

Confidence in Retirement – How well are HR professionals prepared for retirement?

Researchers

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Research Question

How confident are members of pension scheme of their financial wellbeing in retirement?

What **key factors affect** this stated level of confidence?

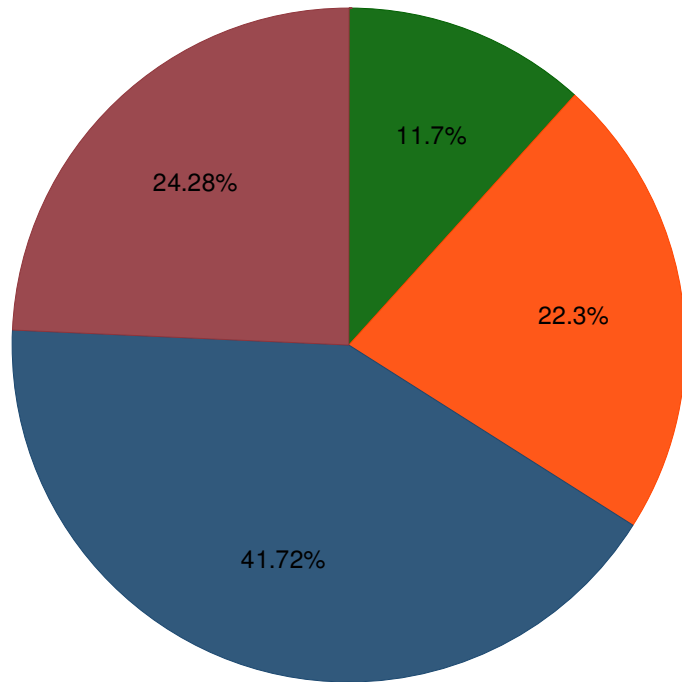
HR professionals in a pension scheme

Survey description

- Conducted between 8 -19 November 2017
- Targeting Working age Kenyan who are member of a registered pension scheme
- 567 responses received of which 91.5% were in the Human resource profession
- 479 responses analyzed
 - *Limited analysis to HR to control bias*
 - *Dropped 3 responses that declined to indicate gender (n.m.)*
 - *Limited analysis to a debt_ratio <10 i.e. where the total loan is less than 10 times total assets to control outliers and meet assumptions of GLM (36 responses constrained)*

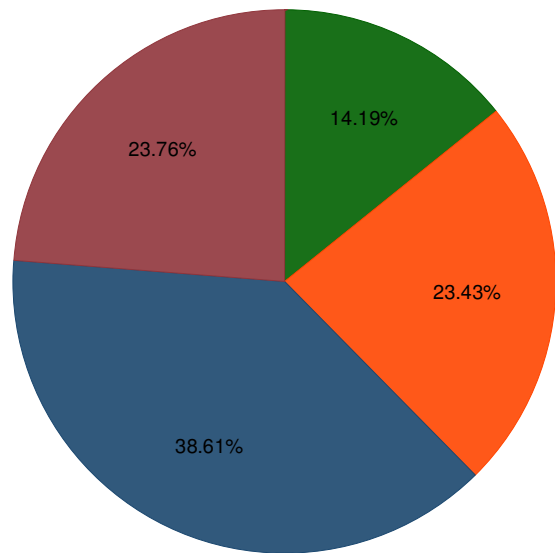
Overall confidence

Overall how confident are you about your financial future in retirement

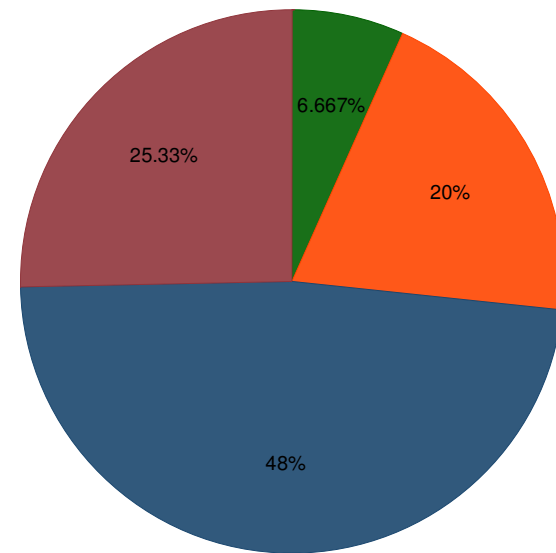


Overall confidence by gender

Female: Overall how confident are you about your financial future in retirement

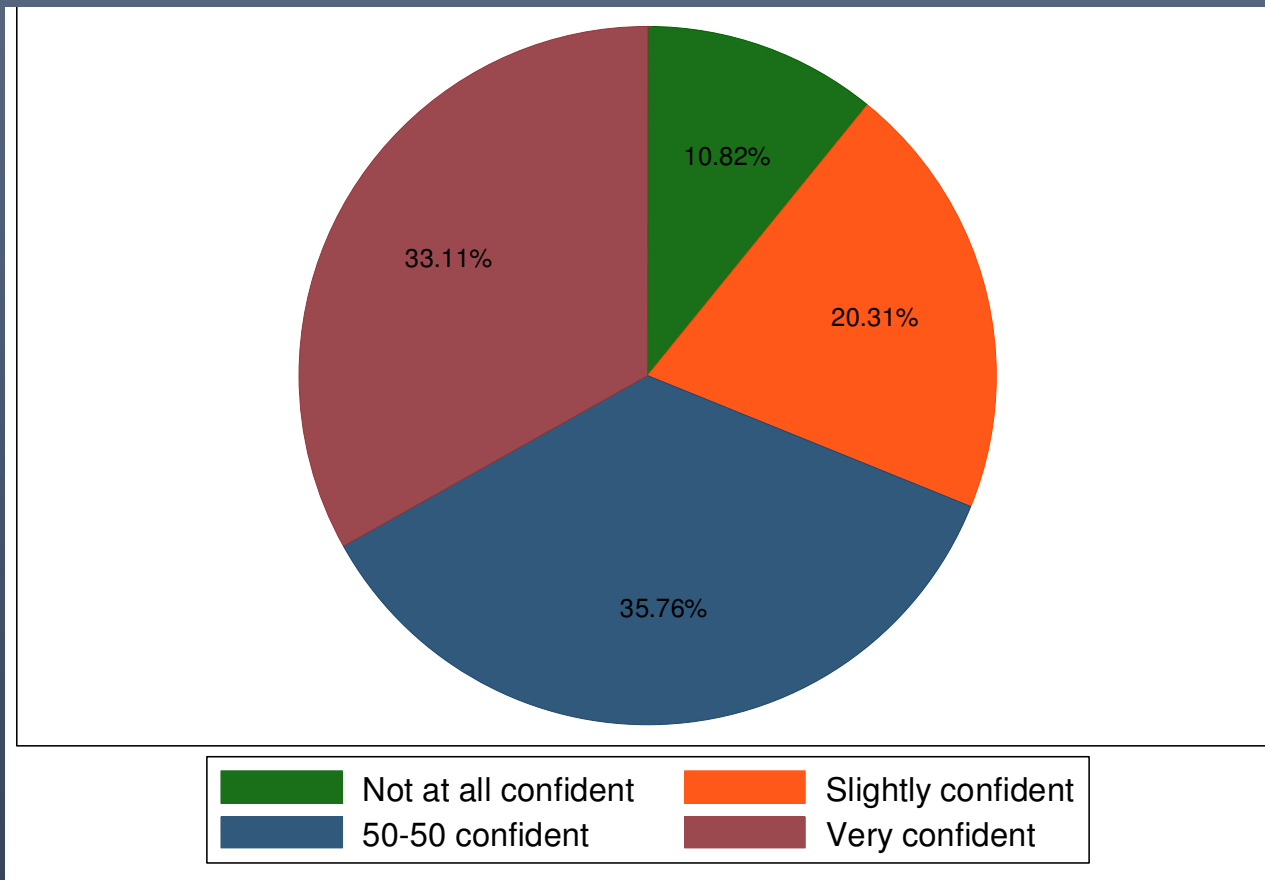


Male: Overall how confident are you about your financial future in retirement

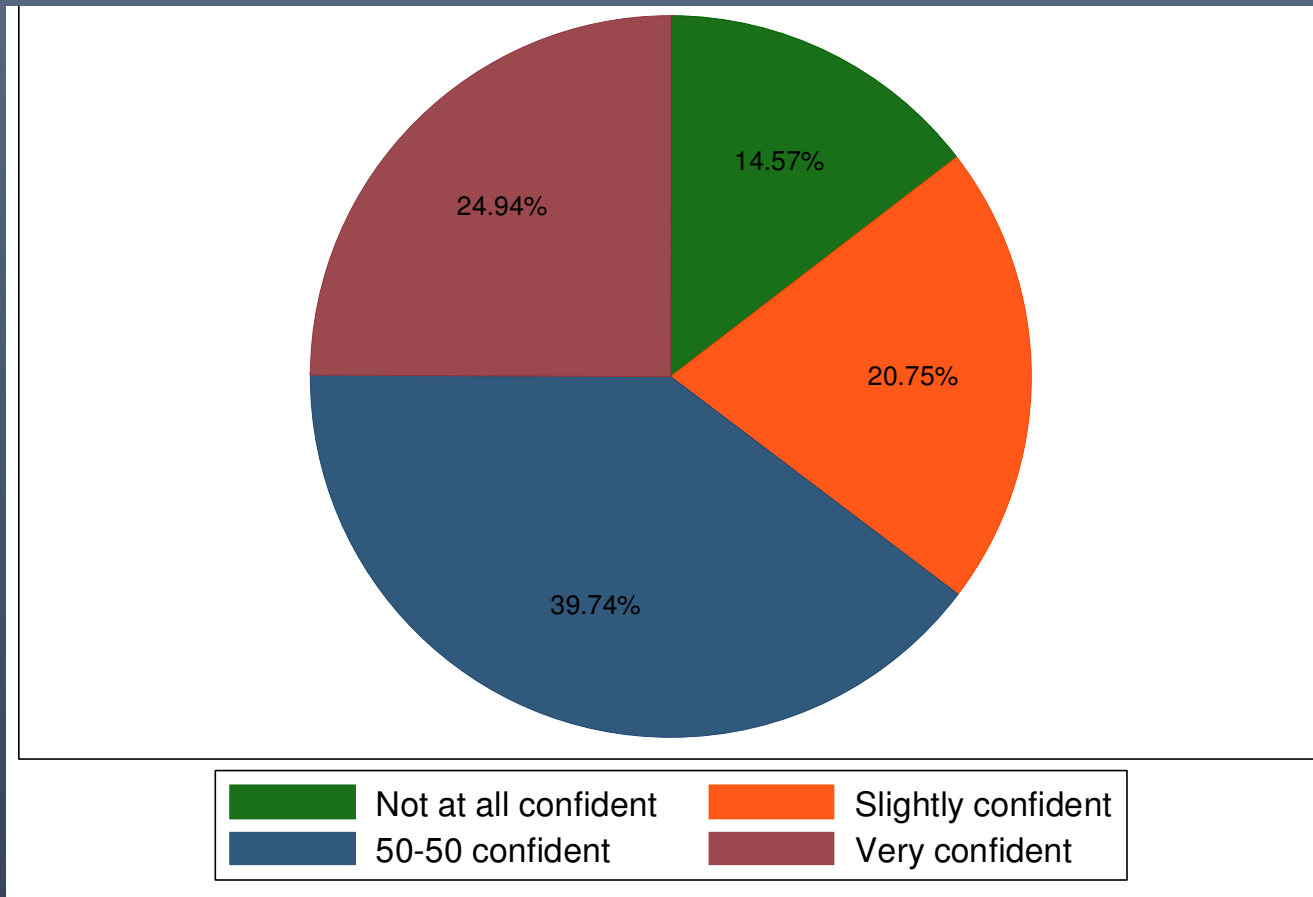


*Significant difference in "Overall confidence" by Gender

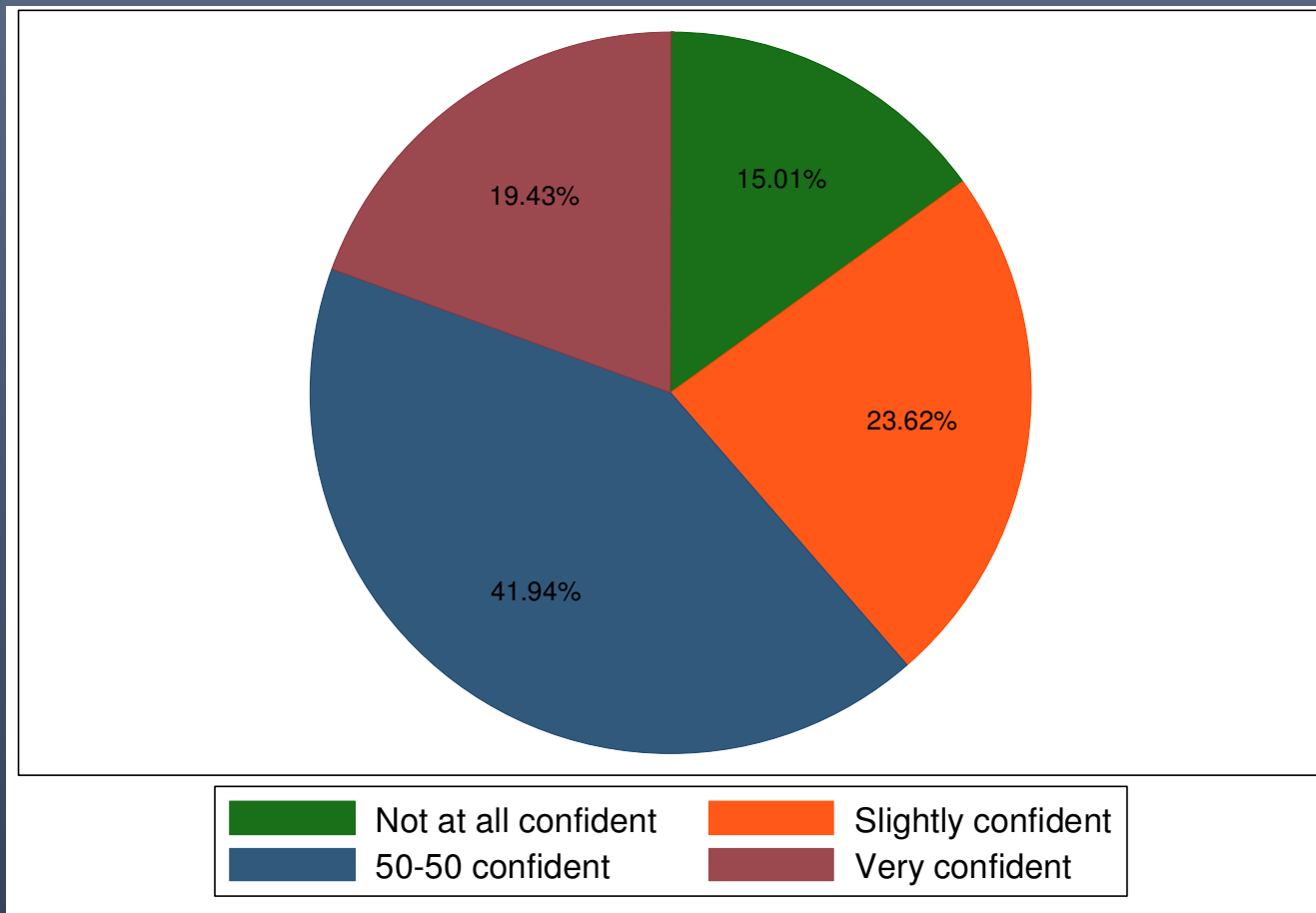
I am confident I will have enough money to meet my daily expenses in retirement



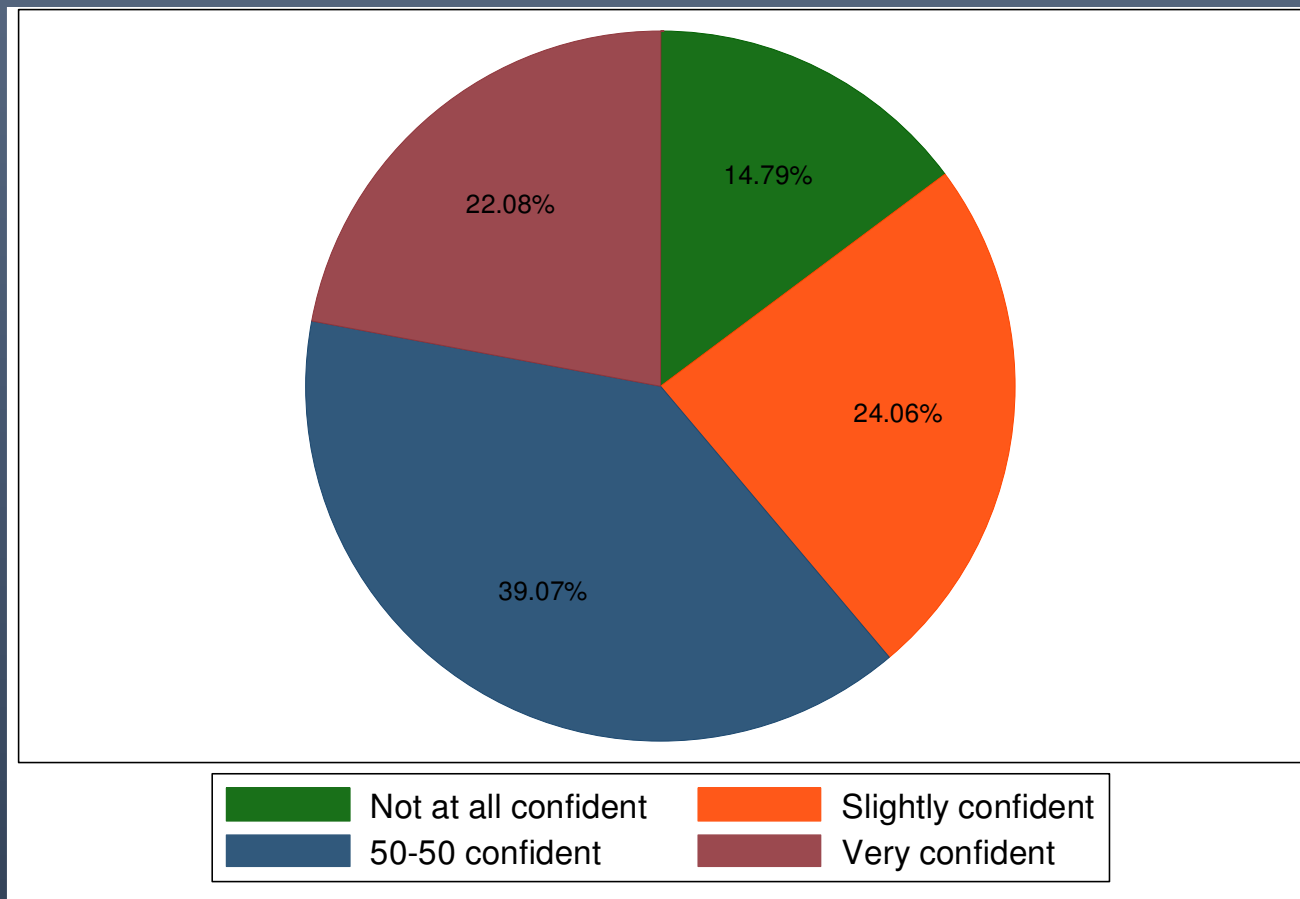
I am confident I will have enough money to maintain my lifestyle in retirement



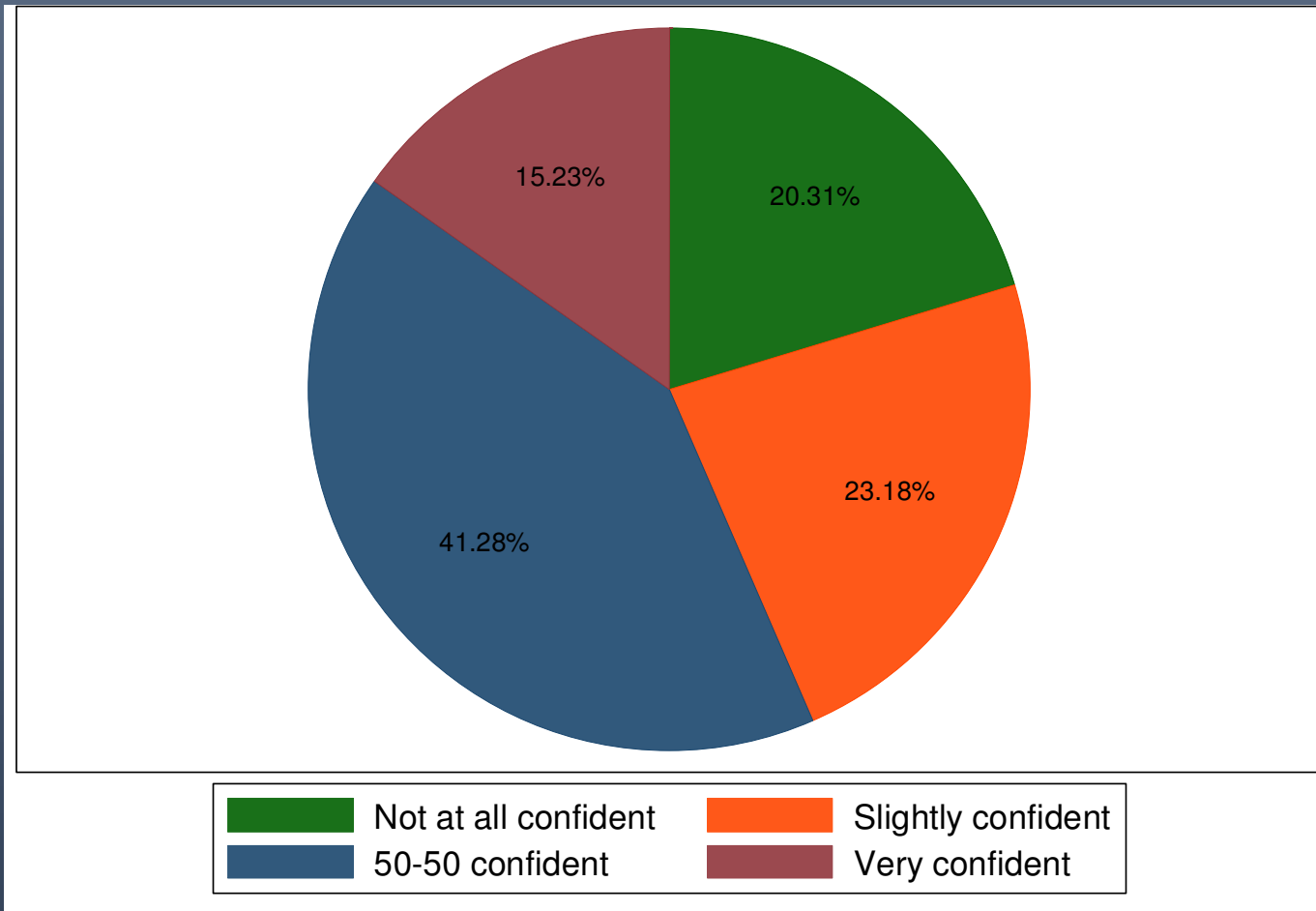
I am confident I will have enough money to meet my medical expenses in retirement



I am confident I will have enough money to meet my long term care expenses in retirement



I am confident I will outlive my retirement savings



Socio-Economic characteristics of study group

Characteristic	Female		Male		Total	
Years worked	318	13.02	161	12.47	479	12.84
Current Age	318	38.06	161	38.34	479	38.15
Expected Retirement age	307	54.96	159	55.70	466	55.21
No of children dependent	318	2	160	2	478	2
Other dependent person	318	2	159	2	477	2
Current value of pension savings	305	800,000.00	154	560,000.00	459	800,000.00
Value of Mortgage loan	206	4,000,000.00	119	2,100,000.0	325	4,000,000.00
Estimated monthly cost in retirement	190	60,000.00	97	50,000.00		
Estimated total value of investments	307	2,400,000.00	156	1,902,000.00	463	5,438,198.00
Estimated total debt undertaken	226	2,286,493.00	128	1,205,199.00	354	1,895,517.00
Debt ratio	220	0.75	126	0.68	346	0.73
Overall - Very confident	282	1 in 4	143	1 in 4	425	1 in 4
Overall - Not at all confident	282	1 in 7	143	1 in 14	425	1 in 9

Midrange Male Estimates

- Current age = 38
- Retirement Age = 60
- Time to retirement = 22
- Pension savings = 560,000
- Total Investments = 1,902,000
- Mortgage loan = 2,100,000
- Annual household Income = Kshs. 1m – 2m
- Estimated total future pension savings =
- Estimated monthly pension annuity =
- Stated monthly costs after retirement = 50,000

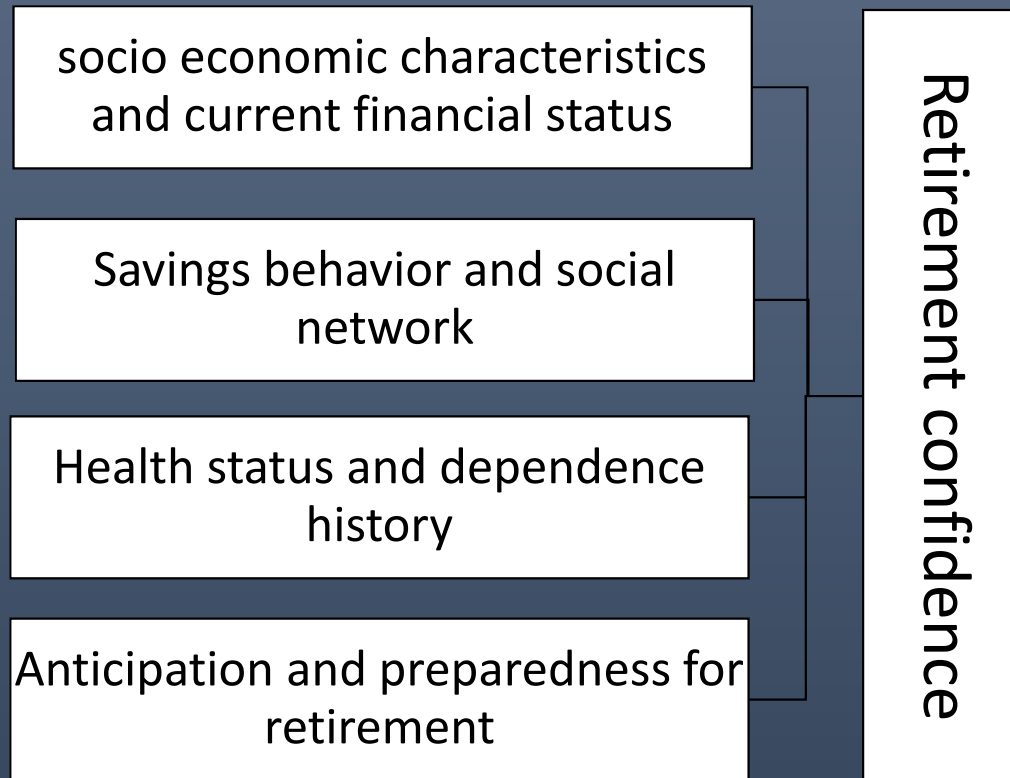
Midrange Female Estimates

- Current age = 38
- Retirement Age = 55
- Time to retirement = 17
- Pension savings = 800,000
- Total Investments = 2,400,000
- Mortgage loan = 4,000,000
- Annual household Income = Kshs. 1m – 2m
- Estimated total future pension savings =
- Estimated monthly pension annuity =
- Stated monthly costs after retirement = 60,000

Puzzles (research reference)

- Demographic differences (gender, education, marital status)
 - *Younger, more educated, men are more confident*
- Present financial status
 - *Financial status is a significant predictor of retirement confidence among working women*
- Financial behavior and social networks
 - *Individual lives are embedded in social context (Elder, G. H., Jr. (1998))*
 - *Employees who received employer financial education are more confident*
 - *Saving behavior positively correlated*
- Personal and Family health
 - *Retirement confidence is inversely related to parental history of terminal disease (cancer, cardiovascular) but not to personal health history.*
 - *Women with a history of breast cancer in their family save less**

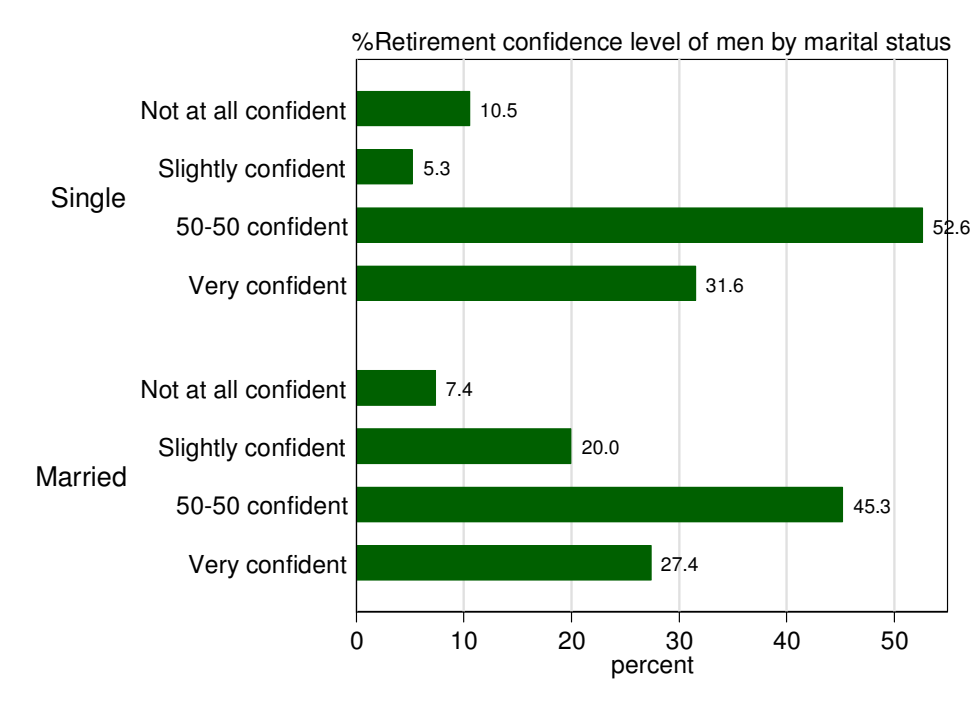
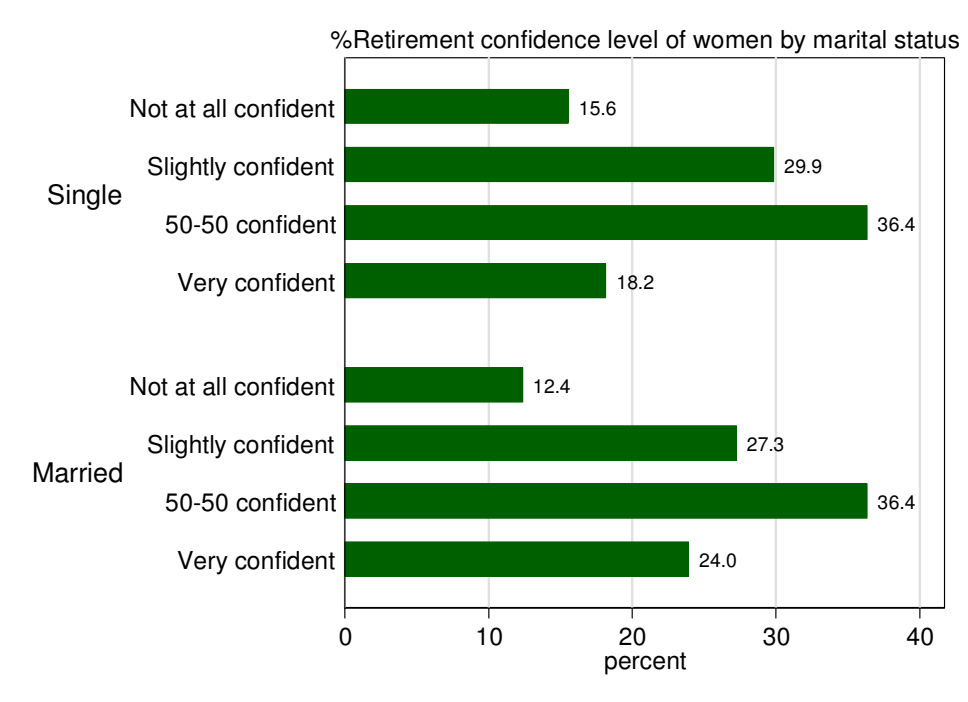
Framework



Socio Economic factors influencing confidence

Category	Significant
Gender	✓ (+)
Years worked	✓ (-)
Level of education	✗
Number of fully dependent children	✗
Other persons fully dependent	✓ (-)

Overall how confident are you about your financial future in retirement?



*Pattern of confidence does not differ by marital status, level of household income or level of education

Saving behavior influencing confidence

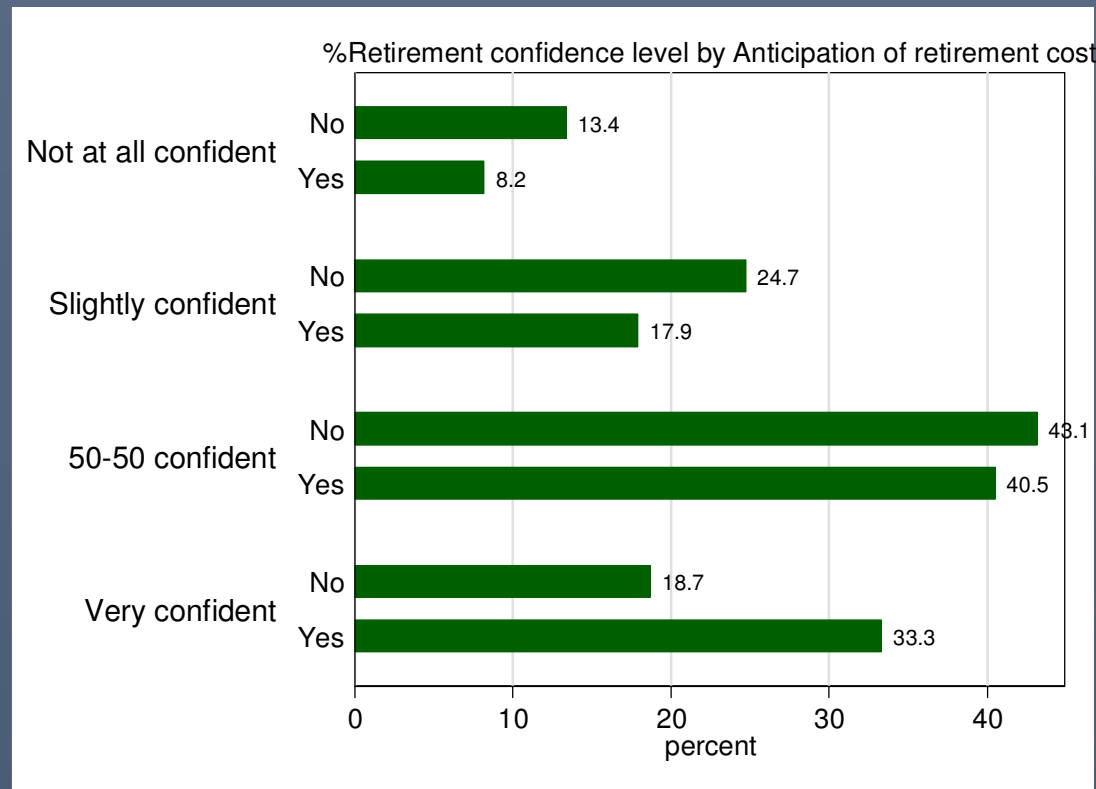
Category	men	women
Save into a personal savings account	✓ (-)	✗
Save money out of each monthly salary	✗	✓ (-)
Save for long term goals	✗	✗
Pay for credit card in full	✗	✗
Build and maintain an emergency fund	✗	✓ (-)

Social networks influencing confidence

Category	men	women
Receiving advice from father	x	x
Receiving advice from mother	x	x
Receiving advice from partner	✓ (+)	✓ (+)
Receiving advice from colleague	x	✓ (-)
Receiving advice from close friend	x	x

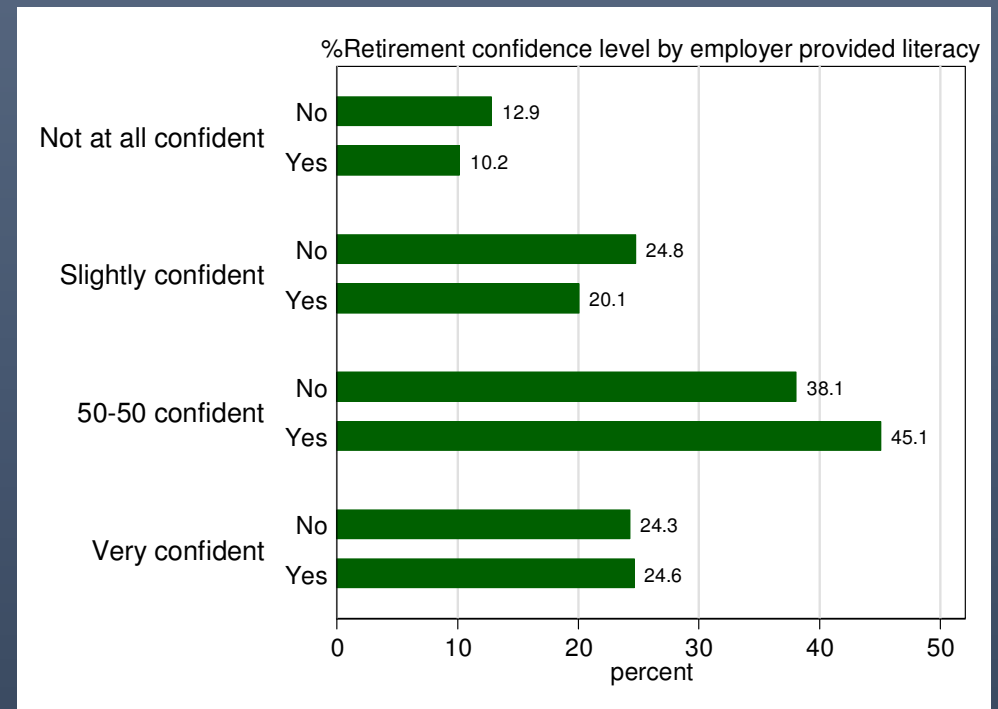
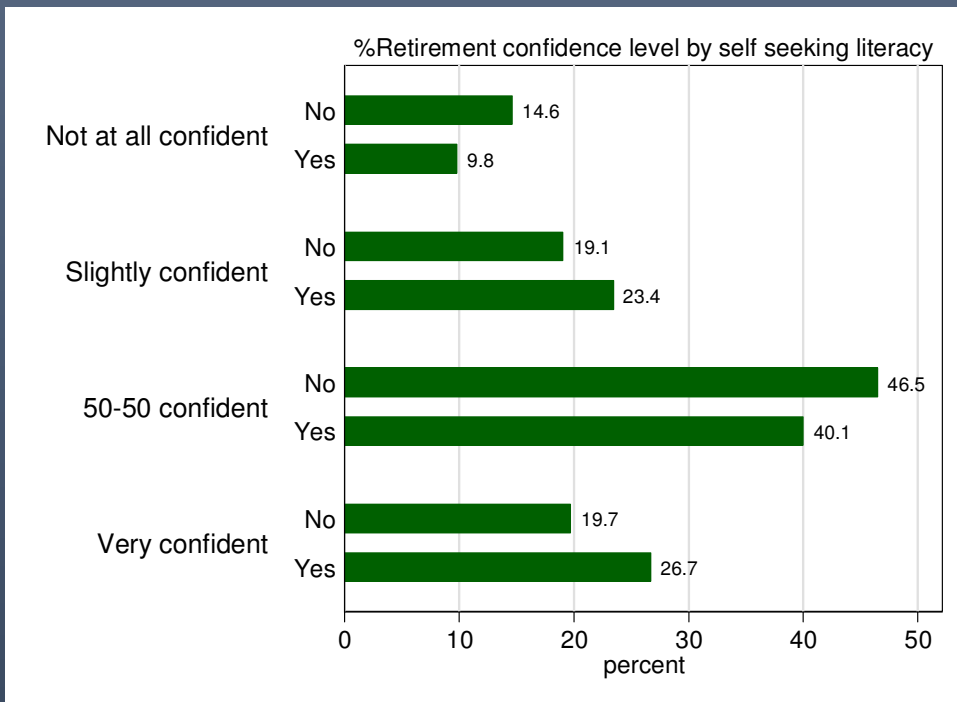
Anticipation and preparedness for retirement

Have you considered how much money you will require upon your retirement for your upkeep expenses? Y/N



*Significant difference in "Very confident" group depending on whether the respondent has estimated money needed for upkeep in retirement

Anticipation and preparedness for retirement




*The pattern of confidence differs by the way in which the individual obtains financial knowledge

Testimonies, “sales pitch”, using insurance companies, create choices (4 different people from 4 different companies), one on one – self seeking behavior “How do you prepare for retirement”


- In the past 12 months, has your employer or the current retirement scheme provider, provided you with any educational material, professional advice or training about retirement planning, savings and investment?

	women	men	Total
No	21.3%	22.5%	43.8%
Yes	29.8%	26.4%	56.2%
Total	51.1%	48.9%	100.0%




- In the past 12 months, have you personally sought information about retirement planning, savings and investment?

	women	men	Total
No	14.5%	19.5%	34.0%
Yes	36.5%	29.5%	66.0%
Total	51.0%	49.0%	100.0%




- In the past 12 months, has your employer or the current retirement scheme provider, provided you with any educational material, professional advice or training about retirement planning, savings and investment?

	Estimated retirement costs	
	No	Yes
No	50.49%	49.51%
Yes	31.19%	68.81%



- In the past 12 months, have you personally sought information about retirement planning, savings and investment?

	Estimated retirement costs	
	No	Yes
No	41.33%	58.67%
Yes	17.44%	82.56%



Source of retirement planning information (women)

- Have you considered how much money you will require upon your retirement for your upkeep expenses (e.g. housing, food, clothing, medical, etc.) Y/N

Internet search on investment and retirement issues (153/363)**

	<u>No</u>	<u>Yes</u>	<u>Total</u>
No	63.33%	36.67%	100%
Yes	50.33%	49.67%	100%

Professional magazines and journals (69/363)***

	<u>No</u>	<u>Yes</u>	<u>Total</u>
No	87.14%	12.86%	100%
Yes	72.55%	27.45%	100%

Books (29/363)*

	<u>No</u>	<u>Yes</u>	<u>Total</u>
No	94.29%	5.71%	100%
Yes	88.89%	11.11%	100%

Newspaper (54/363)*

	<u>No</u>	<u>Yes</u>	<u>Total</u>
No	87.14%	12.86%	100%
Yes	82.35%	17.65%	100%

Significant characteristics in explaining confidence in retirement

Characteristic	Male	Female	Overall
Gender			✓ (+)
Years worked	✓ (-)	✗	✓ (-)
Marital status	✗	✓ (-)	✗
No of dependent children	✗	✗	✗
No of other dependents	✓ (-)	✓ (-)	✗
Total investment	✓ (+)	✓ (+)	✓ (+)
Estimated cost of retirement	✓ (+)	✓ (+)	✓ (+)
Receiving advice from partner (accountability)	✗	✓ (+)	✓ (+)
Receiving advice from colleagues	✗	✓ (-)	

Key Findings

1. 1 in 4 members of pension schemes are very confident about their financial well being in retirement
 - ✓ Only 1 in 5 are very confident that they will have enough money to meet their medical expenses
 - ✓ Only 1 in 7 are very confident that they will have outlive their savings
2. Dependency by other extended family members significantly and negatively affects the level of confidence for women
3. Only partner advice positively influences confidence in retirement
4. Significant relationship between confidence in retirement and estimation of finances needed in retirement
5. A gap exists in the effectiveness of the employer facilitated financial literacy courses to trigger behavior that promotes confidence in retirement especially for the women.

Conclusion

1. 1 in 7 are confident that they will outlive their retirement savings
2. Only gender and dependency by others are significant socio economic factors in explaining confidence in retirement
3. Saving behaviour and current health status weak determinants
4. Behavioural factors strongly influence stated confidence retirement confidence
5. **So what** Policy instruments could focus on effectiveness of financial literacy courses to trigger positive behaviour leading to higher retirement confidence.
 1. Industry
 2. Person

Next steps – bullet points

- Why are we focusing on the 15% - can RBA be concerned on the 85%
- Being in a pension scheme does it help you in preparing for retirement
- Negative vibe
- Medical is still a harambee program and there is a social network
- If not pension then what? Investment – put the cumulative bar graph
 - Poor job with pension education
 - Trust in the industry
 - Career changes with the millennial

