings indicated that most of the informants did not have emergency savings. Emergency savings are important to adequately cover three months of typical expenses (Babiarz & Robb, 2014). Since past studies reported the positive relationship between financial literacy and emergency savings (Babiarz & Robb, 2014), financial education highlighting the importance of emergency savings is required to ensure that workers have their own emergency fund so that they can continue to contribute to retirement savings.

This study is not without limitations. Firstly, the study only involved employees working in the private sector. Therefore, findings could not capture the perspective of those working in the public sector and self-employed. Workers working in public sectors and self-employed might have a different perspective in terms of their financial preparedness for retirement. Future studies should consider conducting a qualitative study to explore retirement preparedness among workers working with private, public, and self-employed sectors, so that a comparison could be made. Next, this study only recruited participants from the Klang valley. Klang valley is a metropolitan city and people working in the non-metropolitan area might have a different perspective on financial preparedness for retirement. Therefore, future studies should also consider recruiting participants from other places to see if there is any difference in terms of retirement preparedness.

Conclusion

This study explored experience of financial preparation for retirement among private-sector employees in the Klang Valley. The five emergent themes from the employee's FGD were perspective on retirement, preparing, planning, saving, and dealing with financial challenges. All 15 informants reported that they needed guidance in managing money. They acknowledged that the key feature in planning and achieving their targets is their financial behaviour. They have begun to ensure that they are well-informed, and use gathered information to make informed decisions in making retirement plans. In managing their financial planning behaviour for retirement, they acknowledged that they went through emotional and financial stress as they were unaware of the possible solutions for retirement. The findings suggest that it is important to understand an individual's financial behaviour and identify their financial weaknesses before designing an appropriate financial preparedness plan for retirement initiatives. Financial preparedness for retirement programmes needs to be promoted and complemented with coaching and counselling with a regular follow up to encourage positive behavioural change.

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