Personal Financial Planning - Financial Freedom Post 60

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Abstract

Financial freedom in terms of personal finance, is having sufficient remaining income to cover your living costs. It is not about being rich and having lots of money, but having adequate money to cover your expenditures so that you can spend your valuable time doing what you like rather than doing thingsjust to get money. This can be achieved only when you are aware about your own finances and you need to do Personal Financial Retirement planning. As one grows older retirement is inevitable stage of life and if you want calmness in your life there is need to create plan pre 60. In the journey of personal retirement planning financial literacy also plays vital role for takingwise decisions about finances. Financial literacy is the combination of financial behaviour of individual towards money, financial attitude of the individual and awareness about financial knowledge. In the present study Retirement planning from personal finance perspective was discussed. Primary data was collected from 425 households in Pune city. The main objective of present paper is to discuss role of Financial literacy for better retirement planning, preferences for investment in retirement planning in personal financial planning and factors affecting investment decision related to Retirement Planning.

Keywords: Financial Planning, Retirement Planning, Financial Planning, Financial Literacy.

Introduction:

Meaning of Financial Freedom:

Financial freedom means having enough income, savings, and investments to live the life youdesire without relying on a traditional job. It’s about having control over your finances and the choices you make.

As one grows older retirement is inevitable stage of life. For smooth post retirement planningpeople need to plan today for retirement. Therefore, it is important to create plan that will fulfill needs right through ripe old age.

Retirement age in India is one of the bottommost worldwide. Countries like Spain and Italyhave set their retirement age as 66 and 67 years, respectively. Whereas, in India, the retirement age for private sector employees is between 58 to 60 years. For government employees, it is 60 years.

Objectives of the Study:

1. To study role of Financial literacy for retirement planning
2. To study preference for retirement for personal financial planning
3. Factors affecting investment decision related to Retirement Planning

Financial literacy is one of the essential areas which is related to financial planning of the individual or household. Financial literacy means financial knowledge about basic financial concepts or mathematical concepts which is used in the decision making after considering inflation, time value of money, simple interest etc. It also covers some information about financial products and services which are used in investment decisions. Various decisions are based on basic knowledge about mathematical usage and analytical ability about financial products and services. Financial literacy is the combination of financial behaviour of individualtowards money, financial attitude of the individual and awareness about financial knowledge.

"Financial literacy as the ability to make informed judgments and to take effective actions regarding the current and future use and management of money" The U.S. Financial Literacyand Education Commission (2006).

Financial planning is the process of systematically planning of individuals finances towardsachievement of short term and long term goals. Personal financial planning is the process ofmeeting life goals with the help of managing personal finances. Financial planning is the process of meeting your goals of life through the proper management of your finances. Lifegoals can include buying a home, saving for child's education or planning for retirement

Research Methodology:

The present paper analyses the data collected from primary sources and converts them into some useful information. This paper includes assembling of primary data that is collected through personal interview of individual residing in Pune city. Based on collection and analysisof data observations are made. The data were analyzed by using Statistical Package for SocialSciences version 20.0 and MS-Excel 2010. For the present study Cronbach Alpha is 0.800 which is more than 0.7. The values of Cronbach's Alpha is acceptable and desirable, as these values are more than 0.700, confirming that both the scales are reliable enough to be used for further analysis. Hence, this questionnaire has been considered for the study.

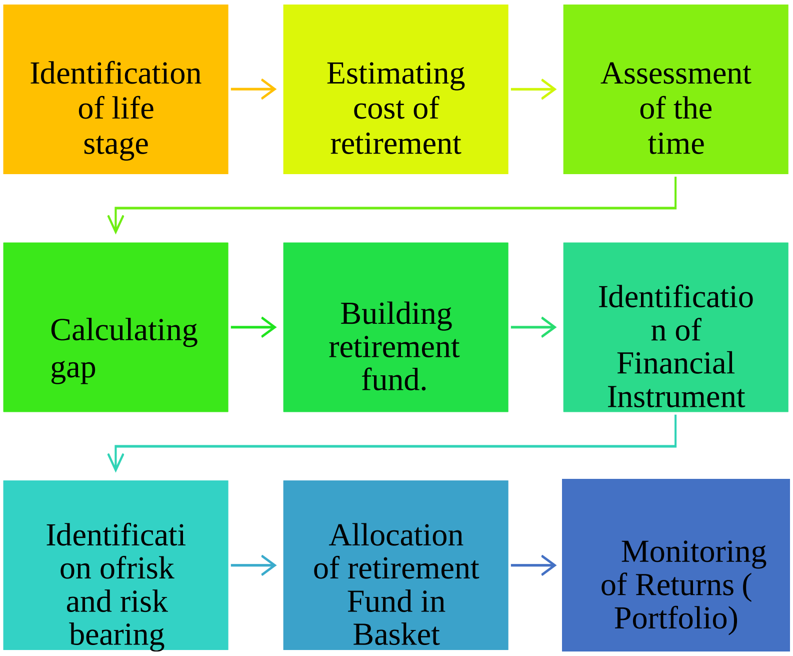
Total respondents considered for the study are 425 Households in

Pune City. Present paper alsocollect data from secondary sources and come to the conclusion of the information.

Data Analysis and Observations:

Financial Freedom indicate financial planning of individuals post retirement.it is one of theimportant face of the individual where they should enjoy retirement without any monetary burden.

Retirement Planning Process:



Source: Self Observation

Role of Financial Literacy for Retirement Planning:

- It boosts Economic Growth and Progress of the country.
- Financially Literate Individuals make informed choices about Savings, Investing,Borrowing, and other financial decisions.
- Financially Uninformed Persons Borrow More and Save Less due to a Lack of Understanding of financial basic terms like Compound Interest as a result there is asignificant Lost Opportunity.
- Financial Literacy helps to understand Financial SWOT of household
- Financial educational programs that enhance the financial literacy of older workforceswill improve their retirement decisions.

Preference of Household for Financial Objectives while doing Personal Financial Planning:

	MeanRank	Rank score
Comfortable Retirement	4.98	3
Bear Children's Education cost	3.61	1
Buy House	3.845	2

Perform Child/Ren's Marriage	6.88	9
Buy Car	5.21	6
Bear Cost of any unforeseen event	5.06	4
Achieve growth in Investment	6.14	7
Reduce Liability	5.18	5
Ensure assets passed smoothly to dependents	7.33	10
Reduce income tax liability	6.78	8

Source: Field Study Observations

Table 1 Details of Preference test and Significance value

Test Statistics	
N	425
Kendall's W[a]	.174
Chi-Square	664.373
df	9
Asymp. Sig.	.000
a. Kendall's Coefficient of Concordance	
Source: Field Study Observations	

Test Statistics: Kendall's CoefficientSignificance level: 0.05
To analyze Preference of Financial objectives while doing financial planning ,Respondents were asked to rank their preference of financial objective for financial planning. First rank ofpreference was given to children education followed by buy house, comfortable retirement, bear the cost of any unforeseen event, reduce liability, buy car, achieve growth in investment
,reduce income tax liability ,perform child / ren's marriage and last preference was given to ensure assets are passed smoothly to dependents. As sig. value is less than 0.05, respondents have not given equal weight to all the financial objectives.

Factors affecting investment decision:During the course of the study an effort has been made to analyse the factors affecting on investment decision which has been presented in table 2 with the help of Mean, Mode and Standard Deviation.

Table 2 Factors affecting investment decision
Statistics

	N		Mean	Mode	Std. Deviation
	Valid	Missing			
Liquidity	425	0	2.33	1	1.476
Stock Marketability	425	0	2.79	2	1.408
Risk	425	0	1.74	1	1.171
Return	425	0	1.45	1	.729
Affordability	425	0	2.28	2	1.215

Government and Political influence	425	0	3.28	3	1.290
Opinion from Friends,					
Relatives , Expert ,	425	0	2.69	2	1.357
Family Members					
Advertisement	425	0	3.11	4	1.449
Past Investment Experience Noise in the Market	425 425	0 0	2.13 3.28	1 2[a]	1.549 1.494
Safety	425	0	1.44	1	.775

a. Multiple modes exist. The smallest value is shownSource: Field Study Observations

Test Statistics: Frequency Distribution, Mode
It has been observed that selected respondents give more focus on liquidity, risk, return, pastinvestment experience and safety.

Factors affecting investment decision related to Retirement Planning:
A similar attempt has been taken to analyse the factors affecting investment decision related toRetirement Planning shown in table 3 with the help of Mean, Mode and Standard Deviation.

Table No.3 Factors affecting investment decision related to Retirement Planning

	Statistics					
	N		Mean	Ranking of Factors	Mode	Std. Deviation
	Valid	Missing				
Present salary And Job Security	425	0	1.56	1	1	.952
Remaining Workingyears	425	0	1.99	4	1	1.024
Inflation	425	0	2.26	5	1	1.077
Household expenses	425	0	1.96	3	1	.940
No. of dependent	425	0	2.27	6	2	1.163
Family income and expenses	425	0	1.94	2	1	.976
Financial Objectivesand needs	425	0	2.28	7	1	1.124
Awareness about Product	425	0	2.44	8	2	.989
Government Policy	425	0	3.01	10	4	1.091
Repayment of	425	0	2.48	9	2	1.379

credit						

Source: Field Study Observations

Test Statistics: Frequency Distribution, Mode
It is has been observed from table 3 that respondents' investment decisions related toretirement planning are based on present salary and job security followed by family income and expenses , no. of dependent ,household expenses ,remaining working years, inflation , financial objectives and needs, awareness about product , repayment of credit and lastly government policy.

Conclusion:
As per data from the 2014 Health and Retirement Study (HRS) shows that about 60% of workers age 50+ would prefer to gradually reduce their working hours as they get older. Therefor working people should start investing early for retirement also. If you want to enjoy retirement post 60, you must pay off your debts, allocate assets in such way that you have liquid cost as and when required, build a safety net of savings funds, and create sufficient passive income through investing in risk free financial assetsor business ownership to pay for your current and expected future living expenses. Now a days government introduced various pension plans for retirement like , National pension Scheme, Public Provident Fund, Senior Citizen schemes ,Mutual Fund, Annuity Plans, Real estate ULIP Schemes etc.

People need to Analyse following Aspects for Good Retirement Financial Planning:

1. Total Income of the family month and year
2. Total family expenses of the month and year
3. Total Assets
4. Total Liabilities of the family
5. Insurance of the family
6. Taxation
7. Estate of the family

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