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Retirement Preparedness among Malaysia's Low-Income Private Sector Employees: A Conceptual Model

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Abstract: Retirement in Malaysia starts when individuals reach 60 years old. This is when individuals' income will stop streaming in, and they need to use their savings, pensions or retirement scheme to support themselves post-retirement. There are two primary retirement schemes in Malaysia, which include (1) Defined Benefit (DB) for government servants and (2) Defined Contribution (DC) for private-sector workers managed by the Employee Provident Fund (EPF). The increasing aging population and the rise in retirees in Malaysia with a lack of retirement savings emphasize the significance of retirement preparedness. The life expectancy in Malaysia has increased, with males and females having an average lifespan of 71.8 years and 77.2 years, respectively. Malaysia's income groups can be divided into three groups: T20 (top 20%), M40 (middle 40%), and B40 (bottom 40%). This study will only focus on private sector employees with EPF accounts and the B40 group with an income of RM4850 and below. The B40 has the lowest savings in EPF, with only 1.01%, compared to the M40, which amounts to 16.56%, and the T20, which holds the most savings at 82.42%. The main objective of this study is to investigate retirement preparedness among low-income (B40) private-sector employees. By focusing on the direct relationship between attitude and social influence and their impact on retirement preparedness, the findings are intended to support financial institutions, policymakers, and organizations in designing and implementing effective financial education and literacy programs tailored to the needs of the low-income (B40) group.

Keywords: *Retirement Preparedness, Private Sector Worker, Low-Income Earners, B40, Malaysia, Theory of Planned Behavior*

1. Introduction

Retirement can be defined as the end of an individual's career or the period that follows the permanent discontinuation of a full-time profession or vocation. It signifies a significant transition from being actively employed to a stage that requires diligent financial planning to ensure financial stability, security, and well-being throughout an individual's retirement years. This stage encompasses the process of retirement planning for financial stability through the utilization of social security, pensions, retirement schemes and other methods of saving for retirement. Retirement is a stage in life that typically starts at the age of 65, during which individuals must adapt personally and socially to a life without employment (Merriam-Webster, n.d.). In Malaysia, the legal retirement age is 60 years old. The 12th Malaysian Plan (2021-2025) highlights the need for improved financial planning among older persons to prevent financial instability and poverty in retirement (Economic Planning Unit, 2024). As of 2023, Malaysia's population is estimated to be approximately 32.4 million people. In the first quarter of 2024, total employment rose to 16.40 million from 16.20 million in 2023, an increase of 0.2 million (Department of Statistics Malaysia, 2023). The workforce is divided into public and private sectors. The public sector has 1.7 million employees, including public administration, healthcare, education, defense, security, and public utilities (Abas, 2019). The private sector employs 14.5 million individuals across industries like manufacturing, services, technology, and commerce (Department of Statistics Malaysia, 2023). Private sector employees typically participate in defined contribution (DC) plans managed by the Employees Provident Fund (EPF). These plans require mandatory contributions from both employers and employees, with employers contributing 12% to 13% of the employee's wages to their EPF accounts and employees contributing 11% of their salaries to their EPF accounts.

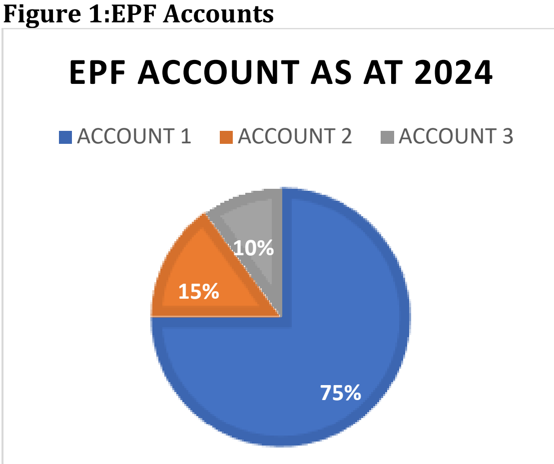
Table 1:EPF Accounts

EPF Contribution by		Malaysian citizens and permanent residents (PR) (mandatory)		Expatriates and foreign workers (without PR status) (voluntary)	
		% of contribution of employee's wages (minimum)			
		Employer	Employee	Employer	Employee
Below age 60:	Income > MYR 5,000	12.0%	11.0%	MYR 5 per person	11.0%
	Income ≤ MYR 5,000	13.0%			
Age 60 and above:	Income > MYR 5,000	- Malaysian: 4.0% - PR: 6.0%	- Malaysian:0% - PR: 5.5%	MYR 5 per person	5.5%
	Income ≤ MYR 5,000	- Malaysian: 4.0% - PR: 6.5%			

Source: https://taxsummaries.pwc.com/malaysia/individual/other-taxes (Developed by the researcher for the current study)

The EPF plan for private sector employees in Malaysia includes three accounts: Account 1 (Retirement Account), Account 2 (Wellbeing Account), and Account 3 (Flexible Account, effective from 11 May 2024). Account 1, receiving 75% of contributions, is for retirement savings and is accessible at age 55, except in exceptional cases like serious health issues. Account 2, with 15% of contributions, allows pre-retirement withdrawals for purposes such as housing, medical expenses, and education. The new Account 3, receiving 10% of contributions, offers flexible access to emergency funds and allows withdrawals anytime. Account 3 is optional; if not chosen, contributions remain 70% to Account 1 and 30% to Account 2 (Employee Provident Fund, 2024).

Figure 1:EPF Accounts



Source: Employees Provident Fund, 2024

Public sector employees, on the other hand, have historically benefited from defined benefit (DB) plans, offering a predictable retirement income. However, the government announced the phase-out of the DB scheme for new hires, shifting towards a system that requires contributions to the EPF and Social Security Organization (SOCSO) to manage the rising pension costs and national debt (Bedi, 2024). The current national debt of Malaysia, including liabilities, stands at RM1.5 trillion, which surpasses 80% of the country's gross domestic product (GDP). In 2024, the yearly pension liabilities or entitlements of KWAP members amounted to RM32 billion, accounting for 10% of the government's expected operating expenses. This is in contrast to the RM11.5 billion pension payout in 2010. This indicates a growth of RM20.5 billion for 14 years from 2010 to year 2024.

By 2040, the government is expected to require an allocation of almost RM120 billion to cover pension payments. This indicates a substantial rise of RM88 billion in the government's allocation for pensions within the period of 16 years, from 2024 to 2040 (Saieed, 2024: Singh, Yun, & Ibrahim, 2024). The transition from DB to DC plans signifies a broader shift in retirement planning responsibility from employers to employees. Under the DB, employees will have a constant monthly stream of income paid by the employer as long as they live together with the medical benefits. However, when it shifted to DC, there would no longer be a constant stream of income, but it would be a lump sum of money without any medical benefits. This shift poses challenges, especially for those with limited financial literacy, who may need help with investment decisions and risk management, potentially leading to inadequate retirement savings (Ali & Frank, 2019; Lusardi & Mitchell, 2014). The COVID-19 pandemic further strained retirement preparedness, as the EPF allowed members to make extraordinary withdrawals to cope with economic hardships, resulting in reduced retirement savings for many, particularly those in the B40 and M40 income groups (Tan, Carvalho, & Rahim, 2023). Approximately 6.7 million members, mainly from the B40 group, now have less than RM10,000 in their EPF accounts, a concerning statistic given the longevity of retirement periods (The Malaysian Reserve, 2023). Furthermore, 3.6 million members have savings of less than RM1,000, highlighting the severe impact of the pandemic on retirement security for the most vulnerable income group, which is B40.

Table 1: Savings of EPF Members by Income Level

Savings Level Group	No. of Members (Million)	Savings (RM Billion)	Average Savings (RM)	Median Savings (RM)
B40	6.43	11.01	1,713	1,063
M40	6.43	180.23	28,032	20,660
T20	3.21	896.70	278,941	170,266
Total	16.07	1,087.94	67,686	10,898

Source: EPF (2023)

Table 2: Savings of EPF Members by Race Group

Race Group	No. of Members (Million)	Savings (RM Billion)	Average Savings (RM)	Median Savings - All Age (RM)	Median Savings - Age Below 55 (RM)
Bumiputera	9.76	371.24	38,039	7,320	8,254
• Malay	8.13	332.00	40,827	7,838	8,950
• Other Bumiputera	1.63	39.24	24,110	5,183	5,889
Chinese	4.37	613.68	140,285	43,595	48,627
Indian	1.33	89.67	67,602	14,488	17,375
Other Races	0.61	13.36	21,795	1,996	2,181
Total	16.07	1,087.94	67,686	10,898	12,053

Source: EPF (2023)

Data from the EPF, as shown in Table 1 above, indicates a considerable savings gap between income groups, with the B40 group having significantly lower average and median savings compared to the M40 and T20 groups. As for the total savings, B40 only owns 1.01% (RM11.01 billion) of total savings compared to M40 and T20, which have 16.56% (RM180.23 billion) and 82.42% (RM896.70 billion), respectively. There is also a considerable gap in median savings among different income groups, with B40 only standing at RM1,063 as compared to M40 and T20 with RM20,660 and RM170,266, respectively (Employees Provident Fund, 2023). This gap highlights the vulnerability of the B40 group in achieving financial security in retirement. Moreover, as shown in Table 2, racial disparities in EPF savings exacerbate the situation, with Bumiputera members typically having lower savings than their Chinese and Indian counterparts. Chinese members have the highest average savings of RM 140,285 and median savings of RM 43,595. This is followed by Indian members with average savings of RM 67,602 and median savings of RM 14,488. The lowest is Bumiputera and other races, with average savings of RM 38,039 and RM21,795 and median savings of RM 7,320 and RM1,996 respectively (Employees Provident Fund, 2023). The low amount of savings among the low-income group worsened during the COVID-19 pandemic, where the economic situation at the time was challenging for individuals to earn a living, for economies to expand, and for governments to collect taxes. In response to this, EPF implemented a few exceptional withdrawal provisions measures to address the adverse economic impact of the pandemic. It resulted in a total withdrawal of RM145 billion by 8.1 million members (Tan, Carvalho, & Rahim, 2023). The total amount comprises RM20.8 billion contributed by 5.3 million members via the i-Lestari program, RM58.7 billion contributed by 6.6 million members via i-Sinar, RM21.4 billion contributed by 5.2 million members via i-Citra, and RM44.6 billion contributed by 6.6 million members through a unique EPF withdrawal scheme in 2022. Most of the estimated 8.1 million EPF members who withdrew funds due to pandemic-related financial constraints belong to the B40 and M40 income segments, further worsening the savings gap with the T20 group. Additionally, the disparity in savings among different races in Malaysia is also widening (The Malaysian Reserve, 2023).

On the other hand, Malaysia's demographic shift towards an aging population further complicates the retirement landscape. With increasing life expectancy—average male life expectancy at 71.8 years and female at 77.2 years—retirement periods are extending, necessitating larger savings to maintain quality of life (Jaafar, Abdul Halim, & Ismail, 2022). This demographic trend, coupled with rising healthcare costs and an increasing dependency ratio, underscores the urgent need for adequate retirement preparedness. Individuals with inadequate financial knowledge often make poor investment decisions and deplete their funds quickly, resulting in inadequate savings and the risk of outliving their savings (Andonov, Bauer, & Cremers, 2017). Many Malaysians must continue working beyond retirement age to accumulate additional savings, as indicated by the 2015 EPF Annual Report. Additionally, Hassan et al. (2015) found that fifty percent of retirees deplete their EPF savings within five years after they stopped working and started their retirement life. This shows that the mandatory EPF contributions alone are not adequate for secure savings during retirement. Regarding this, the implementation of voluntary private retirement schemes (PRS) can be a good option to boost retirees' retirement savings. The government plays a significant role in encouraging an individual to save their money in the PRS by introducing tax exemptions of up to RM3,000 per year for individuals who participate in the PRS.

Still, according to Chek & Ismail (2023) and Rasiah et al. (2022), the effectiveness of these strategies strongly depends on individuals' financial literacy and proactive saving behavior. The financial constraints experienced by many Malaysians, particularly during the COVID-19 pandemic, have made it challenging for them to save sufficiently for retirement. Moreover, low-income levels and high levels of debt become significant barriers for individuals who want to achieve optimal savings during retirement. The purpose of this study is to examine the factors influencing retirement preparedness among Malaysia's low-income private sector employees. Focusing on the individual's attitudes towards retirement and the social influence role, the study aims to understand how these variables impact retirement preparedness. This study aims to analyze these determinants to provide valuable insights that can improve retirement preparedness among the vulnerable low-income group, hence ensuring more individuals from this income group can attain financial stability and security in their retirement years.

2. Literature Review

Retirement Preparedness: Retirement preparedness can be defined as a state of being sufficiently prepared for retirement, which encompasses having adequate financial resources, planning, and literacy to sustain a comfortable standard of living after retiring (Kumaraguru & Geetha, 2021). This entire preparedness includes proactive planning, accumulation of assets, investment actions and acquisition of insurance coverage. Furthermore, retirement preparedness is characterized by the anticipated sources of income during one's older years, including pension funds, government subsidies, proceeds from property sales or rental income, and assistance from friends or families. This definition encapsulates a broad spectrum of financial strategies and support systems that individuals may depend on to secure a financially stable retirement (García, 2021). Furthermore, Shabor and Marimuthu (2022) define retirement planning behavior as the actions and attitudes individuals exhibit toward their retirement planning and overall preparedness, emphasizing the proactive steps people take to ensure a secure future. Yuh, Montalto, and Hanna (1998) state that a household or a person is deemed prepared for retirement when their savings generate income comparable to their pre-retirement level of spending. Retirement preparedness is critical for life after work, encompassing both the readiness and confidence to retire without financial worry. This notion is supported by Han, Ko, and Choe (2019), who found that the majority of people believe planning for post-retirement life, particularly financially, is essential.

Individuals who are satisfied with their retirement funds exhibit higher levels of confidence. As Malaysia's population is expected to age significantly by 2030, retirement preparedness becomes crucial for covering living expenses over extended periods. Despite this, many individuals remain unprepared for retirement due to insufficient savings. Effective retirement preparedness requires complex financial planning, which is incredibly challenging for those lacking financial knowledge. Consequently, a significant number of people worldwide are either inadequately prepared or not prepared at all for retirement, potentially leading to disappointment in their post-retirement lives (Ramli et al., 2018). Retirement preparedness involves securing a steady income once employment ends, becoming more crucial due to increasing financial demands and societal issues. Russell and Stramoski (2011) state that retirement income is primarily dependent on savings; thus, comprehensive pre-retirement preparation is essential for a stable retirement. The escalating cost of living poses a significant burden for working individuals, rapidly diminishing their savings. This issue is particularly concerning as many workers continue to financially assist family members after retirement, causing their wealth to decrease faster than anticipated (Ramli et al., 2018). Most workers anticipate and desire leisure time during their retirement years, expecting to maintain their current lifestyle. However, many lack the knowledge to effectively manage their finances to achieve this goal (Choi, Laibson, Madrian, & Metrick, 2002). Consequently, the importance of financial literacy and proactive planning cannot be overstated in ensuring a comfortable and financially secure retirement. This highlights the importance of proper education, financial literacy and proactive planning in achieving a secure and confident retirement. With appropriate financial strategies and savings, individuals can avoid facing significant financial challenges in their later years, emphasizing the need for early and continuous retirement planning. The EPF is a mandatory savings scheme for private-sector employees. Still, many contributors need to reach the fund's suggested minimum savings of RM240,000 by age 55, which is deemed necessary to retire at the poverty line (Goh, 2023).

In 2020, only 36% of active EPF members had met this target, and the percentage dropped to 29% in 2022, highlighting a significant shortfall in retirement savings. The COVID-19 pandemic exacerbated the retirement savings crisis in Malaysia. To alleviate financial hardship during the pandemic, the government allowed EPF members to withdraw funds under special provisions. This led to a significant depletion of retirement savings, particularly among the B40 and M40 income groups. Financial literacy is a critical factor in effective retirement planning. Individuals who possess a superior level of financial knowledge are more likely to engage in retirement planning and achieve an incredible amount of money for their retirement than those with a lower level of financial knowledge (Klapper & Panos, 2011). Nonetheless, a significant number of Malaysians view retirement planning as a low priority and rely primarily on EPF savings without any supplementary financial sources. This reliance is troublesome because the EPF alone is insufficient to achieve a desired lifestyle and preferred standard of living throughout retirement (Caraher, 2000; Tan, 2015). These problems highlighted the significance of attitudes and social influence in molding financial behaviors.

According to Han, Ko, & Choe (2019), an individual's level of retirement preparedness is significantly influenced by their attitudes towards retirement, which includes their confidence in handling finances and their opinions of its importance. In addition, Ramli et al. (2018) state that social influence, encompassing the influence and standards set by family members, partners, friends, and financial advisors, has a substantial effect on either promoting or discouraging proactive retirement planning. The goal of this study is to investigate retirement preparedness among low-income (B40) private-sector employees in Malaysia. It utilizes the Theory of Planned behavior to analyze the impact of attitudes and social influence on financial planning and savings behavior. The study seeks to examine these aspects to gain a deeper understanding of how it can enhance retirement preparedness among vulnerable populations, thereby promoting more financial well-being and stability for Malaysians during their retirement years.

Theory of Planned Behavior: The theory of Planned Behavior (TPB), developed by Ajzen, encompasses attitude, subjective norms, and perceived behavioral control as factors that influence behavioral intentions and actions. Based on this approach, attitudes toward behavior significantly influence an individual's intention to engage in that behavior. Retirement planning is an example of the attitude whereby a positive attitude toward retirement planning increases the probability of engaging in proactive financial behaviors. This is due to individuals being more motivated to prepare for their future needs (Ajzen, 1991). Subjective norms refer to the social influences individuals perceive from important people in an individual's life, influencing their intentions to behave in a certain way. The expectations of friends, family, spouses and society will shape these norms in individuals. When individuals perceive strong social support or feel pressured to participate in retirement planning, they are more likely to do so (Wahab & Lim, 2022; Ajzen, 1991). This is particularly pertinent in financial decision-making, as the input, guidance and approval from an individual's social circle can significantly influence an individual's behavior. Research supports the significance of attitudes and subjective norms in retirement planning. Individuals who possess positive attitudes about retirement are more inclined to save and plan for their retirement, demonstrating a proactive approach to safeguarding their financial future (Joo & Pauwels, 2002). Furthermore, individuals are frequently motivated by the expectations, support and encouragement of their close social networks. Thus, retirement savings behavior can be significantly influenced by subjective norms (Wood et al., 2012).

The TPB framework emphasizes the importance of attitudes and subjective norms in predicting retirement savings behavior. Positive attitudes towards saving and strong supportive subjective norms are associated with increased retirement preparedness. These factors provide individuals with a framework for making well-informed financial choices, which is crucial for achieving financial security throughout retirement years (Ajzen, 1991). In the setting of Malaysia's low-income (B40) group, these psychological factors are particularly relevant as the B40 group frequently faces financial challenges and may lack financial literacy and resources for effective retirement planning. Analyzing the influence of attitudes and subjective norms on the behavior of this particular group can help identify strategies to improve their retirement preparedness. This study aims to apply the Theory of Planned Behavior (TPB) to explore the roles of attitude and subjective norms in influencing retirement preparedness in Malaysia's low-income (B40) group of private sector workers.

Attitude: Attitude refers to individuals' internal psychological tendencies characterized by positive or negative judgments and actions towards a particular subject (Eagly & Chaiken, 1993). Human behavior, according to Ajzen (1991), is oriented by "beliefs about the likely consequences or other attributes of the behavior," and these beliefs "produce a favorable or unfavorable attitude towards the behavior." According to Louis et al. (2017), an individual's positive or negative judgment of retirement is reflected in their "attitude towards retirement." This means people with positive attitudes towards a particular behavior are more likely to engage in it or plan to engage in it. Within the context of this research, the attitude toward retirement and retirement planning behavior relates to an internal psychological condition shaped by favorable or unfavorable assessments linked to those behaviors. This relationship has received support in the context of retirement planning. Multiple studies have shown that possessing a positive attitude toward retirement has a beneficial impact on individuals' behavioral intentions, financial conduct, and fundamental money management abilities. These factors all contribute to an individual being adequately prepared for retirement (Tomar et al., 2021; Segel-Karpas & Werner, 2014; Lim et al., 2018; Hoffmann & Plotkina, 2020; Kim & Moen, 2001).

According to the study by Joo and Grable (2002), those who held favorable attitudes about personal finance and retirement planning demonstrated a greater tendency to pursue professional assistance for their retirement planning requirements actively. Similarly, Kim and Moen (2001) found that people with negative attitudes about retirement generally had lower rates of retirement planning and information seeking. These findings emphasize the significance of attitudes in influencing individuals' behaviors and choices about retirement planning. They also emphasize the need to cultivate favorable attitudes toward retirement to enhance financial preparedness. Segel-Karpas and Werner (2014) found that individuals' retirement plans were enhanced by their optimistic attitude toward retirement and their capacity to prepare for unexpected expenses. According to Millar and Devonish (2009), individuals demonstrate optimistic attitudes by prioritizing saving for retirement so that they have more chances to invest and save. Research findings indicate that individuals who have a positive attitude toward saving money are more likely to have a favorable intention to engage in sound financial habits (Rüfenacht et al., 2016; Lim et al., 2018). An individual's attitude toward retirement planning significantly influences their intention and preparedness for retirement (Zandi et al., 2021). Multiple studies, including the findings by Zandi et al. (2021), have demonstrated that individuals with a positive attitude or perception toward retirement are more likely to be financially prepared for this life stage.

As highlighted by Nosi et al. (2017), empirical evidence further confirms that attitude plays a role in shaping young adults' intentions to acquire retirement-related financial products. These findings collectively emphasize the importance of cultivating positive attitudes and perceptions toward retirement planning as they positively influence individuals' intentions and behaviors related to financial preparedness for retirement. Prior studies have established a substantial correlation between individuals' attitudes toward retirement and their level of retirement preparedness. Turner, Bailey, and Scott (1994), have discovered a significant correlation between attitudes and retirement planning. This relationship is particularly evident among individuals with dependent children who have a higher financial reliance on them. According to Whitaker and Bokemeier (2018), nonparents will usually retire earlier than parents due to less dependency on them. The same study found that older persons who have achieved higher levels of education, employment status, and income are more likely to have good views toward retirement and are more actively involved in planning for their retirement. Attitudes toward retirement play a crucial role in shaping retirement planning behavior, with individuals who hold positive attitudes being more likely to engage in adequate retirement savings and experience a sense of relaxation (Hassan et al., 2015; Moorthy et al., 2012). However, according to Lusardi and Mitchell (2007), retirement planning and income level do not correlate. This study's findings suggest that increased income does not necessarily result in any changes in attitude that lead to increased retirement planning. Conversely, attitude constitutes the most critical determinant in the planning process. Retirement planning entails investing in open-market instruments such as pension funds or fixed assets to fund retirement in the future (Zhu & Chou, 2018). A future-oriented perspective encourages young adults to save for retirement as adopting a forward-thinking mindset motivates an individual to look at a long-term perspective rather than just a short-term (Rolison et al., 2017).

In general, long-term financial stability is more important than short-term spending since retirement planning involves preparing for when an individual no longer earns income from work (Kumar et al., 2019). Mutran, Reitzes, and Fernandez (1997) discovered that individuals who actively participated in retirement planning exhibited more positive attitudes toward retirement, potentially reflecting their belief in having a sense of control in creating a positive retirement experience. A previous study showed that 49.8 percent of Malaysian academicians had a generally positive attitude toward retiring, and they agreed that it is crucial to start retirement planning in 20 years (Moorthy et al.,2012). García Mata's (2021) study revealed a strong and positive correlation between financial attitude and the inclination to engage in retirement planning. Individuals have optimistic attitudes toward retirement savings since there are more options to invest and save (Millar & Devonish, 2009). Financial attitudes pertain to the psychological inclinations exhibited when evaluating suggested financial management strategies, which varying levels of agreement or dissatisfaction may accompany. Financial attitude refers to an individual's inclination or mindset towards finance, which is evident in their actions and choices related to financial matters (Owusu, 2021). Financial attitude refers to an individual's consistent and systematic approach to managing their financial resources. Financial attitude encompasses an individual's cognitive and affective inclination, encompassing their ideas, opinions, and evaluations regarding financial matters (Talwar et al., 2021). A financial mindset creates and maintains wealth by making sound financial decisions and managing resources (Johnson & Kornelsen, 2021). Therefore, the following hypotheses are proposed:
H1: *There is a positive relationship between attitude and retirement preparedness of Malaysian low-income (B40) private sector employees.*

Social Influence: Subjective norms within the Theory of Planned Behavior (TPB) are shaped by social influences that guide individual behavior, with social pressure from significant others playing a crucial role in retirement preparation (Ajzen, 1991). Social influence is categorized into normative beliefs, reflecting community opinions, and motivation of compliance, which is an individual's response to these beliefs (Wahab et al., 2022). When people perceive that their actions align with normative beliefs and are motivated to conform, there is a positive correlation between social influence and behavior. Subjective norms are formed through the thoughts, opinions, support, and approval of key individuals in one's social circle, such as family, friends, peers, colleagues, and supervisors. These influences, along with personal experiences, media, environment, and knowledge, shape attitudes toward behavior (Ajzen, 2011; She et al., 2023). Advice from significant others encourages participation in financial activities (Phan & Zhou, 2014). Individuals often form intentions to engage in specific actions when subjected to social pressure, even if they initially lack the desire to perform these behaviors (Akhtar & Das, 2019). Research shows that social influences positively affect retirement preparedness (Kimiyaghalam et al., 2017; Whitaker & Bokemeier, 2018).

Greater social support from friends, family, and societal regulations enhances retirement savings planning. Co-workers, household decision-makers, and spouses significantly influence retirement savings choices (Wood et al., 2012). For instance, individuals are more inclined to continue working after retirement if their spouses continue to be employed, and those under pressure from their spouses to retire early are more likely to do so. Parental influence is pivotal in financial socialization, shaping financial attitudes and behaviors in adulthood (Kimiyaghalam et al., 2019). Parents' money management skills impact children's financial behavior. Learning financial skills from parents significantly influences young individuals, with parental support being a reliable predictor of higher overall savings in young adults (Harrison et al., 2017). Active discussions about financial matters with children help inculcate good financial habits (Hanson & Olson, 2018).

College students' financial well-being is positively correlated with their parents' financial literacy (Shim et al., 2010). Parental financial socialization persists with age, though its impact declines as children transition into adulthood (Bucciol & Veronesi, 2014; Harrison et al., 2017). Friends and spouses become more influential in young adults' lives as they age, reducing parental influence (Curran et al., 2018). Older employees often start retirement preparation to meet normative goals graded based on their age, recognizing the importance of adhering to social expectations (Hershey et al., 2002). Peer and social surroundings significantly influence older individuals' participation in volunteer activities and retirement planning (Ng et al., 2020). Subjective norms significantly impact saving for voluntary retirement funds. Family norms and altruism primarily motivate elderly care in European countries, with cultural expectations influencing financial planning for retirement (Klimaviciute et al., 2017). In China, the number of dependents correlates with passive retirement planning, reflecting reliance on children for financial support. This phenomenon is seen in various cultures, where married individuals often expect to care for elderly relatives, incorporating these expenses into their retirement planning. Cultural and familial conventions thus significantly shape retirement planning behavior. Moreover, in various cultural contexts, the influence of subjective norms on retirement planning behavior extends beyond immediate family and friends to encompass broader societal and cultural expectations. For example, in many Asian cultures, the expectation of filial piety means that children are often expected to provide for their parents in old age, which in turn affects the financial planning behaviors of both generations.

In Western contexts, social norms may encourage more individualistic approaches to retirement planning, where personal financial independence is highly valued. These cultural nuances highlight the importance of understanding subjective norms within specific societal contexts when examining retirement preparedness(Zhu & Chou, 2018). Subjective norms not only influence the practical aspects of financial planning but also shape the psychological readiness for retirement. The perceived support and approval from one's social circle can enhance an individual's confidence in their retirement plans, thereby improving their overall sense of preparedness. As societal values and norms evolve, so too do the subjective influences on retirement planning, underscoring the dynamic nature of these factors in shaping financial behaviors. Recognizing the interplay between social influences and individual financial planning can provide deeper insights into how different populations prepare for retirement and highlight areas where targeted interventions can improve retirement preparedness. Therefore, the following hypotheses are proposed:
H2*: There is a positive relationship between social influence and retirement preparedness of Malaysian low-income (B40) private sector employees.*

Classification of Income Group in Malaysia: According to the Department of Statistics Malaysia's Household Income Report 2022, the Malaysian population is categorized into three income brackets: T20 (top 20%), M40 (middle 40%), and B40 (bottom 40%). The mean incomes for these groups are RM19,752, RM7,971, and RM3,401, respectively. This study focuses on the B40 group, which has become Malaysia's largest income segment, especially after the COVID-19 pandemic pushed approximately 20% of M40 households into the B40 category due to income reductions (Department of Statistics Malaysia, 2023).

Table 3: Household gross mean and median income by state 2022.

State	Mean Income (RM)	Median Income (RM)
MALAYSIA	**8,479**	**6,338**
W.P. Putrajaya	13,473	10,094
W.P. Kuala Lumpur	13,325	10,076
Selangor	12,233	9,983
Johor	8,517	7,338
Pulau Pinang	8,267	6,998
W.P. Labuan	8,250	6,943
Melaka	8,057	6,210
Negeri Sembilan	6,788	5,688
Terengganu	7,248	5,384
Sarawak	6,457	4,978
Sabah	6,171	5,577
Pahang	5,777	4,753
Perak	5,779	4,594
Perlis	5,494	4,402
Kedah	5,500	4,173
Kelantan	4,885	3,564

Source: Developed by the researcher for the current study.

The selection of the B40 group is crucial due to the significant income disparities across Malaysia, as highlighted in Table 3. The national average mean income is RM8,479, with states like W.P. Putrajaya, W.P. Kuala Lumpur, Selangor, and Johor having the highest mean incomes above this average. In contrast, states such as Kelantan, Perlis, and Kedah exhibit the lowest mean incomes, reflecting varied economic conditions nationwide (Department of Statistics Malaysia, 2023). Malaysia's poverty rate, which significantly dropped from 49.3% in the 1970s to 1.7% in 2012, rose to 8.4% in 2020 due to the pandemic. Although there was a slight decrease to 8.2% in 2021, the rate returned to 8.4% in 2022, indicating ongoing economic challenges for low-income households. The average poverty line income (PLI) in 2022 was RM2,589, with an absolute poverty rate of 6.2%, meaning approximately 6 out of 100 households still struggle to meet basic needs (iMoney.my, 2023; Zainal et al., 2023). In 2023, the Malaysian government announced a transition from fixed income classification to net household disposable income to target aid and subsidies better, considering demographics, children, and locality. This shift, supported by the Central Database Hub (PADU), aims to ensure fairer distribution and address the current classification's limitations (Yamin, 2023; iMoney.my, 2023; Department of Statistics Malaysia, 2023).

Retirement Preparedness among Low-Income Groups: Retirement preparedness is crucial, particularly for low-income groups who often overlook proper retirement planning. This section explores the factors influencing retirement preparedness among Malaysia's low-income B40 group, emphasizing the roles of financial knowledge, financial stress, and socioeconomic factors. According to Siwar et al. (2019) and Abdullah (2021), the B40 group commonly needs help with financial difficulties, including running out of money before the next paycheck, insufficient savings, rising expenses, and debt burdens. Moreover, this low-income group often needs to pay more attention to adequate retirement planning, leading to a future need for financial assistance from the government and related bodies post-retirement. Based on the microdata from the 2019 Household Income and Expenditure Survey conducted by UPM's Malaysian Research Institute on Ageing (MyAgeing), approximately 31.2% of the 5,197 senior persons surveyed were from impoverished households. Additionally, figures from the Social Welfare Department (JKM) indicate that, as of August 2023, a total of 143,499 senior adults classified as living in absolute poverty were receiving assistance known as Bantuan Warga Emas (BWE) from the department (Bernama, 2023). This highlights the significant reliance on government support among the elderly poor. Furthermore, a World Bank (2021) report underscores that low-income individuals are the most vulnerable during pandemics, exacerbating their financial instability. These findings illustrate the urgent need for improved retirement planning and financial education within the B40 group to ensure better retirement preparedness and reduce future dependency on government aid.

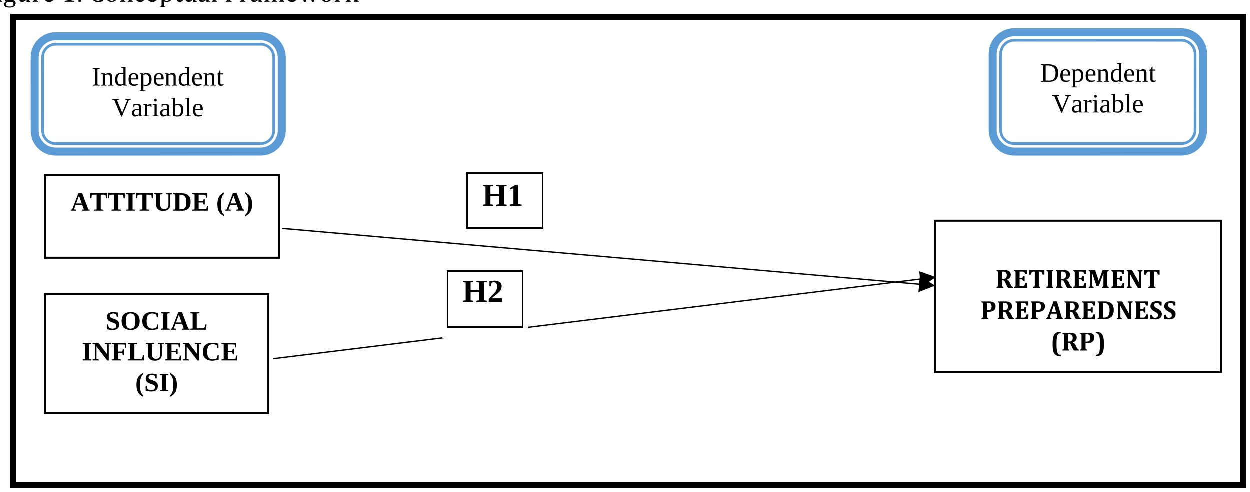
Addressing these issues can help create a more financially secure and independent aging population in

Malaysia. The COVID-19 pandemic worsened these issues, pushing many Malaysians into lower income brackets due to job and income losses, which drained their retirement savings in the Employees Provident Fund (EPF) (Rapi et al., 2022). Financial literacy is crucial for managing income, savings, and investments, particularly for the B40 group. Low financial knowledge correlates with reduced income and savings capacity, negatively impacting financial stability and quality of life (Kimiyaghalam & Yap, 2017). Financial illiteracy leads to poor financial decisions, increasing vulnerability to economic instability (Bianchi, 2018). Studies have shown that financial literacy enhances daily financial practices, including budgeting and retirement planning (Lusardi & Mitchell, 2011). However, low-income families often lack access to financial education, which hinders their ability to prepare adequately for retirement (Potrich, Vieira, & Mendes-Da-Silva, 2016; Hastings et al., 2013). Financial stress, driven by concerns over debt and meeting financial obligations, is particularly severe for the B40 group, exacerbating their financial insecurity and affecting their overall well-being (Suprapto, 2020; Yusof et al., 2018). Higher financial stress is linked to poorer financial health, perpetuating a cycle of financial difficulties (Mahdzan et al., 2019). Education and income levels significantly influence financial behavior and well-being, with lower levels contributing to financial stress and inadequate retirement planning (Shusha, 2016). Socioeconomic factors, including income, education, and job status, along with psychological factors like financial attitudes, significantly impact personal financial management behavior and retirement preparedness (Goyal et al., 2021). Individuals with lower income and less information about investing are most susceptible to being unprepared for retirement (Yao et al., 2003). Higher-income individuals, particularly those in professional roles, are more likely to engage in retirement planning compared to lower-income individuals (Power & Hira, 2004). These factors collectively underscore the importance of targeted interventions to improve financial literacy and reduce financial stress among low-income groups, thus enhancing their retirement preparedness.

3. Conceptual Framework & Hypotheses of the Study

Figure 1 below illustrates a conceptual framework designed to explore retirement preparedness among Malaysian low-income private sector employees. The framework is founded on a comprehensive review of the literature on retirement preparedness within low-income populations and is aligned with the Theory of Planned Behavior (TPB). The objective of this study is to examine the relationship between attitude, social influence, and retirement preparedness of Malaysian lower-income (B40) private sector workers.

Figure 1: Conceptual Framework



4. Potential Outcome and Direction for the Future Research

This current study is a conceptual study that focuses on the determinants of retirement preparedness among low-income (B40) private-sector employees by including two variables: attitude and social influence. Specifically, it will concentrate on workers categorized as part of the low-income group, with household incomes of RM4,850 and below. The study will include adults aged between 18 and 50 years old to scrutinize their preparation for retirement. Our future study will use the same foundation that we used in this study, but it will include financial knowledge as a mediating variable. An exploratory research design will be employed in future research, which will involve integrating quantitative data to achieve research objectives. Data will be gathered using a 5-point Likert scale structured questionnaire. It will be collected from low-income individuals living in Projek Perumahan Rakyat (PPR) under Kementerian Perumahan dan Kerajaan Tempatan (KPKT) as the unit of analysis. The target respondents will complete the questionnaire either face-to-face or using an online questionnaire. The data will be acquired once using a cross-sectional time frame. The data will be analyzed using Statistical Package for the Social Sciences (SPSS) and the Partial Least Squares Structural Equation Modelling (PLS-SEM). In the first phase of data analysis, data purification and descriptive analysis will be conducted using SPSS 29. The first phase needs to be done to ensure the data is clean and that SPSS will also provide a summary of sample characteristics. In the second phase, the emphasis is primarily on conducting statistical analyses, particularly evaluating the measurement model and structural model and testing hypotheses using PLS-SEM. The PLS-SEM approach will help understand the relationship between independent variables, mediating variables and retirement preparedness and identify which variable is significant. This can help improve retirement preparedness and financial planning for low-income private sector employees in Malaysia.

5. Conclusion

This conceptual paper explores the theoretical relationships between attitude and social influence on retirement preparedness among low-income private sector groups in Malaysia. The proposed model suggests that a positive attitude towards retirement will encourage proactive retirement planning behaviors, which is vital for achieving retirement preparedness. Furthermore, social influence, particularly from family and friends, is hypothesized to play an essential role in shaping retirement behaviors. Based on the Theory of Planned Behavior (TPB), this study provides a conceptual framework that investigates the retirement preparedness of low-income groups. Several measures, including data collection using questionnaires and data analysis using SPSS29 and PLS-SEM, have been proposed to test the model and validate the hypothesis empirically. This study will significantly enhance the understanding of retirement preparedness by addressing critical literature gaps and practical issues as well as exploring variables, including attitudes and social influence, and how they impact retirement preparedness. This study also aims to fill the gaps in previous studies that often overlook the B40 groups and their unique and vulnerable financial challenges. It will provide valuable insight into the financial behavior of the targeted low-income groups in the Malaysian context. However, the conceptual nature of this paper has certain limitations. Firstly, the proposed model has not yet been empirically tested. This means the relationship in the hypothesis remains theoretical. Future research can validate this hypothesis using mixed methods or longitudinal data to understand more about how attitudes and social influences evolve and impact retirement preparedness. Secondly, future studies can include other income groups or do a comparative analysis between people who live in urban areas versus those in rural areas. In addition, future studies can also explore the determinants of retirement preparedness across various demographics such as ethnicity, gender, age, and others. This current study emphasizes the importance of tailored financial literacy programs to improve retirement preparedness for low-income employees. The findings and analysis will offer actionable recommendations for financial planners, organizations and policymakers to enhance financial education, financial knowledge and retirement preparedness initiatives. This study highlights the necessity for empirical research focusing on the low-income segment and advocating for better-informed policy decisions and comprehensive financial inclusion to reduce poverty as well as to ensure economic stability. In the end, this research will contribute to the development of practical approaches that enhance financial well-being and secure retirement for Malaysia's low-income (B40) employees.

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