Retirement Preparedness and Subjective Well-Being: Evidence from Malaysia

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Abstract

Organizations offer sufficient preparation to prepare their employees to succeed at work, but very few, if any, prepare their employees for life after work. A cross-sectional survey was undertaken, with a total of 514 Malaysian employees participating in the study. The Partial Least Squares-Structural Equation Modelling estimation technique was employed to analyse the data. The results revealed that retirement preparedness in organizations via financial knowledge, retirement goals and retirement confidence significantly enhances subjective well-being of employees. The study serves to discuss current policy issues that affect the government, financial institutions, the employees, the elderly and their families.

Keywords: Retirement Goals; Behavioral Intention; Financial Knowledge; Retirement Confidence; Retirement Readiness; Subjective Well-Being

Introduction

The ageing of the population is a well-documented global phenomenon. It has drawn considerable interest from policymakers and the academic community due to its substantial impact on public health and national economies. Human beings are living longer lives than ever before. This demographic trend has increased the length of retirement, among other things, making it critical to consider what factors lead to a better retirement life. Many individuals around the world find themselves not properly prepared for their retirement, and an ageing population in many countries exacerbates the issue. Retirement preparation is a multi-step, time-consuming process that requires early attention, as individuals need to build a financial cushion to fund a comfortable, secure and enjoyable retirement. Despite its importance, studies have revealed that a significant percentage of adults fail to save enough for retirement. Unless actions are taken to strengthen income security for the elderly, the ageing population will undoubtedly raise levels of old-age poverty. The increasing household and individual debt situation in Malaysia have resulted in an unprecedented number of people declaring bankruptcy (Azma, Mahfuzur, Adeyemi, & Rahman, 2019). This further aggravates the situation for working Malaysians who are planning to save for their retirement, when faced with bankruptcies and other financial difficulties.

According to the Credit Counselling and Debt Management Agency (AKPK), more than half of Malaysians may not be financially prepared for retirement (Hadi, 2019). About 80% of the working population would be unable to support themselves

in retirement. Malaysians are expected to live an average of 15 to 20 years after retirement, and as such, they must ensure that they have adequate funds. EPF has warned that their contributors must have a minimum of RM228,000 in savings by the age of 55 to be able to get a monthly withdrawal of RM950 to meet their basic needs for 20 years, based on the average life expectations of a retiree. Surprisingly, just 18% of contributors have the RM228,000 minimum savings target in their account by the age of 55 (Yong, 2020).

Malaysia is currently experiencing major demographic and structural shifts as the country's population ages rapidly, with senior citizens aged 60 and above accounting for 9% of the total population in 2018. (Hamid et al., 2018). An ageing population brings with it its own set of problems, such as an increase in the dependency ratio and increased government spending on health care and welfare. Judging by how unprepared Malaysians are for retirement, it is imperative that reforms be made to the retirement process to circumvent the lack of retirement readiness of Malaysians. It is important to provide a window of opportunity to reform the retirement processes within the next few decades, before the effects of an ageing population become apparent (Abels & Guven, 2016). In view of the increasing ageing population, there is a clear need for research on the predictors of retirement preparedness and its impact on subjective well-being. It is critical to focus on the new retirement environment in Malaysia in order to better appreciate the possible consequences of these shifting population patterns, as well as the ramifications for designing successful pension reforms.

Literature Review

The analysis that underpins this research looks at the literature on retirement preparedness and uncovers a range of prevalent and interconnected themes. The research looks into the factors that influence Malaysian employees' retirement readiness, focusing on behavioural intention, financial knowledge, retirement trust or confidence, and retirement goals, as well as how retirement readiness translates into subjective well-being.

Theoretical Review

Retirement adjustment is a longitudinal problem, in which access to valuable resources influence people's adaptation to their new situation outside the workplace (Barbosa et al. 2016). Hence, the resourced-based dynamic perspective has become the most common approach in current empirical research. The central tenet of the theory is that final adjustment to retirement is determined by a person's access to the resources he/she needs to transition successfully and enjoy a reasonable standard of living after retirement.

Behavioral Intention

The theory of individual intertemporal choice (Thaler and Shefrin, 1981) and the theory of planned behaviour (Ajzen, 1991) suggests that characteristics of individuals and their environment play a major part in the decision to form intentions and carry out behaviours.

One of factors of environment that impact individual's behaviour is the peer effects where an individual may belong to several peer groups and be influenced by them all and therefore there is a need for "critical mass" to allow individuals to "hold their own" and not to be influenced by the majority (Kanter, 1977). A previous study (Joecks et al., 2013) has established 4 categories of gender critical mass that affect retirement saving investment strategies; uniform group where the group have the same gender characteristics followed by skewed group whereby a majority controls the minority (both the group and in culture). In the third one, the minority members influence the group and its culture (tilted group) and in the balanced group, the subgroups are almost equal in size. This was further supported by Gerrans et al., 2018 who found that workplace peers, especially by gender critical mass, influence individual's choice to change their retirement savings investment strategy. The study found that males (females) are more likely to make a change in sub-plans where there is a higher male (female) critical mass.

Another environment issue, the Covid-19 pandemic has not only caused enormous threat on individuals health and lives but have severely impacted one's financial security worldwide. TIAA (2020) Financial Resiliency Survey reported that American adults have undergone financial stress during the pandemic (almost 60%), have fallen behind on retirement savings (60%) and "about two-thirds now want to save more, view emergency funds as more important than ever (65%), and place more value on being resilient". The pandemic has led employed respondents to consider saving for retirement to be a current financial goal (91%) and having a source of guaranteed lifetime income once they had retired (59%) (TIAA, 2020).

One of the greatest failures in organizations is the lack of preparation and inadequate financial planning knowledge given to pre-retirees during their tenure of employment, to survive financially and psychologically in their post-retirement life (Gathiira et al., 2018; Nansubuga, 2018; Folk et al., 2012), especially for those who earn low salaries (Muratore et al., 2015), leading to old age poverty. The situation is further aggravated by the increase in longevity of the aging population

and retirees' weak financial knowledge on modern day investing and options (Hesketh & Griffin, 2010), making it essential for retirees to engage with financial institutions to save and invest more efficiently for the longer term (Koh, et al., 2021). The exposure to financial education programmes given by employers have a positive impact on pre-retirees' retirement planning behaviour (Gathiira et al., 2018; Ntalianis and Wise, 2011), thus, increasing the probability in retirement preparedness. Various studies have assessed the efficacy of workplace financial management programs in developing action orientated retirement planning and saving behaviour (Gathiira et al., 2018; Bernheim and Garret 2003; Clark and d'Ambrosio 2003) that would take them through their post-retirement life. In addition, personal initiatives decisions/behaviour like career change intensions, entrepreneurial intentions, workplace environment practices and continuous learning, are essential to ensure continuity of post-retirement social life and work activities that was perceived significant to the individuals before retirement (Gathiira et al., 2020; Deller, Liedtke, & Maxin, 2009).

These financial management programs allow individuals to have higher financial literacy and more positive attitude on financial investments, and behavioural intention to invest (Lim et al., 2018), and these individuals relying more on professional consultants for financial advice instead of their family, friends, and acquaintances, leading to better financial plans and controls to achieve financial satisfaction (Salleh et al., 2018) and higher intentions to save.

More recent attention has focused on retirees' behaviours to continue working beyond the retirement age, especially bridge employment (different career field (second careers))(Alcover, 2017; von Bonsdorff et al., 2017) and this has led to fewer major diseases and functional limitations as compared to full rest retirees due to the level of physical and/or cognitive activities (Gathiira et al., 2020; Wang & Shultz, 2011).

Financial Knowledge

An individual's financial well-being is dependent on his/her consumer decision making; therefore, it is vital for an individual to have adequate knowledge to make necessary decisions on savings and investments. Financial knowledge increases one's awareness of risk-return tradeoffs, allowing them to gauge the "riskiness of financial products and institutions" (Klapper & Lusardi, 2019) decreasing borrowing cost, debt accumulation (Lusardi & Tufano, 2015), mortgage negligence (Gerardi, Goette, & Meier, 2010), and having better retirement planning (Brown & Graf, 2013a). It also , boost one's ability to manage their finances with greater confidence and respond more effectively to news and events that may have financial implications (OECD, 2020).

Knowledge of financial instruments has positive effect on retirement preparedness (Mndzebele and Kwenda, 2020) with financial education as the key to retirement readiness (Rasiah, et al. 2020; De Los Santos, et al. 2020; Pahlevan Sharif, Ahadzadeh and Turner 2020; Lusardi and Mitchell 2017). Individuals with higher levels of financial education are found to have the tendency to seek for financial advice (Litterscheidt and Streich, 2020) to better allocate their financial resources in order to make sounder financial decisions (Lusardi et al., 2017) especially in managing their retirement drawdowns (Lusardi and Mitchell, 2014). These individuals tend to have lower credit card debt (Bai, 2021; Allgood and Walstad, 2016) because they may have accumulated assets and pension (Piotrowska, 2019) to support their spending, or they may have better financial planning (Koh et al., 2018) compared with their counterparts with less financial literacy.

In contrary, individuals who lack or have low financial knowledge are incompetent to make proper financial decisions

(Klapper, Lusardi, & van Oudheusden, 2015) and the necessary insights into personal finance (Howlett et al., 2008) even if they have strong sense of avoiding negative financial behaviour and are continuously concerned about their financial well-being. These individuals have lower cognitive abilities, affecting various financial behaviour negatively (Lusardi et al., 2017; Aydin Asli & Akben Selcuk, 2019)

Retirement Confidence

The importance of saving for retirement to maintain an appropriate stable standard of living in the post-retirement has become essential in the recent years due to increase in life expectancies (Bohr, Holt, & Schubert, 2019) especially in countries with relatively small government provided retirement benefits such as pension systems (Lyons, Grable, & Joo, 2018).

Saving adequately for retirement is essential and has contributed to the move to encourage better savings behavior among the working age population. Individuals who are confident they have adequate savings for retirement are more likely to have an easier transition into their retirement life (Taylor & Doverspike, 2003). However, the effects of financial confidence differ by the levels of financial knowledge (Hui, Nguyen, Palameta & Gyarmati, 2016), personal and parental health histories (Zick, Mayer & Smith, 2015) and demographic characteristics (Kim, Kwon & Anderson, 2005). Having high financial knowledge and low financial confidence can deter good practices in personal finance whereas individuals who are highly confident but less knowledgeable are doing well in managing their finances and are better prepared for unexpected changes in financial needs (Hui et al., 2016). In the same vein, Kim et al (2005) provided evidence that retirement confidence is higher among respondents who have calculated their capital needs for retirement, have higher income levels, and have received workplace financial education. In contrary, individuals with lower financial self-efficacy lack the perceived ability to successfully manage their financial affairs (Peeters, Rijk, Soetens, Storms, & Hermans, 2018).

Greater retirement confidence increases the individuals' capability of managing finances (Zebrowitz, Boshyan, Ward, Gutches and Hadjikhani, 2017) and developing solid financial management behaviors (Guo et al., 2013), leading to higher levels of financial well-being (Asebedo et al., 2019; Farrell et al., 2016). People with higher levels of financial self-efficacy engage in more positive financial behaviour and more resilient in difficult times, achieving long-term financial satisfaction (Asebedo and Payne, 2018).

Retirement goals

Clear retirement goals are crucial in the retirement planning process (Stawski, Hershey and Jacobs-Lawson, 2007) as it improves financial behaviour (AKPK, 2018) and stipulate a view of life satisfaction and wellbeing (Klug and Maier 2013; Hershey and Henkens, 2013). It also creates more proactive behaviours and initiatives in retirement planning, reducing internal conflicts and negative outcomes (Rasiah et al., 2020). Goal clarity is an essential predictor of retirement planning behaviour (Hassan et al., 2016) as better retirement planning leads to retirement savings (Jacobs-Lawson & Hershey, 2005). Interestingly, the clarity of retirement goals are found to be higher among married couple who share goals and aspiration to save and invest for their future security (Ng et al., 2011) as compared to unmarried couples. The retirement goals clarity is also much higher for families with larger number of dependents (Stawski, Hershey and Jacobs-Lawson, 2007).

Lack of financial knowledge and low self-efficacy causes individuals to start saving later in life, limiting their goal specific commitment (Halilovic et al., 2019; Topa and Pra, 2018).

Studies have shown that individuals seek the services of financial planners on saving for retirement (Botha et al., 2014) to assess their financial situation to ensure that their retirement goals are achieved (Nawi et al., 2018).

Subjective Well-Being

Retirement signifies an important life transition and is a significant interruption to "a stream of income, a footing under family life, a regime for the body and self-care, a daily schedule, geographic fixity, social networks, and a basis for self-definition" (Ekerdt, 2010, p. 77) leading to physical, financial and psychosocial changes and eventually affecting well-being (Ryan et al, 2017; Diener et al., 2018). Thus, preparation to this transition is crucial as individuals with different experiences or characteristics vary significantly on how they perceive their well-being following retirement (Radó and Boissonneault, 2018). Involuntary retirees (retire due to labor market constraints) were found to have lower level of subjective well-being than voluntary retirees in both the short and long term (Radó & Boissonneault, 2018) after retirement due to lack of preparation for this transition, both psychologically and financially.

The adjustment to retirement differs between individuals and over time (Chan et al., 2020; van Solinge, 2013) as a result, individuals have different retirement and unique pattern of transitions and retirement experiences, depending on the changes in the amount of total resources (physical, financial, mental and social resources) during transition (Yeung & Zhou, 2017). Past studies have found that baby boomers entering retirement, as compared to their earlier cohorts, are more active, richer, physically fit, and have different values and life plans as compared to their previous cohorts (Schmalzle et al., 2019; van Solinge, 2013), contributing to well-being and satisfaction in retirement (Bačová & Halama, 2020). Retirees do not only not obtain regular income which causes their financial resources to reduce (Herrador-Alcaide et al, 2021; Amorim & França, 2020), but they also lose social identity as their contact with former coworkers or friends reduces leading to loneliness (Giné-Garriga et al., 2021; Sundström et al., 2020). In addition, they have to endure age-related physical health issues (Weckroth et al., 2017) and adapt to a new family role (Zeka, 2020) which contribute to one's post-retirement subjective well-being. Therefore, personal pre-retirement planning is vital to a smoother retirement adjustment (Muratore and Earl, 2015), better psychological and physical health (Yeung, 2013) and post-retirement well-being (Shin et al, 2020). It is essential for pre-retirees to plan and contribute to the maintenance of financial resources for after retirement (van Rooij et al., 2012), have regular exercises or physical check-up to improve their physical resources and find supportive social network to increase social resources in post-retirement life (Yeung & Zhou, 2017). However, personal pre-retirement planning depends on one's limitation (Nam & Loibl, 2020) whereby saving behaviour, level of education (Herrador-Alcaide et al, 2021; Foster 2018; Tamborni and Kim, 2019) and financial literacy (Hauff et al., 2020; Zeka, 2020) play a major role. Recent studies have also emphasized on the racial gaps in employment that have intensified income inequalities and individual's retirement savings (Reyers, 2018; Butler and Van Zyl, 2012).

Family structure was found to be one of predictors that impact retirement funding adequacy (Zeka, 2020) as culture value emphasizes on individuals to consider the financial well-being of their extended families (Magubane, 2016), creating greater probability of maintaining their standard of living at retirement (Zeka, 2020). This increases the ties with the family and reduces their social network with colleagues and friends creating higher overall satisfaction and stronger and more intense emotional (Comi et al., 2020). Interestingly, studies

found that females retirees tend to reduce the share of friends especially their social network (Patacchini & Engelhardt, 2016), while males that of colleagues (Comi et al., 2020). In contrary, recent studies have indicated the importance of social activities participation increases good physical health (Ma et al., 2020; Bourassa et al., 2017), better cognitive functioning (Hikichi et al., 2017; Saito et al., 2018), prevent disability (Hikichi et al., 2015) and increase quality of life (He et al., 2017), life satisfaction and well-being (Hornby-Turner et al., 2017; Zhang & Zhang, 2015). Older retired men do not or are reluctant to participate in community social programs (Nurmi et al., 2018; Milligan et al., 2013) leading to loneliness, higher risk of social isolation (Dawson-Townsend, 2019; Van Hees et al., 2020), especially from the community (Fulton et al., 2016) and consequently increases risk of mortality (Holt-Lunstad et al., 2010).

Methodology

A questionnaire using a 7-point Likert scale was used to gather data for each construct of the research model, Behavioral Intention, Retirement Goals, Financial Knowledge for Retirement, Retirement Confidence, Retirement Readiness, and 'Subjective Well-being'. The respondents of this study were Malaysian working adults, selected using the purposive sampling technique. After receiving ethical approval and conducting a pilot test analysis to assess the questionnaire for understandability, enumerators collected data in various Malaysian states over a five-month span from October 2019 to January 2020. A total of 550 bilingual (English and Bahasa Malaysia) surveys were distributed, 528 (96%) were returned, of which 514 were included in the study, a total response rate of 93.45%.

Most of the survey questions were adapted from those validated by previous research on retirement readiness, and chosen for their relevance to this study, as well as to the significance academics assigned to those studies. The items for 'Behavioral Intention' were adopted from Davis & Hustvedt (2012), items for 'Retirement Goals' were adopted from Stawski, et al., (2007), items for 'Financial Knowledge for

Retirement' adopted from Hershey and Mowen (2000), items for 'Retirement Confidence' were adopted from Helman, Copeland and Van Derhei (2015), items for 'Retirement Readiness' were adopted from Collinson (2014), and items from 'Subjective Well-being' were adopted from Diener, Emmons, , Larsen, & Griffin (1985).

To ensure replicability and rigour, this study employs structural equation modelling (SEM) as a standard analysis tool. Due to its flexibility in performing multiple multivariate statistical analyses, including regression analysis, path analysis, factor analysis, canonical correlation analysis, and growth curve modelling, data analysis, the variance-based SmartPLS SEM software was used to analyse the model generated by this study. SEM may be used to investigate relationships between constructs. Since it can calculate difficult to measure and unobservable latent variables, SEM is suitable for evaluating direct and indirect impact. SEM is a dual model data analysis technique. The inner model looks at how dependent and autonomous latent constructs interact, whereas the outer model looks at how latent constructs interact with their observed indicators. The study of variance is the goal of PLS-SEM, which can be done with SmartPLS. SmartPLS is able to assess the validity and reliability of latent variables. Urbach and Ahlemann (2010) suggested using structural equation modelling (SEM) to analyse several multivariate statistical analyses, thought to be appropriate for this research.

Ethical Statement

This study involved human participants and was reviewed and approved by the ethics committee of Taylor's University, Malaysia: HEC 2019/075. The researchers made certain that respondents were well informed about the context and purpose of this study. Respondents were also assured that the information they provided in the survey would be kept confidential.

Findings

The study employed the SmartPLS software, a well-known partial least squares (PLS) tool that can evaluate both measurement and structural models at the same time. A bootstrapping procedure involving 1000 resamples was carried out (as suggested in a study by Chin, 1998), to determine the significant level of loadings, weights, and path coefficients.

The demographics of the respondents as shown in Table 1 were broadly representative of the Malaysian population, with 64.79% Malays, 17.7% Indian, 14.59% Chinese, and 2.92% others. With regards to gender, 58.95% of the respondents were females and 41.05% were males. A majority of the respondents were married (65.95%) and belonged to the 41-50 years age group (72.76%).

Gender	N	%	Ethnicity	N	%
Female	303	58.95	Malay	333	64.79
Male	211	41.05	Chinese	75	14.59
			Indian	91	17.70
			Others	15	2.92
Marital Status			Age		
Single	141	27.43	20-30	15	2.92
Married	339	65.95	31-40	16	3.11
Divorced	21	4.09	41-50	374	72.76
Widowed	13	2.53	51-60	109	21.21

Table 1: Demographic profiles of respondents

Measurement Model

A confirmatory factor analysis (CFA) was carried to assess the constructs' reliability and validity. Cronbach's alpha and composite reliability (CR) were the most widely used reliability metrics. The measurement and structural models were tested to confirm the validity of the measures used in this research. The underlying relationships between the observed variables and theoretical constructs are defined by the measurement model. The structural model examines the exogenous and endogenous constructs' causal relationships. In Table 2, each construct's Composite Reliability, Cronbach's alpha, and average variance extracted (AVE) are summarized. Table 2 summarises the model's measurement properties, which include attitude toward retirement, retirement goals, financial knowledge, retirement confidence, and retirement preparedness, affirming the validity of the overall model specification. The figures of CR ranged from 0.930 to 0.964, and

Cronbach's alpha ranged from 0.900 to 0.951, exceeding the 0.6 acceptable threshold (Fornell and Larcker, 1981). In analysing the convergent validity, the reliabilities of the constructs have to meet the following standards: First, values for factor loadings must be greater than 0.5 (Gefen and Straub, 2005); Second, values for CR have to be greater than 0.7 (Nunnally and Bernstein 1994); Third, values for AVE have to be greater than 0.5 (Hair, Black, Babin, and Anderson, 2010; Chin, 1998; Fornell and Larcker, 1981). The indicator factor loadings of the items in this analysis were higher than the appropriate threshold. The threshold was also met by the AVE values and all composite values. As a result, both values meet the convergent validity criteria. Items with a factor loading below 0.6 were excluded.

The model also shows that all constructs have internal consistency and reliability, as the multi-items for each construct show clear evidence that they quantify the same definition that the construct refers to (Hair, et al., 2010), as shown by the composite reliability values in Table 2 being above 0.7.

Constructs	Items	Factor Loadings	Composite Reliability	AVE	Cronbach Alpha
Behavioral Intention (BI)	BI1: I intend to plan and save for retirement.	0.927	0.953	0.872	0.927
	BI2: I want to plan and save for retirement.	0.942			
	BI3: I expect to plan and save for retirement.	0.932			
Financial Knowledge (FK)	FK1: I am very knowledgeable about financial planning for retirement.	0.866	0.948	0.753	0.934
	FK2: I know more than most people about retirement planning.	0.888			
	FK3: I am very confident in my ability to do retirement planning.	0.899			
	FK4: When I have a need for financial services, I know exactly where to obtain information on what to do.	0.870			
	FK5: I am knowledgeable about how EPF or civil service pension plans work.	0.874			
	FK6: I am knowledgeable about how PRS or private investment plans work.	0.808			
Retirement Confidence (RC)	RC1: I am confident I will have enough money to take care of my basic expenses during my retirement.	0.923	0.964	0.872	0.951
	RC2: I am confident I will have enough money to take care of my medical expenses during my retirement.	0.932			
	RC3: I am confident that I will have enough money to pay for long-term care, such as nursing home or home health care, should I need it during my retirement.	0.956			
	RC4: I am confident that I am doing a good job of preparing financially for my retirement.	0.923			
Retirement Goals (RG)	RG1: I have specific goals regarding the financial position I want in retirement.	0.859	0.930	0.770	0.900
	RG2: I have specific goals for my long-term health.	0.858			
	RG3: I have specific goals regarding how I want to spend my time in retirement.	0.899			
	RG4: I have specific goals regarding the future roles I would like to hold as a retiree.	0.892			
Retirement Preparedness (RP)	RP1: I understand my retirement income needs and have calculated my retirement savings goal.	0.826	0.939	0.756	0.919
	RP2: I have a roadmap for achieving my retirement income needs.	0.890			

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	RP3: I am saving enough and investing appropriately to achieve my savings goal.	0.831			
	RP4: I am confident that I will be able to fully retire with a comfortable lifestyle.	0.910			
	RP5: I will have enough money to retire comfortably	0.888			
Subjective Well-Being (SWB)	SWB1: In most ways, my life is close to ideal.	0.860	0.936	0.747	0.914
	SWB2: I have a roadmap for achieving my retirement income needs.	0.912			
	SWB3: I am saving enough and investing appropriately to achieve my savings goal.	0.908			
	SWB4: I am confident that I will be able to fully retire with a comfortable lifestyle.	0.865			
	SWB5: I will have enough money to retire comfortably	0.770			

Table 2: Measurement Model Loadings

Furthermore, sufficient discriminant validity must have correlation coefficients that are less than the square root of the AVE. The model confirms discriminant validity, which is significant because models are designed on constructs with items that can distinguish one construct from another. The results shown in Table 3 affirms the existence of discriminant or construct validity in this model, with all correlations between the

different constructs falling below the "square root" of the AVE of each latent variable, as recommended by Gefen and Straub (2005). The six constructs in this model are distinct from one another, confirming the outer model's discriminant validity and having implications for the research hypotheses discussed later.

	Behavioral Intention	Financial Knowledge	Retirement Confidence	Retirement Goals	Retirement Preparedness	Subjective Well-Being
Behavioral Intention	0.934					
Financial Knowledge	0.339	0.868				
Retirement Confidence	0.326	0.644	0.934			
Retirement Goals	0.615	0.579	0.561	0.877		
Retirement Preparedness	0.345	0.618	0.630	0.591	0.869	
Subjective Well-Being	0.275	0.604	0.781	0.464	0.562	0.864

Table 3: Discriminant Validity

After confirming the measurement model's parameters, the researchers used bootstrapping with 1000 samples to analyse the structural model. Table 4 shows the results of the structural model, demonstrating that financial knowledge, retirement confidence and retirement goals are significant determinants of retirement preparedness, while behavioral intention does not predict retirement preparedness. The results also revealed that retirement preparedness was significant in explaining subjective well-being or happiness. The t-statistics shown in Table 4 reflected the significance of the path coefficients in the structural model, while the R square values showed how well both the retirement preparedness model and the subjective well-being model were explained by their respective predictors. As far as the retirement preparedness model is concerned, 51.6% of the variance in retirement preparedness was explained by the financial knowledge, retirement confidence and retirement goals. The results for the retirement preparedness model supported hypotheses 2, 3 and 4, but did not support hypothesis 1, as behavioral intention is not a significant predictor of retirement preparedness (standardized estimate = -0.013, $p > 0.05$), while financial knowledge (standardized estimate = 0.265, $p < 0.05$), retirement

confidence (standardized estimate = 0.312, $p < 0.05$), and retirement goals (standardized estimate = 0.271, $p < 0.05$) are all significant and direct predictors of retirement preparedness. Retirement confidence played the most significant in explaining retirement preparedness, followed by retirement goals and financial knowledge. Having financial knowledge is extremely important for one to successfully plan and prepare for the retirement, but if one does not have the confidence to plan and execute their retirement goals, knowledge alone cannot do much. Having confidence or self-efficacy has been found to enhance the whole process of financial planning that is sustainable, so that an individual is finally ready to embrace his/her retirement. Employees are supposed to have well-thought-out retirement goals to assess their level of preparedness and they must have the confidence in implementing their goals throughout their working lives in order to be financially prepared, which is in accordance with any successful strategy, financial or otherwise.

The results of the nexus between retirement preparedness and subjective well-being as tested in the subjective well-being model in Table 4 shows an R-square value of 0.315 indicating that 31.5% of the variation in subjective well-being is explained

by retirement preparedness.

Hypotheses		Beta	S. Error	T-Statistic	Decision	R-Square
H1	Behavioral Intention -> Retirement Preparedness	-0.013	0.104	0.126	Not Supported	0.516
H2	Financial Knowledge -> Retirement Preparedness	0.265	0.115	2.313**	Supported	
H3	Retirement Confidence -> Retirement Preparedness	0.312	0.119	2.630**	Supported	
H4	Retirement Goals -> Retirement Preparedness	0.271	0.129	2.105**	Supported	
H5	Retirement Preparedness -> Subjective Well-Being	0.562	0.09	6.346***	Supported	0.315

*** p -value < 0.01; ** p -value < 0.05

Table 4: Path Estimates

Discussion and Conclusion

This study examined the relationship between retirement preparedness and its predictors comprising of behavioral intention, financial knowledge, retirement confidence, and retirement goals, among Malaysian employees; and how retirement preparedness influenced people's life satisfaction or well-being. The results provide evidence that the higher the perceptions of financial knowledge, retirement confidence, and retirement goals are, the better prepared Malaysian employees are for their retirement. Behavioral intention appears to not affect the employees' readiness for retirement. The results also revealed that those who prepared for their retirement have higher levels of subjective well-being.

Faced with the issue of an ever-lengthening retirement duration and an increasingly ageing population, greater involvement with financial and governmental institutions is needed to invest more and spend more efficiently for the long term. This study found financial knowledge to significantly increase the employees' readiness for retirement, which correlates with the results from other studies (Koh, Mitchell & Fong, 2021; De Los Santos, et al., 2020; Rasiah, et al., 2020; Kalmi, & Ruuskanen, 2018; Lusardi and Mitchell, 2017; Young, et. al., 2017). Employees perceive themselves to be better prepared for retirement when they have higher levels of financial knowledge as they feel more confident in investing in more diversified and complex portfolios, which enhances their long-term income (Koh, Mitchell & Rohwedder, 2020). Low-income families are at a higher risk of financial illiteracy from a social standpoint (Baron, 2015; Hastings et al., 2013; Potrich et al., 2015; Brown & Graf, 2012) and are therefore susceptible to being less ready for retirement. Therefore, it is pertinent that appropriate financial empowerment programmes be targeted for the low-income earners to enhance their financial knowledge and transform their savings, investment and spending habits, to better prepare them for their retirement.

Retirement confidence was found to be the strongest predictor of retirement preparedness in this study, reflecting how important it is for individuals to basically have the confidence in carrying out the necessary steps to financially prepare themselves for the silver years. The positive impact confidence had on retirement preparedness in this study confirms the results found by other studies revealing that individuals with higher retirement confidence are more likely to exhibit desirable financial management behaviours that are critical to retirement preparedness (Farrell, Fry & Risse, 2016; Asebedo, 2016; Asebedo & Seay, 2018). To manage one's personal finances requires more than just financial knowledge, as it further requires self-belief in one's financial management

capability (Farrell et al., 2016). Confidence entails trusting in one's abilities to save enough money and handle one's assets well enough to allow a smooth transition to retirement. Policymakers should implement a variety of empowerment programmes aimed at developing or enhancing financial confidence. Financial education can never be taught solely in the classroom, since it will not result in transformational behavioural changes unless students or employees participate in a variety of hands-on activities, such as real-world investment opportunities or real-world financial planning activities that require participants to communicate with banks, investment companies, and financial institutions. This will enhance their confidence and gear them towards systematically planning and preparing for their life course and eventual retirement. Both public and private organisations must provide financial literacy workshops to their employees based on their needs and age groups, with the junior employees being given financial planning for beginners to get them started on self-reflection and the need to save and invest, while the more senior employees need to be prepared to calculate the amount of funds they need to retire comfortably, given that their increasing life expectancies. Personal finance skills are important because they can help individuals to manage money, prepare for retirement, and establish an emergency fund. Since most parents and schools do not teach these skills to their children when they were young, employers must provide personal finance educational seminars for their workers so that they can learn to be financially responsible for themselves during their working lives and into retirement. In order to strengthen financial awareness and preparation, financial education programmes can become a major component of human resource development programmes. Employers must take additional steps to promote good financial behaviour, develop and long-term financial planning among workers so that they are more secure in their financial awareness, ambitions, and future.

Malaysian employees also perceived that having retirement goals increased their readiness to embrace retirement. This result is consistent with past studies (Shanmugam, Abidin & Tolos, 2018; Schuabb, Franca & Amorim, 2019; Hassan et al., 2016; and Zhu & Chou, 2018) which revealed positive relationships between these retirement goals and retirement preparedness. Individuals who set clear and specific retirement goals tend to engage in retirement planning activities, seek ways to generate wealth, invest and save much earlier in life. The individuals are more confident to face retirement if they began their preparation much earlier and having clear goals helps them to stick to the plan. Individuals who know their retirement goals will plan their finances (savings, investment and expenditure) in such a way that it can help them avoid running out of money in retirement. Employees may use

retirement goals to direct their financial planning by deciding the rate of return they require on their savings, the level of risk they can take, and the amount of income they can comfortably remove from their portfolio. Setting short-, medium-, and long-term financial goals is critical for financial stability, even more so during retirement, when funds can rapidly deplete. The results of this study on the direct impact of retirement goals on better preparing workers for retirement would be useful to practitioners and intervention specialists looking to strengthen retirement planning practices. Policy makers need to ensure that employers provide direct and indirect interventions to improve their employees' financial goal-setting skills, which will help to foster a culture of successful retirement planning in the long run. The interventions could take the form of mandatory retirement goal-setting workshops, which workers would attend before designing their own personal retirement goals. Additionally, employers may provide retirement-related investment options or direct deductions for private retirement savings. The implications of the results of this study indicate that retirement intervention specialists should advise their clients to develop consistent and realistic retirement and investment goals on a regular basis.

The importance of planning for retirement is confirmed by this research, which shows that it improves subjective well-being. "Subjective happiness," according to Lyubomirsky and Lepper (1999), is a person's assessment of whether or not he or she is happy or unhappy. Individuals with different backgrounds or characteristics differ greatly in how they view their well-being following retirement (Radó and Boissonneault, 2018). Retirement has been viewed as either a period of continued, or even enhanced, subjective well-being or as a period of transition that is accompanied by psychological distress. Since retirement is such a significant life transition, it is critical that people plan for their retirement, failing which the consequences of not being prepared for retirement can be detrimental for one's well-being. Policies and actions that deal with retirement preparedness as a predictor of happiness should be prioritized. Among them are one's financial position, which emphasises the importance of long-term financial planning and diversification of assets for longevity; social support, which is pursued through the establishment of social living centres; and health promotion, which encompasses physical activity, nutrition, and healthcare. All of these responsibilities must be taken on by the government as well as the private sector and are reflected in global efforts to create age-friendly cities (Plouffe and Kalache 2010).

In terms of future research, there is much work to be done to better understand the problems around how unprepared people are for retirement and how this affects their life satisfaction, as well as how more research can better inform the policy debate. There needs to be a more holistic understanding of Malaysian working adults' financial skills, self-efficacy, future time perspective, and Financial Risk Tolerance would be beneficial. Such a study could be repeated across different countries to gain insight into the various factors that affect both retirement readiness and life satisfaction, a problem that is especially important in today's increasingly volatile economic climate.

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