

## THE INFLUENCE OF INCOME LEVEL, FAMILY EDUCATION, FINANCIAL LITERATURE ON RETIREMENT PLANNING MEDIATED BY SAVING BEHAVIOR

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### Abstract

*The pension program has three functions, namely the insurance function, the savings function, and the pension function. The pension program has an insurance function because it can help provide guarantees to participants in overcoming the risk of losing income when they are in retirement age and or caused by death. The pension program has a savings function because you are required to pay contributions when you are in the program. The pension program has a pension function because it can provide benefits that participants will receive when they retire, which can be received periodically throughout life and so on. Considering these conditions, this study aims to analyze how much influence the level of income, family education, financial Literacy is mediated by saving behavior on retirement planning. This study uses a quantitative method, namely a questionnaire, which contributes to this research as many as 195 respondents from private employees of Bank BPR UMKM Jawa Timur. This research uses the SPSS analysis tool to measure Validity and Reliability and PLS-SEM. This study reveals that income levels affect retirement planning, family education affects retirement planning, saving behavior affects retirement planning, and financial Literacy affects retirement planning. Family education and financial Literacy affect retirement planning mediated by saving behavior.*

**Keywords:** Retirement Planning, Financial Literacy, Saving Behavior, Family Education, Income Level

### Introduction

The development of economic life today can cause a shift in the value of life in society and the mindset in human life and behavior, which expects better welfare in the future. Every individual thinks about welfare at work and thinks about welfare when in old age or retirement. Changes in mindset about life due to globalization will continue until later. In the past, parents felt that as a reward, a child should be able to look after, care for, and support parents when they were no longer in their productive age and were already sluggish in their activities. This was related to the financial education provided by parents. So that everyone should be able to manage their finances to get maximum results in the future, insurance in old age must help provide welfare in old age within the time frame of old age, which will be enjoyed by those who are still young. People must be selective in choosing investments and know the benefits and risks. People must form a portfolio by selecting a combination of some assets to minimize risk, which is called selective diversification. The basic form of old-age insurance is planning a retirement program.

A human being in his life is like a wheel or a globe that is sometimes above and sometimes below. Several things must be considered and prepared from the start so that everything we hope will run according to reality. One of them is investment financial management. Investment is a form of activity to place funds in one or more assets (assets) during a specific period to obtain income and/or increase value. Investment can also be interpreted as a commitment to sacrifice current consumption (sacrifice of current consumption) to increase consumption in the future, or investment can be understood as delayed consumption.

The pension program has three functions, namely the insurance function, the savings function, and the pension function. The pension program has an insurance function because it can help participants overcome the risk of losing income at retirement age and or caused by death. The pension program has a savings function because you are required to pay contributions when you join the program. The pension program has a pension function because it can provide benefits that participants will receive at retirement that can be received periodically throughout their lives (<https://www.akuntansi-complete.com>).

In uncertain financial conditions, the public must seek extensive information regarding old-age investments. Seeing the phenomenon of pension fund investment which is the third pillar of Wealth Management, namely Wealth Distribution and transition, it is necessary to research the factors that cause people to care about retirement planning. Some of these factors include the level of income, namely, a person's ability to save and earn a financial income within a certain period. This can affect several things, such as the attitude of saving, namely the readiness and ability of individuals to save, financial Literacy, which means one's knowledge and skills in managing, handling, and managing. Various problems in finances and family education are the education of parental skills that will affect children's behavior in adulthood and parent-child relationships in general, which will change the attitudes and thoughts of children in the future, both physically and mentally. financial, scientific, or social, some of these factors influence one's retirement planning

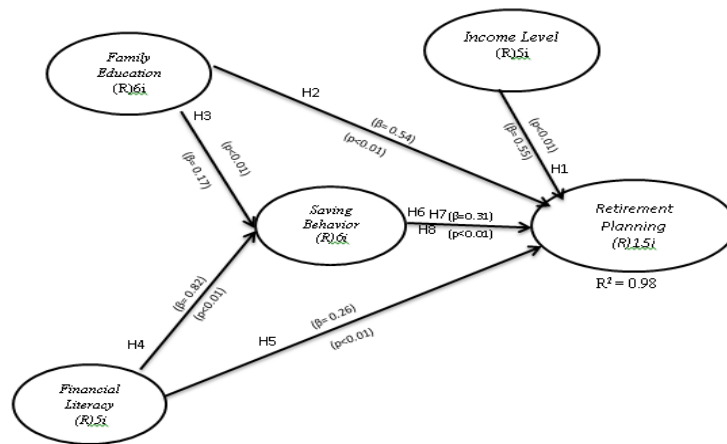
**Research Methods**

The population in this study were private employees of MSME Bank BPR East Java. The data collection method in this research is this research by distributing online questionnaires, and the total respondents involved in this study were 195 respondents.

The independent variables in this study are income level, family education, Financial Literacy. The mediating variable in this study is the attitude of saving, and the dependent variable in this study is Retirement Planning.

In collecting data, validity and reliability tests will be carried out to ensure no errors in the data or the data can be said to be reliable and valid. If the tested data is accurate and dependable, the analytical technique used is Partial Least Square (PLS-SEM).

**Result and Discussion**



**Figure 1.**  
Model

Source: WarpPLS 5.0

Research

**Table 1.** Hypotheses Testing

Variable	P-Value	Beta	R Square	Conclusion Statistics	Conclusion Operational
Income Level => Retirement Planning	P<0.01	0.55	R <sup>2</sup> = 0.98	Significantly	Supported
Family Education => Retirement Planning	P<0.01	0.54		Significantly	Supported
Family Education => Saving Behavior	P<0.01	0.17		Significantly	Supported
Financial Literacy => Saving Behavior	P<0.01	0.82		Significantly	Supported
Financial Literacy => Retirement Planning	P<0.01	0.26		Significantly	Supported
Saving Behavior => Retirement Planning	P<0.01	0.31		Significantly	Supported

This research was conducted in Indonesia, East Java, with a sample of 195 employees of PT Bank BPR UMKM East Java, with data collection using an online questionnaire created through Google Form. Based on the results that have been obtained through descriptive and statistical analysis using SPSS 23.0 and WarpPLS 7.0 applications, the following results are obtained:

**Income level significantly affects Retirement Planning for PT Bank BPR UMKM East Java employees.**

The current study results show that income levels have a significant effect on retirement planning; this is following the findings (MacLeod et al., 2012 in Shilery Tan et al., 2018). Expose that people who work are less educated and earn lower incomes, making them less financially ready to retire. In particular, women have fewer retirement savings than men, resulting in less preparation for retirement. Younger age groups are more vulnerable to poor retirement planning due to improper financial management where they are not yet financially secure when they move. The older they are, just thinking about retirement planning.

The conclusion from the results of respondents' answers that the level of income has a significant effect on retirement planning which, following the theory described above, explains that when a person earns low income in every daily activity, the person will feel less ready to set aside finances in preparing and planning retirement finances. because someone thinks that the money made today is only enough to make a living today, not for the future

#### **Family Education has a significant effect on Retirement Planning for PT Bank BPR MSME employees in East Java**

The current study results show that family education has a significant effect on retirement planning. This is following the findings. The research results conducted by Fatemeh Kimiyaghalam et al. (2017) revealed that parents substantially affect children's behavior. Family life educators and financial management educators should take this point and educate parents through their lesson plans. In addition, parents should encourage children to talk about their financial problems, save their pocket money, and involve them in family financial decision-making. Parents should learn that their strategies for dealing with economic issues and their pattern of saving for the future may be the first finance lessons for children. On the other hand, financial advisors and planners must identify their niche market to issue their professional services on financial planning for Retirement Planning Strategy

From the explanation above, it can be concluded that there are similarities in research results where current research reveals that family education directly has a significant effect on retirement planning where according to what has been described in theory above, family education on financial management should always be taught to families, especially to children where parents should encourage children to talk about their financial problems, how to save their pocket money and should involve them in making family financial decisions so that from early age families and children can make professional decisions on financial planning for Retirement Planning Strategies

#### **Family education has a significant effect on the saving attitude of PT Bank BPR UMKM East Java employees**

The current study results show that family education significantly affects saving behavior, following the findings of Webley and Nyhus (2006) in Fatemeh Kimiyaghalam et al. (2017), explaining that parental behavior has a significant relationship with children's attitudes rather than behavior. They. They showed that parental behavior (such as talking about monetary problems with children) and parental orientation (consciousness, future orientation) had a weak influence on children's finances. Saving decreases at an older age so that parents' behavior will protect the child's attitude in the future. Therefore if the financial system of a family is good, it will teach children to have an attitude of saving from an early age

From the explanation above, it can be concluded that family education is closely related to the attitude of saving, so in this case, education needs to be instilled from an early age so that it can form attitudes and character from an early age, especially in the financial sector when financial education in the family has been familiarized with children from an early age. will produce a good saving attitude and become a character in children to be able to save from what they produce regularly

#### **Financial Literacy has a significant effect on the saving attitude of PT Bank BPR UMKM East Java employees**

The results of the current study show that financial Literacy has a significant effect on saving behavior, this is following research showing that many people have a low level of financial Literacy, and this problem has a relationship with a lack of financial planning and insufficient savings for retirement) Several studies confirms the high correlation between financial Literacy and a set of financial behaviors related to savings, wealth, and portfolio choices so that someone who has good financial Literacy will affect his saving attitude to secure his wealth and portfolio (Lusardi & Mitchell, 2011, 2014 in Fatemeh Kimiyaghalam et al., 2017)

From the explanation above, it can be concluded that financial Literacy is very important to foster attitudes and behavior in saving when someone's financial Literacy is excellent, they will be more aware of their saving behavior and attitude from an early age to secure their wealth for the future.

#### **Financial Literacy has a significant effect on retirement planning for PT Bank BPR UMKM East Java employees**

The results of the current study show that Financial Literacy has a significant effect on Retirement Planning, this is following the findings (Lusardi & Mitchell, 2011, 2014 in Fatemeh Kimiyaghalam et al., 2017), which also says that many studies show that many people have a high level of financial Literacy. Low, it will impact the lack of financial planning and insufficient savings for retirement. Then this explains that a person's level of financial Literacy will have a direct impact on retirement planning,

From the explanation above, it can be concluded that when a person has good financial Literacy and a high level of financial Literacy, it will directly have an impact on retirement planning, how that person makes money, manages asset portfolios, develops wealth through investment instruments and so on so that he is better prepared in his career. planning for retirement

### **The attitude of saving has a significant effect on retirement planning for employees of PT Bank BPR MSMEs in East Java**

The results of the current study show that saving behavior has a significant effect on retirement planning, and this is following the findings of Fatemeh Kimiyaghalam et al. (2017), revealing results showing that saving attitudes can explain 25% of retirement planning, in this case, projecting a person's behavior to planning for retirement this is the fruit of the findings in this study because it shows individual behavior and individual attitudes can lead to the implementation of actions from what is usually done so that saving behavior has a relationship with retirement planning where someone aware of keeping in his youth will have a positive impact on retirement planning. what is planned in old age, or can be called retirement

From the explanation above, it can be concluded that a person's behavior and a person's attitude have a linear relationship or are directly proportional to what he plans to do when someone has good attitudes and behavior in saving, it can be ascertained that someone is already planning something to support himself in the future. retirement age

### **Family education has a significant effect on retirement planning and is mediated by the saving attitude of PT Bank BPR UMKM East Java employees**

The results of the current study show that family education has a significant effect on retirement planning mediated by saving behavior; this is following the findings of research conducted by Lynch and Netemeyer (2014) in Fatemeh Kimiyaghalam et al. (2017) conducted a meta-analysis of the relationship between financial literacy and education of family finance and behavioral finance in 168 papers covering 201 papers of previous studies. They found that interventions to improve financial Literacy only explained 0.1% of the variance in financial behavior, with a weaker effect in the low-income sample; in addition to that, parental behavior had a significant relationship with children's attitudes than theirs. They showed that parental behavior (such as talking about monetary problems with children) and parental orientation (consciousness, future orientation) had a weak influence on children's finances. Saving decreases at an older age so that parents' behavior will protect the child's attitude in the future; therefore, if the family's financial system is good, it will teach children to save from an early age. Adams and Rau (2011) in Fatemeh Kimiyaghalam et al., (2017) also conclude, "Perhaps one of the strongest findings in the literature is that financial Literacy (cognitive factor) plays a key role in financial preparation for retirement.

From the explanation above, it can be explained and concluded that saving behavior is quite strong in mediating the influence of Family Education on Retirement Planning for PT Bank BPR MSME employees in East Java. This means that employees must have good Savings Behavior in order to prove that family education is important and can affect the Retirement Planning of PT Bank BPR MSME employees in East Java.

### **Financial Literacy has a significant effect on retirement planning and is mediated by the saving attitude of employees of PT Bank BPR MSMEs in East Java**

The results of the current study show that financial Literacy has a significant effect on retirement planning mediated by saving behavior, this is following the findings of research conducted by Lynch and Netemeyer (2014) in Fatemeh Kimiyaghalam et al. (2017) conducted a meta-analysis of the relationship between financial Literacy and family finance education and behavioral finance in 168 papers covering 201 papers of the previous study. They found that interventions to improve financial Literacy explained only 0.1% of the variance in financial behavior, with a weaker effect in the low-income sample. Adams and Rau (2011) in Fatemeh Kimiyaghalam et al. (2017) also conclude, "Perhaps one of the most robust findings in the literature is that financial Literacy (cognitive factor) plays a crucial role in financial preparation for retirement.

From the explanation above, it can be concluded that saving behavior is quite strong in mediating the influence of Financial Literacy on the Retirement Planning of PT Bank BPR MSME employees in East Java. This means that employees must have good Savings Behavior to prove that Financial Literacy is critical and can affect the Retirement Planning of PT Bank BPR MSMEs in East Java. Thus, financial Literacy directly affects one's retirement planning, and indirectly Financial Literacy with the mediating role of Saving Behavior is possible for one's retirement planning.

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### Conclusion

The results of this study can be an additional basis in one's decision making in planning for retirement where when one decides on the desire and determination to plan for retirement in old age, later several aspects must be prepared from an early age, even passed down and taught to the next generation, aspects that are mandatory. Be prepared that a sufficient level of income, the importance of education in the family, especially in terms of finances, qualified financial Literacy as well as preparing a liquid investment portfolio instrument but not eroded by inflation such as investing in stocks, gold, property, and so on, but when financial Literacy, income level, and good family education are not balanced by good individual saving behavior, so there will be no structured retirement planning, therefore the need for good saving behavior so that it can support Literacy in the future. Income, income level, and family education affect good retirement planning as desired.

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### Authors' Bibliography

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