



Beyond Retirement

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Abstract

Studies done on life after retirement mainly give focus on the monetary aspects of retirement life. However, this study takes a different approach by focusing on the lifestyle of retirees beyond retirement. Factors that are taken into consideration for this study are financial commitment after retirement, living expenses after retirement, working after retirement and place to live after retirement. This study takes on a quantitative approach by sending questionnaires through Google form. In order to encourage and get good response, questions are full structured with answer options given and several open ended questions that require respondents to provide their own opinion. A random sampling survey was conducted on employees of the International Islamic University Malaysia (IIUM) employees in Kuantan. A total of 87 employees responded to the survey. After retirement, people lifestyles will pretty much depend on their financial capability and their planning. The study show that people have financial commitment that extend during their retirement. 54% have outstanding financial commitment to be settled after retirement including housing loan, study and personal loan, car loan, credit card debts and others. The living expenses although should be the same but people think that they need less during retirement. The study also shows expenses for dependents education, vacation/travel including umrah/hajj is higher than medical, food and other basic needs. While most of the respondents agree that retirement is in a way associated with “staying at home”, going on vacations and travelling seems to be a favourite activity that they have in mind when they retire. A majority of Muslim respondents have the intention to perform *umrah/hajj* even during their retirement years. Healthcare forms an integral part of a retiree’s life. Having the awareness on the importance of healthcare in their golden years, 66% of the respondents claimed that they have medical insurance to cover for medical expenses. In regards to financial sufficiency during retirement, an almost equal split claimed that they will continue to work. Slightly less than half claimed they will work on a part-time basis and an overwhelming 62% said they will go into some business. Findings from the survey stated that 68% of the respondents claimed that they would stay in the current house after retirement indicating that they do not intend to have a higher or lower living. The study found that workers have modest aspirations and expectation in respect to their retirement.

Keyword: Retirement, Retirement Planning, Lifestyle

Abstrak

Kajian yang dijalankan ke atas kehidupan selepas bersara terutamanya memberi tumpuan kepada aspek kewangan kehidupan persaraan. Walau bagaimanapun, kajian ini mengambil pendekatan yang berbeza dengan memberi tumpuan kepada gaya hidup pesara selepas persaraan. Faktor yang diambil kira untuk kajian ini adalah komitmen kewangan selepas bersara, perbelanjaan hidup selepas bersara, bekerja selepas bersara dan tempat tinggal selepas bersara. Kajian ini menggunakan pendekatan kuantitatif dengan menghantarkan borang soal selidik melalui borang Google. Bagi menggalakkan dan mendapatkan tindak balas yang baik, soalan berstruktur penuh dengan pilihan jawapan yang diberikan dan beberapa soalan terbuka yang memerlukan responden untuk memberikan pandangan mereka sendiri. Tinjauan persampelan secara rawak dilakukan terhadap pekerja Universiti Islam Antarabangsa Malaysia (UIAM) di Kuantan. Seramai 87 orang pekerja memberi respon balas terhadap tinjauan itu. Selepas bersara, gaya hidup orang ramai akan bergantung kepada

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kemampuan kewangan dan perancangan. Kajian menunjukkan bahawa ramai yang mempunyai komitmen kewangan yang selepas waktu persaraan. 54% mempunyai komitmen kewangan tertunggak untuk diselesaikan selepas bersara termasuk pinjaman perumahan, pendidikan dan pinjaman peribadi, pinjaman kereta, hutang kad kredit dan lain-lain.

Perbelanjaan hidup semestinya sama tetapi ramai yang berfikir bahawa mereka kurang memerlukan perbelanjaan selepas persaraan. Kajian ini juga menunjukkan perbelanjaan untuk pendidikan tanggungan, percutian/perjalanan termasuk umrah/haji adalah lebih tinggi daripada keperluan perubatan, makanan dan keperluan asas lain. Walaupun kebanyakan responden bersetuju bahawa persaraan adalah dengan cara yang berkaitan dengan "tinggal di rumah", percutian dan perjalanan seolah-olah menjadi aktiviti kegemaran yang mereka fikirkan ketika mereka bersara. Majoriti responden Muslim mempunyai niat untuk melakukan umrah/haji walaupun semasa mereka bersara. Kesihatan merupakan sebahagian daripada kehidupan persaraan. Mempunyai kesedaran tentang kepentingan penjagaan kesihatan pada umur emas, 66% daripada responden mendakwa bahawa mereka mempunyai insurans perubatan untuk menampung perbelanjaan perubatan. Berhubung dengan kecukupan kewangan semasa bersara, pemisahan yang hampir sama mendakwa bahawa mereka akan terus bekerja. Kurang daripada separuh mendakwa mereka akan bekerja secara sambilan dan 62% akan menjalani perniagaan. Hasil daripada kaji selidik menyatakan bahawa 68% daripada responden mendakwa bahawa mereka akan tinggal di rumah yang sama selepas bersara yang menunjukkan bahawa mereka tidak berhasrat untuk mempunyai kehidupan yang lebih tinggi atau lebih rendah. Kajian mendapati pekerja mempunyai aspirasi dan harapan yang sederhana berhubung dengan persaraan.

Kata kunci: *Persaraan, Perancangan Persaraan, Gaya Hidup*

Introduction

According to Business Dictionary.com, lifestyle is defined as “the way of living of individuals, families (households) and societies, which they manifest in coping with their physical, psychological, social, and economic environments on a day-to-day basis”. Lifestyle is expressed not only as leisure behaviour patterns but also work for the individual and in activities, interests, values and opinions and also allocation of income.

“Old age” is a term that is not clearly defined by any bodies in the world. However, there is a need to classify transition in human beings’ life stages for administrative and management purposes. Although there is no real definition of old age or when exactly a person becomes old, in Britain (in 1875), the Friendly Societies Act, enacted the definition of old age as, “any age after 50”. Yet the present pension schemes mostly used age 60 or 65 years for eligibility (Roebuck, 1979). Likewise, in Malaysia, the Minimum Retirement Age Act 2012, was passed late 2012 to increase the minimum retirement age from 55 to 60 for private sector employees (Minimum Age Retirement Act 753, 2012).

The word retirement would literally mean leaving one’s job or occupation that pay for one’s life expenses and that which occupies a large amount of one’s productive time. When one retires from the so called full-time job, life has to go on. There is still the need to cope with daily expenses and utility bills, daily routine needs to be managed and at the same time to stay healthy so as to have a good retirement life. Transamerica Center For Retirement Studies (The Current State of Retirement: Pre-Retiree Expectations and Retirees Realities, 2015) survey showed that the median age of a fully retired person is

62 years old. The retiree profile shows that only 5% are still working during retirement. The statistics show that 90% of retirees are enjoying retirement life, 60% retired sooner than planned, 70% say they are in good excellent health and 5% are working while in retirement.

“Work” is a major part of a person’s life which could take up to 50% of the daily routine. However, upon retirement, the “work” element is no longer there, leaving the individual with a huge gap in his life. In order to fill the gap, it is important to determine the things that are most important to the individual and his spouse/partner for their retirement. Spending time to plan for the lifestyle after retirement that would be suitable to both is very necessary.

Glamser (1981) indicated that individuals having negative attitudes towards retirement were concerned about not having sufficient funds for retirement. The need to maintain a comfortable lifestyle and meeting other financial commitments are important. Upon retirement, usually the children are grown up and no longer living at home. Living expenses of a retired couple could be very much reduced. The main expenses are groceries, utility bills and transportation could be less than it used to be (Kirkpatrick, 2014). There are other expenses too such as petrol, car maintenance, occasional travelling or even vacation. Health expenses on the other hand will more often than not take a surge which needed higher provision on the budget. However, the luxury spending and unexpected expenses could be managed by having a realistic budget.

It is important to stay healthy and fit in order to be able to enjoy a good life after retirement. Less medical expenses will be incurred for those who are healthier according to Kim and Feldman (2000) asserted that retirees can apply Atchley’s Continuity

Theory of Aging (1989) in undergoing the retirement process where older adults will usually maintain the same activities, behaviours, and relationships as they did in their earlier years of life.

In Malaysia, those previously employed in the corporate sector as executives would be very difficult to get a similar nature job as executives once they retire. This is perhaps because of stiff competition from fresh graduates in their 20's and 30's who could do similar jobs; probably more efficient with their computer and other learned skills, more energy to work overtime and the fact that they start with a lower salary, giving them much advantages over the older employees. Companies normally hire retirees merely for mediocre jobs for such as security guards, office cleaners, drivers or tea ladies.

There is an argument that the hard part of life is when you were on the routine of getting up every morning for work, raising the family when the children were growing up and probably foregoing certain things because of the need to save up for the forthcoming long retirement years. However, there are people who felt bored and even faced depression when they retired due to the normal 8.00 am – 5.00 pm routine is no longer there. There are a lot of ways to keep active and fight boredom and restlessness during retirement. This is the time to do all the things that most have been wanted to do all their life but kept back due to the full time employment at hand and at the same time having a full hand at home with raising the children. Listing activities to get involve with during retirement years could be a long non-unexhausted list but the key is to prioritise those that are suitable or seen as more urgent than others. As for the Muslim folks, retirement gives them the much needed opportunity to ponder on “how and where I want to spend eternity”. Retirement would be the best time to catch up on acquiring and practising their religious commitments.

Whilst some urban dwellers may have the choice of going back to a slower pace life to the rural or sub-urban of their hometowns where they grew up, others might not have similar choice to consider (Jones, 2015). Some may not have a choice but to stay at the same house or relocate to or scale down to a less expensive location. However, this idea seems workable to some but to others as they want to be nearer to their children, emotional attachment to the house and the stress of starting over.

Neil Simpson, (Financial Mail, Sunday 19 August 2014) discusses about the plan and decisions whether a retiree would want to upsize, downsize or staying put during retirement. On the need to upsize, people argue that since they are going to spend more time at home and probably in the garden, it is better to have

an upsizing since it's a place they really like and where their family will want to visit. However, after doing the necessary calculation and seeing that the pension income is not going to be sufficient for the retirement years then there is a need to downsize. The main advantage of downsizing is that there will be extra cash after selling the old family home and buy a cheaper place elsewhere.

Many people choose to enjoy their existing home when they are no longer working. They feel that it's the place the grown-up children will miss and grandchildren are likely to return to. A lot of money could be saved too by staying in the same house such as legal fees, stamp duties and bank charges that could cost thousands and also the feeling that the house would be suitable to live through the retirement year.

In Malaysia, studies have shown that area of residence does play a role in living expenditures. According to Bank Negara Annual Report for 2015, highly urbanized states households such as Kuala Lumpur and Selangor, spend more on housing, whereas households in states such as Pahang and Kelantan which are less urbanized spend more on food. This influences the decision to relocate to a less urbanized area after retirement in view of other living expenses which needs prioritization.

Studies done on life after retirement mainly give focus on the monetary aspects of retirement life. However, this study takes a different approach by focusing on the lifestyle of retirees beyond retirement. The objective of the study of this paper is to study the expected lifestyle of retirees after retirement. Among factors that were taken into consideration after retirement were namely i) financial commitment ii) living expenses iii) employment and iv) place to live/reside.

Methodology

This is a quantitative study focussing on employees of International Islamic University Malaysia. Subjects were recruited via random sampling. A self-administered survey questionnaire in two languages i.e. Bahasa and English using the Google form was sent through email. Email addresses were obtained from employees' online database. Data collected was tabulated using the Microsoft Excel spreadsheet. The questionnaire gathers information pertaining to lifestyle beyond retirement, where 11 questions were posted to the respondents. Most of the questions are closed ended questions with several open ended questions to seek further explanation from their responses. A total of 87 employees responded to the survey.

personal loan, car loan, credit card debts and others in 51%, 19%, 14%, 11% and 5% of the respondents respectively.

Results

i) Outstanding Financial Commitment After Retirement

Finding from the survey showed that 54% of the respondents have outstanding financial commitment to be settled after retirement. The outstanding financial commitments are housing loan, study and

ii) Living Expenses After Retirement

In this study retirement expenses are broken down into six categories namely; umrah/Hajj, vacation, dependent's education, medical, food and other basic necessities. Figure 1 illustrates the yearly estimated expenses during retirement.

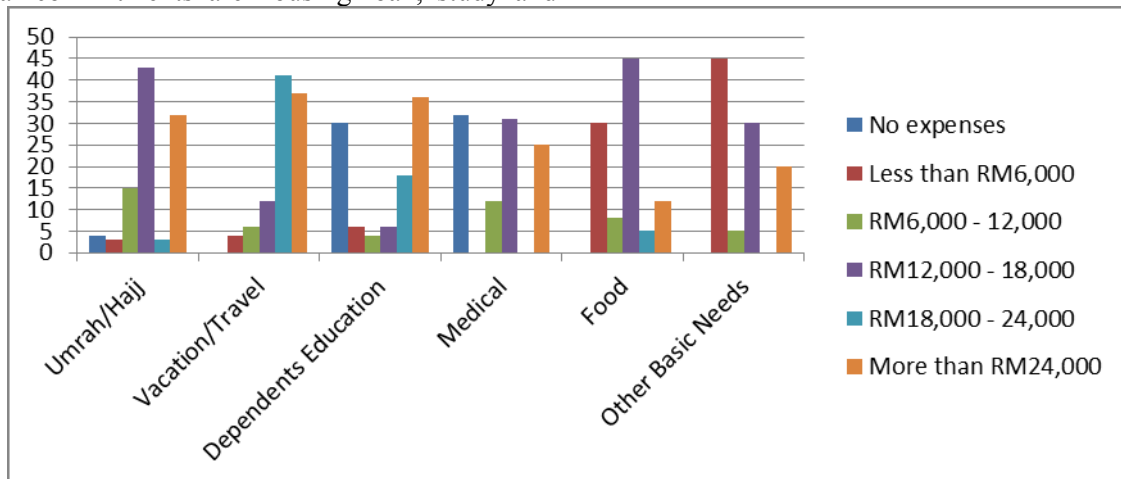


Fig. 1 Yearly Estimated Expenses during Retirement

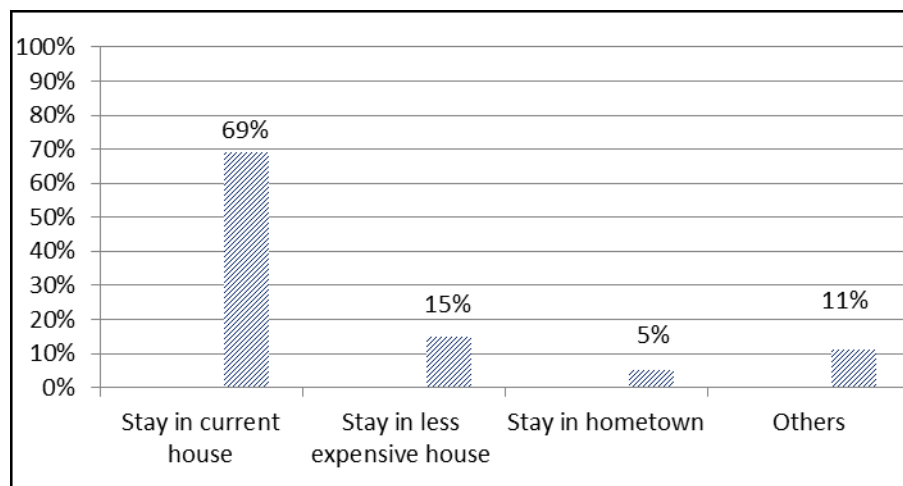


Fig. 2 Preferred Place to Reside after Retirement

It is shown from above that expenses for medical, food and other basic needs is smaller as compared to the other categories such as dependent education, vacation/travel and umrah/hajj. Findings from the survey also found that 82% of the respondents would like to perform umrah/Hajj and all of them would continue to pay zakat. 66% of the respondents claimed that they have medical insurance.

iii) Employment After Retirement

Finding from the survey showed that 51% of the respondents would like to continue working after retirement and 47% will work on a part-time basis. 68% claimed that they will go into some sort of business.

iv) Place to Reside after Retirement

Findings from this study showed that 73% of respondents between the ages of 18 and 29 years old would consider the action to move or relocate to another location when they retire. However, the rate

dropped to 62% and 50% for the respondent age groups 30 to 49 years old and 50 to 64 years old respectively.

As illustrated in Figure 2, findings from the survey stated that a huge percentage of 69% of the respondents claimed that they would stay in the current house after retirement followed by 15% who claimed they would buy or live in a less expensive house. 5% feel that they would move back to their hometown while the remaining is not so sure of their residence plans.

Discussion

In this study, analysis was made on the reasons as to whether people have outstanding financial commitment to be settled after retirement. A study by Nazreen Abdul Ghani reported that the bulk of household debts in Malaysia are for house financing (50%). Most commonly, the length of a housing loan can last up to 35 years or when the borrower reaches the age of 65 which is over the retirement age of 60. Borrowers normally would rely on their savings to settle their housing loan or when they make their EPF withdrawal at the age of 55. With the house prices continuing to rise and wage growth remained low, these contributed to the higher average age of first-time house buyer. This in turn means that many people will have to repay their loans until a more advanced age. Housing loan repayment is no longer calculated to cater to the previous retirement age of 55 or 60. In this study 51% said they still have outstanding housing loan to be settled during retirement. This is a huge financial commitment considering housing loan repayment is a long term loan which normally last for up to 35 years.

Study and personal loans is the second highest response derived from the respondents. A loan of any kind is a serious financial undertaking. In Malaysia, study loans are quite easily obtained via the National Higher Education Fund Corporation (PTPTN). This body is established with the objective that students are not denied of pursuing higher education due to financial reasons. Delayed repayment due to whatever reasons will result in a prolonged repayment period even probably until retirement age. However, as mentioned earlier, taking a loan is a serious financial undertaking as there is the financial commitment to repay the loan which will start to take its toll on our lives once repayment starts. In Islam, a loan or debt repayment is not to be taken easy as Islam taught its followers that those who do not settle his debts will be subjected to severe punishment. It is also mentioned that the Prophet Muhammad (peace and blessing be

upon him), did not pray for a deceased person who had a debt to settle.

The next highest response on outstanding financial commitment at retirement as claimed by respondents is car loan. Although car loan is not considered a long tenure loan but it is still one of the highest financial commitment one made in his life. Although car prices in Malaysia is expensive and among the highest in the world, this does not stop Malaysians from buying a car. Probable reason would be due to the less efficient public transportation and therefore owning a car is considered a necessity rather than a luxury. Bank and finance companies made car ownership even easier by offering a low entry cost on buying a car such as a zero down payment. Since cars are already quite expensive, by paying a lower down payment, households will need to acquire a larger loan amount and longer loan tenure.

A survey conducted by HSBC Malaysia (published on January 27, 2015) found that to live comfortably after retirement requires a RM5,000 monthly incomes but currently around 30% of Malaysian retirees live on just RM3,000. This shortage is due to being unable to save the targeted amount while they were working. The study also found that “while most pre-retirees plan to save 24% of their income toward retirement, on average only 15% are saved instead”. This fact is actually not due to workers not being prudent in their spending pattern but more of having to pay for basic obligations. Among the main reasons found in this study on why people are not able to save, are that 39% claimed that they are unable to prepare adequately, 38% are committed to paying off their housing loans and 49% of them are paying off other debts for e.g. children’s education.

While we can track living expenses via statistics collected by the Statistics Department consumer surveys, living expenses is very much related to one’s own lifestyle. Therefore, it is best to estimate living expenses based on the individual’s lifestyle. Given the long term expected period of retirement, at times there might a sudden increase in expenses due to emergencies or healthcare expense etc. At other times one could spend less when there is a bargain or promotion or when decided to tighten the budget in view of the previous splurge. In the study, many foresee travelling including performing umrah/Hajj among the Muslims and medical expenses as the major expenses during retirement. A majority of Muslim respondents have the intention to perform umrah/Hajj during their retirement years.

The Malay Mail Online quoted that there are many reasons in which retirees continue to work and among those reasons are; not having enough savings, there are still family members to support, while for some

just merely to keep occupied. A study by Ruth Helman et. al. (2014), found that the percentage of retirees who plan to work after retirement stood at 65%. The periodical study conducted by the Retirement Confidence Survey, USA shows that the high percentage of those who said that they plan to work is a consistent finding. However, it turned out to be that only 27% (from the 65% who plan to work after retirement) actually worked for pay in retirement. In this study 51% of the respondents would like to continue working after retirement while 62% said that they will go into business.

As suggested by Tom Sightings (U.S. News Money, November 2, 2015), people retire in the same place as they lived for many reasons. Common reasons are much related to their emotional and also functional needs. People feel attached to their hometown because they knew exactly where to go to for their basic needs, the nearest parks, and supermarkets etc. and not to mention the familiar faces of friends. Besides that, it also costs a lot to relocate to a new residence. Rather than moving to a new place, it will cost a lot less to renovate the current home. Another likely reason for this is would be it is difficult to uproot and make new friends even after considering a lower cost of living elsewhere. In this study, "stay at the current home after retirement" is the most preferred option when asked the question on place to reside after retirement. This suggested that people are not so ambitious and have a realistic expectation for their residence when it comes to life after retirement. The reason is probably due to the current economic situation in Malaysia that is not so encouraging and the ever rising cost of living and prices of houses.

Conclusion

Retirement is the next stage that an employee has to go through after full employment ends. Everybody looks forward to retiring gracefully. Retirement planning includes both financial and other aspects of life. The non-financial aspects are social aspects and lifestyle. This study concluded in order to have a comfortable retirement lifestyle proper planning in all avenues needs to be looked into. The study found that employees have modest aspirations and expectation in respect to their retirement.

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Article History

Received: 13-11-2018

Accepted: 13-12-2018