



How Financial Literacy and Lifestyle Affect Employee Retirement Planning?

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Abstract. The primary goal of this research is to assess the impact of financial literacy and lifestyle on employee retirement planning. This research takes a quantitative method. This study employed a questionnaire and an online questionnaire to gather information. A sample of 250 employees in Palembang was used to collect data. The data analysis techniques employed are normality analysis, correlation analysis, and regression analysis. According to the findings of this study, financial literacy has a considerable impact on retirement preparation, and lifestyle has an impact on retirement preparation. This study is expected to provide further information about the scope of financial literacy. It can also provide insight into the impact of financial literacy and lifestyle on retirement readiness.

Keywords: Financial Literacy, Financial Management, Retirement Preparation.

1 Introduction

Everyone must learn how to properly manage their own money. Short-term funds and loans are vital, but so are long-term financial measures such as retirement savings. People who can make sound financial judgments are less likely to have financial issues in the future, have solid financial habits, and prioritize their needs over their wants [1, 2]. Financial literacy can assist people in better managing their money and securing a more stable income in the future.

Individuals must grasp financial concepts such as financial literacy in order to make prudent financial decisions, which includes their retirement life [3]. Furthermore, financial literacy [4] is an important component of a successful pension fund management plan. Financial knowledge is a component of financial literacy, and money has a significant impact on financial well-being after retirement [5]. This financial knowledge is useful while making investment decisions. Financial literacy is intimately related to financial management, and the greater a person's financial literacy, the better his or her financial management.

A person's lifestyle is their way of life as manifested by their hobbies, interests, and income in terms of money spent and time spent. One's lifestyle is influenced by social interaction [6]. A person's lifestyle encompasses their hobbies, interests, attitudes,

consumption, and aspirations. Financial management with a high lifestyle is also an example of how a person acts when presented with difficult financial decisions. A person who is capable of making financial judgments will not experience challenges in the future and will demonstrate healthy behavior in order to identify what their requirements and desires are on a priority scale.

2 Literature Review and Research Hypotheses

According to the Financial Services Authority [7], financial literacy is a set of processes that improve an individual's knowledge, skills, and beliefs, influencing their attitudes and behavior to make sound financial decisions and manage their finances in order to build a prosperous life for themselves. This series of processes assists an individual in increasing their knowledge, abilities, and beliefs about how to live a prosperous life.

Employees in modern culture can have a lifestyle that is an identity or an identity that cannot be separated. A lifestyle that can sustain all activities while dealing with modern technologies and developing trends is especially important now. Furthermore, there are expectations for individuals' professional perspectives, which can be evident in their requirements, lifestyle, and career. People's lifestyles will differ from one another [6]. Furthermore, individuals' and community groups' lifestyles will change throughout time. However, because this way of life does not alter quickly, it eventually becomes somewhat permanent. The lifestyle of a group can define its identity, and each group's lifestyle has specific traits [8]. It is vital to improve community knowledge and be able to prepare for retirement as early as possible in order to preserve their lifestyle in retirement. This is done so that folks can enjoy their retirement without worrying about their finances [9].

Retirement preparation [10] is a form of acceptance, alert-ness, and willingness by individuals due to changes that are no longer working, manifested in the form of behaviour. According to [11] those who have retired but participate in certain activities or continue to work can reap a variety of benefits, including the ability to live a longer, healthier, and more prosperous retirement than those who have retired but have no substitute job or activity.

The three assumptions listed below can be derived from the theoretical foundation discussed above:

H₁: Financial knowledge has an impact on retirement planning.

H₂: Lifestyle has a effect on retirement preparation.

H₃: Financial literacy and lifestyle choices influence retirement planning.

3 Research Methodology

The population is a group of people or items that must have certain traits and characteristics in order for the researcher to analyze and draw conclusions [12]. This study's population comprises of employees who work in Palembang, whereas the unit of analysis is the individual who currently lives and works in Palembang. The sample reflects the population's size and characteristics as a whole. If the population is large

and the researcher is unable to study every member of the population, for example due to a lack of cash, manpower, or time, the researcher may use samples from the population. The findings and conclusions of the sample will be applied to the population. As a result, population samples must be truly representative [12]. This study employs quota sampling, a method of applying the sample by computing the quota in advance for each group; the research is not considered complete until the quota for each group has been met.

The technique of data collection in this study was a questionnaire. An online questionnaire in Indonesian is included in this investigation. Only Palembang-based staffs were instructed to complete the questionnaire. The questionnaires are given online to the target population employees in Palembang, Indonesia, via Google Form. The data collection approach for the three variables was a Likert scale technique meant to assess a respondent's level of agreement with a statement. Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), and Strongly Agree (5) are the five levels of agreement. This study takes a quantitative method.

Quantitative research is a positivist research method that studies specific populations or samples, collects data with research equipment, and analyzes quantitative/statistical data to evaluate prepared hypotheses. Google Form surveys were used in this investigation. Respondents are required to answer 25 questions. There are 11 questions for financial literacy, 6 questions for lifestyle, and 8 questions for retirement planning.

4 Result and Discussion

The multiple regression equations for the two predictors of financial literacy (FL) and lifestyle (Ls) variables are shown in the unstandardized coefficients data:

$$RP = 9.548 + 0.374 FL + 0.261 Ls + e \quad (1)$$

This finding from the preceding equation indicates that financial literacy and lifestyle have a positive coefficient value, indicating that all of the independent variables in this study have a direct relationship and influence on retirement preparation (RP). Assuming that the variable coefficient of financial literacy is 0.374, this suggests that if knowledge is applied correctly while other independent variables remain constant, financial literacy will rise. Similarly, the lifestyle coefficient has a value of 0.261, indicating that if the belief is followed correctly while the other independent variables remain constant, the lifestyle will increase.

Financial literacy variables had a substantial positive effect on retirement preparation, while lifestyle variables had a significant positive effect on employee retirement preparation in Palembang, according to hypothesis testing. The findings revealed that financial literacy has a significant positive impact on retirement planning. $t_{\text{table}} = 1.96$ and $t_{\text{count}} = 7.628$, suggesting that $t_{\text{count}} > t_{\text{table}}$ with a significance level of 0.000. Based on the outcomes of the research hypothesis examining the effect of financial literacy on customer behavior. According to research findings, the greater their financial literacy, the greater the impact on their retirement planning. Financially literate employees will be able to make good financial decisions [9, 13], limit their spending, set aside a part of their income for unforeseen expenses, and plan for the future, allowing them to better manage their finances and plan for retirement [11].

The findings revealed that lifestyle had a significant positive impact on retirement planning. The t_{table} is 1.96 and the t_{count} is 4.012, suggesting that $t_{\text{count}} > t_{\text{table}}$ with a significance level of 0.000. Based on the results of evaluating the research hypothesis on the effect of lifestyle on retirement readiness. This brings us to a close. There is a strong link between lifestyle and retirement planning for Palembang employees. A conclusion could be taken that a luxury lifestyle while still employed can impede retirement planning because income falls after retirement while needs remain constant or increase. Respondents are not concerned with lifestyle in their daily lives. Based on findings such as liking to buy branded goods and feeling proud when using them, and not believing that using expensive products will increase their level of self-confidence. Furthermore, as long as they are not excessive, hobbies, family holidays, and travel are acceptable pursuits. As a result, as an employee, you should recognize what is important by distinguishing between needs and preferences. If the essentials have been met, any remaining funds can be used to satisfy a desire or need [2, 11, 14]. In order to effortlessly maintain the pre-retirement lifestyle after retirement.

5 Conclusion

The model provided in this study explains 26.30% of the retirement readiness, with the remainder explained by other variables. Employee retirement planning in Palembang is influenced by financial literacy. As a result, the greater the financial literacy supplied to employees, the better their retirement readiness. Individuals who have strong financial literacy will be able to make sound financial decisions and will be better prepared for retirement.

Employees' retirement planning in Palembang is influenced by their way of life. In this situation, the lifestyle in question is hedonic, which might lead to improper retirement planning.

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