

# **Retirement Readiness among the Malaysian Workforce: The Impact of Financial and Psychological Factors**

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COVID-19 and its economic repercussions have impacted numerous areas of employees' retirement planning, including savings levels, investment allocations, decision-making confidence, and projected retirement ages. With an increasingly challenging economic environment, people are facing unsurmountable difficulties in keeping up with their financial obligations. These issues, one may argue, are worsened by rising life expectancy. There is an additional financial duty for the younger generation to support the elderly and retired, which certainly exacerbates their own retirement security chances. Faced with these difficulties, a sizable section of Malaysia's elderly population lacks the financial resources to maintain themselves in their old age, even for a basic lifestyle. To make matters worse, the Malaysian government, as part of its Prihatin Stimulus Package to pump-prime the sagging economy, had allowed the Employees Provident Fund contributors to withdraw their old-age savings despite knowing the negative repercussions of such a move for the retired elderly in the near future. With an increasing life expectancy and elderly population, and with many individuals marrying and having children later in life, not saving enough and failing to account for inflation and rising medical costs, there is a pressing need to conduct research on retirement planning and dispel the myth that retirees or senior citizens are a 'burden' to society. This study is therefore important as it examines the impact of attitude towards retirement, financial knowledge for retirement, future time perspective and behavioural intention on an individual's retirement readiness, in an effort to prioritise retirement readiness as a critical component of policy that guarantees working persons can fund their retirement adequately. The study employs a Partial Least Squares-Structural Equation Modelling estimation technique to analyse a set of data of 489 working adults in Malaysia. The underlying theoretical framework of this study is based on the Prospect Theory and the Time Perspective Theory. The results demonstrate that attitude towards retirement, financial knowledge for retirement and future time perspective are positive predictors of retirement readiness, with the results suggesting that people with better financial knowledge are more ready to retire compared to those with lower levels. This is followed by attitude towards retirement and finally future time perspective. However, the results indicate that retirement readiness is not significantly explained by behavioural intention. These findings suggest the pervasive role of financial knowledge in preparing Malaysian working adults better prepared for their retirement and this pertinent information is has implications for both academic theory and policy design. The findings mentioned

here emphasise areas that should be prioritised as Malaysia recovers from the pandemic and its economic implications. This includes managing retirement assets for retirement income, as well as planning for old-age medical care and projected long-term care needs. This involves debt management, with a specific focus on student loan debt, and financial resiliency through the creation of enough emergency funds in the context of broader household economics.

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