

Bridging Generational Gaps in Retirement Planning: Insights from Financial Literacy, Risk Tolerance, Self-Efficacy, and Goal Clarity in Malaysia

Cheng Boon-Liat

Sunway Business School, Sunway University, Malaysia

Lee Teck-Heang

Faculty of Business, Economics and Accounting, HELP University, Malaysia

Wong Siew-Chin

Faculty of Accountancy, Finance and Business, Tunku Abdul Rahman University of Management and Technology, Malaysia

Angeline Yap Kiew-Heong

Faculty of Business, Economics and Accounting, HELP University, Malaysia

Har Wai-Mun

Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman, Malaysia

Abstract:

This study analyses retirement planning behaviour amongst generations X, Y and Z in Malaysia concerning financial literacy, risk tolerance, self-efficacy and goal clarity. This research uses the Theory of Planned Behavior (TPB) and Life Course Theory as theoretical frameworks to determine how these factors impact retirement preparedness by age cohort. The study employs Partial Least Squares Structural Equation Modelling (PLS-SEM) to examine data gathered from 169 respondents, indicating strong associations between the constructs and retirement planning behaviours. The findings showed that financial literacy and goal clarity were significant across all three groups in determining retirement preparation, while financial risk tolerance was only very high for Generation X. Financial risk tolerance and financial self-efficacy had a large effect on any of these three groups' propensity to save for retirement. The implications of this work are important for policy makers and educators in addressing specific subgroup needs to improve retirement readiness. The overall study aids in enhancing the financial wellbeing of retirees by catering to their specific needs and delivers relief towards the long-term sustainability of Malaysia's social welfare systems as more nations are now confronting an ageing population. Such research shows the need for age-specific financial literacy initiatives that support retirement planning to improve economic stability and quality of life.

Keywords:

Retirement planning, financial literacy, risk tolerance, self-efficacy & goal clarity.