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Financial Planning Strategies towards Retirement as Perceived by Potential Retirees in Universities in the Niger Delta

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Abstract
The research examined the perception of potential retirees on Financial Planning Strategies towards retirement in Universities in the Niger Delta. Five research questions and five hypotheses were formulated to guide the study. The instrument used for data collection was a self-designed questionnaire tagged “Financial Planning Strategies Towards Retirement Questionnaire” (FPSTRQ) and it had a reliability coefficient of 0.84. The sample consisted of 227 lecturers randomly selected from five universities. The Z – test statistics was utilized to test the hypothesis at 0.05 level of significance and the findings indicated that there were no significant differences between lecturers in their perception of the use of fixed deposit account, cooperative societies, investment in shares and the New Contributory Pension Scheme as financial planning strategies towards retirement. But there was significant difference between lecturers in the perception of the use of personal savings account as a financial planning strategy towards retirement. Based on the findings, some recommendations were proffered.

INTRODUCTION

The concept of retirement connotes different things to different people. While some persons view it positively and await it with happiness, others have negative perceptions about retirement as they associate that period of life with boredom, economic hardship and death. And consequently, such individuals experience a sense of isolation and loss of prestige. Retirement is a necessary end which every worker must experience, whether in the public sector or in the private sector.

According to Akinade (2006), retirement is a real and inevitable end in a worker’s career and it is as sure a death. Ogungbemi (2003) refers to retirement as a stage in life when a worker withdraws from an active and regimented mode of life in response to the strains of age, poor health and social pressure. Rogers (2008) defined retirement as a golden time in the life of a worker, when the employee can stop working and do the things that he/she has always wanted to do but has never had the time. Actually, retirement is a time for individuals to relax and slow down into a quiet life and prepare for old age. Furthermore, retirement can also be viewed as a period of freedom when the retiree can tackle long awaited goals (which had hitherto been put off because of the pressure of work) and enjoy life to the fullest.

There are three types of retirement and they are voluntary, compulsory and mandatory retirement. (Akinade, 1993).

VOLUNTARY OR SELF-RETIREMENT

The decision to retire is that of the employee and not the employer. Some of the reasons for going on self- retirement may be to take up jobs that attract more financial benefits or to engage in personal business in which the person becomes more autonomous. Another reason according to Ode (2004) could be to bow to the call of the community people inviting him to occupy the stool of a traditional ruler.

COMPULSORY RETIREMENT

Compulsory retirement is sometimes embarked upon in order to flush out the bad eggs in the civil service or to reduce the workforce. It may take the form of staff rationalization or retrenchment. For instance, the late Head of State, General Murtala Mohammed undertook retrenchment of civil servants in the Federal Service in the mid – 1970^{s}. It has to be stressed that this type of retirement usually throws workers off balance because they are unprepared for it.

MANDATORY RETIREMENT

This is also known as normal retirement and it occurs when the employee has put in 35 years of service or has attained the minimum age of retirement which is 60 years for civil servants and university administrative staff but 65 years for University lecturers. Commenting on this, Akinade (2006) stated that detailed information on Mandatory retirement are contained in the conditions of service for all workers and that employees are expected to give 6 months notice prior to the effective date of his/her retirement.

Many workers fail to plan for their retirement and even the few that plan do so very late. Achigbe (1998) emphasized that lack of planning by workers for retirement causes them to be more dependent and unable to cope with life after their disengagement from work. Continuing, he said that public servants who retire without planning live in deplorable conditions and sometimes stress themselves further to work for additional income. Individuals who are financially ill-prepared for retirement look towards it with dread. This is buttressed by Ornstein (1985), who stressed that retirement is feared mostly by those with erratic work histories and those who do not have sufficient funds for an adequate income after retirement. The need to prepare early enough for retirement cannot be over-emphasized. It will not only make the employee to save and invest but also enable him to live a full span of life. As Ogwuche (2006) puts it, retirement could be a most exciting productive phenomenon if properly planned. Continuing, she reiterated that planning for retirement involves putting one's priority right, saving, training of self, children and wards and investment in ownership of property such as lands and buildings.

FINANCIAL PLANNING STRATEGIES

Pre- retirement planning is a must for every worker. In this study, it is the planning of one's finances for the period of life after one has stopped working. Five strategies have been discussed in this research and they include personal savings account, fixed deposit account, co-operative societies, investment in shares and the new contributory pension scheme.

PERSONAL SAVINGS ACCOUNT

This is one of the simplest ways to set aside money for retirement. The account pays interest on the balance and as more money is paid into it, the interest will also increase. Okiti (2006) stated that saving at least 10% of one's monthly income steadily will yield a lot of money that will make the worker to live comfortably on retirement. According to the American Savings Education Council, the individual will need between 70 to 90% of his annual pre- retirement income to maintain his current standard of living upon retirement. They went further to suggest that saving 5 to 10% of his net annual income will enable the would-be retiree to achieve his financial goals when he disengages from work.

Gitman (2002) opined that for most workers, it is unrealistic to plan for income equal to what they earned before retirement. Continuing, he pointed out that only a handful of workers have the financial resources to replace their salaries. This then suggests that majority of employees have little savings. According to Wikipedia, many Nigerian workers find it difficult to save adequately for their retirement as a result of their meagre income and huge family and social responsibilities.

From experience, the researcher has discovered that other saving techniques include saving windfall income and collecting loose change. While the former involves saving of tax refunds, bonuses refunds and overtime pay, the latter has to do with emptying one's purse every week into a save and depositing the content into your savings account. Lawrence (2002) suggested other saving routines and these are paying instalments to oneself, frugality and breaking a habit.

FIXED DEPOSIT ACCOUNT OR CERTIFICATES OF DEPOSIT

According to Roger (2008), purchasing certificates of deposit is another way workers put aside money for their retirement. He pointed out that these certificates pay interest overtime until they mature and at which time the entire amount built up within the certificate can be collected. As a matter of fact, the fixed deposit account offers the highest interest rates that are available on any savings – type account. Widicus and Stilzel (1989) emphasized that in return for the high interest, the account has to be of some minimum amount and the depositor has to accept a lower interest rate if the certificate is redeemed before its maturity date. Undoubtedly, the longer the maturity of the certificate, the higher the rate of interest.

CO-OPERATIVE SOCIETIES OR CREDIT UNIONS

A credit union is a co-operative association whose members accumulate and pool savings and make loans at reasonable rates to one another from the accumulated finds. (Gitman, 1978). Enebeli (2006) described a co-operative society as an association of persons who voluntarily come together to achieve a common economic and social goal. The amount to be saved is deducted at source and interest is paid on the money at the end of the year. According to Efayena (2006), this process of transferring a certain amount of money from one's salary to one's co-operative account is a very good way of saving money. This is because sooner or later, the money starts to accumulate and earn interest and in this way, the co-operator will have sufficient income to start a business or any other venture with the hope of gradually preparing for retirement. Cohen (1988) opined that credit unions normally pay a higher rate of interest on their accounts than banks and offer lower rates on loans.

The role of co-operative societies in Nigeria cannot be over-emphasized. They have contributed immensely to the socio-economic development of the country. Buttressing this point, Otaye (2006) opined that co-operatives assist in capital mobilization through contribution of shares, thrifts and voluntary deposits by members. Continuing, he stressed that co-operatives provide credit facilities to enable members execute their personal projects or business ventures.

INVESTMENT IN SHARES

Shares are assets but incidentally, many workers are ignorant of this. Ologe (2007) opined that shares are very valuable assets that could be used as collateral for bank loans, can be transferred to a new company to increase its capital base and also a more lasting form of saving than a savings account in a bank which the worker might be easily tempted to draw down anytime he/she is cash – trapped.

Furthermore, Ologe stated that a substantial share holding in a company that is doing very well can be a valuable source of extra income (in terms of dividend payment). Rogers (2008) pointed out that investing money in the stock market is a great way to help put money aside for one's retirement. He however cautioned that workers should buy shares in reputable banks and companies.

THE NEW CONTRIBUTORY PENSION SCHEME

The new scheme was signed into law on the 25th of June, 2004 by Gen. Olusegun Obasanjo, the then President of the Federal Republic of Nigeria. It is mandatory for Nigerian workers in private as well as public sector and it has been embraced by many state governments. Saving in the new contributory pension scheme requires that a worker pays 7.5% of his/her monthly salary and an additional 7.5% by the employer. Commenting on the pension scheme, Ahmed (2007) said that it is people-centred and that the assets are safe and guaranteed. Furthermore, he opined that the scheme ensures structured saving from workers' salaries to cater for their retirement.

According to the Pension Reform Act (2004), hitherto, there were the National Provident Fund (NPF) and the Nigerian Social Insurance Trust Fund (NSITF) both of which have collapsed for several reasons such as embezzlement of pension funds and inadequate funding.

DEFINITION OF TERMS

The following terms have been defined operationally.

FINANCIAL PLANNING STRATEGIES

These are the various techniques or methods used by would-be retirees to save for retirement.

RETIREMENT

Retirement can be defined as the disengagement of an employee from active service upon the attainment of the stipulated age and it's sometimes characterized by hardship due to poor financial planning.

POTENTIAL RETIREES

These are University lecturers who are still in the workforce and not yet due for retirement.

YOUNGER LECTURERS

These are University teachers whose age range from 30 to 45 years.

OLDER LECTURERS

These lecturers are between the ages of 46 and 65 years.

STATEMENT OF THE PROBLEM

Undoubtedly, one of the features of retirement is a fall in income and this makes many retirees live in abject poverty. Consequently, they suffer physically and psychologically. This state of affairs may have resulted from lack of plans for retirement. The problem of this study therefore is to examine some strategies through which potential retirees can save towards retirement so that they can enjoy that golden period of their lives to the fullest.

RESEARCH QUESTIONS

Five research questions were raised to guide the study:

1. What is the difference between lecturers in State and Federal Universities in their perception of the use of personal savings account as a financial planning strategy towards retirement?
2. Is there any difference between lecturers in Public and Private Universities in their perception of the use of fixed deposit account as a financial planning strategy towards retirement?
3. What is the difference between male and female lecturers in their perception of the use of co-operative societies as a financial planning strategy towards retirement?
4. Is there any difference between lecturers in State and Private Universities in their perception of investment in shares as a financial planning strategy towards retirement?
5. What is the difference between older and younger lecturers in their perception of the New Contributory Pension Scheme as a financial planning strategy towards retirement?

HYPOTHESES

Five hypotheses were formulated for the study. These are as follows:

Ho_1: There is no significant difference between lecturers in State and Federal Universities in their perception of the use of personal savings account as a financial planning strategy towards retirement.

Ho_2: There is no significant difference between lecturers in Public and Private Universities in their perception of the use of fixed deposit account as a financial planning strategy towards retirement.

Ho_3: There is no significant difference between male and female lecturers in their perception of the use of co-operative societies as a financial planning strategy towards retirement.

Ho_4: There is no significant difference between lecturers in State and Private Universities in their perception of investment in shares as a financial planning strategy towards retirement.

Ho_5: There is no significant difference between older and younger lecturers in their perception of the New Contributory Pensions Scheme as a financial planning strategy towards retirement.

RESEARCH METHODS AND PROCEDURE

The researcher adopted ex-post facto research design for the study. The population comprised all lecturers in Federal, State and Private Universities in the Niger Delta. The instrument tagged "Financial Planning Strategies towards Retirement Questionnaire" (FPSTRQ) with a reliability of 0.84 was administered on a total of 250 lecturers randomly selected from five universities. 227 lecturers returned their questionnaire showing 90.8% retrieval rate. The questionnaire was made up of two sections; Section A contained questions on biographic data such as name of university, rank of lecturer, age and gender, while Section B consisted of 10 items indicative of the financial planning strategies for retirement. The instrument was validated by experts in Measurement and Evaluation Unit in the Department of Counselling Psychology, Delta State University and found suitable for use. The researcher utilized the z – test statistics to test the hypotheses at 0.05 level of significance.

PRESENTATION OF RESULT AND DISCUSSION

The findings of the study have been reported in five tables as follows:

RESEARCH QUESTION ONE

What is the difference between lecturers in State and Federal Universities in their perception of the use of personal savings account as a financial planning strategy towards retirement?

HYPOTHESIS ONE

There is no significant difference between lecturers in State and Federal Universities in their perception of the use of personal savings account as a financial planning strategy towards retirement.

TABLE I

Difference between Lecturers in State and Federal Universities in their perception of the use of personal savings account as a financial planning strategy.

RESPONDENTS	N	$\bar{x}$	S.D	Z CAL	Z CRIT	SIGNIFICANT LEVEL	DECISION
Lecturers in State Universities	85	5.00	9.30				Significant
Lecturers in Federal Universities	95	10.02	6.10	-4.22	1.96	0.05	

Table I above showed that the calculated z – value of -4.22 is greater than z – critical value of 1.96 at 0.05 level of significance. Therefore, the null hypothesis which states that there is no significant difference between lecturers in State and Federal Universities in their perception of the use of personal savings account as a financial planning strategy towards retirement is rejected.

RESEARCH QUESTION TWO

Is there any difference between lecturers in Public and Private Universities in their perception of the use of fixed deposit account as a financial planning strategy towards retirement?

HYPOTHESIS TWO

There is no significant difference between lecturers in Public and Private Universities in their perception of the use of fixed deposit account as a financial planning strategy towards retirement.

TABLE 2

Difference between Lecturers in Public and Private Universities in their perception of the use of fixed deposit account as a financial planning strategy.

RESPONDENTS	N	$\bar{x}$	S.D	Z CAL	Z CRIT	SIGNIFICANT LEVEL	DECISION
Lecturers in Public Universities	180	0.95	21.84				
Lecturers in Private Universities	47	2.64	3.70	-0.99	1.96	0.05	N. S.

The data on table 2 indicated a difference in the mean perception of lecturers in Public and Private Universities regarding the use of fixed deposit account as a financial planning strategy towards retirement. This is so because the calculated z – value of -0.99 is less than the critical z – value of 1.96 at 0.05 level of significance. Therefore, the null hypothesis is retained.

RESEARCH QUESTION THREE

What is the difference between male and female lecturers in their perception of the use of co-operative societies as a financial planning strategy towards retirement?

HYPOTHESIS THREE

There is no significant difference between male and female lecturers in their perception of the use of co-operative societies as a financial planning strategy towards retirement.

TABLE 3

Difference between male and female lecturers in their perception of the use of co-operative societies as a financial planning strategy.

RESPONDENTS	N	$\bar{x}$	S.D	Z CAL	Z CRIT	SIGNIFICANT LEVEL	DECISION
Male Lecturers	146	4.10	13.76	0.35	1.96	0.05	N. S.
Female Lecturers	81	3.60	7.50				

An inspection of Table 3 showed that there is a difference in the mean perception of male and female lecturers as regards the use of co-operative societies as a financial planning strategy towards retirement. But the difference is not significant as the calculated z – value of 0.35 is less than the critical z – value of 1.96. Therefore, the null hypothesis which states that there is no significant difference between male and female lecturers in their perception of the use of co-operative societies as a financial planning strategy towards retirement is accepted.

RESEARCH QUESTION FOUR

Is there any difference between lecturers in State and Private Universities in their perception of the use of Investment in shares as a financial planning strategy towards retirement?

HYPOTHESIS FOUR

There is no significant difference between lecturers in State and Private Universities in their perception of Investment in shares as a financial planning strategy towards retirement.

TABLE 4

Difference between lecturers in State and Private Universities in their perception of the use of investment in shares as a financial planning strategy.

RESPONDENTS	N	$\bar{x}$	S.D	Z CAL	Z CRIT	SIGNIFICANT LEVEL	DECISION
Lecturers in State Universities	85	1.80	12.45	-0.44	1.96	0.05	N.S.
Lecturers in Private Universities	47	2.49	5.57				

The result on Table 4 has indicated a difference in the mean perception of lecturers in State and Private Universities concerning investment in shares as a financial planning strategy towards retirement. The difference in the mean is not significant because the calculated z – value of -0.44 is lower than the critical z – value of 1.96 at 0.05 level of significance. Therefore, the null hypothesis which states that there is no significant difference between lecturers in State and Private Universities in their perception of investment in shares as a financial planning strategy towards retirement is accepted.

RESEARCH QUESTION FIVE

What is the difference between older and younger lecturers in their perception of the use of the New Contributory Pension Scheme as a financial planning strategy towards retirement?

HYPOTHESIS FIVE

There is no significant difference between older and younger lecturers in their perception of the use of the New Contributory Pension Scheme as a financial planning strategy towards retirement.

TABLE 5

Difference between older and younger lecturers in their perception of the use of the New Contributory Pension Scheme as a financial planning strategy.

RESPONDENTS	N	$\bar{x}$	S.D	Z CAL	Z CRIT	SIGNIFICANT LEVEL	DECISION
Older Lecturers	128	1.65	14.43	0.05	1.96	0.05	N.S.
Younger Lecturers	99	1.56	10.44				

Table 5 revealed a difference in the mean perception of older and younger lecturers regarding the use of the New Pension Scheme as a financial planning strategy towards retirement. However, the difference is not significant because the calculated z – value of 0.05 is lower than the critical z – value of 1.96. Therefore, the null hypothesis which states that there is no significant difference between older and younger lecturers in their perception of the use of the New Contributory Pension Scheme as a financial planning strategy is retained.

DISCUSSION

From this study, it was observed that there is significant difference between lecturers in State and Federal universities in their perception of the use of personal savings account as a financial planning strategy towards retirement. This is in line with Wikipedia that pointed out that many workers find it difficult to save adequately for their retirement as a result of their meagre income. But the finding is at variance with Okiti (2006) who stated that saving at least 10% of one's monthly income steadily will yield a lot of money that will make the worker to live comfortably on retirement.

This study has also discovered that there is no significant difference between lecturers in public and private universities in their perception of the use of fixed deposit account as a financial planning strategy towards retirement. This result supports the view of Rogers (2008) who opined that purchasing certificates of deposit is another way workers put aside money for their retirement.

Furthermore, the third finding indicated that there is no significant difference between male and female lecturers in their perception of the use of co-operative societies as a financial planning strategy towards retirement. It lends credence to Efayena (2006) who stated that the process of transferring a certain amount of money from one's salary to one's co-operative account is a very good way of saving money. Continuing, he said that sooner or later, the money starts to accumulate and earn interest and in this way, the co-operator will have sufficient income for retirement.

Another result of this research has revealed that there is no significant difference between lecturers in state and private universities in their perception of investment in shares as a financial planning strategy towards retirement. This agrees with Ologe (2007) who stressed that shares are a more lasting form of saving than a saving account in a bank which the worker might be easily tempted to draw down anytime he/she is cash – strapped.

The fifth and the last finding of this study showed that there is no significant difference between older and younger lecturers in their perception of the use of the New Contributory Pension Scheme as a financial planning strategy towards retirement. This supports the view of Ahmed (2007) who emphasized that the scheme ensures structured savings from workers' salaries to cater for their retirement.

CONCLUSION

The conclusion that can be drawn is that if lecturers who are still serving utilize the various financial strategies to put aside some money for retirement, they will look forward to an exciting, meaningful and successful retirement life.

COUNSELLING IMPLICATIONS

An implication of this study is that pre-retirement counselling is imperative for would-be retirees in Nigerian universities and it could take the form of individual counselling, group counselling or group guidance programme such as seminars and workshops. The essence of pre-retirement counselling is to create awareness on retirement and to assist lecturers to save for the period of their disengagement from work.

There is therefore the need for employers of labour (in this case, the state and federal government and proprietors of private universities) to make funds and other facilities available to professional counsellors in Universities' counselling centres so as to successfully provide this all-important service.

RECOMMENDATIONS

1. On a regular basis, counsellors should organise workshops for university lecturers on the importance of personal saving so as to accumulate sufficient fund for their retirement years.
2. Competitive spending during social functions should be highly discouraged.
3. There should be monthly budgeting by individual lecturers so as to check unnecessary purchase.
4. Since operating a fixed deposit account is a technique of financially preparing for retirement, lecturers should heartily embrace such idea.
5. University dons are to imbibe the culture of saving through cooperative societies because they pay higher rates of interest than banks and offer lower rates on loans with which lecturers can establish business or other ventures; all preparatory to retirement.
6. Lecturers should be encouraged to invest in shares in reputable banks and companies because when such shares appreciate overtime, sufficient income will accrue to them which will help to cushion the effect of retirement.
7. The New Contributory Pension Scheme ensures structured savings from workers salaries to cater for their retirement; therefore lecturers should be part of it.

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