The Journal of Social Sciences Research
ISSN(e): 2411-9458, ISSN(p): 2413-6670
Vol. 6, Issue. 2, pp: 173-176, 2020
URL: https://arpgweb.com/journal/journal/7
DOI: https://doi.org/10.32861/jssr.62.173.176

Academic Research Publishing Group

Original Research Open Access

Do Demographic Subgroups and Education Levels of Financial Planners Create a Difference of Opinion when Developing a Retirement Plan in South Africa?

Shagaran Rathnasamy*
School of Accounting, Economics and Finance, Faculty of Law and Management Studies, University of KwaZulu-Natal, Pietermaritzburg Campus, South Africa

Jugjith Deodutt
School of Accounting, Economics and Finance, Faculty of Law and Management Studies, University of KwaZulu-Natal, Westville Campus, South Africa

Abstract

Society's reliance on financial planners, to provide a holistic overview on retirement, needs to be supported by unbiased fact. Greninger *et al.* (2000), found consensus between experts among a panel of 188 financial planners and educators. Consensus was found and there was agreement on the guidelines for planning assumptions and meeting family needs. Nine-tenths of the experts agreed that families should have achieved 50-60% of retirement savings goals by age 50 and 90% by age 60%. Although the consensus level was indeed high, there were noted differences between gender and occupation. Overall, there were more males (55%) than females (45%). Financial planners were predominantly male (77%) with educators predominantly female (59%) creating a significant relationship between occupation and gender in the sample. The study also revealed a significant difference in the educational level of the two occupational subgroups. As expected, most planners possessed bachelor degrees whereas most educators possessed postgraduate degrees up to a doctoral level. On the guidelines where there was a high level of agreement, it would be useful to know how the advice was influenced by varying demographic and educational backgrounds. This study is to determine what differences of opinion might exist between educational and demographic subgroups of financial planners.

Keywords: Demographic subgroups of financial planners; Educational subgroups of financial planners; Retirement plan differences of opinion.

1. Introduction

1. According to the South African Financial Planning Handbook 2017, the following procedures, the following makes up the retirement planning process:

1) Determining the client's retirement goals.
2) Analysing the client's existing retirement provisions.
3) Establishing the client's needs and the shortfall.
4) Pre-retirement planning – Needs Analysis.

(Botha *et al.*, 2017).

Based on the above regulations and guidelines it is evident that a financial planner certainly has 'his work cut out for him' when advising a client on retirement planning. The various propositions, by the researcher, in the literature that follows as well as the survey is to establish whether the objectives of this research project can be met by delving further into the retirement process from the viewpoint of the financial planners.

(Greninger *et al.*, 2000), attempted to find a consensus between financial planners and educators, using a Delphi research design among a panel of 188 experts, comprising of 75 financial and 113 educators, to determine a retirement planning guideline. Consensus was found for using a four percent "(4%) inflation rate, an 8.5% rate of return on investments, and a replacement ratio of seventy to eighty nine percent (70-89%) of current income when making retirement projections. There was more agreement on the guidelines for planning assumptions and meeting retirement needs than about timing and asset allocation. Nine-tenths of the experts agreed that families should have achieved fifty to sixty percent (50-60%) of their retirement savings goal by age 50 and eighty five to ninety percent (85-90%) by age 60. Over sixty percent (60%) of the experts felt that it was prudent to start moving toward more conservative investments about three to five years before retirement. Recommendations were developed on the proportion of growth-oriented equities to hold at various points prior to and after retiring (Greninger *et al.*, 2000)."

Although the consensus level was indeed high, there were noted differences between gender and occupation. There were more males than females, fifty five percent (55%) versus forty-five percent (45%) respectively. Financial planners were predominantly male (seventy seven percent - 77%) and educators were predominantly female (fifty nine - 59%) creating a significant relationship between occupation and gender in the sample.

"There was also a significant difference in the educational level of the two occupational subgroups. As might be expected, the planners were more likely to possess bachelor degrees whereas the educators were more likely to possess advanced postgraduate degrees particularly at the doctoral level. As with much research, the results of this

*Corresponding Author

project raised as many questions as it provided answers. On the guidelines where there was a high level of agreement, it would be useful to know how the advice stacks up against the reality of what families and individuals are actually doing (Greninger *et al*., 2000)."

2. Material and Method

The objectives of this research was to bring to surface any differences of opinion that may exist because of different educational and demographic subgroups of financial planners. This study used a qualitative research methodology approach whereby financial planners throughout the province of KwaZulu-Natal were queried in a mailed out questionnaire designed to satisfy the objectives.

The Financial Planning Institute of Southern Africa (2017), sent out questionnaires via e-mail to 704 financial planners in KwaZulu-Natal on 30 October 2017. The data from the responses, was analysed using the Statistical Package for Social Sciences (or SPSS) to formulate conclusions based on the responses received.

A questionnaire was designed to collect both demographic and informative data considered useful to meet the objectives of the research. The questionnaire began with a general multiple-choice section – relating to demographic information such as highest academic qualification, industry experience, race and gender. The remainder of the questionnaire entailed thirty one (31) questions were participants rated their level of agreements on a "5-point Likert scale, where 1 = definitely do not agree, 2 = do not agree, 3 = uncertain, 4 = agree, 5 = strongly agree." These scale responses allowed differences to be tested between the educational, racial and gender subgroups. Respondents would tick a box that based on their opinion on the questions asked.

3. Results

The Pearson Chi-Square analysis was used to determine whether any correlation existed between the respondents' demographic details and their responses to the considerations taken when preparing a retirement financial plan. A test of independence was used to assess if unpaired observations on respondents demographic details are independent of their considerations when developing a retirement financial plan.

Null hypothesis: There is no relationship between respondents' demographic details and their considerations when developing a retirement financial plan for a client. Alternatively, financial planners' demographic details and educational background does not influence their considerations and guidelines when developing a retirement financial plan for a client.

Alternative Hypothesis: There is a relationship between respondents' demographic details and their considerations when developing a retirement financial plan for a client.

Correlation between respondents' demographics and retirement financial planning considerations

The assumption in the test of independence, is that a chi-squared probability (also referred to as the "p" value or significance value) of less than or equal to 0.05 (5%) is interpreted as justification for rejecting the null hypothesis. i.e. the row variable is dependent of the column variable. If the significance value is greater than the Alpha value, we will accept the null hypothesis. We refer to the 0.05 (5%) as our Alpha value.

3.1. Respondents Age Group

The results of the "p" value or significance value is 0.192 or 19.2%. This is significantly larger than our Alpha value of 5% and we therefore accept our null hypothesis that the age group of the respondents has no relationship with the considerations taken when preparing a retirement financial plan.

Pearson Chi-Square Tests		
		Age group
Demographics	Chi-square	104.679
	Df	93
	Sig.	.192[a]
Results are based on nonempty rows and columns in each innermost subtable.		
a. More than 20% of cells in this subtable have expected cell counts less than 5. Chi-square results may be invalid.		

3.2. Respondent's Gender

The results of the "p" value or significance value is 0.573 or 57.3%. This is significantly larger than our Alpha value of 5% and we therefore accept our null hypothesis that the gender of respondents has no relationship with the considerations taken when preparing a retirement financial plan.

Pearson Chi-Square Tests		
		Gender
Demographics	Chi-square	28.932
	Df	31
	Sig.	0.573
Results are based on nonempty rows and columns in each innermost subtable.		

3.3. Respondents Race

The results of the "p" value or significance value is 0.005 or 0.5%. This is significantly lower than our Alpha value of 5%. However, per the table above – Notes b and c: more than 20% of cells in the subtable have expected cell counts more than 5 and therefore the Chi-Square results may be invalid or the Chi-Square assumption has been violated. We therefore accept our null hypothesis that the race of the respondents has no relationship with the considerations taken when preparing a retirement financial plan.

Pearson Chi-Square Tests		
		Race
Demographics	Chi-square	131.805
	Df	93
	Sig.	.005*,b,c
Results are based on nonempty rows and columns in each innermost subtable.		
*. The Chi-square statistic is significant at the .05 level.		
b. More than 20% of cells in this subtable have expected cell counts less than 5. Chi-square results may be invalid.		
c. The minimum expected cell count in this subtable is less than one. Chi-square results may be invalid.		

3.4. Respondent's Experience

The results of the "p" value or significance value is 0.035 or 3.5%. This is lower than our Alpha value of 5%. However, per the table above – Notes b and c: more than 20% of cells in the subtable have expected cell counts more than 5 and therefore the Chi-Square results may be invalid or the Chi-Square assumption has been violated. We therefore accept our null hypothesis that respondent' years of experience as a financial planner has no relationship with the considerations taken when preparing a retirement financial plan.

Pearson Chi-Square Tests		
		Years of experience as a Financial Planner
Demographics	Chi-square	188.387
	Df	155
	Sig.	.035*,b,c
Results are based on nonempty rows and columns in each innermost subtable.		
*. The Chi-square statistic is significant at the .05 level.		
b. More than 20% of cells in this subtable have expected cell counts less than 5. Chi-square results may be invalid.		
c. The minimum expected cell count in this subtable is less than one. Chi-square results may be invalid.		

3.5. Respondents Education

The results of the "p" value or significance value is 0.000 or 0%. This is lower than our Alpha value of 5%. However, per the table above – Notes b and c: more than 20% of cells in the subtable have expected cell counts more than 5 and therefore the Chi-Square results may be invalid or the Chi-Square assumption has been violated. We therefore accept our null hypothesis that respondent education has no relationship with the considerations taken when preparing a retirement financial plan.

Pearson Chi-Square Tests		
		Highest educational qualification
Demographics	Chi-square	206.744
	Df	124
	Sig.	.000*,b,c
Results are based on nonempty rows and columns in each innermost subtable.		
*. The Chi-square statistic is significant at the .05 level.		
b. More than 20% of cells in this subtable have expected cell counts less than 5. Chi-square results may be invalid.		
c. The minimum expected cell count in this subtable is less than one. Chi-square results may be invalid.		

3.6. Client's Residence

The results of the "p" value or significance value is 0.344 or 34.4%. This is significantly larger than our Alpha value of 5% and we therefore accept our null hypothesis that the clients' area of residence has no relationship with the considerations taken when preparing a retirement financial plan.

Pearson Chi-Square Tests		
		Clients' place of residence
Demographics	Chi-square	65.875
	df	62
	Sig.	.344a,b
Results are based on nonempty rows and columns in each innermost subtable.		
a. More than 20% of cells in this subtable have expected cell counts less than 5. Chi-square results may be invalid.		
b. The minimum expected cell count in this subtable is less than one. Chi-square results may be invalid.		

4. Discussion

Based on the correlation analysis conducted, it is clear that there is no correlation or relationship that exists between the educational and demographic subgroups of financial planners' and their responses toward the considerations taken into account when developing a retirement financial plan. Every demographic detail of the respondents were tested against the considerations and guidelines section of retirement financial planning and each test either failed the Pearson Chi-Square test or the correlation (p value) was clearly insignificant.

5. Conclusion

We will therefore accept the null Hypothesis posed above. The null hypothesis is that there is no relationship between respondents' demographic details and their considerations when developing a retirement financial plan for a client. Therefore, no differences of opinion exist as a result of educational and demographic subgroups of financial planners.

References

Botha, M., Rossini, L., Geach, W., Goodall, B. and du Preez, L. (2017). *The south african financial planning handbook 2017 (14 ed.). (p. Rabenowitz, ed.).* Durban, Johannesburg, Cape Town: LexisNexis.

Greninger, S. A., Hampton, V. L., Kitt, K. A. and Jacquet, S. (2000). Retirement planning guidelines: a Delphi study of financial planners and educators. *Financial Services Review,* 9(3): 231-45.

The Financial Planning Institute of Southern Africa (2017). Public policy: Find a financial planner. Retrieved from financial planning institute of South Africa npc. Available: http://www.fpi.co.za