

RISK-RELATED FACTOR AND FINANCIAL ATTITUDE ON RETIREMENT SAVING BEHAVIOR

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ABSTRACT

Purpose – This research aims to analyze the influence of retirement risk-related factors and financial attitudes on saving behavior for retirement.

Methodology – The research was organized using 400 Thai employees in various occupations. This research analysis method was occupied by operating on structural equation modeling (SEM) Amos.

Results – The finding pointed out that risk-related factors have a positive effect on retirement saving behavior (0.441), and financial attitude has a positive influence on retirement saving behavior (0.750).

Implications – Workers should rely on risk-related factors and financial attitude factors to be successful in retirement savings. Also, this research helps people to realize and understand more about the relationship between risk-related factors, financial attitude, and retirement saving behavior. This empirical study makes a contribution in the form of a comprehensive model to explain risk-related factors and financial attitudes toward retirement saving behavior.

Originality/Value – This analytical framework reveals the relationship of financial attitudes and risk-related factors on retirement saving behavior. This article helps to investigate the effective factor on the retirement saving behavior for Thai retirement perspective.

Keywords: Risk-related factor, Retirement risk, Financial attitude, Retirement saving behavior

Paper Type: Research Article

INTRODUCTION

There are so many countries around the world facing improper retirement preparation in the lower government pension fund from population structure changing and aging society (Kiril, 2020). Carbonaro et al. (2018) explained the negative impact on economic development and aggregate productivity growth generated by the declining population in many areas. The imbalance of population growth from a lower birth rate with a higher medical treatment standard creates a government budget deficit. Retirement groups cannot depend on only government supports like social security funds, government medical programs, and others. Thereby, workers should save and invest their savings in a retirement savings plan to manage their lives after retiring with no income period. Unprepared workers might face so many problems during this retirement period: poverty problems, low-standard healthcare, and low living standards in this stage of life. In the retirement period, people would spend insufficient funding on healthcare expenses and elderly healthcare products without proper income. Rhee (2013) found that

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inadequate retirement savings due to higher healthcare expenses are one of the main problems in the retirement period. There is a big public issue about the lower birth rate and higher life expectancy spreading out for research and debate. All governments should prepare and encourage a retirement savings and retirement support plan at the national level to protect against the problem. People do not pay any attention to financial planning for retirement. In the retirement stage, there are so many people who fall into small retirement savings or even no savings at all to keep a similar standard of living after retiring. Crawford and O'Dea (2020) workers in the difference of employment, earning income, knowledge, mortality rate, tax incentive, and the pension fund system benefit would make the variety of financial planning on retirement saving. Pereira and Afonso (2020) said that people could suffer from insufficient funding in the retirement period and that every government should prepare and encourage people to save for retirement in the pension fund system. People made a lot of mistakes during their working years about their retirement savings, such as wrong retirement financial decisions, no attention to retirement savings, a lack of financial knowledge to manage a savings plan, and others. Sandbrook and Ravi-Burslem (2019) explained that risk-related factors and financial capability have a relationship with saving behavior.

Therefore, this study aims to examine the impact of risk-related factors and financial attitudes on retirement saving behavior among Thai employees. Moreover, all Thai employees could create a successful retirement saving plan after understanding few key elements. Additionally, the policymaker may support a retirement saving program to assist everyone in setting aside the appropriate amount of money during a period of low income in retirement period.

LITERATURE REVIEW

Risk-related factors

Everyone is susceptible to retirement risk, people who retire from the workforce will no longer have the protection from rising wages during the working period. Instead, they will only have some sources of limited income. Doran et al. (2012) indicate that risk-related factors on retirement are a major factor in determining working capital management affecting retirement risk management. Laster et al. (2016) explained that longevity risk, healthcare risk, sequence of return risk, and inflation risk are among the personal and market risks for retirement planning. People have varying levels of personal risk, including longevity risk and healthcare risk, depending on their individual circumstances. Market threats, which include inflation risk and the return sequence of financial assets, entail external variables that vary from place to place. As a result, every risk-related factor should be carefully taken into account when saving and planning for one's retirement, as risks have a big impact on employee wealth. According to Barrieu et al. (2012), the risk associated with each person's various life expectancy and death outcomes is known as the longevity risk. Retirees with life expectancy estimates and found that roughly 40 percent of participants underestimated their longevity by five years or more. Because of this miscalculation of life expectancy and increased risk, retirement spending cannot be met by saving alone. Thereby, the investment of pension funds would have to deal with a global trend towards prolonged death rates and macro-longevity risk. In relation to healthcare risk, the need for clinical services is rising due to the growing aging population around the world, according to Zhou et al. (2020). Almost 75 percent of retirees are very concerned about the skyrocketing expenses of healthcare. As a result, following retirement, employees are likely to incur increased healthcare costs. Numerous seniors in various nations may experience lower-quality medical care as a result of inadequate retirement savings and prohibitively expensive, high-quality healthcare. Furthermore, a poor financial asset allocation strategy leads to a low return on retirement money, which is the sequence of return risk. According to Doran et al. (2012), the size of an investor's portfolio and the issue of the sequence of return risk are two related forces that have an impact on people who are close to retirement. The importance of the return risk issue's sequencing cannot be overstated. In relation to inflation risk, low-income individuals are impacted by inflation, particularly during the retirement years when regular income is absent. According to

Bekaert and Wang (2010), inflation risk is the danger of a declining value of money on a small amount of savings. Employees receive pay increases during the course of their employment to offset annual increases in inflation. Since there is no income from a salary during the retirement stage, higher inflation creates a bigger risk and is a significant factor in the retirement risk. Consequently, planning for retirement savings requires consideration of a number of risk-related elements, including longevity risk, healthcare risk, sequence of return risk, and inflation risk. This can demonstrate the positive relationship between risk-related factors and retirement saving behavior. As a result, it is suggested that risk-related factors link to retirement saving behavior. The hypothesis can be stated as follows:

H.1 Risk-related factor has a positive influence on retirement saving behavior.

Financial attitude

People's saving behavior may be increased by taking into account financial attitude elements when planning for retirement. According to Kimiyagahlam et al. (2019), the financial attitude is the human tendency to regulate the conscious goals and planning of retirement savings. This ability to prepare ahead could have a good impact on retirement financial planning. Financial attitude is considerably positively correlated with people's contributions to savings. According to earlier research, there are four aspects of a financial planning attitude to behave for retirement: parent financial behavior, future time perspective, propensity to plan, and goal clarity. In relation to parent financial behavior, it refers to the role that parents play in helping children develop their abilities and financial literacy, which may have an impact on how they behave when it comes to retirement financial planning (Kimiyaahlam et al., 2019). Furthermore, parents' financial decisions have a tendency to affect their children's money management habits. Moreover, parents strongly influence their kids' financial management behaviors across the board. This study makes the case that parents who practice wise money management should have an impact on their kids' ability to make wise and responsible financial decisions. For the future-time perspective, the next psychological determinant of financial saving attitude is called the future-time perspective. This refers to households looking to the future rather than the past and present (Kimiyaahlam et al., 2019). Additionally, the future time perspective should have an impact on people's views about retirement saving behavior. In relation to propensity to plan, propensity to plan is the human tendency to regulate conscious goals and planning. This ability to prepare ahead could have a good impact on retirement saving behavior. According to Stawski et al. (2007), they define long-term values as providing people with a clear direction, a sense of coherence, and a sense of purpose. Lastly, goal clarity is one of the significant components of financial attitude. Financial goal clarity is considerably positively correlated with people's contributions to retirement savings (Neukam & Hershey, 2003). Clarity in financial goals should result in improved levels of personal effectiveness and life happiness, which will stimulate more active patterns of behavior related to retirement preparation. In conclusion, each of these four factors contributes to retirement saving behavior, which is helpful for saving and planning for retirement. The following hypothesis can be stated as follows:

H.2 Financial attitude has a positive influence on retirement saving behavior.

Retirement saving behavior

The goal of a retirement savings plan may influence how a person decides about retiring (Topa & Alcover, 2015). In addition, varied retirement saving behaviors can lead to varied decision-making. Retirement saving behavior can be significantly impacted by financial attitude and risk-related factors. Retirement saving behavior is the actual investment made with one's own money with the purpose of preparing financially for the future (Kimiyaahlam et al., 2019). Retirement saving behavior can motivate real savings activity for the retiring stage. There is a connection between retirement saving behavior and actual conduct. Additionally, the majority of people believe that retirement saving behavior requires saving habits, financial attitudes, and risk-related factors. However, some people start the saving plan for retirement too late, which results in inadequate funds at the end. Despite the fact that retirement saving behavior for retirement planning is challenging, few people are able to accomplish it correctly.

METHODOLOGY

In order to evaluate the data for this research, a questionnaire that uses structural equation modeling (SEM), modification indices, and modification indices, and good-fitness indices is employed (Hooper et al., 2013; Knekta et al., 2019). Also, the research's sample of 384 respondents (rounded up to 400) from Thai employees in various occupations. According to Cochran (1977), 384 samples are needed to calculate the sample size for an unknown population part ($p=0.5$) using the formula by formula $n=Z^2/(4e^2)$ at 0.05 significant level ($Z=1.96$) is 384 samples.

Additionally, the questionnaire is divided into two parts: the first part includes questions about the employees' financial attitude, risk-related factors, and retirement saving behavior. The answers were rated on a 5-point Likert scale from strongly disagree 1 to strongly agree 5. Moreover, the second part includes demographic information like gender, age, marital status, the level of education, and others.

The measurement of questionnaires is divided into 3 parts: risk-related factor, financial attitude, and retirement saving behavior. For risk-related factors, this research would evaluate longevity risk, healthcare risk, sequence of return risk, and inflation risk. For financial attitude, there are four components to identify this factor, parent financial behavior, future time perspective, propensity to plan, and goal clarity.

To examine and determine the relevance for the instrument design of survey questions, all questions were subjected to content validity index (CVI) technique. Five experts in academic and financial saving related field evaluated these research questions in four separate categories: relevance, clarity, simplicity, and ambiguity. Cronbach's Alpha for this study is .94 at an excellent level. KMO is .907 (more than .6) and Barlett's Test sig. .000 (less than .05) for factor analysis. Additionally, this research is based on data that has a normal distribution because all of components' skewness and kurtosis values fall within the range of (-3, 3). All of these findings demonstrate the excellent value and normal distribution of the research.

Confirm factor analysis (CFA) was studied in first order, second order, and higher order on the structural model. The final model was adjusted and constructed from the initial for good-fit model criteria. The X^2 to degree of freedom ratio is 1.266 (less than 3) p -value = 0.007 indicating moderate good fit, GFI = 0.943, AGFI = 0.913, and RMSEA = 0.028 for absolute fit index. Also, the comparative fit index is moderate good fit as well because of CFI = 0.988, NFI = 0.948 and TLI = 0.984. From good fit index, it was accepted for further analysis to confirm hypothesis from structural model.

RESULTS

Personal information of the respondents

The respondents' socioeconomic characteristics are shown in the table below.

Table 1. Demographic characteristics of sample

Profile	Frequency	Sample (%)
<i>Gender</i>		
Male	180	45.00
Female	220	55.00
<i>Age (years)</i>		
20-29	73	18.25
30-39	91	22.75
40-49	154	38.50
50-59	67	16.75
60 above	15	3.75
<i>Nationality</i>		
Thai	400	100.00
<i>Marital Status</i>		
Single	150	37.50
Married	205	51.25

Table 1. (Cont.)

Profile	Frequency	Sample (%)
Divorced	10	2.50
Cohabiting	35	8.75
<i>Education</i>		
No formal education	15	3.75
High School	65	16.25
Bachelor's degree	205	51.25
Master's degree	100	25.00
Doctorate/Ph.D.	15	3.75

Risk-related factor, financial attitude, and retirement saving behavior

Workers agree with all factors affecting to retirement financial saving in risk-related factor, financial attitude, and retirement saving behavior in high level for mean score (3.90, 3.82, and 3.85) and the level of standard deviation (0.56, 0.51 and 0.66) respectively. Analysis of this study shows that risk-related factor and retirement saving behavior have a significant relationship ($\beta=0.441$, $p\text{-value}<0.001$). Hence H1 of the study is supported. Next, financial attitude and retirement saving behavior also show a significant association ($\beta=0.750$, $p\text{-value}<0.001$). Hence H2 of the study is supported.

Table 2. Summary of standardized estimate, standard error, and critical value

Hypothesis	Items	Standardized estimate (β)	S.E.	C.R.	P	Hypothesis Result
H1	Risk → Save	0.441	0.051	8.557	***	Accepted
H2	ATT → Save	0.750	0.079	9.525	***	Accepted

Note: Significant level as of 0.001

All variables were accepted at a significant level of 0.001 and absolute value of t-test or C.R. higher than 1.96 for all testing hypothesis, so all hypotheses were accepted. From the standardized estimate (β), the standardized estimate of Risk-related factor had the positive effect on Retirement saving behavior with ($\beta = 0.441$), the standardized estimate of financial attitude on retirement saving behavior with ($\beta = 0.750$). The factor loading of all models would be described in Figure 1.

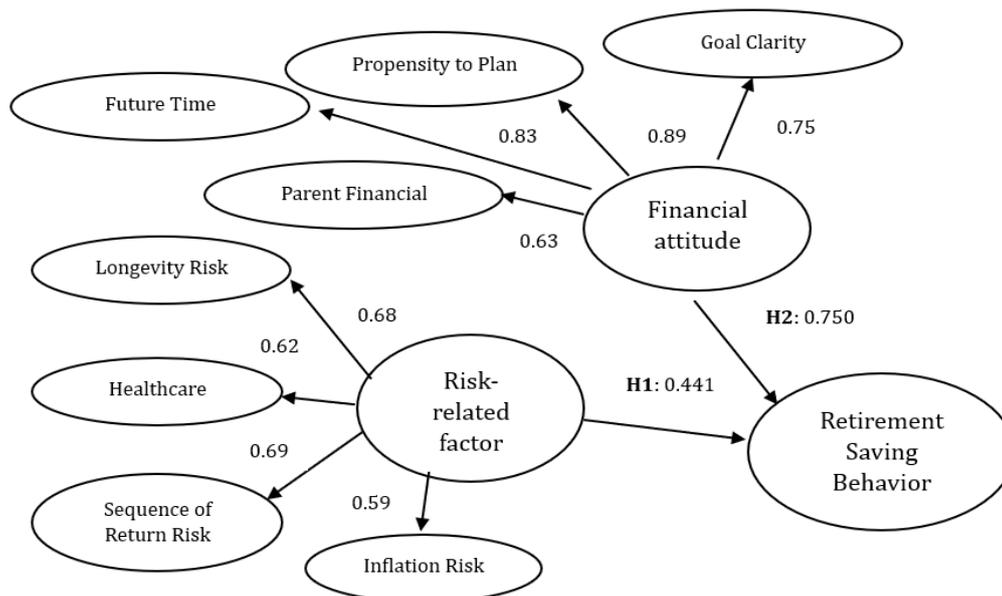


Figure 1. The model of risk-related factor, financial attitude and retirement saving behavior

DISCUSSION AND IMPLICATIONS

Based on this research, this paper presents a favorable positive relationship between risk-related factors and retirement saving behavior, as well as financial attitude presenting a positive relationship. In terms of risk-related factors, this research discovered that longevity risk, healthcare risk, sequence of return risk, and inflation risk all play significant roles in forming risk-related factors for retirement saving behavior. In terms of financial attitude, there are four components impacting it: parent financial behavior, future time perspective, propensity to plan, and goal clarity. This research's findings from both variables indicate that inflation will affect retirement saving behavior less than other factors. Moreover, parent financial behavior could affect retirement saving behavior less than other financial attitude factors. Retirement saving behavior is positively impacted by risk-related factors and financial attitudes. So, people should be encouraged to incorporate retirement saving behavior into their real savings plan by taking risk-related factors and financial attitude into account. According to Laster et al. (2016), people are concerned and understand all associated risks for retirement, being more risk-tolerant than people who have no interest in taking risks. Furthermore, even though parents' financial behavior could have a significant effect on their children's development, goal clarity could be one of the significant factors in successful retirement savings (Kimiyağhalam et al., 2019). Employees everywhere should put greater effort into building their retirement savings budget. In addition, workers with well-organized retirement budgets may not experience any change in their quality of life after retirement, even with no government policy support. The aging population of society and the low birth rate could have an impact on all nations in the future. Therefore, employees should rely on their financial retirement savings strategy, which results from their financial attitude and risk-related factor management. Therefore, all workers should have a sufficient amount to save for retirement, with an emphasis on establishing a financial attitude and lowering risk-related factors.

The impact of financial attitude has on retirement saving behavior that participants should concentrate heavily on developing the influence of propensity to plan, goal clarity, and future time perspective to contribute the saving amount on retirement financial planning (Stawski et al., 2007). Moreover, parent financial behavior has been found to have impact on the financial attitude which the little financial discussion in the family could have impact on small saving amount on retiring issue. The empirical results demonstrate that the most significant influence on retirement saving behavior is the risk-oriented factor. The sequence of return risk is the most significant risk related element on retirement financial planning. Participants also concentrate on the risk associated with longevity, inflation, and healthcare risk which employees should concentrate on all associated risks on the retirement saving behavior (Barrieu et al., 2012). The risk-oriented factor has a huge impact on retirement financial saving behavior; therefore, everyone should focus on the risk-oriented factor impacting on retirement financial saving behavior.

The implications of this study should be separated into two categories: policymakers and employees. For the implication for all employees, people should pay more attention to financial attitude and risk-related factors because both of these elements influence employees' retirement saving behavior directly. The development of technology has led to the availability of several financial-related knowledge sources through various media, including television, the internet, books, and other formats for both risk-related and financial-attitude perspectives. People should focus more on their risk-related factors and financial attitude, which may influence their intention to operate a retirement savings plan. Workers would implement and develop the retirement savings plan after having a clear goal in mind. For policymakers, the management level of the company and the government should encourage people to start a retirement savings plan in the early stages of their lives, both at the organizational level and at the national level. More retirement budget savings result in a more stable and problem-free retirement period.

In academic contribution, all staff members in the workplace can be seen the application of theory from financial attitudes and risk-oriented factor on retirement saving behavior. Employees in the working environment should be aware of all risk-related factors and financial attitudes that could impact on the future financial situation. Thus, employees must comprehend

the concepts of all relating risks to retirement financial planning. People should be aware of all circumstance about retirement issues that they could take appropriate action to manage and protect themselves in the severe situation after retiring.

LIMITATIONS AND FUTURE RESEARCH POSSIBILITIES

The quantitative analysis in this study that may not be able to cover all material from some qualitative approach. Also, the sampling approach is subject to some limitations pertaining to cost and time constraints. So, the future research might apply the qualitative approach to examine data on financial attitude, risk-related factors, and retirement saving behavior. Furthermore, the future studies can investigate in another country to find out about the cultural difference on retirement saving behavior.

CONCLUSION

This study finds out the relationship of financial attitude, risk-oriented factor on retirement saving behavior. Additionally, the research findings interpret the vital knowledge from some factors on retirement saving behavior. This article could convince all staff members by applying the factor of financial attitudes and risk-related factors on their retirement financial planning. The better retirement saving preparation, the better financial standing for retirement lives with a higher standard of living after retirement.

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CONFLICTS OF INTEREST

The author declares that there are no conflicts of interest found in this research.

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