A STUDY ON THE EFFECTS OF FINANCIAL LITERACY ON RETIREMENT PLANNING: A CASE STUDY OF CIVIL SERVANTS UNDER PSPF

BY

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A dissertation submitted to the University of Zambia in partial fulfilment of the requirements for the award of Degree of Master of Business Administration (Finance) in the Graduate School of Business

THE UNIVERSITY OF ZAMBIA

LUSAKA

2020

DECLARATION

I, WILLIE SIAME, do hereby declare that this dissertation is my own work and all the materials used for this dissertation have been acknowledged. This dissertation has been submitted in partial fulfilment of the requirements for obtaining master's degree in Business Administration-Finance. I therefore declare that this dissertation has not been submitted to any other institution anywhere for the award of academic qualification.

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APPROVAL

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ABSTRACT

Financial literacy is an important component in financial planning and retirement planning. It gives an individual the ability to process economic information and make informed decisions about financial planning and wealth accumulation. Despite the importance of financial literacy; surveys around the world consistently indicate that financial literacy levels are low in high-income countries and if this is the case then it begs the question of the likely situation in the middle and low-income countries like Zambia. Furthermore, there is scanty data available for middle and low-income countries. Therefore, the study sought to establish the influence of financial literacy on retirement planning. To achieve the study objectives, the study employed descriptive and causal research designs, the study carried a survey of 150 respondents who are Zambian Civil Servants. The study used spearman correlation analysis to statistically determine the effect of financial literacy on retirement planning. From the results, the study found that financial literacy level was low among the civil servants in terms of understanding interest rates, investments, and investing in various options. The results further showed that majority of the civil servants are not saving enough in preparation for retirement. From the spearman correlation analysis, the study found a strong positive relationship between financial literacy and cash saving in a bank; investment in stocks, investment in livestock; having insurance scheme; investment in buildings; and acquiring financial assets. These results imply that improvement in financial literacy will result in improvement in cash saving, investment and acquiring of assets; and this will adequately prepare civil servants for retirement. The study further obtained a strong positive relationship between financial planning knowledge and retirement preparedness. The study therefore recommended that Public Service Pension Fund and other stakeholders should come up with effective programs of providing financial literacy to civil servants in terms of financial savings and investment for retirement preparation. The government should also come up with an effective saving plan for civil servants that can encourage saving with a certain interest.

Key words: ***Financial literacy, financial planning, financial preparedness, investment.***

ACKNOWLEDGEMENTS

First, I thank my heavenly father, God, for the love, support and ever-abiding presence in my life. For truly this far, he has helped and guided me throughout my school life. My gratitude goes to my supervisor Mr Kaira for his constant guidance that helped me at every stage of the study. Furthermore, I recognize the Lecturers of the University of Zambia especially those in the Graduate School of Business for developing skills and knowledge to understand the different academic concepts. My acknowledgement also goes to PSPF for financial support given to me during my studies.

DEDICATION

I dedicate my dissertation work to my family and my friends. A special feeling of gratitude to my loving parents, to my wife and to my children, finally I dedicate this work to my friends for their moral support towards my study.

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ABBREVIATIONS

CSO - Central Statistical office

GRZ - Government of the Republic of Zambia

OECD - Organisation for Economic Co-operation and Development.

LUSE - Lusaka Stock Exchange

BOZ - Bank of Zambia

SEC - Securities and Exchange Commission

PPSF-Public Service Pensions Fund

CHAPTER ONE

RESEARCH BACKGROUND

1.0 Introduction

Financial literacy has been found to be the most important component in achieving a successful adult life as it plays a crucial role in developing not only individuals' financial management attitude, but also attitude about general life (Shim et. al., 2010). According to Lusardi and Mitchell (2013), financial literacy is the ability of an individual to process economic information and make informed decisions about financial planning and wealth accumulation. Worthington (2005) defined financial literacy as the ability to make informed judgments and to take effective decisions regarding the use and management of money. Remand (2010) on the other hand defines it as a measure of understanding key financial concepts. Hence, a financial literate population is able to make informed decisions and take appropriate actions in matters affecting their financial wealth and wellbeing. Previous studies have reported positive effect of financial literacy to financial outcomes such as investment practices and savings (Hilgert, Hogarth & Beverly, 2003). Mullock and Turcotte (2012) indicated that people who are financial literate tend to be more confident of retirement as they understand and accumulate wealth as a way to prepare for retirement. However, some authors argued that individuals are financially illiterate, and that affect their financial, investment and retirement planning decision (Lusardi & Mitchell, 2008; Van Rooij et al., 2011; Lusardi, Mitchell and Curto, 2010). Financial preparedness implies planning on how to gain control of future financial requirements. Kapoor, Dalby and Hughes (1994) noted that planning for retirement in advance can help in gaining a sense of control over one's future. Traditional economic theory posits that forward-looking individuals maximize expected lifetime utility using economic information to build retirement assets over their work lives, as they also increase their savings fast enough to compensate for declines in other sources of income.

However, many retirees often live miserable lives as a result of reduced income upon retirement due to lack of forward planning. One simple and direct way to examine whether individuals look ahead and make plans is to study the extent of retirement planning and how prepared they are (Lusardi 2007). The reduction in income or lack of it may lead to retirees suffering particularly in upkeep and health issues. Even though economic explanations for these shortfalls include dispersion in discount rates, risk aversion, and credit constraints, the empirical literature has however not been able to account for much of the observed wealth differentials (Bernheimer, Skinner & Weinberg, 2001). Thus, pension finance literacy enables individuals to plan for retirement, make proper choices on pension products and contribute effectively in management of their pension schemes (Njuguna and Otsola, 2011). It as well influences the saving behaviour and member participation in pension schemes of individuals and in turn contributes to economic growth of countries (Agnew et al, 2007). Financial literacy is therefore an important component of sound financial decision making and can have important implications on financial behaviour, and financial performance of retirees and Zambia as a country.

1.1 Background of the Study

Promoting financial education has increased in programs used by policymakers as well as instructors who train in business social groups, organizations, and government agencies. It is expected that consumers who have been financially trained should make the best decisions for their families to increase their economic security and welfare. Therefore, financial education is important not only to families and individual households, but also equally to their societies. Financial behavior involves individuals' approaches and attitudes toward money and how it is spent, saved, and invested. The purpose of financial education is to equip people with knowledge which will enable them to manage their finances and provide insights which empower a person or family to achieve their financial goals. Financial management is a complex set of behaviors and decisions with different importance and priorities, which are achieved according to the needs of an individual or family, preferences, and skills. Individuals and families can change their behaviors at different times and for different reasons.

Life cycle investment theories postulate that as individuals progress in the life cycle from being youths to adults and later to retirement, their priorities regarding how they spend their money and the assets they choose to invest in changes. This is because the life cycle of an individual presents changing priorities, needs and capacity to both take risks and deploy funds in different investment vehicles (Bodie et al, 2006). Most of the people around the world including Zambia who have retired now did not have the opportunity to save enough for their old age due to fewer financial instruments available to them. Most people started engaging in business while they were just about to retire or when they have retired (Keizai, 2006). Most of these ventures usually do not survive yet they are always funded by a retiree`s only income, and it means that the little hard-earned retirement savings go down the drain. It is vital to engage in basic retirement planning activities throughout one`s working years and to update retirement plans periodically. Though it is never too late to begin sound financial planning, one can avoid the unnecessary difficulties by starting to plan early. Saving now for the future requires tackling the trade-off between spending and saving (Kapoor et al, 1994).

Thus, this research is expected to contribute to the gap in knowledge as it will give insights into the behaviour of retirees to policy makers as well as pension schemes to enable them tailor services for the retirees to alleviate misuse or loss of money due to poor investment decisions or indecisions.

1.2 Research Problem

Financial literacy is an important component of sound financial decisions as asserted by Lusardi et al, 2008. Financial decision making for example, by entrepreneurs requires an industry- specific kind of literacy that will enable them to run competitive and profitable businesses. The same is no exception to a retiree who has gotten the last pay cheque of their life. Margaret et al (2009) postulated that surveys around the world consistently indicate that financial literacy levels are low in high-income countries and if this is the case then it begs the question of the likely situation in the middle and low-income countries like Zambia. In the same vein, Finscope (2009) survey results revealed that financial literacy levels were very low in Zambia. Moreover, Finscope National Survey of 2007 revealed that less than 1 percent of adult Zambians invested in financial assets like treasury bills, life assurance products and stocks on the Lusaka Stock Exchange (LuSE). In addition, the report revealed a slightly higher investment level with regard to real assets such as land, real estate, agricultural equipment, livestock and own businesses. Therefore, anchored on the foregoing, this study sought to establish the influence of financial literacy on retirement planning.

1.3 Research Objectives

1.3.1 Main Objective

To determine the effects of financial literacy on retirement planning by public servant retirees in Zambia.

1.3.2 Specific Objectives

1. To assess the extent of financial literacy for retirement planning engagement among the Civil Servants in Zambia.
2. To determine the effect of financial literacy on financial preparedness for retirement among permanent and pensionable employees in Zambia.
3. To identify measures that can enhance financial literacy and planning for retirement preparedness among the civil servants in Zambia.

1.4 Research Questions

1. What are the levels of financial literacy for retirement planning engagement among the Civil Servants in Zambia?
2. What is the effect of financial literacy on financial preparedness for retirement among permanent and pensionable employees in Zambia?
3. How can financial literacy and planning be enhanced for retirement preparedness among the civil servants?

1.5 Significance of the Study

To begin with, establishing a link between an individual's financial literacy and retirement planning of civil servants and investment and spending preferences which would help financial institutions design and target the right investment products to help civil servants in financial preparedness for retirement. In addition, the findings of the study would help policy makers in government institutions such as the Bank of Zambia (BOZ), Securities and Exchange Commission (SEC), Lusaka Stock Exchange (LuSE), Public Service Pensions Fund (PSPF) and other stakeholders to design educational programmes towards promoting financial preparedness for retirees. Furthermore, the study would help individual Zambian civil servants understand their investment preferences and attitudes toward risk as well as the effect of retirement planning. Once they have understood their investment profile, they will make informed adjustments to their investment behaviour towards improving financial preparedness for retirement. Lastly, this being an under researched topic in Zambia, the dissertation would serve as literature review for further studies to be undertaken in this field.

1.6 Scope of Study

The study focused on determining the influence of financial literacy on retirement planning. The study assessed retirement planning engagement among civil servants through investments in various investment portfolios; and also tried to assess measures of enhancing financial literacy and planning for retirement preparedness among the civil servants. Therefore, the key areas of focus was financial literacy knowledge, investments and savings, and financial preparedness for retirement. To achieve the overall objective, the study used primary data collected through questionnaires administered to civil servants across government ministries. The study also used the secondary data from literature review to effectively achieve the overall objective.

1.7 Thesis Outline

The thesis is organised in five chapters: chapter one brings out the introduction and background to the study, problem statement, research objectives and questions, and the significance of the study. Chapter two contains the literature review related to the problem being investigated. These include studies other scholars have written on the study bringing out empirical evidence from various researchers. Chapter 2 further brings out the theoretical and conceptual frameworks; and this include exploring and reviewing the various relevant theories related to the topic, bringing out clearly the logical supported evidence of the causative effects of the variables and the ultimate or final purposed outcome of the study. Chapter 3 outlines the methodology used in the study including clear method of data collection and analysis. Chapter 4 brings out the presentation, discussion and analysis of findings. This chapter presents the actual researched works and results from the field and include explanations, discussions and in-depth analysis of the results and the findings. Chapter 5 gives out conclusions and recommendations of the study. This include drawing of key findings, lessons; observations from the study and measures that can be applied to increase financial literacy and knowledge for financial preparedness.

1.8 Limitation of the Study

One big limitation of the study was the failure to collect primary data from private employees who just retired to determine their levels of financial literacy and how that has affected their retirement preparedness. Nevertheless, the findings from this study that financial literacy has an effect on financial retirement preparedness can be applied by all employees be private or public, as financial knowledge can help all in financial preparedness for retirement.

1.9 Chapter Summary

Chapter one has clearly introduced the research, stating the problem, aim, objectives, research questions, scope, limitations, justification for the study and dissertation structure. The chapter that follows outlines the literature from various researchers and the theories that helped to build the conceptual framework for the study.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

In this chapter, the literature review reveals the findings of other researchers and tries to analyse the findings and see how they can be applied to the current study with regard to the influence of financial literacy on retirement planning. The literature reveals out some of the findings by other researchers which formed a basis for developing this study, and some previous study findings holds true for this current study.

2.1 Review of Similar Studies

Financial Literacy

Financial literacy has been defined by various scholars as given in the introduction. The term financial literacy can further derive its description from the President's Advisory Council on Financial Literacy (PACFL 2008), in the U.S that was convened to improve financial literacy among all Americans. The council defined financial literacy as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. It emphasized the fact that financial literacy goes hand in hand with financial education; which is the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being. A consolidation of various definitions by Mandell (2008) and Lusardi and Tufano (2009) show that financial literacy is a specific form of knowledge, ability or skills to apply that knowledge, perceived knowledge, good financial behaviour, and even financial experiences. Pension finance literacy enables individuals to plan for retirement, make proper choices on pension products and contribute effectively in management of their pension schemes (Njuguna and Otsola, 2011). It also influences the saving behaviour and member participation in pension schemes of individuals and in turn contributes to economic growth of countries (Agnew et al., 2007). Worthington (2006) defined financial literacy as the ability to make informed judgments and to take effective decisions regarding the use of management and money. Remund (2010) on the other hand defines it as a measure of understanding key financial concepts. These authors suggest that a financially literate population is able to make informed decisions and take appropriate actions in matters affecting their financial wealth and wellbeing. To ensure one is adequately preparing for retirement, Di Vito and Postiche (2012) posited that a behavioural preparation process ought to occur. First, an individual must be excited about the prospects of retiring, to be motivated enough to seek information and advice, and to finally take action to save for retirement. The final step generally involves choosing to save in personal retirement savings account, an employer retirement savings program, or both. The stronger the attitudes and behaviours are before taking the final step of saving in retirement accounts, the greater the likelihood that the chosen financial action would be adequate in ensuring a comfortable future retirement. Financial literacy and specifically demographic characteristics will therefore be a key point of consideration in attempts to establish the preparedness of workers for retirement.

2.2. Historical Perspectives of Retirement

In the ancient days, the idea of retirement was seemingly not common because people did not live long. Indeed, one of the previous studies conducted earlier on found that 100% of the Neanderthals could not live up to the age of 50 (Cook, 1972). In those societies people died before they would need to worry about having others to take care of their food and security needs. Therefore, the idea of retirement had to be established when a large portion of the population began to reach older age. According to Fischer (1978), the idea of retirement began to develop as the population of the Romans Empire started reaching 55 years and “gerocomeia” nursing homes were created for the elderly who were retired from active service. In fact, as time went by the Romans and Greeks were required to leave active military service at the age of 60 even though commanders were excluded (Shahar, 1997).

In the middle age, Shahar (1997) explains that very few individuals had the luxury of retiring. As only very few landowners and loyalty could provide pensions for older servants. In some cases, the landowners would provide money for their aging servants at will to support them until death. However, as human cultures started developing and people began to live longer; social institutions were developed to look at the needs of the elderly. Most societies began to give respect to the old people and positions of authorities were accorded to them for they were deemed to have a lot of experiences that would help the society to develop and remain united. For example, Fischer, (1997) argued that in the American society, elderly people were highly respected because of the Calvinistic ideas that, people who lived long were blessed with in the eyes of God. The above reviewed pieces of literature seem only to have attempted to trace the origin of the concept of retirement among western countries. They did not go further to look at ways the retirees should prepare before retirement and how the shifts in the retirement age might impact on the welfare of the employees.

In 1862, Congress passed the General Law Pension System in the United States of America which provided pensions for veterans who were disabled during the wars (Costa, 1998). That piece of legislature provided a milestone for the development of modern retirement schemes in United States and probably the world at large. The new legislation provided soldiers with a guarantee that they would be taken care of if injured or died while on duty. According to this new law, disabled soldiers who were completely unable to continue performing manual labor were entitled to $8 per month for upkeep (Costa, 1998). These country's first pension laws although created out of military expediency, were indeed the first large-scale programs that provided steady income for older Americans. In a nutshell, it is most likely that these ideas about retirement that were developed in America and Europe spread out to other countries around the world. As such, most countries today allow its citizenry to leave employment at an official agreed age with accompaniment of financial and other fringe benefits.

Today retirement is regarded as an important stage in human development all over the world when people are supposed to leave their jobs upon attainment of a certain statutory retirement age. As such, the topic of retirement is seemingly becoming an interesting research focus in our contemporary society, for it is an important phase of life or life event, that brings many challenges in terms of changes and adjustments in lifestyle, self-esteem, friendships, and vocation. In this regards, Odu (1998) observed that people who plan their retirement in advance adjust well to retirement, and they are likely to go through it as an honeymoon phase in which they are quite active or may go through an "R and R (rest and relaxation)" phase of recuperating from the stresses and strains of employment. To achieve this type of life of rest and relaxation during retirement period one has to adequately prepare for retirement, and this requires financial literacy.

In trying to construct the true meaning of retirement, various scholars have come up with different definitions of the term. Such important definitions include; Petters (2008) who defined it as stage of leaving a job at a specified period of time after putting in some number of years of one's productive years or after attaining a given statutory retirement age in the public sectors of the economy. Osuala (1985) saw retirement as is a major stage in adult development and it
essentially marks the split from middle years to old age. Therefore, the term retirement can simply be defined as a phase in one's professional carrier when an individual is required by law to stop working and get compensated. In view of the above, retirement could therefore means the act of leaving either formal or informal employment where one used to draw bread and butter from; hence it can pose a threat to many workers who may not know what to do with their time and lives after retiring from active service (Blunt, 1983). It is therefore likely that, most of retirees across the globe face numerous social challenges as such many countries have come up with measures to cushion the impacts of this critical transitional period in life. One of such measures includes increasing the statutory retirement age for workers to allow people to continue working even in their 60s and in some cases 70s so that they continue having steady flow of cash in their old age. This study is also expected to provide some remedies to the suffering that retirees go through after retirement. The above literature review has offered historical insights on the topic under investigation by revealing how the phenomenon has evolved over the years to our modern times.

2.3. Legal Retirement Age: Globe Perceptive

According to Maji (2014), retirement age for public service workers across the world differs; however, it is within the rage of 50 and 70 years. In most cases, factors that determine the country's average retirement age include life expectancy, and other numerous socio-economic attributes. With regards to the demographic changes, a study conducted by Bloom et al (2010), observed that life expectancy has tremendously increased between 1965 and 2005 by almost 9 years in 43 selected countries around the globe. To this effect, various countries have recently raised their normal retirement age to swiftly respond to these new demographic changes. It appears that the study conducted by Bloom et al (2010) only attempted to show the impacts of new demographic trends on social protection for the elderly people. It did not go further to address challenges of high statutory retirement age for public service workers like civil servants around the globe.

In the United Kingdom, the State Pension (2014) reports that on the agreed timetables, the pensionable age for men and women will be harmonized at 65 by 2018. Thereafter, it will be raised for both men and women to 66 by 2020 and 67 by 2028. It is further expected to be at 68 around 2030s under the principle that future generations should spend approximately one third
of their adult life in retirement. According to this report it is clear that, in the United Kingdom people at the moment are allowed to work in their old age and that the country's statutory age for retirement is flexible and subject to change in response to social demographic factors. Previously, International Longevity Centre Globe Alliance (2011) reported that, the British government intends to increase the state pension age to 70 years in the near future. However, such radical changes have received criticisms from other quotas of the society for example, generally older people's groups have argued that the laws are discriminatory, and of course out of-step with efforts to increase the age at which people can access state pensions.

Experiences of France also have a lot to offer to the current study. ILO Globe Alliance (2011), reports that some public service workers in France can continue being in formal employment until the age of 70 according to the 2008 pension laws. However, there were special retirement plans for employees of some government owned corporations such as military, the police, energy companies, public transport workers, and parliamentarians who could retire as early as 55 or even 50 years. This category of employees in France enjoys special retirement plans which have lower retirement age and require fewer working years for full benefits. These plans have much more alarming support ratios than the private sector schemes and thus require significant taxpayer funding.

The reforms passed in October 2010 in France have brought further changes in the statutory retirement age which has seen a gradual increase in the age at which people can access full retirement benefits from 60 to 62 for those born after 1955. It was expected that after 2017, it would not be possible to retire before the age 62 in France. Moreover, the eligibility age for a full social security pension irrespective of contributing years is likely to increase to 67 years (ILO Globe Alliance, 2011). France’s pension laws seem to be slightly similar to that of the United Kingdom in that, retirement age varies according to occupations and generally employees are allowed to work in their old age.

According to the United States of America Office of Personnel Management (2012), retirement age for public service workers seemingly vary according to states. For example, some states like Illinois and Missouri have increased their retirement age to 67. A study conducted by Gallup's annual Economy and Personal Finance survey (2014) found that, average retirement age in the United States was 57 in the1990s; however, from 2002 to 2012 the average retirement age has been around 60. It was further noted that retirement age increased to 62 two years later owing to baby boomers that are seemingly reluctant to leave employment. These reports indicate that the retirement age in the United States is likely to continue to be raised in accordance to demographic changes. However, it appears that the reports did not high lights possible consequences of such upwards adjustment on the American workers so that other countries like Zambia could learn from their experiences.

Away from the United States of America, review of literature further shows that retirement age for public services workers in Australia varies substantially with occupations and industries. However, the standard retirement age for worker is at 65, hence any employee who decides to leave work before the standard age of 65 faces reduced superannuation payments (Chris and Mathias, 2010). The study further established that in that country working beyond the age of 65 was relatively uncommon as the findings revealed that labour force participation rates of 55 to 64 year old workers was above 60%, while less than 20% of the population aged 65–74 years participates in the labour force (Chris and Mathias, 2010). The above findings show that the statutory retirement age in Australia is generally high as compared to that of the United States of America and most of the Austrians tend to go on normal retirement so that they probably get full retirement benefits. Although, Chris and Mathias (2010) seem to have offered insightful experiences to the current research, it is important to note that their study did not adequately investigate challenges that young and older employees were facing in various occupations as a result of high statutory retirement age.

Elsewhere, Casey (1998) showed that Japan was among the very high level of labour force participation of its older workers (especially older men) in Asia. According to the findings of his study, about 37 percent of older men (between 60 and 65 years) participate in the labour force and were all economically viable. Similarly, Fujioka (2008) observed that Japan indeed was one the first countries to come up with labour laws that allow re-employment in 2006 with a view of helping out the poor. These new legislations focused on performance-based management contrary to the traditional lifetime employment system where workers were assured of promotions and pay raise as they grew older regardless of their performance. It is quite clear that the focus the above studies was to access adult participation in the labour market without going further to explore challenges that these adult workers were actually facing as they were interacting with young employees in workplaces.

In Singapore the Ministry of Manpower (2011) reported that, the government had taken radical measures to cope up with long life expectancy of its citizens. In doing so, the Ministry introduced the Retirement and Re-employment Act and not necessarily increasing the retirement age beyond the current age of 62. The Ministry noted that the mere upward adjustments of the retirement age only may not be effective in reducing societal retirement costs. Hence, the new bill enabled both the employees and employers to make ideal adjustments to terms and conditions of work to respond to their needs for example; older workers willing and capable of working beyond the normal retirement age could so easily do so (Ministry of Manpower, 2011). In this regard, Singaporeans workers were at liberty to retire or continue working upon reaching the age of 62. The situation in Singapore looks different from Zambia because in the former employees could retire and apply for reengagement while in the latter, workers are expected to leave employment at the age of 60 or continue working until the age of 65 and once retired there would be no room for reengagements. Most importantly although the Ministry of Manpower (2011) in Singapore brought the above revelations, it did not report how workers especially teachers have reacted to the new bill on retirement regulations.

An empirical study conducted by ILO Globe Alliance (2011) in Netherlands brings important insights to this study that formal retirement age in that country varies over occupations and industrial sectors, however in practice there are numerous possibilities for early retirement. It was established that some workers were forced to go on early retirement at the age of 55, while other continue working until 65 years. As an employer itself, the state has a formal retirement age of 65, except for army personnel, the police among others who have much lower retirement age. However, recently the state has opened the possibility for workers to continue working with pay even after the age of 65, but this possibility is not widely known and not much used yet. Moreover, there were serious discussions to increase the retirement age from 65 to 67 in the year 2020 owing to increasing longevity and improved health conditions (ILO Globe Alliance, 2011). In view of the above trends the study observed that, the potential retirees need to be engaged in retirement programs at the earliest possible time. Revelations made by this study indicate that retirement systems in Netherlands are a bit flexible as there are provisions for early or late retirement depending on the employee's choice and nature of employments. This is not different from the current set up in Zambia for all Civil Servant that joined Government before 2015 when the retirement age was adjusted. However, the study neglected to appreciate the views of employees on the proposed changes.

Regional literature has also a lot to offer to this study, for example Maji (2014) explained that in Nigeria, the statutory retirement age is entirely dependent on the sector. The study noted that the Retirement Age Harmonization Act of 2012 puts the retirement age of judicial officers and academic staff of tertiary institutions at 65 and 70 years respectively because of the belief that "the older, the wiser" in those sectors. Hence, it was noted that staffs in tertiary institutions apart from professors who retire at 70 irrespective of years of service, have sixty-five (65) years or thirty-five (35) years of active working service. However, generally in the formal sector the statutory retirement age is fixed at 60 or thirty-five (35) years of unbroken active working service before retirement while in the private sector, retirement age varies between 55 and 60 years of service.

In South Africa, ILO Globe Alliance (2011) observed that two retirements ages exist in the formal sector: 60 and 65 years. Therefore, employees can retire from the public sector at one of the above ages. Surprisingly, in South Africa, the government and other sectors argue that senior personnel must vacate positions to make way for younger workers. If anything, there were plans to lower the retirement age for men from 65 to 60 years. This is contrary to what is obtaining in Nigeria where the government wanted to keep old workers so that they continue offering their much-needed experiences. Although, the move seemed to close up gender disparities in the public sector, some critics may argue that it is step going backward considering the global trend of increasing the retirement age.

Experiences from Zambia have shown that, retirement age for public service workers including Civil Servants has changed over the years; for example from the time Zambia got her political independence in 1964 retirement age used to be at 65 year for males and 60 years females until 1986 when it was reduced by the Zambian Government to 55 and 50 years (for males and females) in order to make the public service pension schemes more effective (Tordoff, 1979: Kamwengo, 2004). However, there were still provisions for early retirement across the public sector. In jobs like the armed forces, employees were allowed to go on much earlier retirement due to the nature of work. With the emerging of global demographic challenges as a result of aging, the Zambian government in 2014 found it necessary to increase its statutory retirement age for public service workers that include Civil Servants that are members of PSPF from 55 to 65 (Government of the Republic of Zambia, 2014). However, these changes were received with mixed feelings among various stakeholders thereby prompting the Government to revise the new retirement age to provide for three options: 55 years early retirement, 60 years normal retirement and 65 years late retirement. It should be noted that the defense forces personnel were not affected by these changes.

2.4 Financial Preparedness among Permanent and Pensionable Employees

Agunga (2018) defined pension as a periodical payment and/or a lump sum reward on a contractual legally enforceable agreement between an employer and an employee or any other sum payable gratuitously by the government, employer of labor or organization to its employee in consideration of past services rendered upon cessation of employment. Ejikeme (2014) explained that pension is critical to how a worker will live after retirement. Pension is simply the amount set aside either by an employer or the employee or both to ensure that at retirement, there is something to fall back on as income. It ensures that at old age, retirees will not be stranded financially; rather they will have socio-economic value to society at large and meet their social needs in particular. It is perceived that most working people do not prepare for retirement and certain opportunity structures specific to retirement finances, like pension plan availability or access to an employer sponsored plans help set the stage for adaptive savings decisions (Ian, *et al*., 2009).

The reality that many retirees experience lifestyle change after stopping formal employment is evident in the literature. Poterba (1996) observed that many households retire without proper financial preparation. Lusardi, Skinner and Venti (2003) also indicate that many individuals encounter late life financial shortfall that stems from failure to set aside enough personal savings during their employment years. Di Vito (2011) opine that as individuals approach retirement age, the question of whether they are financially prepared becomes top on mind. The situations of an individual unpreparedness are exhibited by the continued work involvement after retirement age. This situation is necessitated by several factors like; employers moving away from offering traditional defined benefit plans (pension plans), social security benefits being decreased and delayed, increase in life expectancy alongside a decrease in average age of retirement and old age dependency.

Everyone dreams of a retirement life with tonnes of financial protection, relaxation, and peace of mind. However, this dream can become a reality only if one has saved enough during their active (younger) working life; it requires serious preparation and deliberate evaluation of one's position at every point. Thinking about retirement in advance can help in understanding the retirement process and in acquiring a sense of mastery over the future (Kapoor et al, 1994). Retirement planning has been defined by Megara (1999) as a systematic means of putting aside resources (finances), business project and time for the purpose of providing income in the future years.
Reilly and Brown (2006), argue that, 'occasionally the current money income does not precisely adjust or balance with the consumption desires for any individual. Now and again, an individual may have more cash than he or she would need to spend. At different circumstances, an individual might need to expend more than he or she can bear. These uneven characters will prompt either saving or borrowing to maximise the long-run benefits from one's income. When current income exceeds consumption, an individual saves the excess. He or she can choose to put the money under the mattress or bury it in the backyard until some future time when consumption exceeds current income. When he or she retrieves the savings from the mattress or backyard, he or she

has the same amount that was saved. Another possibility is that an individual can give up immediate possession of his or her savings for a future larger amount of money that will be available for future consumption. What one does with savings to make it increase over time is called investment. According to Winger et al (1995), an investment is the commitment of funds now for a period of time in order to derive future payments that will compensate the investor for: the time that funds are committed; the expected rate of inflation; and the uncertainty of future payments. Winger et al (1995) further asserts that investing is serious business. The standard of living people enjoy in the future may depend on their investment success (or failure) today.

Differences in individual traits, such as the propensity to plan, contribute to differences in wealth holdings for otherwise similar households (Lusardi and Mitchell, 2007a, b). Lusardi and Mitchell (2007a) document evidence among U.S. respondents nearing retirement age that the mere fact of thinking about retirement results in households being much better prepared in terms of financial buffers. This means providing adequate early retirement warnings to civil servants in Zambia and other developing countries can change the attitude towards saving and investment. Research shows that many employees are too optimistic about expected replacement rates as in reality, existing retirement plans are mostly inadequate to fulfill desired consumption paths (Van Duijn et al., 2009; Binswanger and Schunk, 2008).

In the 2015 survey made by the Employee Benefit Research Institute in the United States of America, (37%) thirty-seven percent of retirees were very confident about having enough money to live comfortably throughout their retirement years. Achieving financial well-being in retirement requires a certain degree of financial knowledge, but many were lacking such skills (Boddy et al., 2015) and this could jeopardize one’s financial well-being. Similarly, many Zambians have poor saving skills, and this is a reason there now many saving programs just to encourage citizens to be saving. Zambia as a country has poor savings culture and hardly prepare for retirement, and moreover, social security in Zambia has failed to provide enough income for retirees; coupled with delay of years in receiving the retirement package. As at 2019 the waiting period for retirees to access their retirement package at PSPF stood at about 800 days. The delay to paying retirees was mainly attributed to delayed

funding by the Government. It is therefore important that saving and investment be encouraged to many Zambians through financial literacy programs.
Financial behaviour could be an important component in defining financial well-being. Joo (2008) indicated that since an individual's financial well-being can be either objective (as measured in terms of income, assets, etc.) or subjective (as measured in terms of financial satisfaction), it makes sense that financial behaviour should improve financial well-being. Therefore, improving financial literacy influences behaviour towards good financial well-being.

Farzana, Mousa and Mona (2015) findings document a significantly positive and economically meaningful association between financial sophistication and planning for retirement. While this positive association is an important observation, the study attempted to assess the causal impact of financial literacy using information on economics education when young. The study found a strong causal impact. Adam, Frimpong and Boadu (2017) study results revealed that financial literacy, retirement planning and family support significantly impact the financial well-being of retirees. More importantly, the effect of family support, financial literacy and retirement planning on retirees' financial well-being was strong. The findings imply that financial literacy and retirement planning should be promoted. In addition, policies aimed at bridging social cohesion and promoting family values should not be ignored in order to maximize financial well-being of retirees. This study provided evidence on the effect of financial literacy and financial planning on the financial well-being of retirees.

Huston (2010) in a study measuring financial literacy showed that a person who is financially literate, that is he/she has the knowledge and the ability to utilise the knowledge, may not exhibit predicted behaviours or increases in financial well-being because of certain influences. Such impacts could come from behavioural/cognitive biases, self-control problems, family, economic, community, and institutional factors. However, Sabri, Cook, & Gudmunson (2012) found that financial literacy significantly influenced students perceived financial well-being. Taft, Hosein, Mehrizi & Roshan (2013) in their study on financial literacy, financial well-being, and financial concerns revealed that higher financial literacy leads to greater financial well-being. Thus, for financial well-being to be achieved financial literacy is needed.

The relationship between financial literacy and pension preparedness in the informal sector in Kenya was investigated by Ade (2013) using a stratified random sample of 30 traders in each of the selected markets from Nairobi. In each market, five informal sector traders were randomly selected from small scale trader categories namely second-hand clothes dealers, small shops and kiosks, Jua Kali artisans, hawkers, fruits and vegetable vendors and food processing kiosks. The study revealed that retirement preparedness is explained by financial literacy, age, income and highest education level. The study notes that there is a statistically significant positive relationship between financial literacy and retirement preparedness. Thuku and Ireri (2013) investigated how retirement information influences retirement preparation amongst 370 prospective retirees aged fifty years and above from both the private and the public sectors. Pearson product moment correlation between retiree's access to retirement information and preparation for retirement indicate a significant moderate negative linear relationship between the variables. The findings inferring that as retirees' access to retirement information increases, their retirement preparation decreases which is contrary to other studies.

The association between financial literacy and retirement planning in Russia was investigated by Klapper and Panos (2011). With a correlation matrix, a significant and positive association between savings for retirement and all financial literacy measures was established. Instrumental variables indicate that the measures of financial literacy exert a positive impact on private retirement planning. Paradoxically, continuing to work after retirement is also positively correlated to correct financial literacy responses. This finding therefore suggests that financial literacy influences retirement planning though at the same time, financially literate individuals who have planned for retirement are not willing to retire which means that there may be other considerations for the willingness to stop actively working after retirement.

Financial literacy has been discussed at length as one of the factors that influence retirement savings behavior and has been given prominence as a means of increasing voluntary retirement savings (Van Rooij et al, 2011) because saving for retirement requires people to picture their retirement future. Individuals that are financially illiterate report worse outcomes on their financial, investment and retirement planning decisions (Lusardi et al, 2010, Sang et al., 2014).

Bucher-Koenen and Lusardi (2011) examined financial literacy in Germany using data from the survey and found that knowledge of basic financial concepts was lacking among women, the less educated, and those living in East Germany. The study further compared those with low income and education in the East Germany with their counterparts in the West and found low literacy level and thus accumulates low retirement wealth. They therefore concluded that there was a positive impact of financial knowledge on retirement planning.

In Netherlands, Van Rooij et al. (2011) developed a customized survey with a large set of questions to measure financial literacy and retirement planning confirming that a strong correlation between financial literacy and retirement planning exists. In Malaysia, Mahdzan and Tabiani (2013) surveyed a sample of 200 individuals in to examine the factors that influence individual saving with focus on financial literacy and concluded that people with high financial literacy level are more likely to save as compared to those with low literacy level.

Behavior and Attitudes

Four major characteristics have been established to examine household savings behaviors
(Lusardi, 2003). These characteristics are:

1. Expectations about the future: This refers to how the individual sees himself or herself in the future. For example, when a person speaks about their future expectations, they may be referring to the probability that home prices will increase, social security will become less generous, and their income will increase as they grow professionally. In addition, an individual may also anticipate having to provide major financial help to family members in the next ten years.

2. Past economic circumstances: Past economic circumstances directly influence everyone's behavior. Some of the negative shocks include, losing their jobs, unforeseen medical emergencies that made it difficult to meet financial needs, or financial hardships that one may have experienced. The positive financial gains include receiving inheritances, collecting money from insurance settlements, or unexpected financial gifts and awards such as the lottery.

3. Preferences: Lifestyle choices such as smoking, and drinking can adversely affect savings behavior. They create additional expenses and can make saving difficult.

4. Pension and Social Security Wealth: Many individuals still rely on social security. However, it is important to realize that this option may not be available due to the scarcity of resources reserved for current and future retirees. Furthermore, everyone will have a different attitude or behavior when it comes to saving for retirement. There is a link between an individual's retirement confidence and their actual planning for retirement (Kim et al, 2005). If an individual feel that he or she is well prepared, then they are likely to be confident about retirement and subsequently this will lead to a positive outlook towards retirement.

Research indicates that decision-making techniques impact the behavior associated with retirement planning. There are four behavioral categories, which may hinder individuals to becoming financially secure. The categories are informational issues, heuristics and biases, intertemporal choice and decision context. Informational issues - refers to the availability of information, which can alter an individual's decision making; heuristics and biases are the thought processes behind an individual's decision. Intertemporal choice is the psychology behind decision making; and decision context is how individuals make decisions depending on how the information is presented or compared to other alternatives. As individuals, we encounter these decision-making behaviors more often than we may realize. For example, information issues occur when an individual turn to someone they feel is more knowledgeable for an answer or avoids making a decision because all relevant information is unclear or unknown (Knoll, 2010). Therefore, financial literacy can help civil servants in equipping them with knowledge and skills for understanding and searching for financial information to help them make better financial planning decisions.

Family members who have experienced pleasant or unpleasant financial events can impart financial literacy. Planning for retirement is shaped by the experience of other individuals like siblings, parents or oneself (Lusardi, 2012). Some authors focus on parental influences as they analyze background. Researchers have documented that college students are highly influenced by parents in their monetary habits. In fact, it was found that 94% of students ask parents for financial advice. Once they see the interest accruing, they get a real understanding of the purchase cost. Once this realization occurs, the student then adjusts to either make higher payments or pay it off all at once. Many times, pulling from the past experience allows an individual to either make better decisions or to avoid a potentially disastrous situation. The final result of Jorgenson's research illustrates that those students who were taught to manage their money effectively at a younger age, were more financially responsible, as opposed to those students who had learned little or nothing from their parents. A study targeted towards young adults determined that these individuals are highly influenced by their parents Jorgenson et al, 2010).

2.5 Critique of Existing Literature

Financial literacy has attracted increasing attention due to its role in financial decision. While many studies have provided documentary evidence suggesting that financial literacy has positive effect on retirement planning; there is surprisingly little academic evidence especially in developing countries like Zambia with exception of few studies like in Kenya, but whose objectives were not only on financial literacy but also other social economic factors. Despite the gap in literature which this study was trying to bridge; the study findings in the literature provided may hold true for many developing countries in Africa and worldwide. The literature also highlights socio-economic factors that may influence retirement planning.

Table 2.1 Empirical Studies Matrix

Auther(s)	Article/Research paper	Methods	Findings and Gaps
Adam, Frimpong and Boadu (2017)	Financial literacy and financial planning: Implication for financial well-being of retirees	A cross-sectional survey strategy was employed on 400 respondents randomly selected from 1500 members of the association to analyze the effect of financial literacy, financial behaviour, family support, number of dependents and retirement	The results revealed that financial literacy, retirement planning and family support significantly impact the financial well-being of retirees. The gap in this study is that it does not specifically show the effect of financial literacy

		planning on financial wellbeing.	on financial planning.
Huston Sandra (2010)	Measuring Financial Literacy	Prior studies were analyzed emphasizing information related to construct validation. The logical analysis approach to construct validation involved definition of construct, item content, method of measure and scoring procedure.	Established that a person who is financially literate, may not increase financial well-being because of certain influences. Lacked collection of primary data to validate the existing literature.
Taft, Hosein, Mehrizi & Roshan (2013)	The relation between financial literacy, financial wellbeing and financial concerns.	A questionnaire was designed and distributed using random sampling among people. Data was analyzed using correlation test,	Higher financial literacy leads to greater financial well-being and less financial concerns. However, this study was not specific to employees only but to all community members, the target population is different from civil servants
Ade D.P (2013)	The effect of financial literacy on pension preparedness among members of the informal sector in Kenya	This study used a descriptive survey design. Stratified random sampling method was used to pick small scale traders. The sample size for the study was 150 respondents.	The study found out that financial literacy had a significant positive relationship on pension preparedness. However, in this study, the target group is different to civil servants

Thuku and Ireri (2013)	Relationship between Access to Retirement Information and Retirement Preparation among Prospective Retirees in Nyeri, County Kenya	A questionnaire was used to collect data from the respondents. The questionnaire had a Likert-type scale. Pearson correlation coefficient was calculated.	The study found a significant linear relationship between access to retirement information and level of retirement preparation. The study did not explicitly bring out the effect of financial literacy on retirement preparation

2.6 Lessons Learnt

From the literature reviewed, one important lesson is that improving financial literacy will improve financial planning and this will adequately prepare employees for retirement, and this will affect the well-being of these employees after they have retired, especially in meeting their basic needs. The other important lesson from the literature is that financial literacy and financial planning should be promoted together so that financial knowledge is put into practice. Another important lesson learnt was that financial literacy may not always translate into financial preparedness due to different choices, preferences and behaviours that may not result in optimal use of resources, savings and investment.

2.7 Theoretical Framework

The theoretical framework explains the theories making the basis of the study. The theories help to explain the influence of financial literacy on retirement planning and preparedness. This section also brings out the conceptual framework, outlining various concepts that help in understanding the study and developing variables for the study.

2.7.1 The Life Cycle Theory

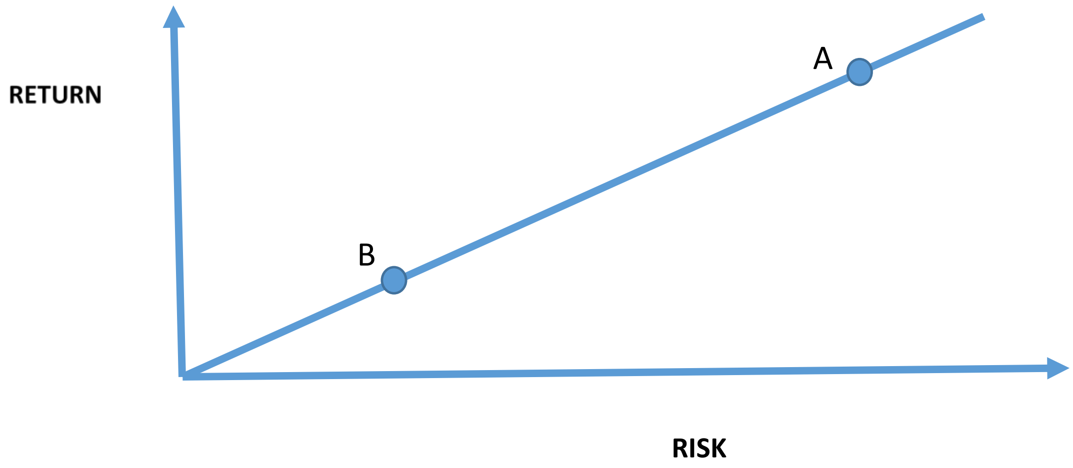
This theory deals with economic decisions on retirement saving in the rationalization of an individual's income in order to maximize utility over his lifetime. Initially developed by Ando and Modigliani (1963), it was based on the conventional economic approach to saving and consumption which assumes that a fully rational and well-informed individual will consume less than his income in times of high earnings (during employment) and will save to support consumption when income falls (after retirement). This type of saving behavior enables households to smooth their marginal utility of consumption over their life cycle. This model assumes the following of the human behavior: that they are forward-looking over their life spans; they can predict the financial resources they will have over their lifetime; they understand something about the financial resources they will need in all periods of their lives; and they make informed decisions about the use of their financial resources. Given that financial preparedness for retirement is future looking, it's important to help civil servants in Zambia to be forward looking individuals and this can be done through providing financial literacy.

2.7.2 Life Cycle Investment Theories

Investment goals and risk capacity as well as financial position change over time for every individual. According to life cycle investment theory, individuals travel through different life stages with different investment goals and risk tolerances associated with them. For the average investor, without taking into account the life cycle approach, the risk/return relationship would be depicted as shown in Figure 1 below. Each individual would have to determine for himself or herself how much risk they want to assume to achieve greater returns, as evidenced by a move to the right on the risk/return line in figure 1.

Typically, younger investors would take a higher risk posture to garner higher returns and build up their wealth (Point A). If losses occur, they have the time to recoup. On the other hand, older investors would stay on the lower end of the risk/return line, preferring to protect existing wealth (Point B). Their investment posture would obviously be tempered from losses incurred in earlier years.

Figure 1.0: Risk/Return Relationships



Source: Bodie and Crane (1999)

According to Bodie and Crane (1999), Franco Modigliani first put forward the "Life Cycle Hypothesis of Income, Consumption and Saving." His paper contended that people move through a progression of dissaving (spending more than they earn in their younger years) to a period of net saving (as wealth increases) to another period of dissaving as they retire and live off previously accumulated financial assets. Inherent in the life cycle theory is that certain types of investments and risk postures are more favourable for certain stages of investors' lives. The theory also recognizes the importance of early planning and anticipation of future financial commitments and cash outflows (such as college expenses). Finally, it stresses the importance of remaining flexible enough to make the appropriate changes in investments as individual progresses from one life stage to another.

The life cycle of every individual consists of four phases. This is in line with the traditional theory of Lifecycle investing, documented by Modigliani and Miller (1999), that each individual will go through various lifecycle stages, in which the investment needs are different. Each phase and its characteristics are depicted in Table 1 below.

Table 2.2 Life Cycle Phases and Characteristics

Phase	Characteristics
Accumulation (20-39)	Early career, small net worth, large liabilities such as house mortgage and credit purchases, illiquid assets. Priorities include accumulating savings for a new home, college expenses, etc. Higher risk posture with long-term investment horizon. (Point A
Consolidation (40-59)	Mid-to-late career. Best income earning years coupled with declining expenses as children leave home and house expenses taper off. Peak wealth accumulation years. Institution of more risk control to protect built up capital. (Point B in Figure 2).
Spending (60- 79)	Retirement years. Financially independent status. Accumulated assets cover living expenses. Low risk posture to convert and protect assets for income generation. (Point C in Figure 2)
Gifting (80 -99)	Realization that accumulated assets exceed anticipated living expenses. Redirection of assets to provide for heirs or other causes. Still low-risk posture to ensure passing along assets with the exception that some people at this phase take on pet projects

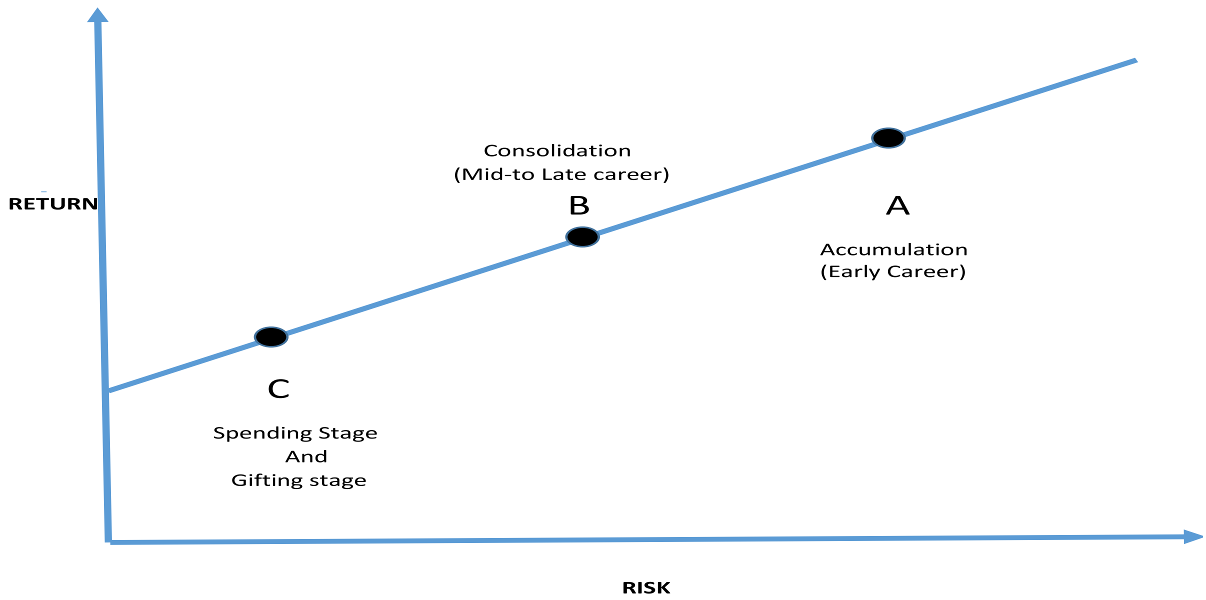
Source: www.rediff.com accessed June 16,2018 14:10 hours CAT

In line with Table 1 above, an individual, when younger, is in the 'accumulation phase' (age 20's and 30's), when the individual is able to invest in higher risk assets and follow an aggressive investment strategy, designed to achieve maximum longer-term growth.

Second, comes the 'consolidation phase', in mid-life (age 40's and 50's), in which the individual is in mid-career, has accumulated assets to cover the important needs of housing and living expenses and is now looking for opportunities to increase wealth generation. In this phase, the individual would have more resources to devote to investment but might want to take a less risky approach.

The third phase is the 'de-accumulation phase' (age 60's and 70's) during which the individual is no longer working and is living on the income and capital accumulated in the first two phases.

Figure 2.0: Risk/Return Relationships at Life Cycle Phases



Finally, there is the 'gifting' phase (age 80’s and 90’s) in which individuals who have accumulated far more wealth than they will need for their own lifetimes, decide to pass some of their assets on to others perhaps as an inheritance, or charitable donations. The theory suggests that, as individuals move through the lifecycle phases, their investment needs and objectives change significantly and, while being able to hold mostly risk bearing assets when young (the theory relies on holding mostly equities, to maximise long term growth), the individual needs to eliminate most investment risk as they grow old.

From the perspective of risk and return relationships, the life cycle stages, and the likely investment behaviour can also be explained in Figure 2 above. From the foregoing theoretical and conceptual considerations, it would appear reasonable to expect retirees’ preferences and thus behaviour should differ based on several factors. These would include the stage in the life cycle, marital status, income or retirement package, the gender of an individual, financial literacy and perhaps the education level of the retiree. While these theories have been proven empirically by research in other countries in the western world, in Zambia very little if any specific research has been undertaken to test these theories. This study may be regarded to be the first in this regard. It must be clearly noted that while individuals in Zambia may not invest heavily in financial assets like equities and debt securities, they still invest in other real assets like real estate, direct investment in businesses and agricultural activities. In addition, what the age bands indicate above may be different from country to country depending on how the life expectancy is skewed.

2.7.3 Behavioral Finance Theory

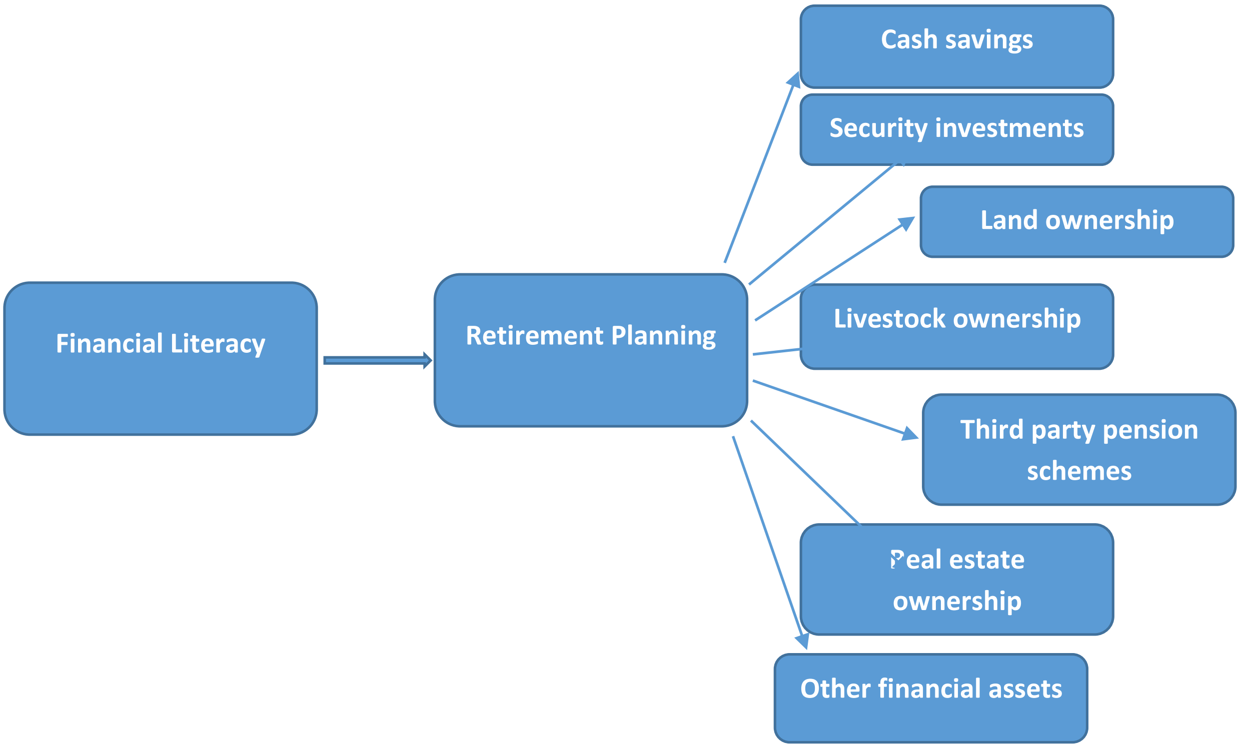
It is argued that some financial phenomena can be better explained using models where it is recognized that some investors are not fully rational or realize that it is not possible for arbitrageurs to offset all instances of mispricing (Berberis & Thaler, 2003). Over the past years, psychologists have found again and again that the usual axioms of finance theory are descriptively false. Raines & Leathers (2011) argue that institutional conducts allow the psychological propensities to drive financial behavior. With rational calculation of long - term yields from investments being impossible, Raines and Leather (2011) argue that investors lack confidence in their own judgment and rely instead on conventional judgement when making decisions. Shiffrin and Statman (1994) amongst other scholars emphasize that behavioral finance literature, identify behavioral decision-making attributes that are likely to have systematic market behavior. As explained by Olsen (1998), there is no existing unified theory of behavioral finance. Behavioral finance advocates recognize that the standard finance models of rational behavior and profit maximization can be true within specific boundaries, but they assert that it is an incomplete model since it does not consider individual behavior. Since Savings and Investments are key financial decisions, this study posits that the savings behavior is influenced by various attributes that are not necessarily the decision makers own judgement. These attributes can be influenced by financial literacy or knowledge.

2.7.4 Prospect Theory

Regret is an emotion that occurs after people make mistakes. Investors avoid regret by refusing to sell shares whose prices have gone down and willing to sell those that have appreciated. Moreover, investors tend to be more regretful about holding losing stocks too long than selling winning ones too soon (Forgel and Berry, 2006). According to prospect theory, people feel more strongly about the pain from loss than the pleasure from an equal gain. People tend to under-weigh probable outcomes compared with certain ones and people respond differently to the similar situations depending on the context of losses or gains in which they are presented (Kahneman and Perttunen, 2004). Prospect theory was developed by Daniel Kahneman, in 1979 as a psychologically realistic alternative to expected utility theory. Kahneman (2003) explain that prospect theory allows one to describe how people make choices in situations where they must decide between alternatives that involve risk. It describes how people frame and value a decision involving uncertainty and therefore they look at choices in terms of potential gains or losses in relation to a specific reference point, which is often the purchase price. Prospect theory describes the states of mind affecting an individual's decision-making processes including regret aversion and loss aversion (Waweru et al, 2003). According to Kahneman (2003), an important implication of prospect theory is that the way economic agents subjectively frame an outcome or transaction in their mind affects the utility they expect or receive. This theory guides the decision making between current consumption and savings for future consumption. This incorporates the usefulness of time value of money based upon discount rates and credit constraints.

2.8 Conceptual Framework

Figure 2.8.1 The Conceptual Framework



Developed by the Researcher, 2019.

From figure 3.0 above; financial literacy in terms of financial attitude, financial behavior and financial knowledge will lead to retirement planning which further lead to retirement preparedness in terms of real estate ownership, having third party schemes, livestock ownership, land ownership, security investments and cash savings for the civil servants in Zambia.

Financial Attitude

Lea DeRosa defined financial attitude as how one reacts towards things such as money, financial obligations, etc. Your money attitude tends to influence your financial attitude.

Jack Tatar is the author of the book ‘’Safe 4 Retirement, is former Financial Advisor and current CEO of GEM Research Solutions believes that one of the keys to living longer, and thriving, in retirement depends upon having a positive attitude. Research has shown that senior citizen who continue to take an active part in their lives and view life in a positive light – those who don’t see retirement as an end but as a beginning live longer and are happier. These are the people who gained the wisdom to enjoy their later years to the fullest, and it will ultimately extend their later years.

Financial Behaviour

This is the ability to capture of understanding overall impacts of financial decisions on one's (ie personal, family, community, country) circumstances and to make the right decisions related to the cash management, precautions and opportunities for budget planning.

According to John Sevacqua, understanding your financial behaviour is a critically important factor to consider when crafting a retirement income plan. For example, if you are inclined to move your investment portfolio towards more conservative investments if you realised losses, you should, consider (A) staying away from risky investments. (B) planning on spending less, and (C) buying insurance that provides a safety net.

Buying insurance can have a positive influence on your behaviour, particularly if you are highly risk averse.

As can be seen identifying your financial behaviour is an important part of creating a thoughtful retirement income plan. So, it is imperative that your behaviour is understood TODAY not something to be discovered in the future.

Financial Knowledge

Financial awareness and understanding about the financial concept and procedures as well as the use of this understanding to solve financial problems. Strong financial knowledge and decision-making skills help people weigh options and make informed choices for their financial situations, such as deciding how and when to save and spend, comparing costs before a big purchase, and planning for retirement or other long-term savings.

If there's one thing we can all be certain of in life, it's having to adapt to change. As Grammy- winning Singer and entrepreneur Jimmy Dean once put it, "I can't change the direction of the wind, but I can adjust sails to always reach my destination."

While you may need to quickly adjust your financial" Sails" occasionally to respond to unexpected life changes, there are many other events that you can prepare for in advance to make future course corrections much easier.

2.9 Chapter Summary

This chapter has explicitly brought out the various literature that helped to form basis for the study. From the literature reviewed, financial literacy is an important component in every society that must be promoted to help individuals of various backgrounds to understand matters related to finances to help them prepare for financial well-being. The theories (e.g. life cycle theory) presented in this chapter also outlined the importance of financial preparation, emphasizing to employees that life changes and that they must make good financial plans for their retirement to be financially well-being. The empirical studies of various researchers have also heighted the significance of financial literacy in ensuring financial preparedness in the future. The chapter that follows explains the methods that were used by the study to achieve the objectives of the current study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research design that was used for the study, the various procedures and processes that were employed to collect and analyse the data. The chapter gives a detailed discussion of the study population, justification, sampling procedure and sample size, instrumentation, data collection procedures and data analysis techniques of the research study. Therefore, it covers the research methodology that was used in the study.

3.1 Research philosophy

Research philosophy is an important part of research methodology. Research philosophy is classified as ontology, epistemology and axiology. These philosophical approaches enable to decide which approach should be adopted by the researcher and why, which is derived from research questions (Saunders, Lewis, & Thornhill, 2009). The important assumptions are present in research philosophy which explains about the researcher's' view regarding the world. These assumptions will determine research strategy and the methods of that strategy **(** By Susweta Guha Thukurta and Priya Chetty on June 25, 2015).

3.2 Research Design

A researcher must have a clear understanding of the various types of research design to select which type of research design to implement for a study. Research designs can also be used to collect, analyse, and interpret data using quantitative and qualitative research. Some of the research designs are brought out by Creswell (2014). Based on the nature of the research problem correctional design and descriptive research was chosen as the research paradigm underpinning the study. This is because correlational research is ideal in providing context, in dealing with many variables, and in establishing the total pattern of relationships (Brown and Hedges, 2009). On the other hand, descriptive design was used in order to come up with some descriptive statistics like frequencies. According to Pilot and Hurgler (1995), descriptive survey aims predominantly at observing, describing and documenting aspects of a situation as it naturally occurs rather than explaining them. The design has an advantage of producing good amount of responses from a wide range of people. At the same time, it provides a more accurate picture of events at a point in time. The study also used causal research design to test the research hypothesis and to determine whether financial literacy has positive effect on financial planning of civil servants. Research design explicitly or implicitly involves decisions about research philosophy, which in turn guides the research approach chosen. Research approach influences selection of strategy of inquiry, which in turn has a bearing on choice of research methods (Mwiya, 2014).

3.3 Target Population and Sampling Technique

The study was carried out with civil servants in Lusaka District who are registered with Public Service Pension Fund (PSPF). The study used simple random sampling to select the civil servants to be part of the study survey.

3.4 Sample Size

The study randomly sampled 150 civil servants obtained from the population of 7,756 who constitute members contributing to PSPF and, came to inquire and access loans facilities at PSPF Headquarters Lusaka between May 2019 to November 2019. The choice of 150 respondents was supported by the rule of the central limit theory, which states that a random sample equal or greater than 30 is able to provide a normal distribution on the characteristics of the population under consideration (Blalock, 1972).

3.5 Data Collection Methods

The study used questionnaires for data collection, and the questionnaires had both, open ended questions and closed ended questions, which are easily understood by the respondents. The questionnaires were administered to civil servants within Lusaka district.

3.6 Data Analysis

The hypotheses of the study were:

3.6.1 Research Hypothesis

H_0: Financial literacy has no effect on influencing retirement planning among the civil servants under PSPF.

H_1: Financial literacy has a positive effect on influencing retirement planning among the civil servants under PSPF.

3.6.2 Operationalization of Hypothesis

To test the research hypothesis, the study employed spearman correlation analysis. Financial literacy was used as the independent variable while retirement planning in terms of real estate ownership, having third party schemes, livestock ownership, land ownership, security investments and cash savings was used as dependent variables.

In the study, statistical package for social sciences (SPSS) version 17.0 was used as a tool to analyse quantitative data from questionnaires, and Microsoft word was used to organise the output and report writing. Data analysis such as frequencies and standard deviations were calculated. The study used Spearman correlation analysis to determine the influence of financial literacy on retirement planning. Spearman correlation analysis is a suitable analysis for determining the strength and direction of a relationship when the variables are ordinal in nature (Hauke and Kossowski, 2011).

The Spearman Correlation Model is;

$$rho = \frac{6\sum d^2}{n(n^2-1)}$$

Correlation analysis measures the strength and direction of the relationship. It therefore a measure of the effect and the strength of the relationship of variables. The strength ranges from 0 to 1 or 0 to -1; from 0.00 – 0.19 it's a very weak relationship, 0.20 – 3.9 weak relationship, 0.40 – 0.59 moderate strong relationship, 0.60 – 0.79 strong relationship, 0.8 – 0.99 very strong relationship and 1.00 implies that there's a perfect positive relationship. This also applies when the relationship is negative and is denoted as; $\mathbf{-1 \leq Rs \leq 1}$.

Table 3.1 Research design Matrix

Research question	Ontologically linked objective	Population ad sampling	Technique for data collection	Technique for data analysis
What are the levels of financial literacy for retirement planning engagement among the Civil Servants in Zambia?	To assess the extent of financial literacy for retirement planning engagement among the Civil Servants in Zambia.	Civil servants under PSPF, and used random sampling.	Questionnaires were used for data collection.	Descriptive statistics
What is the effect of financial literacy on financial preparedness for retirement among permanent and pensionable employees in Zambia?	To determine the effect of financial literacy on financial preparedness for retirement among permanent and pensionable employees in Zambia.	Civil servants under PSPF, and used random sampling.	Questionnaires were used for data collection.	Spearman correlation analysis
How can financial literacy and planning be enhanced for retirement preparedness among the civil servants?	To identify measures that can enhance financial literacy and planning for retirement preparedness among the civil servants in Zambia.	Civil servants under PSPF, and used random sampling	Questionnaires were used for data collection.	Thematic analysis

3.7 Reliability of Research Instruments

Reliability on the other hand refers to the measure of the degree to which a research instrument yields correct and consistent results on across time and across the various items of the instrument (Sekaran, 2003). Reliability is the extent to which an instrument is predictable, stable, accurate and dependable to yield the same results every time it is administered. In order to ensure reliability, the research instruments were carefully reviewed to ensure the data collected is accurate and in line with the study. The analysis used was carefully assessed to ensure that there’s no violation of analysis assumptions.

3.8 Study Ethics

Ethical issues in qualitative and quantitative research include issues such as informing participants of the purpose of the study, refraining from deceptive practices, sharing information with participants (including the role of a researcher), being respectful of the research site, reciprocity, using ethical interview practices, maintaining confidentiality, and collaborating with participants (Creswell, 2014). The questionnaire was carefully reviewed not to include embarrassing questions or threatening statements for the respondents. The study also acquired informed consent of the respondents, and the data collected was specifically used for academic purpose.

3.9 Chapter Summary

The chapter started by first explaining the various research designs and the research design employed by the study. The chapter further outlined the research population, sampling and sample size, data collection process and tools, reliability of research instruments, data analysis and ethical issues observed in conducting the study. The chapter that follows presents the analysis and findings of the data collected, and it discusses the findings obtained in the light of existing literature.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF THE FINDINGS

4.1 Introduction

Chapter four presents the analysis and discussion of the findings. The topic was on the effects of financial literacy on retirement planning; a case study of civil servants under Public Service Pension Fund (PSPF). The study administered questionnaires to 150 civil servants under the Public Service Pension Fund. The presentation is the actual study finding and analysis from the field research work and contains tables, graphs, figures and explanations.

4.2 Descriptive Analysis.

Descriptive **analysis** is used to describe the basic features of the data in the study. They provide simple summaries about the sample and the measures. Together with simple graphical **analysis**, they form the basic virtual of any quantitative **analysis** of data. With descriptive **analysis**, one simply describes what is or what the data shows.

Figure 4.1 below outlines gender of the Respondents.

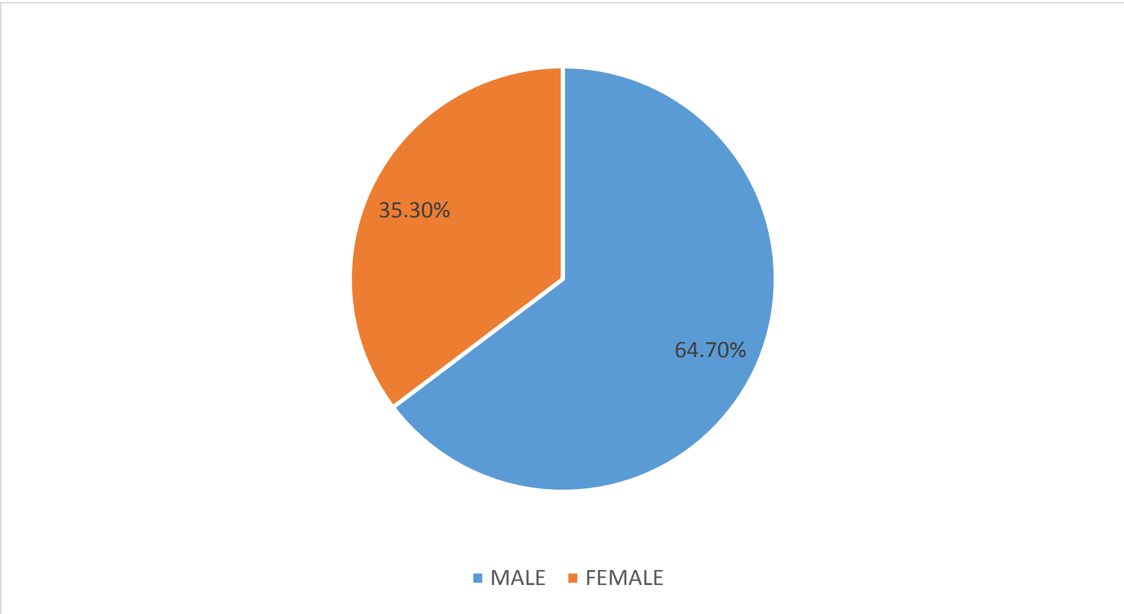


Figure 4.1 above shows the gender of the respondents, in which 64.70% of the respondents were male and 35.30% were female. As the information is showing from the figure above, majority of the respondents were male

Figure 4.2 below outlines the age of the Respondents

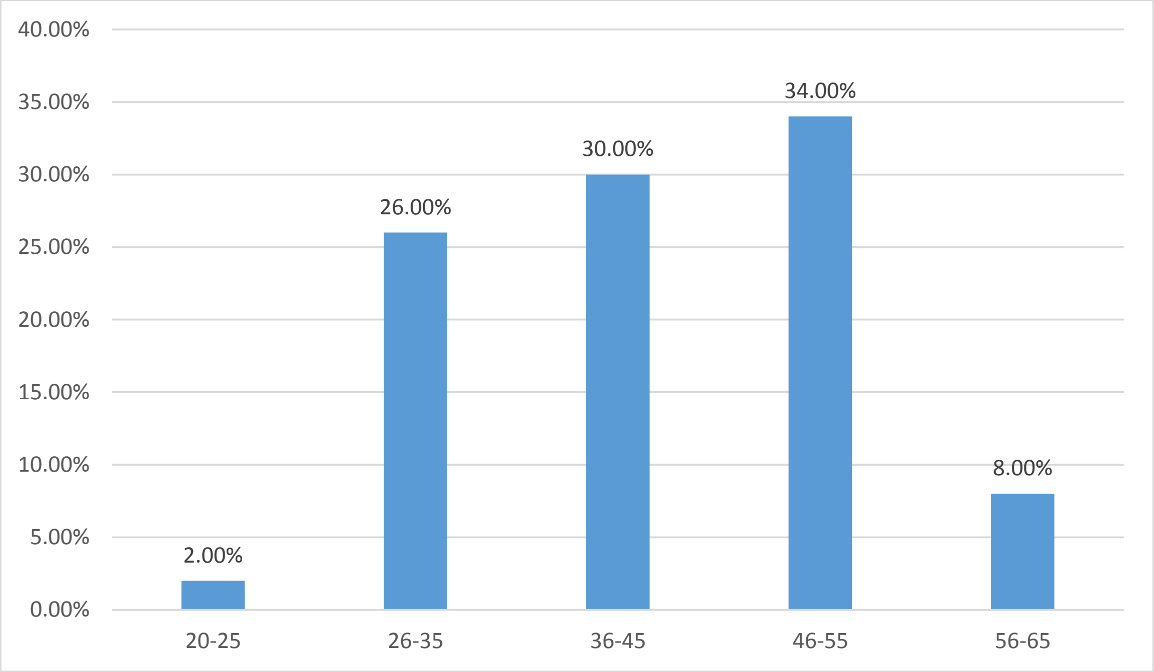
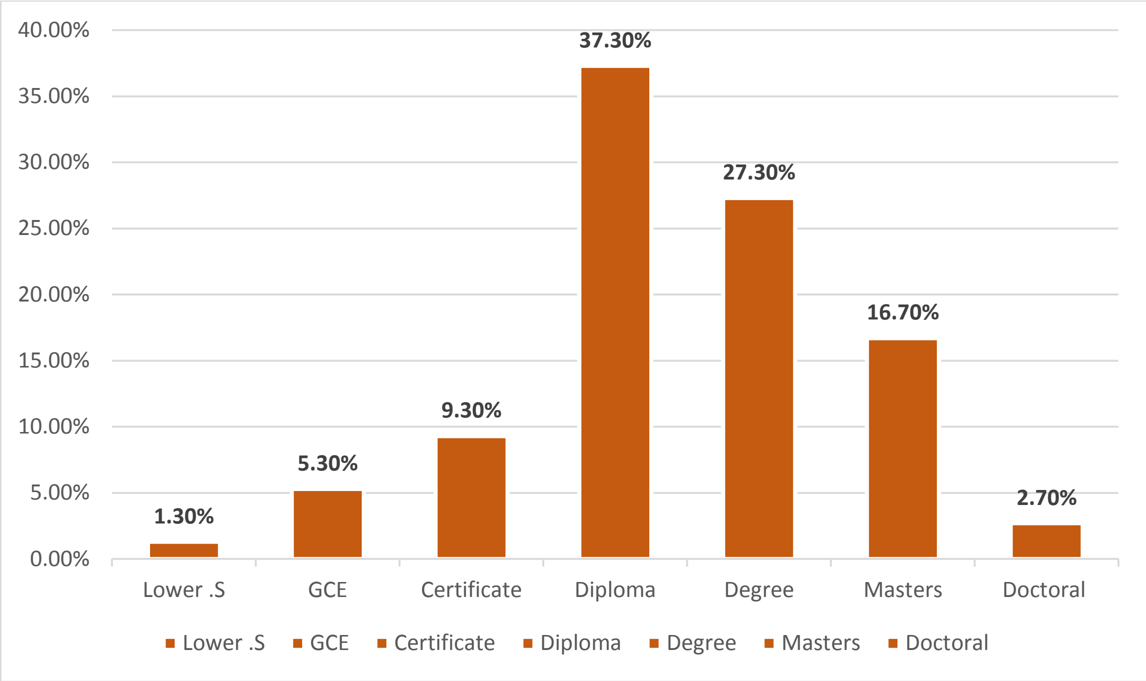


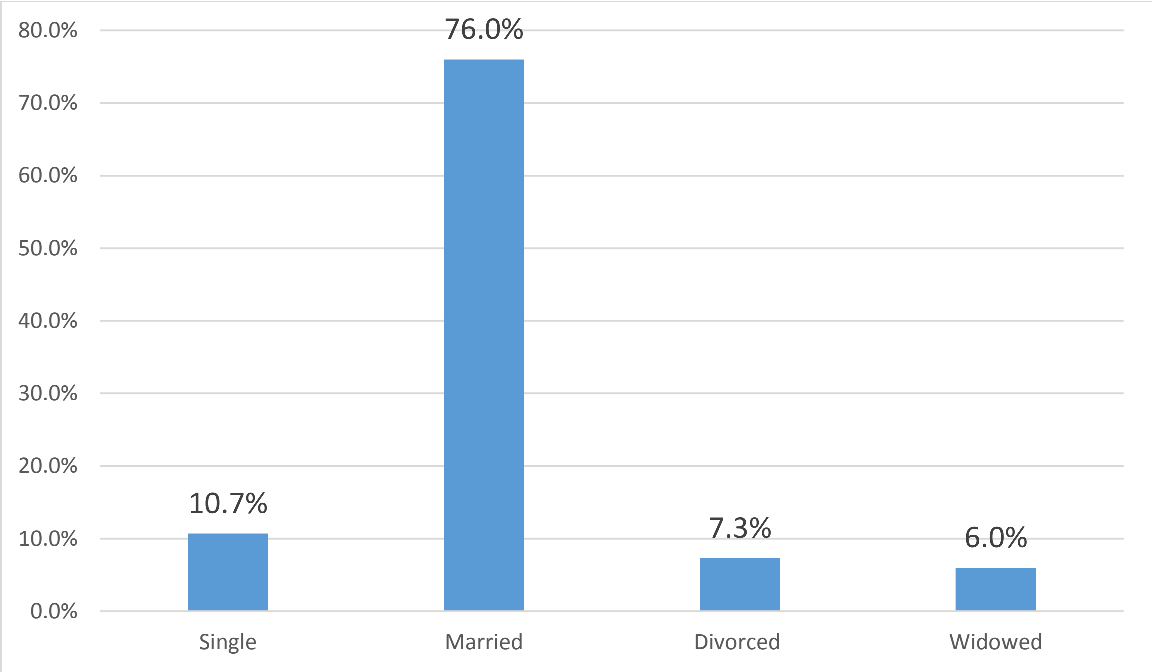
Figure 4.2 above shows the age of respondents. 2.0% of the respondents were of the age range of 20-25 years, 26.0% were aged 26-35 years, 30.0% were aged 36-45 years; 34.0% were aged 46-55 years and 8.0% of the respondents were aged 56-65 years. The majority of the respondents were above 35 years as shown by the information from the figure above. This indicates that majority are no longer youths, hence, these workers need to seriously understand financial literacy and knowledge and should take keen interest in financial planning for retirement preparedness.

Figure 4.3 Respondents' Levels of Education



The figure above shows the level of education of the respondents from which 1.3% of the respondents have attained lower secondary level of education, 5.3% of the respondents had obtained GCE, 9.3% had certificate level of education, 37.3% of the respondents had diplomas, 27.3% of the respondents had degrees, 16.7% had masters degrees and 2.7% of the respondents had doctoral degrees. From these results, majority of the respondents were well educated and should be able to understand financial literacy, financial planning and take interest in retirement preparedness.

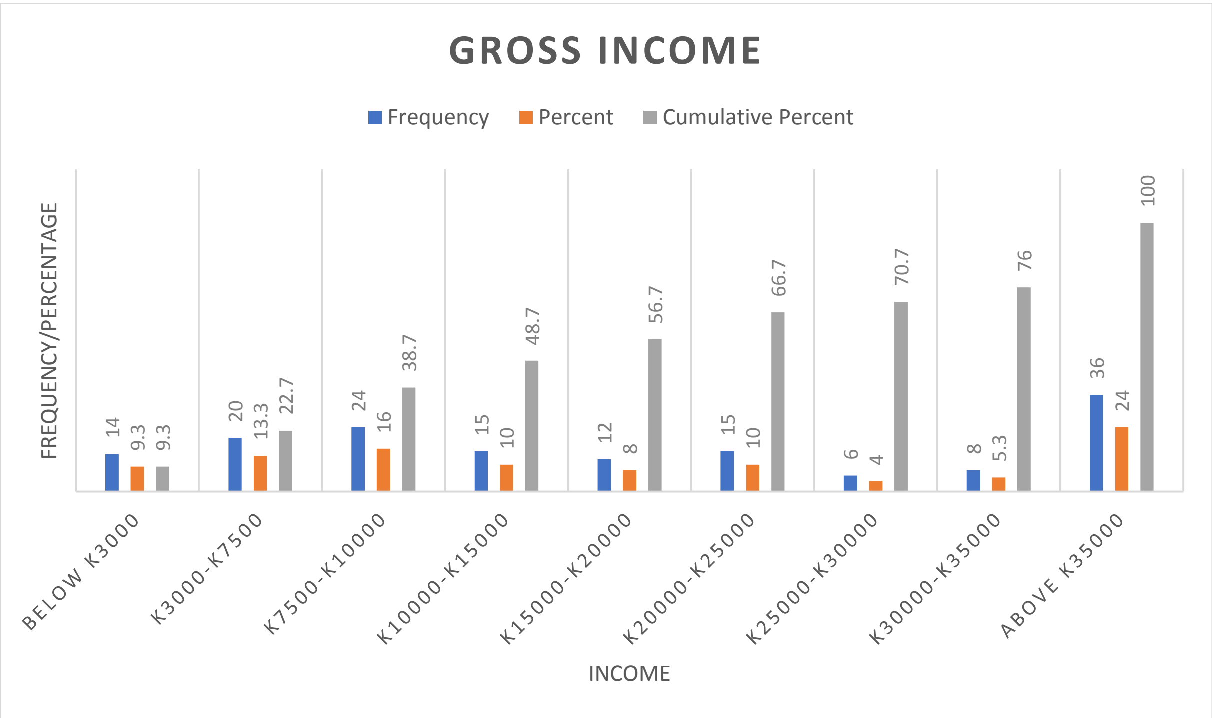
Figure 4.4 Marital Status of the Respondents



From the above figure, 10.7% of the respondents were single, 76.0% of the respondents were married, 7.3% of the respondents had divorced and 6.0% of the respondents are widowed. These results clearly show that majority of the respondents are married, and others are widowed and divorced which shows that they have many family responsibilities and should therefore take interest in financial literacy and planning for retirement preparedness.

Table 4.1 Gross Family Monthly Income

Gross Income	Frequency	Percent	Valid Percent	Cumulative Percent
below k3000	14	9.3	9.3	9.3
k3000-k7500	20	13.3	13.3	22.7
k7500-k10000	24	16.0	16.0	38.7
k10000-k15000	15	10.0	10.0	48.7
k15000-k20000	12	8.0	8.0	56.7
k20000-k25000	15	10.0	10.0	66.7
k25000-k30000	6	4.0	4.0	70.7
k30000-k35000	8	5.3	5.3	76.0
above k35000	36	24.0	24.0	100.0
Total	150	100.0	100.0	

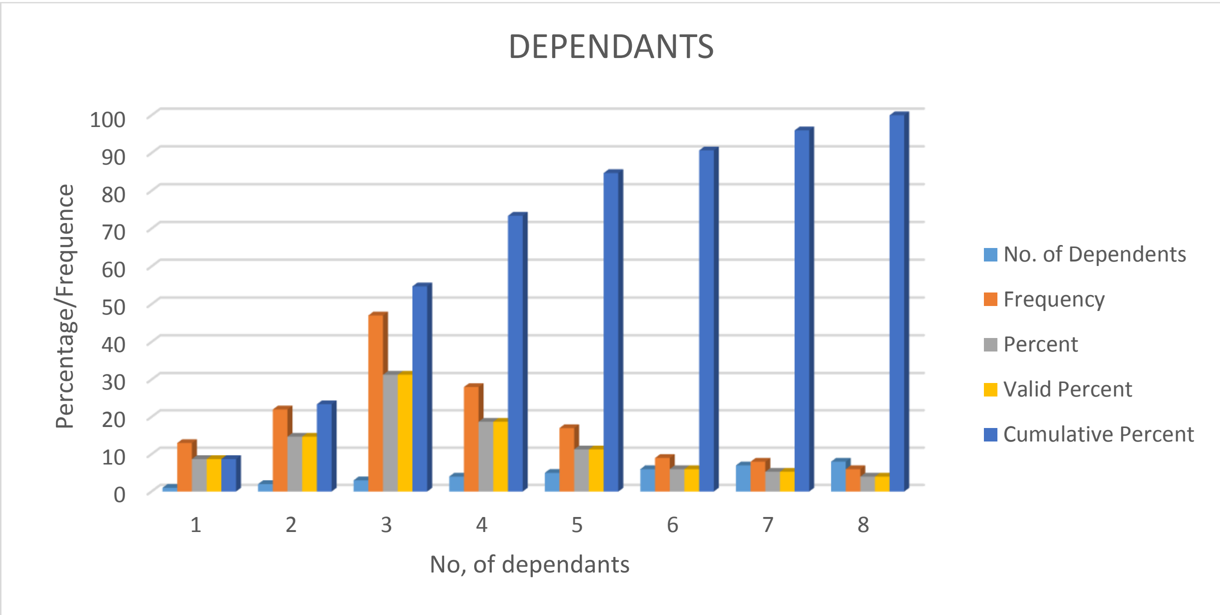


From the above table; 9.3% of the respondents earn a gross family income of less than K3000; 13.3% earn between K3000 -K7500 per month; 16.0% of the respondents earn between K7500-K10,000; 10.0% of the respondents earn between K10,000 and K15000; 8.0% of the respondents earn between K15,000 and K20,000; 10.0% of the respondents earn K20,000-25,000; 4.0% of the respondents earn K25,000-K30,000; 5.3% of the respondents earn a gross family income of K30,000-K35,000; and 24.0%

of the respondents earn a gross family income of K35,000 and above. The income earning observed from these results requires good understanding of financial literacy and planning for retirement preparedness, as the earnings can be saved for investment.

Table 4.2: Number of dependants who directly depend on the Respondent financially

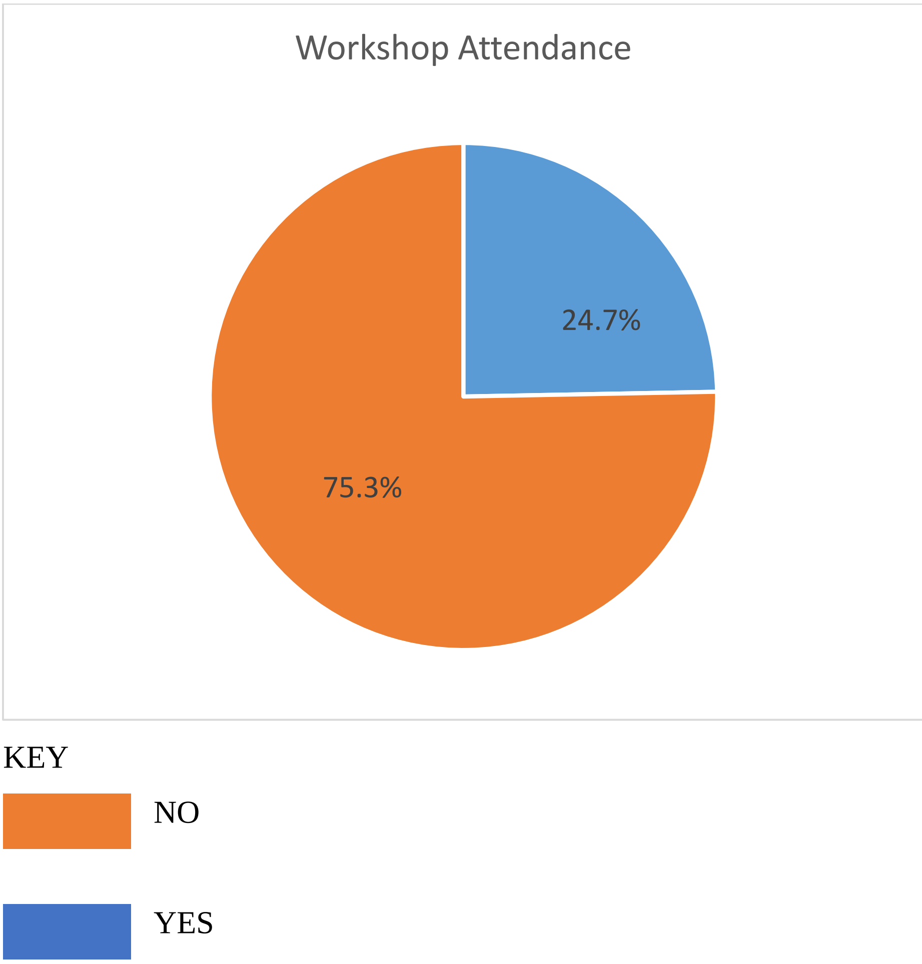
No. of Dependents	Frequency	Percent	Valid Percent	Cumulative Percent
1	13	8.7	8.7	8.7
2	22	14.7	14.7	23.4
3	47	31.3	31.3	54.7
4	28	18.7	18.7	73.4
5	17	11.3	11.3	84.7
6	9	6.0	6.0	90.7
7	8	5.3	5.3	96.0
8	6	4.0	4.0	100.0
Total	150	100.0	100.0	
N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
150	1	8	3.69	1.754



From the above table, the minimum number of dependents was 1 and the maximum number of dependents were 8. The mean was 3.69 (about 4 dependents) and the standard deviation was 1.754. From the frequencies in the above table, the respondents have dependents and should therefore take keen interest in financial literacy and planning, and also in financial preparedness for retirement in order to continue taking care of the dependents.

Table 4.3 Attending a Seminar/Workshop on Retirement Planning in the Last 2 Years

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	37	24.7	24.7	24.7
No	113	75.3	75.3	100.0
Total	150	100.0	100.0	



From the above table, 24.7% of the respondents indicated that they have attended a seminar/workshop on retirement planning in the last two years. 75.3% of the respondents indicated that they have not attended a workshop/seminar on retirement planning in the last 2 two years. These results clearly indicate the need to be providing training in financial planning and retirement preparedness.

4.3 What are the levels of financial literacy and knowledge for retirement planning engagement among the Civil Servants in Zambia?

Table 4.4 I know about Investments in Stock, Bonds and Mutual Funds

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	55	36.7	36.7	36.7
Agree	42	28.0	28.0	64.7
Moderately agree	37	24.7	24.7	89.3
Disagree	13	8.7	8.7	98.0
Strongly disagree	3	2.0	2.0	100.0
Total	150	100.0	100.0	

From the above table, 36.7% of the respondents strongly agreed that they know about investments in stocks, bonds and mutual funds; 28.0% agreed that they know; 24.7% moderately agreed that they know; 8.7% disagreed and 2.0% strongly disagreed. These results clearly show that majority of the respondents know investments in the indicated areas.

Table 4.5 Knowledge of Calculating Interest Rate on Investments

Response	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	38	25.3	25.3	25.3
Agree	35	23.3	23.3	48.7
moderately agree	12	8.0	8.0	56.7
Disagree	42	28.0	28.0	84.7
strongly disagree	23	15.3	15.3	100.0
Total	150	100.0	100.0	

From the above table; 25.3% of the respondents strongly agreed that they have knowledge of calculating interest rate on investments; 23.3% of the respondents agreed; 8.0% of the respondents moderately agreed; 28.0% of the respondents disagreed, and 15.3% of the respondents strongly disagreed; they don't know how to make interest rate calculations on investments. These results show a need for a training in investment and financial management.

Table 4.6 Understanding of the effects of inflation rate on current and future finances

Response	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	14	9.3	9.3	9.3
Agree	43	28.7	28.7	38.0
moderately agree	48	32.0	32.0	70.0
Disagree	32	21.3	21.3	91.3
strongly disagree	13	8.7	8.7	100.0
Total	150	100.0	100.0	

From the above results, 9.3% of the respondents strongly agreed that they fully understand the effects of inflation rate on current and future finances; 28.7% of the respondents agreed; 32.0% of the respondents only moderately agreed, 21.3% of the respondents disagreed, and 8.7% of the respondents strongly disagreed. These results indicate that majority of the respondents don't fully understand the effects of inflation on current and future finances, and this calls for a training on financial management and the effect of inflation to help civil servants make informed decisions towards investment for financial retirement preparedness.

Table 4.7 Understanding of Investment Options for Pension Schemes

Response	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	31	20.7	20.7	20.7
Agree	39	26.0	26.0	46.7
moderately agree	48	32.0	32.0	78.7
Disagree	29	19.3	19.3	98.0
strongly disagree	3	2.0	2.0	100.0
Total	150	100.0	100.0	

Source: Author 2019

From the results above, 20.7% of the respondents strongly agreed that they understand investment options for pension schemes; 26.0% of the respondents agreed; 32.0% of the respondents only moderately agreed; 19.3% of the respondents disagreed and 2.0% strongly disagreed. From these results, majority do not fully understand investment options for pension schemes, and this shows the need for financial investment training.

Table 4.8 Knowledge of Calculating Benefits Due on Retirement

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	11	7.3	7.3	7.3
Agree	27	18.0	18.0	25.3
moderately agree	24	16.0	16.0	41.3
Disagree	69	46.0	46.0	87.3
Strongly disagree	19	12.7	12.7	100.0
Total	150	100.0	100.0	

From the table above; 7.3% of the respondents strongly agreed that they know how to calculate benefits due to them on retirement; 18.0% of the respondents agreed to the statement; 16.0% of the respondents moderately agreed; 46.0% of the respondents disagreed, and 12.7% of the respondents strongly disagreed. This shows that majority of the civil servants interviewed don’t know how to calculate their retirement packages. This calls for training to civil servants, as knowing how much is due for retirement can help civil servants to save enough before retirement and can influence investment pattern.

Table 4.9 Knowledge of Monthly Savings for Retirement Preparedness

Response	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	12	8.0	8.0	8.0
Agree	30	20.0	20.0	28.0
moderately agree	32	21.3	21.3	49.3
Disagree	61	40.7	40.7	90.0
strongly disagree	15	10.0	10.0	100.0
Total	150	100.0	100.0	

From the table above, 8.0% of the respondents strongly agreed that they know how much money they should be saving every month to retire comfortably; 20.0% of the respondents agreed; 21.3% of the respondents moderately agreed; 40.7% of the respondents disagreed; and 10.0% of the respondents strongly disagreed to the statement. This shows that majority of the civil servants do not know how much they have to be saving every month to retire comfortably.

Table 4.10 Saving Enough in Preparation for Retirement

Response	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Strongly agree	19	12.7	12.7	12.7
Agree	20	13.3	13.3	26.0
moderately agree	37	24.7	24.7	50.7
Disagree	57	38.0	38.0	88.7
strongly disagree	17	11.3	11.3	100.0
Total	150	100.0	100.0	

From the above table; 12.7% of the respondents strongly agreed that they are saving enough each month in preparation for retirement. 13.3% of the respondents agreed, 24.7% of the respondents only moderately agreed; 38.0% of the respondents disagreed, and 11.3% of the respondents strongly disagreed. These results show that majority of the civil servants are not saving enough in preparation for retirement.

Table 4.11 Saving and Investments in Various Portfolios

Financial investment Plans	Agreed	Moderately agreed	Total Percent
Have cash saving in the bank	23	39	41.3%
Investments in stocks, bonds, mutual funds	24	34	38.7%
Invested in Land	38	42	53.3%
Invested in Livestock	21	34	36.7%
Have insurance Scheme	24	34	38.7%
Invested in buildings	20	36	37.3%
Invested in financial assets	25	38	42.0%

From the table above, financial investments of civil servants are low in various investment options. From the results, only 41.3% of the civil servants agreed and moderately agreed that they have cash savings; only 38.7% indicated investments in stocks, bonds and mutual funds, 53.3% of the respondents indicated investment in land; only 36.7% have invested in livestock; 38.7% have insurance schemes, 37.3% have invested in buildings, and only 42.0% indicated investing in financial assets. The low investments observed in various investment portfolios can be attributed to lack of financial literacy and planning, and this calls for training in investment skills, financial planning and management.

4.4 What is the effect of financial literacy and knowledge on financial preparedness for retirement among permanent and pensionable employees in Zambia?

Table 4.12 Effect of Financial literacy on Saving and Various Investments

Variable Y	Variable X	Correlation Coefficient	Significance ($P \leq 0.05$)	Sample Size N
Having cash savings in a bank account	Financial literacy	0.973	0.0001***	150
Investment in stocks, checks, bonds, mutual funds	Financial literacy	0.757	0.0001***	150
Invested in land	Financial literacy	0.087	0.292	150
Invested in domestic animals	Financial literacy	0.620	0.0001***	150
Have an organizational pension scheme	Financial literacy	0.008	0.922	150
Have insurance scheme	Financial literacy	0.550	0.0001***	150
Invested in buildings	Financial literacy	0.576	0.0001***	150
Acquired financial assets	Financial literacy	0.833	0.0001***	150

From the spearman correlation analysis, a correlation coefficient of 0.973 was obtained indicating a strong positive relationship between financial literacy and cash saving in a bank. This means that an improvement in financial literacy increases cash saving among employees. A correlation coefficient of 0.757 was obtained indicating a strong positive relationship between financial literacy and investment in stocks, bonds and mutual funds. The study obtained a correlation coefficient of 0.620 indicating a moderate strong positive relationship between financial literacy and investment in livestock. The study further obtained positive relationship between financial literacy and having insurance scheme (0.550); investment in buildings (0.576); and acquiring financial assets (0.833). These results imply that improvement in financial literacy will result in improvement in cash saving, investment and acquiring of assets; and this will adequately prepare civil servants for retirement.

Table 4.13 Effect of Financial Planning Knowledge on Retirement Preparedness

		Having Knowledge of financial planning	Being Financially prepared for retirement
Having Knowledge of financial planning	Correlation Coefficient	1.000	0.876**
	Sig. (2-tailed)	.	.000
	N	150	150
Being Financially prepared for retirement	Correlation Coefficient	0.876**	1.000
	Sig. (2-tailed)	.000	.
	N	150	150

Correlation is significant at the 0.01 level (2-tailed)

From table 5.12; the study obtained a correlation coefficient of 0.876, indicating a strong positive relationship between financial planning knowledge and retirement preparedness. This means that having knowledge of financial planning will lead to savings and investments in various portfolios as observed in table 5.11, and this will lead to retirement preparedness.

4.5 How can financial literacy and planning be enhanced for retirement preparedness among the civil servants?

From the results obtained very few civil servants have accessed to training in financial planning in preparation for retirement. The study therefore enquired on the measures that can be put in place to enhance financial literacy among civil servants. The study obtained that training civil servants early in financial literacy programs will help employees to understand and invest in various options in preparation for retirement. Among other measures indicated by civil servants is skill development in entrepreneurship, preparing retirement package early, allowing employees to belong to two different pension schemes, and holding of workshops prior to retirement. Civil servants are encouraged to start planning for retirement immediately one gets his /her first appointment.

4.6 Discussion of the Findings

According to Lusardi and Mitchell (2013), financial literacy is the ability of an individual to process economic information and make informed decisions about financial planning and wealth accumulation. Worthington (2005) defined financial literacy as the ability to make informed judgments and to take effective decisions regarding the use and management of money. In summary financial literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Understanding basic financial concepts allows people to know how to navigate in the financial system Magaretet al (2009) postulated that surveys around the world consistently indicate that financial literacy levels are low in high-income countries and if this is the case then it begs the question of the likely situation in the middle and low-income countries like Zambia. Furthermore, there is scanty data available for middle and low-income countries. Therefore, the study sought to establish the influence of financial literacy on retirement planning. The objectives of the study were to assess financial literacy and knowledge for retirement planning engagement among the Civil Servants in Zambia; to determine the effect of financial literacy and knowledge on financial preparedness for retirement among permanent and pensionable employees in Zambia, and to identify measures that can enhance financial literacy and planning for retirement preparedness among the civil servants in Zambia.

From the results, the study found that only 24.7% of the respondents indicated attending a seminar/workshop on retirement planning in the last two years. These results clearly indicate the need to provide training in financial planning and retirement preparedness to the civil servants. The study found that a good number of Civil Servants don’t know much about investments in stocks, bonds and mutual funds. A good number of employees also don’t know much on interest rates on investments;

and don't know investment options for pension schemes. The majority of the civil servants interviewed don't know how to calculate their retirement packages. This calls for training to civil servants, as knowing how much is due for retirement can help civil servants to save enough before retirement and can influence investment pattern. The study found that majority of the civil servants do not know how much they have to be saving every month to retire comfortably. The results further showed that majority of the civil servants are not saving enough in preparation for retirement. The study further revealed low levels of investments in various investment portfolios like in stocks, bonds, and mutual fund; investments in livestock, insurance schemes, buildings and assets, and there's low saving among civil servants.

From the spearman correlation analysis, the study found a strong positive relationship between financial literacy and cash saving in a bank. This means that an improvement in financial literacy increases cash saving among employees. The study obtained a strong positive relationship between financial literacy and investment in stocks, bonds and mutual funds. The study obtained a moderate strong positive relationship between financial literacy and investment in livestock. The study further obtained positive relationships between financial literacy and having insurance scheme; investment in buildings; and acquiring financial assets. These results imply that improvement in financial literacy will result in improvement in cash saving, investment and acquiring of assets; and this will adequately prepare civil servants for retirement. The study further obtained a strong positive relationship between financial planning, knowledge and retirement preparedness. This means that having knowledge of financial planning will lead to savings and investments in various portfolios which will lead to retirement preparedness.

The study therefore enquired on the measures that can be put in place to enhance financial literacy among civil servants. The study obtained that training civil servants early in financial literacy programs will help employees to understand and invest in various options in preparation for retirement. Among other measures indicated by civil servants is skill development in entrepreneurship, preparing retirement package early, allowing employees to belong to two different pension schemes, and holding of workshops prior to retirement.

The study findings are in line with many other researchers; Farzana, Mousa and Mona (2015) findings document a significantly positive and economically meaningful association between financial literacy and planning for retirement. Adam, Frimpong and Boadu (2017) study results revealed that financial literacy, retirement planning and family support significantly impact the financial well-being of retirees. Taft, Hosein, Mehrizi & Roshan (2013) in their study on financial literacy, financial well-being, and financial concerns revealed that higher financial literacy leads to greater financial well-being. Ade (2013) study notes that there is a statistically significant positive relationship between financial literacy and retirement preparedness. Bucher-Koenen and Lusardi (2011) examined financial literacy in Germany and found that low literacy level lead to accumulating low retirement wealth. They therefore concluded that there is a positive impact of financial knowledge on retirement planning. In Netherlands, Van Rooij et al. (2011) developed a customized survey with a large set of questions to measure financial literacy and retirement planning confirming that a strong correlation between financial literacy and retirement planning exists. In Malaysia, Mahdzan and Tabiani (2013) surveyed a sample of 200 individuals and concluded that people with high financial literacy level are more likely to save as compared to those with low literacy level. Therefore, civil servants in Zambia should be helped with financial literacy knowledge to help them in retirement planning, and this will have positive effect on the economy like increased savings, investments and GDP growth.

4.7 Chapter Summary

The chapter started by first presenting the demographic characteristics of the respondents which includes age, gender and education level. The chapter then presented the findings on financial literacy including knowledge of investments in various areas. The chapter finally presented the results on the effect of financial literacy on retirement planning and preparedness. From the analysis, the study found that having knowledge of financial planning will lead to savings and investments in various portfolios which will lead to retirement preparedness. The chapter lastly discussed the findings in the light of the literature reviewed. The chapter that follows draw a conclusion on the study and gives recommendations based on the findings.

CHAPTER FIVE
CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter gives a conclusion of the research study; it highlights on every chapter of the study. The chapter brings out the problem of the study, the aim and objectives of the study and the methodology used to achieve the research objectives. The chapter further presents the findings that was obtained as presented in chapter four of the research study. Based on the findings, the chapter finally draws a conclusion and gives a recommendation.

5.1 Conclusion

Financial literacy is an important component in financial planning and retirement planning. It gives an individual the ability to process economic information and make informed decisions about financial planning and wealth accumulation. Despite the importance of financial literacy; Magaretet al (2009) postulated that surveys around the world consistently indicate that financial literacy levels are low in high-income countries and if this is the case then it begs the question of the likely situation in the middle and low-income countries like Zambia. Furthermore, there is scanty data available for middle and low-income countries. Therefore, the study sought to establish the influence of financial literacy on retirement planning. The objectives of the study were to assess financial literacy and knowledge for retirement planning engagement among the Civil Servants in Zambia; to determine the effect of financial literacy and knowledge on financial preparedness for retirement among permanent and pensionable employees in Zambia, and to identify measures that can enhance financial literacy and planning for retirement preparedness among the civil servants in Zambia. To achieve the study objectives, the study employed descriptive and causal research designs, the study carried a survey of 150 respondents who are civil servants. The study used spearman correlation analysis to statistically determine the effect of financial literacy on retirement planning.

From the results, the study found that a good number of employees don’t know much on interest rates on investments, and the investment options for pension schemes.

Majority of the civil servants interviewed don't know how to calculate their retirement packages; do not know how much they have to be saving every month to retire comfortably. The results further showed that majority of the civil servants are not saving enough in preparation for retirement. The study further revealed low levels of investments in various investment portfolios like in stocks, bonds, and mutual fund; investments in livestock, insurance schemes, buildings and assets, and there's low saving among civil servants.

From the spearman correlation analysis, the study found a strong positive relationship between financial literacy and cash saving in a bank; investment in stocks, investment in livestock; having insurance scheme; investment in buildings; and acquiring financial assets. These results imply that improvement in financial literacy will result in improvement in cash saving, investment and acquiring of assets; and this will adequately prepare civil servants for retirement. The study further obtained a strong positive relationship between financial planning knowledge and retirement preparedness. This means that having knowledge of financial planning will lead to savings and investments in various portfolios which will lead to retirement preparedness. The study therefore rejected the null hypothesis and accepted the alternative hypothesis. The study obtained that training civil servants early in financial literacy programs will help employees to understand and invest in various options in preparation for retirement. The study findings are in line with many other researchers; (Farzaneh, Mousa and Mona, 2015; Adam, Frimpong and Boadu, 2017; Taft, Hosein, Mehrizi & Roshan, 2013; Bucher-Koenen and Lusardi, 2011; Van Rooij et al., 2011; Mahdzan and Tabiani (2013); who found that there's a significantly positive and economically meaningful association between financial literacy and planning for retirement. Therefore, financial literacy knowledge can help civil servants in retirement planning, and the study has given the following recommendation.

5.2 Recommendations

1. The Public Service Pension Fund and other stakeholders should come up with effective programs of providing financial literacy to civil servants in terms of financial savings and investment for retirement preparation.
2. Skills development in entrepreneurship, preparing retirement package early, allowing Civil Servants to belong to two different pension schemes and holdings of workshops

prior to retirement are other options the relevant authorities can consider implementing.

3. The government should come up with an effective saving plan for civil servants that can encourage saving with a certain interest.
4. One recommendation for future research should be to determine civil servants willingness to pay for financial literacy education to help them in retirement planning.

5.3. Chapter Summary

This Chapter has given a conclusion that having knowledge of financial planning will lead to savings and investments in various portfolios, and that will lead to retirement preparedness. The study therefore state that financial literacy has positive effect on retirement planning. The chapter therefore has recommended improving financial literacy among the civil servants and even for non-civil service employees to help them prepare adequately for retirement.

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APPENDICES

Appendix 1: Questionnaire

Dear Respondent,

RE: A STUDY ON THE INFLUENCE OF FINANCIAL LITERACY ON RETIREMENT PLANNING: A CASE STUDY OF CIVIL SERVANT UNDER PSPF

Reference is made to the above subject matter in which I am requesting data from you. This is in partial fulfilment of the requirement for the master's degree in Business Administration at the University of Zambia.

Your personal identification either by name or residential address will not be required. The information provided in this questionnaire will be used strictly for academic purposes and will ensure that the findings shall be treated with complete confidentiality and be used for the sole intended purpose. Your time and cooperation will be highly appreciated.

Yours sincerely,

____

WILLIE SIAME – STUDENT

1. Gender of the respondent
1. Male [ ]
2. Female [ ]

2. How old were you at your last birthday? ………………….. Years

1. 18 -25 years [ ]
2. 26 -35 years [ ]
3. 36 -45 years [ ]
4. 46 -55 years [ ]

5. 56 -65 years [ ]
6. 66 -75 years [ ]

3. Would you please indicate the highest level of education you have attained?

1. Primary level [ ]
2. Lower Secondary level [ ]
3. Upper secondary level [ ]
4. G C E [ ]
5. Certificate [ ]
6. Diploma [ ]
7. Degree [ ]
8. Master's degree [ ]
9. Doctorate degree [ ]

4. What's your marital status?

1. Single [ ]
2. Married [ ]
3. Divorced [ ]
4. Widowed [ ]

5. Indicate the range of your gross monthly family income

1. Below K1000 [ ]
2. K1000 – K2000 [ ]
3. K2000 – K3000 [ ]
4. K3000 – K5000 [ ]
5. K5000 – K7500 [ ]
6. K7500 – K10,000 [ ]
7. K10,000 – K15,000 [ ]
8. K15,000 - K20,000 [ ]
9. K20,000 - K25,000 [ ]
10. K25,000 - K30,000 [ ]
11. K30,000 - K40,000 [ ]
12. K40,000 - K50,000 [ ]
13. Above K50,000 [ ]

6. How many dependants directly depend on you financially? ________________

7. How long have you worked in the public service? .... (Years)

8. Have you ever attended any seminar/workshop on retirement planning in the last two years?

1. Yes [ ]
2. No [ ]

9. Does the Corporation where you work have the option of early retirement?

1. Yes [ ]
2. No [ ]

10. If the response to above question is YES which retirement option would you take?

1. early-retirement [ ]
2. Normal retirement [ ]
3. Late retirement [ ]

11. Are you aware of the existence of the financial instruments?

1. Yes [ ]
2. No [ ]

12. If (Yes) above, have you ever participated in purchase of any financial instrument and which one of the following instruments did you buy?

1. Checks [ ]
2. Bonds [ ]
3. Stocks [ ]
4. Derivatives [ ]
5. Mutual funds [ ]
6. None [ ]

13. Knowledge of Financial Instruments

Please indicate to what extent you agree or disagree with the following statements:

1. Strongly agree, 2. Agree, 3. Moderately agree, 4. Disagree, 5. Strongly disagree

		1	2	3	4	5
a.	I know about investments (Stocks, Bonds, Mutual funds)					
b.	I have invested in stocks, bonds or mutual funds					
c.	I know how to calculate interest on my investments					
d.	Investing in the stock market by buying a wide range of stocks and shares can help to reduce risks.					
e.	Investing in ordinary shares yields a higher long-term growth as compared to treasury bills.					
f.	I use financial knowledge to make personal financial decisions					
g.	I understand investment options for pension schemes					

14. Computation Capability of Retirement Benefits

Please indicate to what extent you agree or disagree with the following statements:

1. Strongly agree, 2. Agree, 3. Moderately agree, 4. Disagree, 5. Strongly disagree

		1	2	3	4	5
a.	I can calculate benefits due to me on retirement					
b.	Calculations have been done to estimate how much money I (we) will have saved for retirement.					
c.	I know how much money I (we) will need for retirement.					
d.	I know how much money I (we) have to save every month in order to retire at a comfortable level.					
e.	I am (we are) saving enough each month to retire comfortably.					

15. Retirement Planning

Please indicate to what extent you agree or disagree with the following statements:

1. Strongly agree, 2. Agree, 3. Moderately agree, 4. Disagree, 5. Strongly disagree

		1	2	3	4	5
a.	Involvement in my retirement plan matters to me.					
b.	Involvement in my retirement plan is very relevant.					
c.	My involvement in my retirement plan is of great concern to me.					
d.	Involvement in my retirement planning is appealing.					
e.	Involvement in my retirement planning is interesting.					
f.	Involvement in my retirement planning is exciting.					
g.	I have fully planned for my retirement					

16. Lifetime Investments and Savings

Please indicate to what extent you agree or disagree with the following statements:

1. Strongly agree, 2. Agree, 3. Moderately agree, 4. Disagree, 5. Strongly disagree

		1	2	3	4	5
a.	I have cash savings in a bank account					
b.	I have investment in stocks, checks, bonds, mutual funds					
c.	I have invested in land					
d.	I have invested in domestic animals					
e.	I have an organizational pension scheme					
f.	I have insurance companies pension scheme					
g	I have invested in buildings					

17. Asset Acquisition

Please indicate to what extent you agree or disagree with the following statements:

1. Strongly agree, 2. Agree, 3. Moderately agree, 4. Disagree, 5. Strongly disagree

		1	2	3	4	5
a.	I have acquired financial assets to assist me in my retirement					
b.	I have acquired physical assets to assist me in my retirement					
c.	I have invested in private pension schemes to assist me in my retirement					
d.	I have subscribed to an insurance policy to assist me in my retirement					

18. If you were to retire today, do you feel financially prepared?

1. Yes [ ]
2. No [ ]

19. How strongly do you agree or disagree that you are financially prepared for retirement.

1. Strongly agree [ ]
2. Agree [ ]
3. Moderately agree [ ]
4. Disagree [ ]
5. Strongly disagree [ ]

20. I fully understand all financial planning matters to apply for my financial retirement preparedness.

1. Strongly agree [ ]
2. Agree [ ]
3. Moderately agree [ ]

4. Disagree [ ]

5. Strongly disagree [ ]

21. Do you think you need financial literacy programs to help you in retirement planning?

1. Yes [ ]
2. No [ ]

22. What measures do you think should be put in place to help employees in retirement planning?

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

End of questionnaire