

Financial Literacy and Retirement Planning; Based On Wewala West GN Division

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In present society several severe troubles which arise due to the lack of financial literacy and specially issues regarding retirement life confidence are observed. A very few out of the Sri Lankan population have retirement plans while a majority have a blank idea about it. Several factors can be identified which determine this difference of numbers. According to the previous literature in many countries, financial literacy rate is a considerable factor among other factors which decide whether an individual has a retirement plan or not. Research Problem of this study is to check whether financial literacy rate is a significant factor which determine owning a retirement plan in the Sri Lankan context. In addition, minor objectives of this study are constructing indices for financial literacy and retirement life confidence, identifying the basic demographic factors affecting the financial literacy and retirement life confidence. A sample of 300 households from Wewala West GN division of Colombo District is selected for this research using simple random sampling technique. Household title list of Wewala west GN division is used as the sampling frame and the sample is selected by using Microsoft Excel software. The response rate of this study is 72%. The study only used primary data for research purposes and they were collected through a structured questionnaire. The questionnaire contained basically 3 parts namely demographic data, financial literacy data and retirement planning data. Indices for financial literacy rate and retirement life confidence are constructed using weighted average method. Weight for each component is defined according to the component score coefficient matrix result of confirmatory factor analysis. With the use of these index values, people are categorized into two categories as high and low using the median value of each index. It was identified that gender, household's monthly income, education level, sector of job and age category have a significant impact on the financial literacy rate while race does not have a significantly effect on financial literacy rate. Education level and age are the most important factors among the identified factors. Household's monthly income, education level, age, ownership of house and ownership of motor vehicle categories are identified as determinants of retirement life confidence while gender, marital status, race, number of dependents and sector of job does not have a significant effect on retirement life confidence. Monthly income, education level and ownership of the house are the most important factors among the identified factors. Finally, it can be concluded that if someone has good financial literacy rate, such respondent tends to choose a retirement plan. Thus there is a relationship between financial literacy rate and having a retirement planning.

Keywords: Financial Literacy, Retirement Life Confidence, Retirement Planning, Sri Lanka

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