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Planning towards retirement; financial security of tutors in Ghanaian Colleges of Education

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Abstract
This study, conducted in colleges of education in Ghana, revealed financial unpreparedness towards retirement among the majority (74%) of tutors in Ghanaian colleges of education. The study revealed a significant but marginal gender differences in financial planning towards retirement among male and female tutors ($p \leq .05$). This study used a mixed-methods sequential explanatory design. Stratified and simple random sampling methods were used to select 54 college tutors from two (2) colleges of education for the survey, while six (6)out of the 54 tutors were purposively sampled for interview. The data collected via self-developed questionnaire (Cronbach's alpha = 0.78) and semi-structured interview guide were analysed quantitatively using frequency count, percentage, and inferential statistics (independent samples test), and qualitatively through thematic analysis responses from respondents were categorized into themes. There is the need for teacher unions, employers and other stakeholders in Ghana to engage the services of professional financial services advisors and investment institutions to roll out financial investment schemes for tutors besides public pension schemes for a better secured post-retirement life.

Key Words: Retirement, financial planning, financial plans, pension schemes, employers, teacher unions

Introduction

Retirement is inevitable as an event and stage in life. Globally, the expectation of workers about their standard of living in retirement does not often match with their retirement wealth accumulation (Phua & McNally, 2008). This is because pension plans are drying out and personal savings is negligible. This paper argues that formal sector workers, including tutors in Ghanaian colleges of education, would not have enough money saved for retirement because of the volatility in the financial markets and poor behaviour of many Ghanaian formal sector workers might not provide economic security in retirement as observed by Okai (2009). Certain studies have shown that women have lower levels of personal savings, superannuation, and retirement investments (Clare, 2004). In his view, Ghanaian workers whose incomes are generally low have not made financial provisions for retirement in the exception of their social security. A research by Okai (2009) buttresses that pre-retired people are not adequately prepared financially for their retirement, and thus need additional savings in order to maintain the pre-retirement level of living during retirement. So, how can tutors in Ghanaian colleges of education financially secure their future? This calls for a proper financial planning.

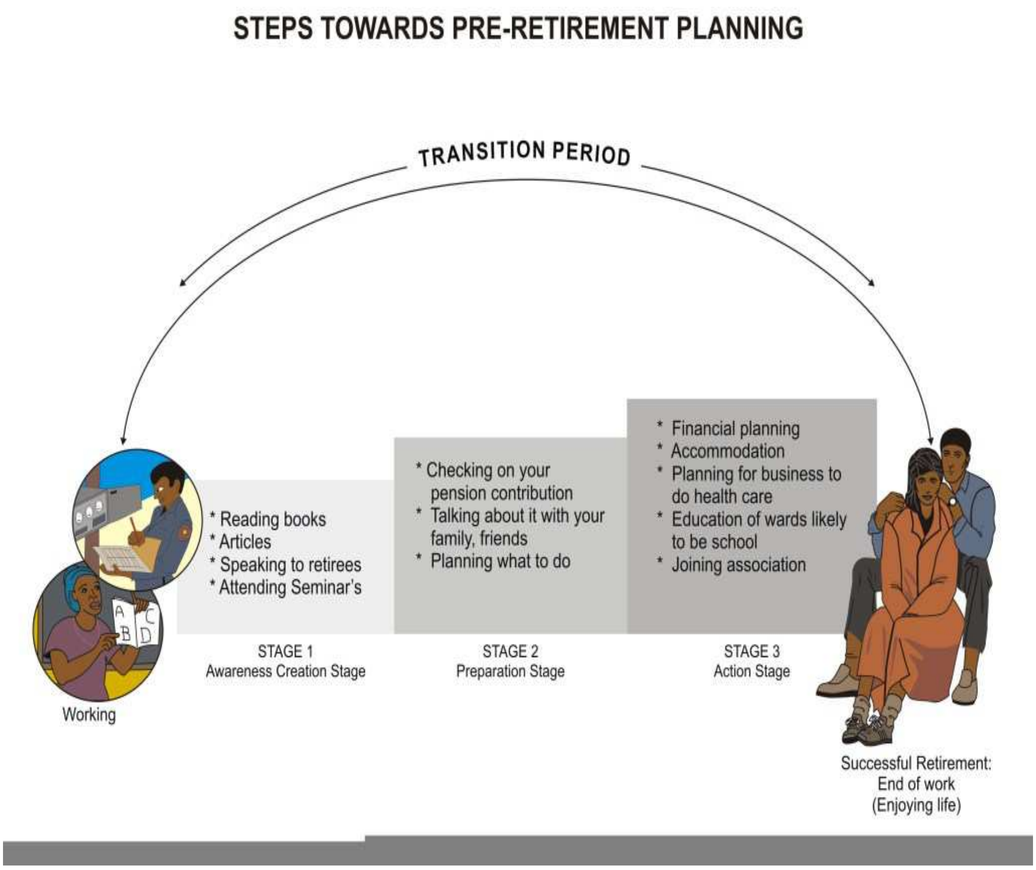
Statement of the problem

Retirement is a threat to most tutors in Ghanaian colleges of education. There are concerns in financial planning literature that pre-retirees are not accumulating adequate financial wealth to sustain their pre-retirement lifestyle in retirement. Although most formal sector workers in Ghana are optimistic about post-retirement financial stability through public pension schemes, they are doubtful of maintaining the same standard of living during retirement without preparing for the loss of income that occurs with it. A study by Okai (2009) failed to explore financial preparedness towards retirement among University of Ghana workers. The study also failed to establish gender differences in planning towards retirement, and this created an empirical gap. Extant literature exists on retirement planning, but there is no empirical evidence on gender differences in financial planning towards retirement among tutors in Ghanaian colleges of education. Filling these gaps by exploring gender differences in financial preparedness towards retirement among tutors in Ghanaian colleges of education is desirable.

Theoretical framework

Given that retirement preparation involves some behaviour change, including anticipatory and proactive behaviours (Okai, 2009; Dan, 2004), there is the need to plan towards it. This calls for the adoption of a behavioural change model. This study adopted the trans-theoretical model (TTM) by Prochaska and Di Clemente (1977) to guide the processes involved in financial preparation towards retirement. The TTM perceives change not as an event, but a series of processes associated with change. TTM posits that individuals engage in change processes in stages. The stages associated with the TTM are: pre-contemplation, contemplation, preparation, action and maintenance (Prochaska, Redding, & Evers, 2002). The TTM model is shown in Figure 1 as conceptual framework of this paper. This study adapted a model developed by the current researcher in 2016. The framework serves as a basis for analysing how individuals plan for retirement in terms of their financial and physical needs.

Conceptual Framework



Source: Author's construct (2016)

Fig 1: Conceptual framework

The transition from work to retirement requires financial planning and preparedness during pre-retirement period. This demands some attitudinal and behavioural change. Phase1 in Figure 1, which is the awareness creation stage, requires an employee to develop the attitude of reading books and articles on financial planning, attending financial planning seminars on retirement, and seeking advice from retirees about financial preparation towards retirement. Through these activities, an employee pre-contemplates, contemplates, engages in psychological planning and the decision to financially plan towards retirement. In Phase 2 of the model, which is the preparation stage, an employee develops the attitude and behaviour of checking on pension and other financial contributions or savings, engages family and friends in discussion about it, and plan what to do with the financial contributions. The final Phase (Phase 3), which is the action stage, is the financial readiness and decision to make financial investment and saving plans, investment in businesses, housing and accommodation, healthcare, children's education, joining and making financial savings in credit unions, savings groups and other financial associations. By engaging in financial planning and investments, an employee is able to accumulate enough to sustain him/her on retirement. Okai (2009) opines that the elements in phase 3 are very crucial in experiencing post-retirement satisfaction and without them, the individual is bound to experience stress and strain.

Understanding the concept of financial planning towards retirement

Financial planning is a process, not a product. It is the long-term method of wisely managing finances to achieve life goals. The major financial plans for formal sector employees include pension plans, personal savings and social insurance programmes (Phua & McNally, 2008). Other financial portfolios include savings and investment in stocks, shares, fixed deposits, treasury bills, bonds, credit and mutual funds, insurance policies, property (real estate, rented house or apartment), and ownership of businesses to replace reduced income whilst on retirement (Dan, 2004). In order for an individual to plan financially towards retirement, he/she needs to have an objective and subjective financial knowledge. This requires professional financial planning advice as suggested by Irving, Gallery, Gallery and Newton (2011). Improving financial knowledge may be one of the effective ways to increase the extent to which people make appropriate plans (Dan, 2004) and develop concern towards their future financial security. Not all individuals with pension plans are knowledgeable about their details and benefits important to successful financial planning (Ekerdt & Hackney, 2002). In Ghana, financial knowledge seems to elude many workers since they never have the opportunity to participate in pre-retirement educational programmes where they can acquire financial knowledge (Okai, 2009; Amponsah, 2003).

Purpose

The purpose of this study was an investigation into financial planning towards retirement by tutors in Ghanaian Colleges of Education.

Objective

This study was to assess the financial plans made towards retirement by tutors in Ghanaian Colleges of Education.

Research Question

What financial plans do tutors in Ghanaian colleges of education make towards retirement?

Research Hypothesis

H_1: There is no statistically significant gender differences in financial planning towards retirement.

Significance of the study

Attitude towards retirement and retirement planning behaviour are important in satisfactory adjustment to retirement (Foster, 2008). Theoretically, this research would contribute to the on-going debate about gender differences in financial planning towards retirement to fill the gap in empirical studies. Policy-wise, the outcome of this study would inform the Ghana Education Service, private and informal sector employers as well as other stakeholders to institutionalize annual retirement planning education programmes, particularly in colleges of education in Ghana, to sensitize tutors to financially plan early for their post-retirement needs. Practically, it is anticipated that the conceptual framework developed in this research would provide an improved model for financial planning during pre-retirement.

Methodology

The research design

This research adopted quantitative and qualitative paradigms using the mixed-methods sequential explanatory design. The choice of this design is justified on the grounds that it allowed the researcher to explore the attitudes and behaviours of the tutors in Ghanaian colleges of education with regard to financial preparedness towards retirement. Hence, the qualitative strand was used to explain initial quantitative results (Creswell, Plano-Clark, Gutmann & Hanson, 2003).Here, the researcher collected and analysed data, integrated the findings, and drew inferences using both quantitative and qualitative and methods in a single study or a programme of study as noted by Creswell (2008).

Population, sample and sampling techniques: The population for this study was 96 tutors from two colleges of education: Koforidua SDA and Akropong Presbyterian Colleges. Stratified and simple random sampling techniques were used to sample 54 tutors for the study.The choice of these sampling techniques is justified on the grounds that they ensured representativeness, heterogeneity and eliminated sampling bias, and higher statistical efficiency. This ensured fair representation of tutors from the colleges by sex and age groups. Maximum diversity type of purposive sampling was also used to select six (6) college tutors for interview. This technique ensured heterogeneity, representativeness and eliminated sampling bias.

Instrumentation: Questionnaire and semi-structured interview guide were used to gather data. The questionnaire which contained close-ended items was used to collect quantitative data. The semi-structured interview guide was used to collect qualitative data from the six (6) tutors.

Data collection and analysis procedures: The questionnaire, which was used to gather the quantitative data, had a reliability coefficient (r) of 0.78 and this was reliable as noted by Tavakol, Mohagheghi, and Dennick (2008). The quantitative data were analysed using descriptive statistics (frequency count and percentage) and inferential statistics (independent samples test or t-test). The t-test was done at a significance level (p-value) of $p \leq 0.05$ (2-tailed) at a Confidence Interval (C.I) of 95% with a margin of error of ± 5. The interview data collected were analysed qualitatively using thematic analysis ––– responses from respondents were categorized into themes.

Data analysis: The data is presented and analysed under two basic themes. These are: demographic characteristics; and financial planning towards retirement.

Demographic Information

Table 1. Demographic characteristics of respondents

(n = 54)

Variable	Variable category	Freq	%
Sex	Male	41	76
	Female	13	24
Age (in yrs)	18-24	1	2
	25-34	10	19
	35-44	12	22
	45-54	19	35
	55-60	12	22

It is observed from Table 1 that the sampled respondents comprised 41 (76%) male and 13 (24%) female tutors. Only 1 (2%) tutor was between 18 and 24 years of age, 10 (19%) of them were within the ages of 25-34, 12 (22%) sampled tutors were between the ages of 35 and 44, 19 (35%) of them were within 45-54 years of age while, 12 (22%) of them fall within 55 and 60 years of age. The age group is skewed towards the middle-aged and adult tutors. This result implies that there were more male than female tutors in Colleges of Education in Ghana. There is a likelihood of gender differences in financial planning towards retirement. This conjecture led to the formulation of the hypothesis that, "*There is no statistically significant gender differences in financial planning towards retirement*". This assumption was statistically subjected to independent sample test (t-test) at a significance level of $p < .05$. The t-test result which is shown in Table 2 was used to determine significant gender differences in financial planning towards retirement.

Table 2. Independent samples test on gender differences in financial planning towards retirement

Gender	Sample (N)	Mean	Std. Deviation	t	df	p-value
Male	41	1.63	.488	-3.542	52	.000
Female	13	1.38	.506			
Total	54	1.57	.499			

*Test variables - Dependent variable (*financial planning towards retirement*) and independent variable (*gender*).
** df (52) - degrees of freedom
*** t-test is significant at the .05 level (2-tailed).

The result in Table 2 shows that there are significant gender differences in financial planning towards retirement by the tutors. A comparison of the mean differences indicate that male tutors (M= 1.63, N= 41, SD= .488) were more likely to plan financially for their retirement as compared with their female counterparts (M= 1.38, N= 13, SD= .506). The t-test output indicates that the observed difference in the means is significant; [t (52) = -3.542, p = .000, 2-tailed] at a confidence interval (C.I) of 95%. The study reveals gender differences in financial planning towards retirement even though Okai's (2009) study failed to reveal the differences related to retirement planning among sexes. The finding that male tutors were more likely to plan financially towards retirement validates the views of Clare (2004) who stated that women have lower levels of personal savings, superannuation and retirement investments.

Financial planning towards retirement by tutors in Ghanaian Colleges of Education

This theme explored the research question: *What financial plans do Ghanaian tutors in colleges of education make towards retirement?* The data which is negatively skewed reveals that the majority (74%) of the tutorsdid notengage in financial planningtowards retirement apart from public pension schemes. This suggests that most tutors in Ghanaian colleges of education do not plan financially towards retirement.

Table 3. Financial planning towards retirement by tutors in Ghanaian colleges of education

Type of financial plan/portfolio	Freq (n)	%	Rank
Investment in private pension	14	26	1st
Investment in credit or mutual funds and savings	9	17	2nd
Investment in ownership of businesses(s)	5	9	3rd
Investment in rented house or apartment	5	9	3rd
Investment in treasury bills	5	9	3rd
Investment in insurance policies	4	7	6th
Company pension from previous employer	4	7	6th
Investment in fixed deposits	2	6	8th
Investment in stocks and shares	2	4	9th
Investment in real estates and land(s)	1	2	10th

Savings account for retirement only	1	2	10th
Other investment plans for retirement (UNITrust, mutual & endowment fund)	1	2	10th
Investment in bonds	1	2	13th
Total	**54**	**100**	

In Table 3, not more than 26% of the tutors had made financial plans towards retirement. The main financial investments they made were private pension (1st) andmutual fund savings (2nd). This means that most (74% or more) of the tutors had made no other financial investment towards retirement. In an interview, some of the tutors commented as below:

> *I was informed about financial strategies to adopt before retirement. Some of the strategies include re-adjustment of spending habit, establishing provision shop, and to seek other investment opportunities apart from Social Security and National Insurance Trust (SSNIT) contributions. I think the financial investment plans I have made are not adequate. (**Female tutor A**)*

> *I am not closer to retirement. I cannot predict the future let alone prepare for it. I have more than 20 years before retirement. Once one prepares for it, there is nothing to think about it since I have a little longer time to reach retirement. (**Female tutor B**)*

> *The future looks bright with the various pension schemes. I am yet to think about financial investment towards retirement. Anyway am young and have more years ahead. Due to financial difficulties I don't even think of anything called retirement. (**Male tutor A**)*

> *I am not close to retirement. I am in my younger age. I have more time to prepare. I have never checked on my SSNIT contribution. I have no other financial plans apart from mutual fund and SSNIT contributions. (**Male tutor B**)*

This study found that just a few (26%) tutors had made financial plans towards retirement. This result signifies that majority (74%) of the tutors made no financial plans toward retirement, except the Social Security and National Insurance Trust (SSNIT) which is a public pension scheme in Ghana. This finding suggests that they had poor behaviour with regard to financial planning towards retirement as noted by Okai (2009).This poor behaviour questions how financially secured the majority of the tutors would live in post-retirement life considering that retirement incomes are generally low in Ghana. The positive attitude and behaviour of making financial preparation towards retirement by a few tutors is an indication that they were building a strong foundation for a lifelong investment that is central to ensuring financial security at older age as expressed by Phua and McNally (2008).

Key finding

The main finding of this study shows majority (74%) of the tutors did not engage in financial planning towards retirement apart from public pension schemes. A significant gender differences exists in financial planning towards retirement ($p \leq .05$).

Conclusion

A poor attitude and behaviour with regard to financial planning towards retirement is a recipe for financial insecurity and a threat to satisfactory post-retirement life. The evidence gathered from this study signifies that majority of the tutors in Ghanaian colleges of education would not be financially secured in retirement.

Recommendations

In view of the above findings, the study makes the following recommendations:

i. Teacher unions, employers and other stakeholders in Ghana should engage the services of financial services experts and advisors who would offer professional financial advice for tutors to make financial decisions concerning retirement planning. Besides, financial investment institutions in Ghana should roll out financial investment schemes towards a better secured post-retirement life besides public pension schemes for tutors.

ii. Since the study provided a snapshot of the pre-retirement financial planning made by tutors of the two colleges of education, a longitudinal studies will be needed to investigate financial planning among tutors in other colleges of education in Ghana.

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