

The Impact of Financial Literacy to the Retirement Planning on Malaysian Household

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Abstract : Purpose: This study examines the comprehensive household retirement planning based on the level of financial literacy in Malaysia. Sufficient financial literacy is essential to make financial decision on Malaysian household retirement planning. Design/Methodology/Approach: Numerous measurements consist of present value of total retirement fund needed, future value of the expenses and inflation-adjusted interest rate are used in this paper. Therefore, we are able to identify the retirement gap that needs to be considered immediately. Findings: Our results show, firstly, adequate financial literacy is vital to achieve long term household retirement planning. Secondly, there is no retirement gap where the future value of the existing financial assets is greater than the lump sum needs during retirement phase. Thirdly, financial assets should be prepared in early age to accumulate substantial funding to support household retirement life. Practical Implications: The outcomes benefit to retiree and working adults. It highlights the importance of financial literacy to retirement planning. It is also a milestone for Malaysian to achieve developed country if Malaysian has sufficient retirement funding. Originality/Value: There is currently lack of in-depth research on financial literacy related to household retirement planning. Further, the paper also focusses on financial literacy, as a means to assist those in funding retirement resources, in order to fulfil the retirement gap.

Keywords : financial literacy, retirement planning, retirement resources, retirement gap, Malaysian household

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