

A Study on Retirement Planning of Individuals in Investment Avenues of Mumbai City and Suburbs

Ms. Roshani Bhatu

Abstract

Retirement is defined as, "the point at which someone stops working, especially because of having reached a particular age or because of ill health, or the period in someone's life after the person has stopped working." In order to have a convenient lifestyle after retirement, an individual needs to plan his/her retirement ahead of time. This research focuses on retirement planning of individuals through various investment avenues. Individuals from various gender, age, income, and sectors were requested to correspond through structured questionnaire. The scope of this research is to determine the ultimate reason for retirement planning. The study aims to explore different investment avenues preferred by individuals for the purpose of retirement and a descriptive method of analysis is used.

Keywords: *Retirement, Retirement Planning, Investment Avenues, Mutual Funds, Bank Deposit, Financial Planning*

Introduction

Retirement is defined as, "the point at which someone stops working, especially because of having reached a particular age or because of ill health, or the period in someone's life after the person has stopped working." To keep up with the standard of living and expenses, an individual needs alternative source of income after he/she retired from the service. Thus, retirement planning is an essential part of one's life. According to Chachad & Singh (2018), retirement planning is nothing, but an effort put to find out the sum of money needed to be

invested per month or per year to achieve the required retirement corpus for comfortable retirement life. Retirement planning can be done by investing in different investment avenues. The study focuses to find out the amount invested by an individual in various investment avenues. According to Sairam (2016) (p.54), today's investor has a wide array of investment avenues and he can choose the one that suits his preferences. The researcher has listed a range of investment avenues. There are varied ranges of investment avenues, some of them are as follows:

Investment Avenues	Explanation
Equity	Equity is the investment media that represent an ownership position, that is, in which the investor in stocks or certain options is an owner of the firm and is thus entitled to a residual share of profits. Equity shares earn a return based on two sources – dividends and capital gains.
Debentures	Debentures are long term instrument used by the companies to borrow money from the investor. The issuer agrees to pay a fixed interest on the investment.
Bonds	Companies, government agencies, etc. borrow money from the public in return of a fixed rate of interest is known as bonds. Bonds are marketable legal contract that promises to pay its investors a stated rate of interest and to repay the principal at the maturity date.
Bank Deposits	Bank deposits are most popular and the simplest investment avenue. There are basically four types of bank deposits, namely, Savings deposits, Fixed deposits, Current deposits and Recurring deposits
Post Office Deposits	Post office deposits are very popular means of investment by individuals and households in India, since it is one of the safest and easiest modes of investments. It provides schemes like post office deposit account, KisanVikasptra account, senior citizen saving scheme account, etc.
National Saving Certificate	National Savings Certificate is another opportunity for investors, wherein, they can keep their money invested for a slightly long period and want this amount to compound. The investment in NSC is eligible for deduction u/s 80C.
Employees' Provided Fund	Employee Provident Fund is a prominent plat form of savings in India amongst the organized workforce. Employee Provident Fund Scheme is an investment avenue, wherein, the employees from both the private sectors and public sectors can invest a portion of their salary every month and build a corpus for future.

Public Provident Fund(PPF)	Public Provident Fund is a tax-free savings scheme offered by the Government of India, wherein interest on the account is set for every quarter and is paid by the government. The interest rate on PPF is generally slightly higher than that of interest rates offered by Bank Fixed Deposits.
Real Estate	Real estate is one of the most sought-after investments, which the investors are excited about. Real estate property can be any of the following residential property, commercial property, agriculture land, industrial property.
Precious Object	Precious objects are those items that are generally small in size, but highly valuable in monetary terms. Investment in precious article and metals are less risky and for the long term. It provides liquidity at any time as they can be converting into cash on demand.
Insurance Policies	Insurance is a contract, wherein the individual or an entity gets the protection against the losses resulting from some unexpected or uncertain event.
Pension Funds	Pension fund is a qualified retirement plan set up by an entity – a corporation, labour union, government or other organization. Pension fund is a retirement plan, in which an investor makes a contribution into an account periodically. In other words, pension funds are type of retirement plan, wherein an investor pays part of his current income towards retirement income.

(Source: Sairam, (2016), p. 52- 79)

Need of the study

An individual needs to have alternate sources of income to lead a comfortable and elated life. Hence, the findings of this study will state the importance of retirement planning in one's life making it necessary to understand various

investment avenues an individual opts for when it comes to retirement planning. The study also focuses on knowing the risk appetite of investors based on their choice of investment avenues and helps to reveal investment avenue preferences for retirement planning.

Objectives of the study

1. To understand factors influencing individuals towards planning retirement in Mumbai City and Western Suburbs.
2. To identify different investment avenues for the retirement planning by individuals in Mumbai City and Western Suburbs.
3. To find out the most preferred investment avenue by the individuals for retirement planning in Mumbai City and Western Suburb.

Scope and limitations

The study covers geographical area of Mumbai City and Western Suburbs. The population for the study includes respondents from different working sectors, gender, age group and income which generalizing the data. The structured questionnaire was filled by only 100 respondents which are considered as a representative of entire population in Mumbai City and Western Suburbs. The participants can be bias while responding to the questionnaires. The research was conducted in the time of Covid-19 pandemic lockdown due to which extensive study was not possible.

Research Methodology

The study determines to identify various investment avenues provided

by individuals for retirement planning. A sample size of 100 respondents was taken from Mumbai City and Western Suburbs different age group, gender and working sector with the help of simple random sampling technique. The findings are represented with the help of tables, pie-charts and graphs; the descriptive method of analysis is used in this study.

Literature review

Aza & Patil (n.d.) had collected primary data from 95 individuals using convenient sampling method. The research shows almost 90 percentage of the respondents save their income out of which only 24 percentage have saving for retirement as an objective. There is no strong significant relationship between demographic factors and saving patterns of the respondents according to the research. Merely 41 percentage of the respondents are saving for retirement apart from them 47 percentage of respondent save but not for retirement. Most selected investment avenues for retirement planning by the respondents is real estate, thereafter PPF, mutual funds, stock and pension plans. The research shows a strong correlation between act of saving with personal retirement plan and method of saving.

J, V., & Joseph, D. T. (2018)., conducted a study among working individuals from both gender as well

as sectors (public and private) to examine the awareness in different investment avenues for having a secure retirement life. The data was collected in form of questionnaire from 100 respondents across Chennai City. Simple random sampling technique was used to as sampling technique. The research shows no relationship between demographic factors and investment pattern. It also shows using Mann Whitney U Test that there is no association marital status and investment done in different avenues. The research finds out that most of the respondents saving habit on monthly bases.

Thakur, Jain, & Soni (2017) conducted a study on perception of individuals towards retirement planning. The research collected data from 1144 individuals from different age groups and occupation. The study focuses on retirement planning and not on retirement investment plans. The study reveals that 50 percentage of the respondent want to get retired in next 20 years and almost 50 percent of individuals invest towards their retirement, contrarily the rest of the respondents do not invest or are unsure about their investment towards retirement planning. The study shows that most of the respondents were positive when asked the question retirement planning is important irrespective of their income, age and occupation.

Patil & Nandawar (2014) studied only fixed income salaried individuals in Pune city. The research was analysed with the responses of 40 salaried employees through structured questionnaire. The study divulges that 60percent respondents are aware about the investment avenues whereas 40percent are unaware. It also reveals that safety is the major factor while doing investments followed by tax saving. Safety is the most important factor while investing and the investors choose to have secured regular income on investment according to the researcher.

Moorthy, et al., (2012) undertook a study on the retirement planning behaviour of working individuals in Malaysia is a cross section explanatory research. A total of 300 individuals between the age group from 26 to 55 years participated in the research. The study reveals that different age group of working individuals have different thinking and behaviour toward the retirement planning and the most ideal age to start planning for retirement is between 26 to 35 years. Therefore, stating that ahead of time may take advantages and benefits to them in order to prevent them from not affording to retire since they have sufficient time to plan on it.

Clark, D'ambrosio, McDermed, & Sawan (2006) explored the

importance of education and knowledge on retirement planning. The study indicated that after an educational event, individuals might alter their retirement goals and/or change their retirement saving behaviour. The study examined three surveys completed by individuals before and after participation in a financial education seminar.

It is evident from the literature review that there is no study done about

retirement planning in general or particularly about the individuals residing in the Mumbai and Western Suburbs of Mumbai.

Findings and Discussion

A structured questionnaire was prepared to find out the different and most preferred investment avenues for retirement plan. Total numbers of responds received were 100. A descriptive method analysis was used for the study

Age

Age	Frequency	Percentage
Less than 25	8	8
25-35	51	51
36 – 45	9	9
46 – 55	17	17
Above 55	15	15
Total	100	100

Table 1.1

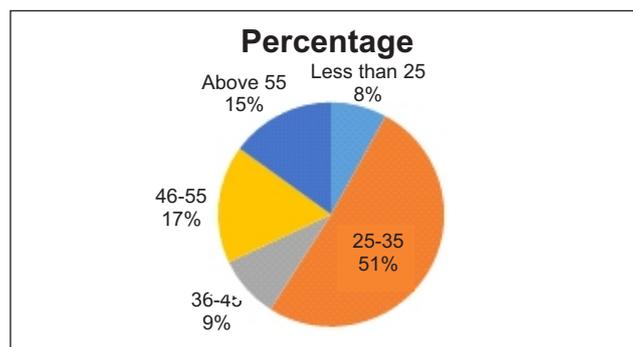


Chart 1.1

Table 1.1 indicates respondents for various age groups planning also not planning for retirement. The responds are from the age group between 25 years – 35 years

have the highest number of responds 51 percent; followed by 46 years – 55 years have 17 percent; followed by others age groups.

Gender

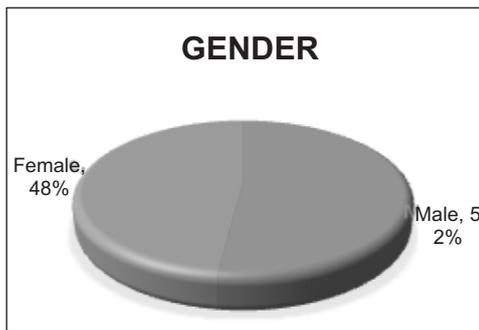


Chart 1.2

Gender	Frequency	Percentage
Male	52	52
Female	48	48
Total	100	100

Table 1.2

Table 1.2 indicates total number of male and female ratio in total respondents which is 52:48.

Marital Status

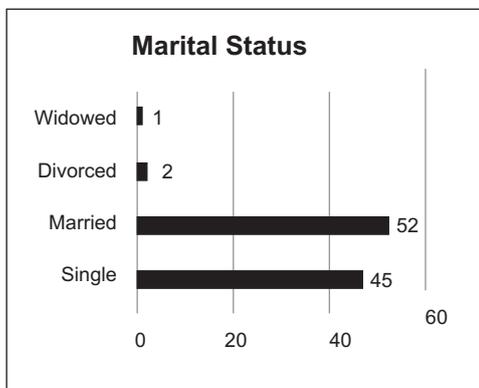


Chart 1.3

Marital Status	Frequency	Percentage
Unmarried	45	45
Married	52	52
Divorced	2	2
Widowed	1	1
Total	100	100

Table 1.3

Table 1.3 shows the marital status of the respondent, unmarried individuals was 45 percent, married individuals was 52 percent, divorced was 1 percent and widowed 1 percent.

Are you financially planning for your retirement?

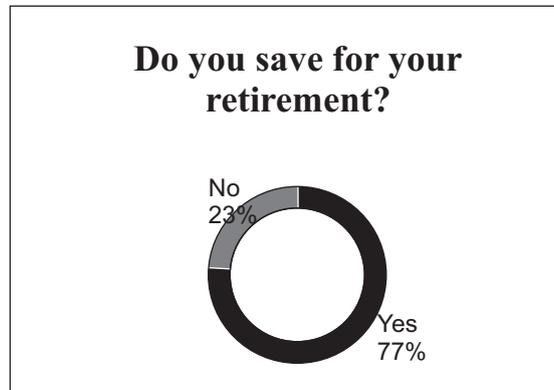


Chart 1.4

Are you planning for your retirement?	Frequency	Percentage
Yes	77	77
No	23	23
Total	100	100

Table 1.4

Table 1.4 reveals 77 percent of the total sample saves for retirement in form of different investment avenues. Individuals planning for retirement include 4 responses from the age group of less than 25 years, 25 years–35 years included 37 responses, 36 years – 45 years had 7 responses, 45 years – 55 years included 16 responses, and above 55 years had 13 responses. Count of the males and females planning for retirement are 39 and 38 respectively.

Participants not planning for retirement are 23 percent of the total

sample; the reason given by most of these individuals is that they have too many expenses currently. Age group of these individuals are as follows: less than 25 years were 4 responses, 25 years – 35 years were 14 responses, 36 years – 45 years were 2 responses; 46 years – 55 years was 1 response and above 55 years were 2 responses. Count of the males and females not planning for retirement are 10 and 13 respectively.

The further survey was answered by 77 percent of the participants planning for retirement.

Reasons that make you financially plan for your Retirement?

Reasons	Frequency	Percentage
Inculcate Saving Habits	50	64.90
Inflation	18	23.40
Medical Emergencies	49	63.60
Compounding Effects	20	26.00
No Dependence	41	53.20
Support your dependent	46	59.70
It's never too early to start	25	32.50
Saving in Tax - Deferred retirement plan	28	36.40
Best time to fulfil lifelong aspiration	23	29.90
Others	0	0.00

Table 1.5

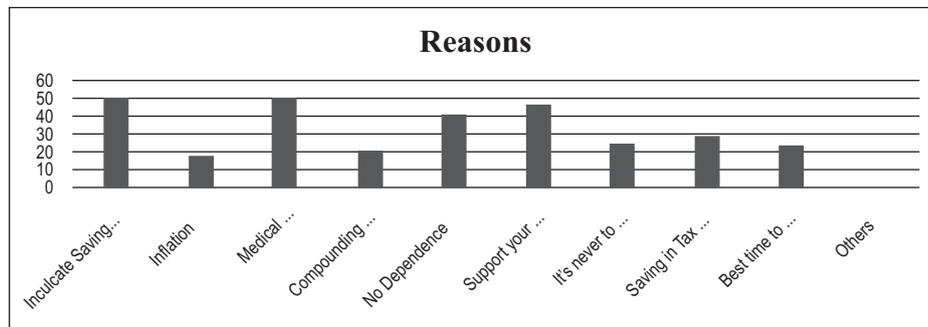


Chart 1.5

Table 1.5 indicates that to inculcate saving habits was the reason of 64.90 percent for retirement, followed by medical emergencies – 63.60 percent, Support your dependent - 59.70 percent, No Dependence - 53.20 percent, Saving

in Tax - Deferred retirement plan - 36.40 percent, It's never too early to start - 32.50 percent, Best time to fulfil lifelong aspiration - 29.90 percent, Compounding Effects –26 percent and Inflation - 23.40 percent.

Which of the following Investment Avenues have you chosen as your Retirement Plan?

Investment Avenues	Frequency	Percentage
Equity	37	48.10
Debentures	22	28.60
Bonds and Fixed Income Securities	15	19.50
Bank Deposit	44	57.10
Post Office Schemes	11	14.30
National Saving Certificate	9	11.70
Employee's Provident Fund	17	22.10
Public Provided Fund	28	36.40
Real Estate	43	55.80
Precious Object	38	49.40
Insurance Policies	59	76.60
Pension Plans	40	51.90
Mutual Fund	54	70.10

Table 1.6

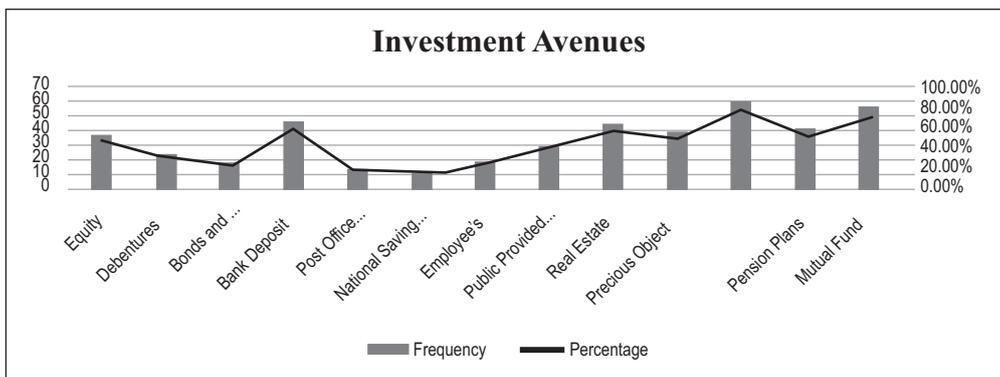


Chart 1.6

Table 1.6 indicates 76.60 percent of the respondents prefer insurance policies to secure and invest for retirement. Followed by mutual funds

with 70.10 percent of the respondent preferring to invest in, bank deposits schemes like saving account, fixed deposit account, and recurring

account elected by 57.10 percent of the respondents, Real Estate - 55.80 percent respondents can have rental income from sources like house property agricultural property, etc., Pension Plans - 51.90 percent, Precious Object is elected by 49.40 percent of the respondents like to invest in metals gold/silver and precious article like painting, sculptures, coins, stamps etc. are the common form of investment, Equity -

48.10 percent, Public Provided Fund - 36.40 percent, Debentures - 28.60 percent, Employee's Provident Fund - 22.10 percent, Bonds and Fixed Income Securities - 19.50 percent, Post Office Schemes - 14.30 percent have invested in schemes like post office deposit account, kisan Vikas Patra account, senior citizen saving scheme account, etc. and National Saving Certificate - 11.70 percent.

Rate the following Investment Avenues for Retirement Planning based on your preference (Select Not Applicable if you have not invested in any of the particular avenue and rate others as 1 being the lowest and 5 highest)

Investment Avenues	Rating					
	N/A	1	2	3	4	5
Equity	33	6	8	14	10	6
Debentures	46	7	4	12	7	1
Bonds and Fixed Income Securities	56	2	6	6	3	4
Bank Deposit	27	5	3	8	14	20
Post Office Schemes	53	4	4	9	5	2
National Saving Certificate	52	4	6	8	5	2
Employee's Provident Fund	44	5	7	4	11	6
Public Provided Fund	42	4	4	5	8	14
Real Estate	24	5	9	11	12	16
Precious Object	25	6	3	16	19	8
Insurance Policies	10	3	8	7	26	23
Pension Plans	27	6	3	10	20	11
Mutual Fund	16	3	4	12	20	22

Table 1.7

Table 1.7 describe the various investment avenues rated by the respondents. The analysis is done considering 5 as the highest rating. Therefore, most preferred invested avenue is insurance policies with 23 respondents, indicates individuals prefer to invests for retirement a low risk avenue, later mutual funds with 22 participants where funds are invested in different schemes, bank deposit is rated with 20 participants of the total response with again indicate low risk investment avenue, real estate was rated by 16 respondents, Public Provided Fund – 14 tax-free savings scheme offered by the Indian Government, Pension Plans – 11, Precious Object – 8, Employee's Provident Fund and Equity- 6, Bonds and Fixed Income Securities – 4, National Saving Certificate and Post Office Schemes – 2, and Debentures is elected by 1 participant.

Suggestions and Conclusions

- The study shows the perception of individuals towards retirement planning and different investment avenues available.
- This study reveals, out of the total sample 77 percentage of the respondents plan for retirement. On

the other hand, 23 percent do not plan their retirement due to heavy expenses.

- The study reveals that there is no connectivity between age, gender and marital status with retirement planning.
- According to the survey, most invested and preferred investment avenues are insurance policies, mutual funds, bank deposits, real estate and pension plans followed by other options.
- Since, 23 percentage of the total sample do not plan for retirement more educational programs and government plans should be inculcated to fill this gap by bring in more policies which requires low amount of investment.
- The study can be used as a reference by policy makers or government to understand the risk appetite of individuals with the help of the investment made and the ratings given by the participants.
- This research is limited to Mumbai City and Suburbs, similar research can be conducted in various parts of the country. the country.

References

- Aza, D. N., & Patil, M. K. (n.d.). [Review of *Is retirement planning a priority for individuals? A study in Bengaluru City*].
- A, S. (2016). Study on investment pattern amongst academicians in Bangalore. *University*. Retrieved from <https://shodhganga.inflibnet.ac.in/handle/10603/92732>
- Chachad, P. S., & Singh, D. K. (2018). [Review of *are you making yourself retirement ready – a study of salaried individuals?*]. *International Journal of Management and Social Science Research Review, Vol-1*(Issue-43), 68–74. Retrieved from <http://ijmsrr.com/downloads/0102201813.pdf>
- Clark, R. L., d'Ambrosio, M. B., Mcdermed, A. A., & Sawant, K. (2006). Retirement plans and saving decisions: the role of information and education. *Journal of Pension Economics and Finance, 5*(1), 45–67. <https://doi.org/10.1017/s1474747205002271>
<https://dictionary.cambridge.org/dictionary/english/retirement>
<https://elementummoney.com/11-reasons-why-retirement-planning-is-important/>
<https://www.kotak.com/en/stories-in-focus/reasons-people-dont-plan-retirement.html>
<https://www.policybazaar.com/>
- J, V., & Joseph, D. T. (2018). [Review of *A Study on Retirement Planning of Working Individuals with special reference to Chennai City*]. *Pacific Business Review International, Volume 10* (Issue 9), 18–24. Retrieved from http://www.pbr.co.in/2018/2018_month/March/2.pdf
- Moorthy, M., Durai, T., Chiau, C., Sien, S., Leong, L., Ze, N., ... Teng, Y. (2012). A Study on the Retirement Planning Behaviour of Working Individuals in Malaysia. *International Journal of Academic Research in Economics and Management Sciences, 1* (2). Retrieved from <http://hrmars.com/admin/pics/696.pdf>
- Patil, S., & Nandawar, D. K. (n.d.). [Review of "*A Study on Preferred Investment Avenues Among Salaried People With Reference To Pune, India*"]. *IOSR Journal of Economics and Finance (IOSR-JEF), Volume 5*(Issue 2), PP 09-17. Retrieved from <http://www.iosrjournals.org/iosr-jef/papers/vol5-issue2/B0520917.pdf>
- Thakur, S. S., Jain, D. S., & Soni, D. R. (2017). [Review of *A study on perception of individuals towards retirement planning*]. *International Journal of Applied Research, 154–157*. Retrieved from https://www.researchgate.net/profile/Shailesh_Thakur/publication/336133946_A_study_on_perception_of_individuals_towards_retirement_planning/links/5d91a7e7a6fdcc2554a6aa6f/A-study-on-perception-of-individuals-towards-retirement-planning.pdf