

## Retirement Preparedness of Middle-income Filipinos

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*Across retirement preparedness literature, much attention has been given in different countries especially in the United States. Little is known on the state of retirement readiness of Filipinos thus, this study attempted to augment this scant information. It endeavored to establish the level of retirement preparedness of middle-income Filipinos. With the participation of 328 parents of Commerce students from a comprehensive university in the Philippines, self-assessed over-all retirement preparedness was determined including the dimensions of retirement readiness, namely: happiness (Psycho-Social), health (Bio-Medical) and wealth (Geo-Financial) plus a fourth category, contingency planning. Results showed that middle-income Filipinos, generally, are not holistically prepared for retirement specifically in the areas of financial well-being and contingency planning. Inferential statistics showed the strong correlation between summary self-assessed readiness and its four dimensions encompassing the many variable decisions that must be considered when preparing for this stage of life. Findings of this study could serve as a springboard to future endeavors along this line.*

### 1. Introduction

The buzzword today is global financial crisis but not everyone understands the scope of this problem. Some sectors though, are becoming increasingly aware that each one of us must become more responsible for our own financial well-being. The pre-retiring population is one such sector however; they feel overwhelmed planning for retirement because of the turbulent times coupled with increased cost of living and a shifting healthcare landscape (Banker's Life and Casualty Company Center for a Secure Retirement, 2011).

There was a growing concern in the Philippines that millions of Filipinos are not prepared for retirement (Ravalo, 2009). Surely dependence on children during retirement is the much abused reason. Nowadays, leaving a bequest is a more favored alternative to asking sons and daughters to feed retirees. A research along this line therefore, becomes imperative.

This study seeks to establish the self-assessed level of retirement preparedness of middle-income Filipinos. Retirement readiness is especially critical to Filipinos in the middle-income bracket because this group maybe at the greatest risk for not being able to sustain their quality of life in retirement (Banker's Life and Casualty Company Center for a Secure Retirement, 2011). In the Philippines, the middle-income class may be defined as those families who, in 2009, have a total annual income ranging from Php 282,158.00 to Php 2,296,582.00. In terms of socio-economic characteristics, the middle-income families are those who meet all of the following requirements: 1) whose housing unit is made of strong roof materials;2) who owns a house and lot; 3) who owns a refrigerator; and 4) who owns a radio (Virola, 2007).

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Specifically, the study aims to answer the following questions:

1. What is the level of retirement preparedness of middle-income Filipinos in terms of the following dimensions:
  - a. psycho-social (happiness);
  - b. geo-financial (wealth);
  - c. bio-medical (health); and
  - d. contingency planning.
2. What is the relationship between the self-assessed measure of retirement preparedness of middle-income Filipinos on their psycho-social, geo-financial and bio-medical readiness and on their contingency planning strategies.

Previous studies on retirement readiness showed that most of the respondents were not prepared but there were no discussions as to what areas of preparedness they were wanting unlike in the present paper.

Results of this study may serve as a basis for employers to identify gaps and barriers in their existing retirement education program offered to employees' better retirement preparation. This may also raise the consciousness of different government institutions of the Philippines on the appropriateness of performing retirement trainings and seminars to empower would-be retirees.

The remainder of this paper is organized as follows: The next section provides the theoretical framework, a review of literature and the ensuing hypothesized model. Then the methods are presented, followed by an analysis of results and discussions. Lastly, conclusions, limitations and recommendations for future research are made in the final section.

## 2. Theoretical Framework

Several studies have attempted to measure retirement readiness using different assessment methods.

HSBC's new Future of Retirement survey (2009), the largest study of its kind and the latest of the 5-year series, questioned 15,000 people, aged 30-70 years, in 15 countries and territories. The study identified a 'preparedness gap' in people's pension planning across the world with nearly 9 out of 10 people not feeling fully prepared for their retirement. The survey also showed that, as a result of the economic downturn, people are paying little attention to long-term considerations such as their likely retirement needs, but instead focusing on purely short-term concerns which they better understand.

The second global AEGON Retirement Readiness survey (2013) questioned respondents across 12 countries in Europe, North America and Asia. The survey measures retirement preparedness on six key measures such as: 1) personal responsibility, 2) level of awareness, 3) financial capability/understanding, 4) retirement planning, 5) financial preparedness, and 6) income replacement. The survey reveals global lack of retirement readiness.

In line with the 6<sup>th</sup> measure of the foregoing study, AON Consulting and Georgia State University conducted the Replacement Ratio study (2008) which is the 7<sup>th</sup> update of the report on retirement income needs in the U.S. The study shows that a 78% replacement ratio would allow an employee earning \$60,000.00 to retire at age 65 in 2008 without reducing his standard of living.

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The Middle-Income retirement Preparedness Study by Banker's Life and Casualty Company Center for a Secure Retirement (2011) reveals that nearly 2/3 of middle-income retirees and pre-retirees who lack confidence in their retirement security are unsure if they have saved enough to live comfortably in retirement; and that most middle-income Americans do not receive professional retirement advice of any kind.

The Metlife retirement Readiness Index (2010) suggested that a successful transition into retirement involves a personal, career, and financial transition that is associated with the completion of 15 specific developmental tasks while still in individual's working career. The study was able to identify that characteristics such as age, number of years to anticipated retirement, and retirement status were most associated with the progressive levels of completion of various tasks.

Financial Finesse, Inc. (2012) reported on the overall state of retirement preparedness among U.S. employees. Data from employees self-reporting show that only 18% of employees are on track to replace 80% of their income in retirement which means 82% are not at all prepared. Nearly three-quarters (74%) of those who are not prepared have not taken the first step towards preparation.

The report of Rand Corporation by Yoong (2011) found that the retirement system in Canada performs well relative to systems in other countries, and Canadians enjoy a strong public safety net that leads to low levels of poverty and a generally high standard of living among the elderly population.

The current research will also deal with self-assessment of retirement readiness and will correlate this with more objective measures of preparedness patterned after the dimensions of retirement life-stage planning by InFRE (2007) including 1) happiness (psycho-social), 2) wealth (geo-financial), and 3) health (bio-medical). A fourth dimension, is worth adding to the first three, contingency planning.

### 3. Literature Review

The starting point for retirement planning is to review where you are today. But whether you analyze data employers provide or project preparedness based on average account balances on investment returns, the conclusion is the same – most employees are not prepared to maintain their standard of living in retirement (Financial Finesse Inc., 2012). U.S. employees' self-assessment of overall state of retirement preparedness shows 80% are not prepared. However, research and analysis should expand the scope to include the financial, emotional, and physical risks to a total retirement well-being, as well as the many variable decisions that must be considered when preparing for this life phase (InFRE, 2007). To get a realistic assessment of wellness in each variable, planners determine the most important criteria achieving success in that specific variable. By asking key questions that determine progress on these different categories, planners are able to approximate retirement wellness in each area.

The current study shall use the following dimensions of retirement life-stage planning included in the InFRE Retirement Readiness Index: Happiness (Psycho-Social), Health (Bio-Medical) and Wealth (Geo-Financial) plus a fourth category, Contingency planning, and correlate these variables to respondents' self-assessed over-all state of retirement preparedness.

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## 3.1 Happiness (Psycho-Social)

This area includes understanding personal strength, social networks, working in retirement either for pay or volunteering, finding meaning and challenges for fulfillment in this life-stage (InFRE, 2007). Currently, happiness in retirement is rarely planned for and generally left to chances. However, when you consider retirement as a life stage - not an event, and something that will last decades, not just years, the importance of preparing for a lifestyle that will be fulfilling becomes clearer (Willet, 2008).

The study by Kyule (2011) found that coping with change and psychological preparedness is one of the factors that influence successful retirement of teachers in Kenya. While the study of Simmonds Gouldbourne (2008) identified and provided empirical evidence of three distinct levels of anticipatory socialization necessary for psycho-social preparedness to retirement.

Further research on the relationship between psycho-social preparedness and over-all retirement readiness remains vital because previous studies did not correlate happiness to the over-all retirement plans of individuals. Hence, this study hypothesizes that:

**H1:** The lower the self-assessed retirement preparedness of Filipinos, the lower is their psycho-social readiness.

## 3.2 Health (Bio-Medical)

This category is about healthy aging, medical care prevention and treatment, understanding personal longevity and inherited health traits (InFRE, 2007). As part of planning for total retirement well-being, it is important workers understand their health, how it impacts their personal longevity and the steps that can be taken to improve their chances for remaining healthy and active throughout retirement (Willet, 2008).

Healthcare is one of the major retirement “wildcards”, but according to Bankers Life and Casualty Company Center for a Secure Retirement (2011), the good news for retirees is that healthcare risks can, in fact, be at least partially mitigated through a combination of good health, quality preventive and medical care, understanding of the Medicare program, and well informed financial planning.

Skinner (2007), for his part, contends that in the first stage of retirement (65-70 years old), it is not critical to put aside a lot of money if you have an active lifestyle or if you are in good health and like doing things that do not cost much. However, the problem is in the second stage of retirement (beyond 70 years old), where out-of-pocket health expenses in the future can consume as much as 70% of average Social Security benefits or all future earnings growth.

Indeed, the relationship between overall retirement readiness and health factors must be established beyond doubt by looking for more evidence in another research such as the present study. Hence this study hypothesizes that:

**H2:** The lesser the self-assessed retirement preparedness of Filipinos, the more suboptimal are their bio-medical readiness.

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## 3.3 Wealth (Geo- Financial)

This dimension covers financial accumulation, retirement income management, the effect of geography on a retiree's potential cost of living, home and equity (InFRE). When the three dimensions of retirement readiness, happiness, health, and wealth were compared, the financial profile showed that workers have the most trouble preparing for this life phase (Willet, 2008). In fact Padgett and Ponko (2009) noted that the 2009 study by the Employees Benefit Research Institute (EBRI, 2011) found that just under half of workers had attempted to calculate how much they needed to save for retirement and roughly the same number simply guess what they will need. The latest EBRI survey in 2013 found that Americans' confidence in their ability to secure a financially comfortable retirement has remained low. One reason that retirement confidence may have stagnated is that many Americans are pre-occupied by more immediate financial concerns like job certainty and debt. In the Philippines, getting pre-occupied by the rat race is the prominent reason why Filipinos do not plan for retirement (Ravalo, 2009). Besides, another very real problem faced by half of Filipino families is that on average, family income is too close to family expenses which will not leave any room for saving.

The National Retirement risk index analysis shows that, as of 2010, more than half of today's households will not have enough retirement income to maintain their pre-retirement standard of living even if interest rates rise substantially above their current low (Munnell, Webb, and Fraenkel, 2013). This concept of gauging the extent to which older people can maintain these pre-retirement levels of consumption is known as replacement rates. The good news is people clearly need less than their full pre-retirement income to maintain their standard of living once they stop working (Munnell, Aubry, Hurwitz and Quinby, 2011) because of the following: 1) they no longer pay payroll taxes, 2) they no longer need to save a portion of their income for retirement, and 3) work-related expenses such as clothing and transportation, are no longer necessary or much reduced.

While the responsibility of retirement funding is increasingly on the individual, many people are overwhelmed and may not know what to do (ING Retirement research Institute, 2013). They should therefore, consider seeking professional advice. Retirees and pre-retirees who work with a professional advisor felt more confident about their financial security in retirement. However, Munnell, Orlova, and Webb (2012) maintained that financial advice should not focus only on asset allocations but must include a wide array of tools – including working longer, controlling spending, and taking out a reverse mortgage.

Based on the foregoing discussions, it is clear that the financial aspect of retirement is the most problematic for would-be retirees. However, in the Philippines this finding must be concretely ascertained thus, this study hypothesizes that:

**H3:** The lesser the self-assessed retirement preparedness of Filipinos, the less appropriate are their geo-financial readiness.

## 3.4 Contingency Planning

The InFRE Retirement Index included contingency planning in the dimension 'Wealth'. However, in the current study, it is presented as another area of concern because it is an important aspect to planning for retirement where alternatives need to be considered in addressing the unexpected and any other unforeseen circumstances that may occur. Indeed, one might expect that planning for unexpected setbacks would be a considerable priority (Metlife Mature Market Institute, 2010). Of course, depressing predictions are all subject to

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uncertainty; they could be worse or better than expected (The Research Foundation of CFA Institute, 2012). Besides, several researchers maintained that retirement planning should mirror individual psychological preferences or even biological differences in brain functioning reflecting trade-offs between the thrill of shopping today and the impulse to save for the future (McClure, Laibson, Loewenstein and Cohen, 2004; Knutson, Rick, Wimmer, Prelec and Loewenstein, 2007; Skinner, 2007).

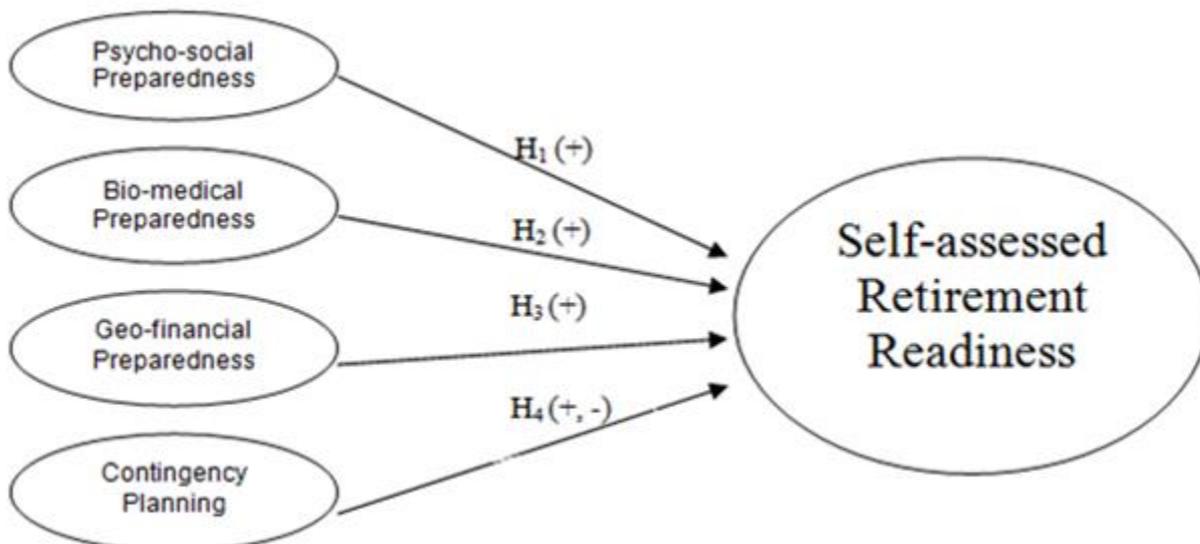
The importance of contingency planning in retirement planning cannot be overlooked; thus, this study hypothesizes that:

**H4:** The lesser the self-assessed retirement preparedness of Filipinos, the less responsible they are in terms of contingency planning.

### 4. The Research Model

A research model was developed for this study as shown in figure 1. Workers' self-assessed measure of retirement preparedness was hypothesized to be correlated with objectively measured retirement readiness on three dimensions: psycho-social, geo-financial and bio-medical. Additionally, self-assessed preparedness was also hypothesized to be correlated with contingency planning. The studies by: InFRE (2007), ICMA Retirement Corporation (2005), ING Retirement Research Institute (2013), Financial Finesse, Inc. (2012) and Cohen (2004) may have used the different aforementioned dimensions but without correlating them with the overall self-evaluation on how organized individuals' retirement status are. Thus, the present research is an improvement of the previous studies

**Figure 1: The Hypothesized**



## 5. Methods

### 5.1 Subjects

The study was conducted among employed individuals whose current ages are from 40 years to the compulsory retirement of 65 years. The researcher employed a two-stage process whereby qualified respondents were initially ascertained from both parents of business administration

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students of a Philippine comprehensive university. These parents will be expected to come from different parts of the Philippines as experienced by the College of Business Administration in the past. Qualified respondents were chosen based on employment/business ownership and age criteria previously stated.

A stratified random sample based on age and gender was then pulled for the second stage. Table1 provides the profile of the respondents.

**Table 1: Demographic/socioeconomic profile of respondents**

Profile	N	%
<b>A. Age</b>		
< 46	100	30.48
46 - 53	163	49.70
54 - 60	41	12.50
> 60	24	7.32
Total	328	100.0
<b>B. Gender</b>		
Male	170	51.83
Female	158	48.17
Total	328	100.0
<b>C. Family Annual Income</b>		
< P 1M	73	22.25
P 1M - < P1. 5M	108	32.93
P1. 5M - < P 2M	123	37.50
> P 2M	24	7.32
Total	328	100.0

### 5.2 Data Measure

An extensive review of the literature enabled the researcher to design a six-part questionnaire that would capture the most important data needed in the study. It started with demographics followed by respondents' self-assessed measure of over-all retirement readiness. The question is worded as follows: On a scale from 1 to 5, where 1 means very low and 5 means very high, how would you assess you over-all retirement preparedness? This question is of interest because retirement preparedness may extend well beyond the specific questions on retirement readiness included in the questionnaire. Thus, the summary self-assessment could potentially encompass respondents' perceived preparedness on aspects not separately evaluated in the current study.

The third section deals with the engagement or psycho-social dimension of retirement life-stage planning, including four questions each for the three sub-sections on working in retirement,

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social networks and having hobbies. The fourth area is on health or bio-medical dimension consisting of six questions. The fifth section is on wealth or geo-financial aspect of retirement, consisting of four questions each for the three sub-sections on financial accumulation, retirement income management and effect of geography on retirees' potential cost of living. The sixth and last segment is on contingency planning with four questions.

The last four sections of the questionnaire were adapted from the following sources: InFRE (2007), ICMA Retirement Corporation (2005), ING Retirement Research Institute (2013), Financial Finesse, Inc. (2012) and Cohen (2004).

### 5.3 Data Analysis

The survey questionnaire was pre-tested at the University of Santo Tomas, College of Commerce, involving 20 faculty members which led to the restructuring of some questions. The survey instrument was also subjected to Cronbach Alpha testing. Internal consistency estimates of reliability of test scores for all the variables yielded a very satisfactory coefficient of 0.914.

All the sections of the questionnaires, except for that on demographics, used items in a scale (5-point Linker). Descriptive statistics were employed to establish the relationship of the different dimensions of retirement preparedness on perceived over-all retirement readiness. With the use of the SPSS statistical package, the researcher tested the hypotheses of this study with Chi-square in the cross tabulation of data. Other statistical tools used were mean and standard deviation.

## 6. Results

About half of the respondents (46.34%) exhibited relatively neutral (score of 3) over-all retirement preparedness at the time they accomplished the survey instrument as can be seen in table 2.

**Table 2: Over-all retirement preparedness**

Scale	N	%	Cumulative %	
1 (lowest preparedness)	17	5.18	17.98	
2	42	12.80		64.32
3 (neutral)	152	46.34	<b>46.34</b>	
4	95	28.96	35.67	35.67
5 (highest preparedness)	22	6.71		
TOTAL	328	100	100	100

When preparedness was translated into its four dimensions, namely: psycho-social, bio-medical, geo-financial, and contingency planning, a more objective assessment of respondents' retirement readiness becomes more evident. Tables 3, 5, 7, and 9 present respondents' readiness in those areas.

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**Table 3: Engagement/Happiness (Psycho-social) Readiness**

	Mean	Remarks
<b>Working in Retirement</b>		
I have formulated ideas whether to fully retire, have temporary work or work part-time in retirement, or even engage in small-business venture.	3.51	High preparedness
I have explored what employment opportunities would be available corresponding to my skills.	3.45	Low preparedness
I will be working for pay and not volunteering.	3.20	Low preparedness
I understand my personal values about work, community involvement and leisure.	4.0	High preparedness
<b>Mean</b>	<b>3.54</b>	<b>High preparedness</b>
<b>Social Networks</b>		
I have considered the importance of relationship with co-workers, family and friends when deciding to retire.	4.24	High preparedness
I have friends outside work so I may not rely on co-workers to support my needs for friendship.	3.64	High preparedness
I keep in touch with family and friends.	4.43	High preparedness
I plan new activities that would offer opportunities for new friendship.	3.71	High preparedness
<b>Mean</b>	<b>4.01</b>	<b>High preparedness</b>
<b>Leisure Activities</b>		
I have identified personal goals in retirement.	3.68	High preparedness
I have hobbies.	3.76	High preparedness
I have developed other interests on areas of new learning.	3.60	High preparedness
I have attended retirement preparation programs or seminars on social planning like community involvement, travel and interpersonal endeavors.	2.57	Low preparedness
<b>Mean</b>	<b>3.40</b>	<b>Low preparedness</b>

Of the three components of engagement or happiness, it is only in 'leisure activities' where respondents exhibited a little below the cut-off for high level of readiness as can be gleaned in table 3. It is specifically in the area of 'attendance in preparation programs and seminars on social planning' where respondents' readiness is wanting.

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The correlation between self-assessed over-all retirement preparedness and psycho-social readiness is presented in table 4. It is worth noting from the table that having low psychological readiness (84.7% over-all) translate also to low self-assessed over-all retirement preparedness. The same is true with all the three components of the psycho-social factor. Since all the chi-square value are significant at  $p < .001$ , hypothesis 1, predicting that the lower the self-assessed retirement preparedness of Filipinos, the lower are their psycho-social readiness is supported.

**Table 4: Significant relationship between over-all retirement preparedness and psycho-social readiness**

		Self-assessed preparedness		chi-square value
		low	high	
Psycho-social readiness (Overall)	low	84.7%	15.3%	42.427**
	high	49.7%	50.3%	
Working in Retirement	low	82.5%	17.5%	51.156**
	high	44.6%	55.4%	
Social Networks	low	83.1%	16.9%	17.121**
	high	58.0%	42.0%	
Leisure Activities	low	77.8%	22.2%	39.375**
	high	43.8%	56.2%	

\*\* Significant at  $p < .001$

**Table 5: Health (Bio-medical) Readiness**

	Mean	Remarks
I am taking care of my health.	4.12	High preparedness
I am physically active.	3.90	High preparedness
I have health insurance.	3.60	High preparedness
I will pay for medical expenses in retirement through retirement savings.	3.45	Low preparedness
I will plan for a life span in retirement of not less than 20 years.	3.53	High preparedness
This planned life span (in relation to question #5 above) is within the average experienced by deceased family members.	3.40	Low preparedness
Mean	3.67	High preparedness

Of the six items in the health readiness section, those pertaining to 'payment of medical expenses in retirement through savings' and 'planned life span within the average experienced by deceased family members' are the areas where the respondents got scores that are a little lower than the cut-off for high level of readiness as seen in table 5.

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**Table 6: Significant relationship between over-all retirement preparedness and bio-medical readiness**

		Self-assessed preparedness		chi-square value
		low	high	
Bio-Medical readiness	low	81.9%	18.1%	31.994**
	high	51.6%	48.4%	

\*\* Significant at  $p < .001$

Table 6 presents the correlation between self-assessed over-all retirement preparedness and bio-medical readiness. About 81.9% of the respondents disclosing low level of over-all retirement preparedness also revealed low level of bio-medical readiness with a chi-square value of  $p < .001$ . Therefore, hypothesis 2, suggesting that the lesser the self-assessed retirement preparedness of Filipinos, the more suboptimal are their bio-medical readiness, is supported.

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**Table 7: Wealth (Geo-financial) Readiness**

	Mean	Remarks
<b>Financial Accumulation</b>		
I have done basic computations to determine what you need to meet your retirement objectives.	3.23	Low preparedness
I am saving enough based on my computations.	3.29	Low preparedness
If my savings is not yet enough, I plan to increase my savings to the level of my computations.	3.59	High preparedness
I am appropriately invested.	3.29	Low preparedness
Mean	3.35	Low preparedness
<b>Retirement Income Management</b>		
Have you prepared an estimated retirement budget?	3.16	Low preparedness
My retirement budget is prepared by a professional.	2.27	Low preparedness
I have evaluated how changes in the economy will affect my retirement budget.	2.88	Low preparedness
I want to leave a bequest to family, charity or others.	3.41	Low preparedness
Mean	2.93	Low preparedness
Table 7. Wealth (Geo-financial) Readiness (Continuation)		
	Mean	Remarks
<b>Effect of Geography on Retirees' Cost of Living</b>		
I have planned where I want to live in retirement.	3.73	High preparedness
I have the freedom to choose where I want to live in retirement.	3.99	High preparedness
The place I planned to live is the place I have always wanted.	3.87	High preparedness
The potential cost of living in that place is within my retirement budget.	3.80	High preparedness
Mean	3.85	High preparedness

The results in table 7 are quite disturbing because the respondents are not financially ready to retire. Their readiness as to the effect of geography on their cost of living when they retire is not enough to cover the glaring inadequacy when it comes to financial accumulation and retirement income management.

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**Table 8: Significant relationship between over-all retirement preparedness and geo-financial readiness**

		Self-assessed preparedness		chi-square value
		low	high	
Geo-financial readiness (Overall)	low	85.8%	14.2%	76.266**
	high	39.5%	60.5%	
Financial Accumulation	low	83.2%	16.8%	76.942**
	high	35.9%	64.1%	
Retirement Income Management	low	72.5%	27.5%	31.183**
	high	37.7%	62.3%	
Effect of Geography on Retirees' Cost of Living	low	86.6%	13.4%	40.202**
	high	51.7%	48.3%	

\*\* Significant at  $p < .001$

Table 8 shows the correlation between self-assessed over-all retirement preparedness and geo-financial readiness. It is evident from the cross tabulation that low over-all preparedness translated to low geo-financial readiness and with all chi-square values significant at  $p < .001$ , hypothesis 3, asserting that the lesser the self-assessed retirement preparedness of Filipinos, the less appropriate are their geo-financial readiness, is supported.

Contingency planning is an important aspect of retirement preparedness but respondents obviously are not ready to retire considering the results in table 9. Their level of preparedness is low except for 'knowing where their important papers are'.

**Table 9: Contingency Planning**

	Mean	Remarks
I have calculated how much life insurance (if any) I will need for retirement.	3.04	Low preparedness
I have an emergency fund.	3.33	Low preparedness
I have a will with updated beneficiary designates.	2.85	Low preparedness
I know where my important papers are.	3.97	High preparedness
Mean	3.30	Low preparedness

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**Table 10: Significant relationship between over-all retirement preparedness and contingency planning**

		Self-assessed preparedness		chi-square value
		low	high	
Contingency Planning	low	77.7%	22.3%	42.955**
	high	41.8%	58.2%	

\*\* Significant at  $p < .001$

The correlation between self-assessed over-all retirement preparedness and contingency planning is presented in table 10. Since the chi-square value is significant at  $p < .001$ , hypothesis 4, claiming that the lesser the self-assessed retirement preparedness of Filipinos, the less responsible they are in terms of contingency planning, is supported.

## 7. Discussions

Findings of the study demonstrate the retirement preparedness of middle-income Filipinos as a holistic view as well as realistic assessment of wellness in each category, namely: engagement/happiness (psycho-social), health (bio-medical), wealth (geo-financial), and contingency planning. Apparently, total retirement well-being must translate to the many variable decisions and actions future retirees must address.

The relatively neutral (score of 3) summary self-assessment is indicative of their uncertainty as to their current state of retirement readiness. It becomes imperative therefore, to group these respondents with those who categorically rate themselves as unprepared increasing the total to 64.32%. This figure indicates that most middle-income Filipinos are not prepared for retirement or even not aware of what is needed for a successful retirement. This is in accordance with the literature (e.g. Financial Finesse Inc., (2012); The Middle-Income retirement Preparedness Study by Banker's Life and Casualty Company Center for a Secure Retirement (2011); AEGON Retirement Readiness survey (2013) and HSBC's new Future of Retirement survey (2009).

Respondents' perceptions about their retirement readiness in the summary self-assessment match the decisions and actions they will consider in each of the more objective measures of preparedness. The significant correlation between psycho-social processes and retirement preparedness found in this study are aligned with the findings of the studies by Simmonds Gouldbourne (2008) and Kyule (2011). While the retirement preparedness programs are often considered ineffective by Simmonds because of their lateness and narrow focus, said programs are virtually absent in the current study as in the research of Kyule.

The high correlation between total retirement preparedness and bio-medical readiness found in this study corroborates the findings of Bankers Life and Casualty Company (2012) where 98% of the retirees surveyed stated that good health is extremely important (62%) or very important (36%) to a satisfying retirement. Worth noting here is the similarity in the findings of both studies where respondents feel they are in better health in better health or are planning for longer life span than their parents or deceased family members.

Of the four dimensions of retirement preparedness, it is in financial readiness where respondents in the current study got the lowest scores. This is in agreement with the literature (e.g., AEGON, 2013; Financial Finesse, 2012; Willet, 2008; Padgette and Ponko, 2009); but

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more specifically with the findings of the study by Bankers Life and Casualty Company (2012) on middle-income Americans. For most people with little financial wealth, no-financial levers may be as powerful as financial tools, like asset allocation, in attaining retirement security (Munnell, Orlova, and Webb, 2012). However, life-cycle saving and investing is a multi-disciplinary endeavor that challenged financial advisors and product providers alike. Solutions are difficult for financial professionals to identify, how much more difficult it must be for ordinary individuals navigating a complicated landscape (Bodie, 2009).

The scores in contingency planning are also quite low and are significantly correlated with over-all self-assessed retirement preparedness. These findings do not concur with the results of the studies by Financial Finesse, Inc. (2011, 2012) where respondents' focus on retirement planning has increased but their retirement preparedness remained dangerously low.

Most of the findings in this study may not be new except for the result on contingency planning however they contribute to the body of knowledge because the research was conducted in a different setting involving middle-income Filipinos who were classified as such using different criteria from other countries. These criteria were stated in the introduction of this paper.

## 8. Conclusion

The research attempted to assess middle-income Filipinos' holistic view of retirement preparedness. In order to test if this summary self-assessment of retirement preparedness encompasses peoples' readiness in all dimensions of retirement, namely: psycho-social, geo-financial, bio-medical, and contingency planning, realistic assessment of wellness in each category was studied. In general, middle-income Filipinos feel less prepared for retirement. Similarly, they are less ready financially and in terms of contingency planning. However, they are more ready psychologically, socially and medically. There is also a great connection between total retirement well-being and its four dimensions encompassing the many variable decisions that must be considered when preparing for this stage of life. This may be construed to mean that peoples' holistic perception about retirement preparedness do match specific retirement planning actions, thus providing a roadmap to total retirement readiness. Academically, it may also be interpreted to mean that this summary self-assessment has encompassed all the concepts of retirement readiness separately evaluated and that the instrument used in the study is valid for future research.

Most of the aforementioned results support findings of previous studies, namely: over-all retirement lack of readiness (e.g. Financial Finesse Inc., 2012; The Middle-Income Retirement Preparedness Study by Banker's Life and Casualty Company Center for a Secure Retirement, 2011; AEGON Retirement Readiness survey, 2013; and HSBC's new Future of Retirement survey, 2009); significant correlation between psycho-social processes and retirement preparedness (Simmonds Gouldbourne, 2008 and Kyule, 2011; high correlation between total retirement preparedness and bio-medical readiness (Bankers Life and Casualty Company, 2012; and the area on financial readiness garnering the lowest scores (e. g. AEGON, 2013; Financial Finesse, 2012; Willet, 2008; Padgette and Ponko, 2009; and Bankers Life and Casualty Company ,2012).

The findings of the present study have created knowledge specifically because it may be one of the first to quantitatively measure retirement preparedness of middle-income Filipinos. Other developing economies like the Philippines may find this research informative. It suggests areas where to build a solid basis for decision making on retirement preparedness. They provide individuals with information needed to begin planning effectively. It heightened the need for

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employers, government and financial institutions to do more in assisting these individuals especially in task of educating them.

However, according to Utkus (Vanguard, 2010), the real truth about how ready individuals will be for retirement is more complicated than survey statistics; it is important not to extrapolate too much about retirement preparation from this type of survey data. Hence, in the future, researchers estimating retirement readiness should include broad assumptions on other factors affecting preparedness such as market returns, tax rates, spending and saving patterns, replacement ratios, etc. to end on a happy note, findings of the current research could still serve as a springboard to future endeavors along this line.

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