

**AWARENESS OF LIVING EXPENSES AFTER RETIREMENT FOR LESOTHO
PUBLIC SERVANTS**

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DECLARATION

I hereby declare that this field study submitted for the Magister in Business Administration degree at the University of the Free State Business School is my own independent work, and I have not previously submitted this work, either in part or in whole, for a qualification at another university or another faculty at this university.

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TABLE OF CONTENTS

| | |
|---|------|
| DECLARATION | ii |
| ACKNOWLEDGEMENTS | iii |
| LIST OF FIGURES..... | vii |
| LIST OF TABLES..... | viii |
| ABSTRACT | 1 |
| Chapter 1: Introduction and Problem Statement..... | 3 |
| 1.1 Introduction and Background..... | 3 |
| 1.2 Problem Statement..... | 5 |
| 1.3 Research Objectives | 5 |
| 1.3.1 Primary Research Objective | 5 |
| 1.3.2 Secondary Research Objectives..... | 5 |
| 1.4 Preliminary Literature Review..... | 6 |
| 1.5 Research Methodology..... | 8 |
| 1.5.1 Research Design..... | 8 |
| 1.5.2 Sampling..... | 8 |
| 1.5.3 Data Collection Strategy..... | 9 |
| 1.5.4 Ethical Considerations..... | 9 |
| 1.6 Demarcation of the Study..... | 9 |
| 1.7 Conclusion | 10 |
| Chapter 2: Literature Review..... | 11 |
| 2.1 Introduction..... | 11 |
| 2.2 Importance of Financial Planning..... | 11 |
| 2.3 Employment in Retirement..... | 13 |
| 2.4 Retirement Expenses..... | 20 |
| 2.5 Risks in Retirement | 22 |
| 2.5.1 Health and long-term care risk..... | 22 |
| 2.5.2 Health status risk..... | 23 |
| 2.5.3 Early retirement risk..... | 24 |
| 2.5.4 Investment in non-financial assets risk | 24 |
| 2.5.5 Longevity risk..... | 25 |
| 2.5.6 Retirement fund management risk | 25 |

| | |
|--|----|
| 2.5.7 Unemployment risk | 26 |
| 2.6 Types of Pension Plans | 26 |
| 2.7 Conclusion | 29 |
| Chapter 3: Research Methodology..... | 31 |
| 3.1 Introduction..... | 31 |
| 3.2 Research Design | 31 |
| 3.2.1 Research design strategies | 31 |
| 3.2.2 Type of study..... | 32 |
| 3.2.3 Data collection method..... | 34 |
| 3.3 Sampling | 35 |
| 3.3.1 Sampling strategy..... | 35 |
| 3.4 Data Analysis | 36 |
| 3.4.1 Coding and data entry | 37 |
| 3.4.2 Coding and responses..... | 37 |
| 3.4.3 Data entry | 37 |
| 3.4.4 Editing data | 37 |
| 3.4.5 Data analysis instruments..... | 38 |
| 3.5 Ethical Considerations | 38 |
| 3.6 Conclusion | 39 |
| Chapter 4: Discussion of Findings..... | 41 |
| 4.1 Introduction..... | 41 |
| 4.2 Discussion of Findings..... | 41 |
| 4.2.1. Biographic data..... | 41 |
| 4.2.2. Retirement Questionnaire | 44 |
| 4.3 Key research findings | 72 |
| 4.4 Conclusion | 74 |
| Chapter 5: Recommendations and Conclusion..... | 75 |
| 5.1 Introduction..... | 75 |
| 5.2 Analysis of Results Aligned with the Research Objectives | 75 |
| 5.3 Recommendations..... | 77 |
| 5.4 Conclusion | 78 |
| Bibliography | 80 |

APPENDIX A: Permission Letter..... 89
APPENDIX B: Retirement Questionnaire..... 90

LIST OF FIGURES

| | |
|----------------------------------|----|
| Figure 4.1: Question 4 Answers | |
| Distribution..... | 48 |
| Figure 4.2: Question 5 Answers | |
| Distribution..... | 50 |
| Figure 4.3: Question 6 Answers | |
| Distribution..... | 52 |
| Figure 4.4: Question 7 Answers | |
| Distribution..... | 53 |
| Figure 4.5: Question 8 Answers | |
| Distribution..... | 56 |
| Figure 4.6: Question 9 Answers | |
| Distribution..... | 58 |
| Figure 4.7: Question 10 Answers | |
| Distribution..... | 59 |
| Figure 4.8: Question 11 Answers | |
| Distribution..... | 61 |
| Figure 4.9: Question 12 Answers | |
| Distribution..... | 63 |
| Figure 4.10: Question 13 Answers | |
| Distribution..... | 65 |
| Figure 4.11: Question 14 Answers | |
| Distribution..... | 67 |
| Figure 4.12: Question 15 Answers | |
| Distribution..... | 69 |

Figure 4.13: Question 16 Answers Distribution.....70

LIST OF TABLES

| | |
|--|----|
| Table 4.1: Age Distribution..... | 43 |
| Table 4.2 Organisational Level Distribution..... | 43 |
| Table 4.3: Marital Status Distribution..... | 44 |
| Table 4.4: Spouses' Level in their Organisations Distribution..... | 44 |
| Table 4.5: Age of Permanent Employment..... | 45 |
| Table 4.6: Age of Preferred Retirement..... | 46 |
| Table 4.7: Age to Afford Retirement..... | 46 |
| Table 4.8: Age and Question 4 Cross- Tabulation..... | 48 |
| Table 4.9: Marital Status and Question 4 Cross- Tabulation..... | 49 |
| Table 4.10: Age and Question 5 Cross- Tabulation..... | 51 |
| Table 4.11: Age of Preferred Retirement and Question 5 Cross- Tabulation..... | 51 |
| Table 4.12: Age and Question 7 Cross- Tabulation..... | 54 |

| | |
|--|----|
| Table 4.13: Level in the Organisation and Question 7 Cross- Tabulation..... | 55 |
| Table 4.14: Age and Question 8 Cross- Tabulation..... | 57 |
| Table 4.15: Marital Status and Question 9 Cross- Tabulation..... | 59 |
| Table 4.16: Age of Preferred Retirement and Question 10 Cross- Tabulation..... | 60 |
| Table 4.17: Level in the Organisation and Question 11 Cross- Tabulation..... | 62 |
| Table 4.18: Age and Question 12 Cross- Tabulation..... | 64 |
| Table 4.19: Age and Question 13 Cross- Tabulation..... | 66 |
| Table 4.20: Marital Status and Question 14 Cross- Tabulation..... | 68 |
| Table 4.21: Factors Having the Greatest Impact on Retirement Affordability..... | 71 |
| Table 4.22: Second Most Likely Factors to Impact Retirement Affordability..... | 72 |
| Table 4.23: Third Most Likely Factors to Impact Retirement Affordability..... | 73 |

ABSTRACT

The main objective of the study was to analyse the Lesotho public servants' awareness of living expenses after retirement. The secondary objectives were to determine if Lesotho public servants engaged in financial planning, take retirement risks into consideration when planning for their retirement and the degree of their engagement with the Public Officers' Defined Contribution Pension Fund.

In the research, the epistemology assumption followed is objectivism while the ontology assumption followed is positivism. Quantitative data was collected by means of a structured questionnaire presented in English to a sample of 408 public servants formulated from 24 Lesotho government ministries using stratified random sampling and simple random sampling.

The research revealed that the majority of public servants aged 50 years and younger will have to work during their retirement to supplement their retirement income, while most public servants do not have other pension and investment funds to supplement their retirement income. Furthermore, Lesotho public servants do not wish to downsize their residential homes when they retire and very few public servants will carry substantial debts into retirement.

The research concluded that since almost all public servants who have to work in retirement to supplement their income wish to join the business sector, public servants must be made aware of and be equipped with business development and business management skills. The employer must also accept the responsibility of educating the public servants about different employment options in retirement. Public servants should be encouraged to acquire specialist skills that require experience which will make them more competitive than younger workers in the future. Most importantly, the research established that a substantial percentage of public servants do not review their pension plan statements because they do not understand the terms of the Public Officers' Defined Contribution Pension Fund. This hinders the public servants' ability to make proper retirement provisions. The employer should organise a team composed of human

resources management benefits specialists to educate the public servants on their pension plans and to facilitate the provision of timely statements.

Key terms: Retirement, financial planning, retirement risks, employment in retirement, retirement income, defined contribution pension plan, salary adequacy and Lesotho government.

CHAPTER 1: INTRODUCTION AND PROBLEM STATEMENT

1.1 Introduction and Background

Lesotho is classified as a lower middle income country (developing economy) with a per capita income (income per person in the economy) of around \$1,000, which is above the anticipated 2010 target of \$600 (Moleli-Habi and Liphapang-Sefako, 2011). The continuing improvement in the performance of the country has led to a decrease in the unemployment rate from 45.0 % in 2002 to 25.3 % in 2008 (latest statistics published) as reported by Indexmundi (2009); however 56.3 % of the population still lives below the poverty line according to the report by the International Labour Organization (2014). The vacancy rate in the public sector has, on the other hand increased by 1.0 % in 2012 following a marginal increase of 0.1 % in 2011 (Central Bank of Lesotho, 2013), due to the fact that the government has been trying to find ways to contain the recurrent expenditure by suspending the filling of new positions in the civil service (Parliament of the Kingdom of Lesotho, 2011).

Lesotho's population is approximately 1,942,008 and only 26.0 % of the population lives in urban areas (The Henry J. Kaiser Family Foundation, 2015), where most of the work opportunities exist. The country's economy is segmented into primary, secondary and tertiary sectors which can further fall either into the private or public sectors. The Lesotho private sector is divided into non-governmental organisations, private companies and parastatals. The private sector is the main employer with 30.0 % of the market share, followed by the public sector with 5.5 % and lastly the parastatals with 1.6 %, while 22.0 % falls under the informal sector (Moleli-Habi and Liphapang-Sefako, 2011).

The Lesotho Labour Code Order of 1992 section 79 (1) states that 'an employee who has more than one year of continuous service with the same employer, shall be entitled to receive, upon termination of employment, a severance payment equivalent to two weeks' wages for each completed year of continuous service.' The 1997 Labour Code Amendment Act provides that employers can opt to apply for exemption from the above section 79 (1) provided that the employer can provide a more advantageous separation benefit, such as a pension or provident fund for its employees. The Lesotho Public Service has opted for the latter by mandating its permanent employees to join a defined

contribution pension fund which was established in 2008 under the Public Officers' Defined Contribution Pension Fund Act of 2008.

Under the above Act the government, which is the employer shall contribute a percentage of an employee's gross salary as approved by the Minister of Finance, and the employee shall contribute the same percentage. The employees have access to the fund upon termination of employment, which can be either through dismissal, resignation, death or retirement. The compulsory retirement age for the Lesotho public servants is 60, while early retirement can be taken 10 years earlier with the approval of the Minister of Public Service. Upon retirement, pensioners can opt to withdraw up to 25.0 % of their fund balances as a lump sum and receive the rest in monthly instalments throughout the rest of their lives or they can receive the total amount as annuities in equal monthly instalments. In cases where a pensioner dies before five years lapse after retirement, the fund balance shall be paid to the dependants; if the pensioner dies five years after retirement, the remaining dependants cannot claim any balances from the fund (Public Officers' Defined Contribution Pension Fund Act, 2008).

Since Lesotho public servants have one compulsory pension fund which is intended to cover all the individual's expenses after retirement and looking at the criticality of expenses in people's lives, the purpose of this study is to provide an analysis of permanently employed Lesotho public servants' living expenses after retirement.

According to Keynes (Gregory, 2012) there are three motives for holding money; for transactional, precautionary and speculative purposes. Money held for transactional purposes is intended to cover recurring expenses like monthly expenditure. Monthly expenditure is basically the cost of living expenses and may include, but is not limited to groceries, cost of clothing, transport costs, utilities, monthly subscriptions and regular entertainment expenses. On the other hand, precautionary savings are kept to cover unexpected expenses that may arise due to uncertainties in the future like medical expenses due to health problems. Lastly, speculative savings are usually intended to improve the individual's wealth and can be accumulated by engaging in long-term investment savings.

1.2 Problem Statement

The problem is that public servants need to be aware of living expenses after retirement and to consider factors affecting the affordability of those expenses in order to make sufficient financial provisions for their retirement. This study is intended to answer the following research questions:

- Are Lesotho public servants aware of living expenses after retirement?
- Do the public servants engage in financial planning for their retirement?
- Do the public servants consider risks and other factors when planning for their retirement?
- Do the public servants consider other options to supplement their retirement income?
- Do public servants engage with the Defined Contribution Pension Fund to understand the terms of the pension fund and to keep up to date with their cumulative balances in the fund?

1.3 Research Objectives

1.3.1 Primary Research Objective

The primary research objective of this study is to analyse Lesotho public servants' awareness of living expenses after retirement.

1.3.2 Secondary Research Objectives

The secondary objectives of this study are to:

- Establish if Lesotho public servants engage in financial planning for their retirement;
- Assess the degree of understanding of public servants regarding the Public Officers' Defined Contribution Pension Fund; and
- Determine if public servants take risks into consideration when planning for their retirement.

1.4 Preliminary Literature Review

According to Kozak (2014), retirement can mean different things to different individuals; essentially people who are at retirement age still have other job opportunities that can enable them to continue generating an income after formal or compulsory retirement. He further states the different employment options after retirement which includes working as a consultant in the pensioner's field of expertise, working with the same employer but for reduced hours and therefore a reduced salary, seeking new employment opportunities in a different field and finally volunteering and mentoring young people. All these different types of employment mean that pensioners can supplement their pension funds and have an extra income to cover their emergent expenses such as unexpected medical procedures that may result from old age. In order for Lesotho pensioners to take advantage of these employment options, they first need to be aware of their expected expenditure after retirement.

Kozak (2014) also emphasizes the need for two income streams during retirement; a substantial income stream to cater for predictable transactional retirement expenses and a substantial endowment that can be used as the need arises to pay for unexpected and unbudgeted expenses and to fund the pensioner's legacy wishes upon his or her death. The substantial endowment would be used to cater for precautionary and speculative expenses. When people get older, they become prone to unexpected illnesses that may require a huge medical expenditure saving/provision, and in these instances a substantial endowment would be most needed.

Pye (2010) in turn tackled the risks in retirement. He discussed the risk that the actual return on the pension investment may be lower than expected and therefore may not be enough to cover the living expenses after retirement. He also discussed the risk that large unexpected expenses may arise that can put extra strain on the monthly income from the pension fund; this risk can be alleviated if individuals do not rely on a single income from one pension fund.

Brown and Finkelstein (2011) reported that the improvements in the medical field means extended life spans by nearly thirty years compared to previous life expectancies, posing a risk regarding affordability of life after retirement. This risk is referred to as a longevity

risk. They also advise that retirees provide for the probability of substantial medical expenditures as a result of longevity. This means that individuals need to save more than they used to in order to afford the same standard of living for the rest of their lives in case they live longer. The point of making provisions for longevity is reinforced by Byrne and Winter (2008), who state that increasing life expectancy is a positive trend for societies that create funding into pension schemes. The issue then in this study becomes whether Lesotho also experiences longevity like other countries which are currently experiencing it, and at least by how many years on average.

According to Blau and Paprocki (2010), failing to consider inflation when planning for retirement leads to continuously decreasing standards of living during retirement, and higher levels of inflation lead to reduced spending power and a rising cost of consumption. The rising cost of consumption is especially problematic for products that do not have direct substitutes like medical expenses which are not substitutable. In order for pensioners to effectively deal with this risk, precautionary savings must be in place to take care of the transactional expenses that are mandatory and essential for daily survival of pensioners. This further emphasises the point that there has to be two income streams to cater for retirement expenses, an annuity and a substantial endowment.

Employment risk as discussed by Grochulski and Zhang (2013) is the risk that the pensioner may not find alternative employment after retirement. This would imply that people need to save more and consume less currently, in order to be financially secure in retirement. Some people may deliberately not save enough for retirement with the hope that they will find alternative employment after retirement to supplement their retirement fund; if they cannot find work it becomes a problem for them to survive. Since the future is always uncertain, this risk further emphasizes the point mentioned earlier that different and sufficient income streams are required to cover expenditure after retirement. Therefore it needs to be established if public servants rely on the hope of finding employment after retirement.

Allgood, Bosshardt, Van de Klaaw and Watts (2011) argue that economics students save more for retirement than business students and other professionals, and that they make less debt enabling them to have extra financial resources to invest. Gregory (2012) also

distinguishes savers from borrowers; he identifies savers as people who spend less than they earn, hence enabling them to have extra financial resources to spend in future. On the other hand he defines borrowers as those people who spend more than they earn and they end up paying the debt with additional interest charges. People who save can retire comfortably for several decades to come.

1.5 Research Methodology

1.5.1 Research Design

The purpose of this study was to gather relevant information for determining the awareness of Lesotho public servants' living expenses after retirement; therefore this study was descriptive and quantitative in nature. The research had minimal interference with activities of the respondents, as the study did not affect the normal flow of their work activities.

This field study was conducted in a non-contrived environment. The unit of measurement was individual employees and the study was cross-sectional as data was collected at a single point and not in multiple stages.

Quantitative data was collected by means of a questionnaire. Respondents were expected to answer hand delivered questionnaires which permitted the researcher to clarify the questionnaire to respondents.

1.5.2 Sampling

The population is the entire category of permanent Lesotho public servants, which totals to around 48,000 people. The sample is 408, determined using the Krejcie and Morgan model (1970) as presented by Sekaran and Bougie (2013). The sample is comprised of 17 employees from each of the 24 Lesotho government ministries excluding the Ministry of Police and the Ministry of the Defence Force.

Non-probability, purposive sampling will be used to form a sample. Since each ministry is represented in the study, precision is increased and bias is reduced because employees from the same ministry usually fall under the same profession and might have the same perspectives as their professional exposure levels are mostly similar. Within the ministries, simple random sampling will be used because of the large sample size, the

logistics involved in covering almost all government ministries and since it allows ease in assembling the sample.

1.5.3 Data Collection Strategy

The questionnaire will be comprised of biographic data in section A and sixteen closed ended questions and one open ended question in section B. The questionnaire will be presented in English as it is one of the official languages in Lesotho and all respondents are expected to be familiar with it. The questionnaire will be pretested to a sample of five respondents before distribution to test the clarity of the questions.

1.5.4 Ethical Considerations

The ethical considerations for this study include:

- The researcher should not misrepresent the purpose and objectives of the study to the respondents as they have a fundamental right to know what they are participating in.
- All responses must be treated with utmost confidentiality.
- Data collected during the research must not be distorted or misinterpreted to suit the personal interests of the researcher.
- The respondents have an obligation to give true and honest answers.
- The researcher must not violate the personal rights of the respondents by asking inappropriate and overly personal questions.
- The researcher should not promise to over deliver if it is not absolutely certain that the promised incentives will be available and in the form that has been represented.

1.6 Demarcation of the Study

This study falls under the economics and finance disciplines. Economics is a branch of social sciences that deals with the production, distribution and consumption of goods and services and their management in an economy (Gregory, 2012). It is logical to conclude

that people who place a large premium on current consumption will not save enough for the future; this view has been supported by the behavioural economic theory. The theory suggests that certain measures must be taken to induce households to save, including appropriate automatic defaults like auto-enrolment in retirement savings (National Treasury, 2012). Savings should be deducted automatically before the individual receives his or her net salary. On the other hand, finance deals with the allocation of assets and liabilities with the aim of creating more value in the future (Firer et al., 2012). Therefore it is relevant in this study because employees of the Government of Lesotho are mandated to invest their money in the Public Officers' Defined Contribution Pension Fund with the aim of creating more value in future for retirement as their investment is expected to attract interest and capital growth.

The permanent employed public servants of the Government of Lesotho will be the subject of this study and the study is to be conducted in Maseru Lesotho over a period of six months.

1.7 Conclusion

This study aims to establish the Lesotho public servants' living expenses after retirement and the factors affecting the affordability of those expenses. If the public servants are aware of the expected expenditure during their retirement, they can make proper financial arrangements while they are still working so as to avoid unnecessary strain on their finances in future and on the economy as a whole.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

A number of factors that have an impact on the standard of living of individuals after retirement have been identified in relevant literature. Financial planning, employment in retirement, common expenses in retirement, risks in retirement and types of pension plans will be reviewed in this chapter. Results from different researches on these factors will be analysed and evaluated.

2.2 Importance of Financial Planning

According to a study by Croy, Gerrans and Speelman (2012), there is a direct and positive relationship between financial planning and increased retirement savings. Planning as defined by the Advanced English Dictionary (2014) is the process of cognitive thinking about what one will do when something happens; this implies that in order for one to retire comfortably, there has to be a definite layout of how one's finances will be properly managed and allocated between the current spending and savings for the future. Furthermore, savings can be split into an investment portion, that can be used for the purchase of value adding assets like property and a portion that can be used to cater for one's retirement needs (Gregory, 2012).

Willis (2009) states that proper education on financial planning should aim to improve the financial principles and knowledge, which will enhance the financial behaviour and decision making, like an increased amount of savings. Ferguson (2008) mentions that a society that expects its people to take responsibility for managing their own finances and determining how much to save for retirement means trouble for the future, especially if its people are not equipped to make educated financial decisions. This means that some authority has to take the responsibility of ensuring that every economically active individual within the society has adequate skills that will enable them to make wise financial choices. Willis (2009) says that the responsible body can either be the government, employers, parents or specialists in economics and finance.

In the United States of America the government has proposed a policy of fostering financial and economic education for the consumers (Bernanke, 2011). Bernanke (2011),

in his statement to the Board of Governors of The Federal Reserve System, highlighted the importance of financial literacy to a stable and healthy economy. He described the efforts that the government had made to help ordinary Americans make more informed and healthy financial decisions. The government is continuously developing online materials in plain writing style and engaging the help of online tutors to assist the public with their financial matters. As Bernanke (2011) notes, financially educated consumers achieve better financial outcomes. This is because they foster market efficiency and innovation by demanding that service providers produce suitable goods to meet their demands at competitive prices. This enhances the system to become better as individuals are able to guard themselves against proliferation of financial goods and services, as well as fraudulent and deceptive practices. The government has arranged with the Federal Reserve Bank of Chicago (Bernanke, 2011) to hold free classes and learning activities for consumers concerning financial matters during the May Smart Week.

Grinstein-Weiss *et al.* (2011) reported that there is evidence of the influence of informal social agents on children's behaviour as they ease into adulthood. They make reference to the fact that children who had parental education about money and its management had lower credit card debt and higher credit ratings during adulthood. Supporting the impact of socialisation on children are Grimes, Rogers and Smith (2010); they found that children who were exposed to economic and business courses in high school had a reduced probability to be unbanked as adults, thereby improving the possibility of saving for their retirement. The above mentioned evidence shows that both formal and informal socialization is crucial to assist children to be in charge of their finances when they grow up.

In the case of adults it has been found that spouses are the primary source of social influence for retirement savings decisions (Croy, Gerrans & Spielman 2012). This means that adults whose spouses are good at financial planning stand a better chance of being able to afford their retirement, as their partners have a high likelihood of influencing them to also make financial provision for their retirement. Croy *et al.* (2012) further established that financial advisers come second to spousal influence. Therefore, this might imply that adults who seek financial advice from financial experts have a better chance of saving for

their retirement and using less debt than individuals who don't. Lastly, it was found that the government and employers exert little influence on an individual's financial planning and management.

Another generation that is perceived as being carefree about planning and providing for their retirement is the millennial's (Olson, 2014). Olson's study discovered that this generation claims it is too early to start providing for their retirement, with the upper limit of the generation in their low thirties. The majority of the individuals interviewed claimed that they still need to service huge student debt loans before they can afford to cater for their retirement. Others confessed to being clueless when it comes to finances and terms of their pension schemes as it was the sole responsibility of their spouses. This is surprising and shocking because by starting to save later in your life you are not taking advantage of the compounded interest that can be earned when starting to save earlier. This generation should consider cutting down on unnecessary expenses and start saving, even if it is the smallest amount since one can never predict what can happen in the future.

According to Timmermann (2012), there is a part of the population that has special needs when it comes to financial planning and money management, being the lesbian, gay, bisexual and transgender (LGBT) society. She states that this part of the population may require special attention because even though they face similar fears about aging and being able to finance their retirement, there is discrimination and a stigma attached to their sexual orientation. The LGBT may have to rely on their friends for social and financial support when they age as most of them have been disowned by their families. This might mean that the LGBT need to save a little extra for their retirement as they may not have a reliable and stable support system when they can no longer take care of themselves. Espinoza (2012) further supports this issue by arguing that since this part of the population already lacks social and government support in some parts of the world, the future may be bleak and daunting for a frail and poor LGBT. Therefore, the LGBT represents a niche market that is currently underserved by the financial sector, particularly the pension schemes.

2.3 Employment in Retirement

Cutler (2011) lists the retirement options, choices and practices as early retirement, delayed retirement and phased retirement. He states that some workaholics never retire. He also mentions that most people who are at retirement age initially wanted to retire earlier, but they had to change their plans. Most of them have opted to work at their physically easier and technology supportive jobs for years beyond what is societal, culturally and financially termed normal. Lastly, Cutler (2011) says that most people who choose to work beyond their retirement age do so simply because they have not saved enough to afford their retirement because of years of economic turmoil in the past.

Employment in retirement will be analysed in terms of delayed and phased retirement, reasons for delaying and phasing retirement and lastly, implications for delaying and phasing retirement.

2.3.1 Delayed and phased retirement

Montizaan, Corvers and De Grip (2013) conducted a study with the aim to examine whether workers with specialized skills are restrained in their options to continue working, therefore being more likely to retire at mandatory retirement age compared to workers possessing general skills. Montizaan *et al.* (2013) argued that the ability of workers to delay retirement depends on the training policies of their long-term employers and the type of skills they acquired in the past. They also state that most employers who have invested in firm-specific skills to their employees have to find a way of rent sharing to ensure that the employers reap the rewards of their investments. Rent sharing can be done in a variety of implicit contracts which include that long-term workers earn a higher salary that will discourage them from leaving. Another strategy that firms can use to retain trained employees can be to use deferred compensation which pays young workers less than their marginal productivity and older workers are paid more than their marginal productivity, hence creating an incentive to stay with the employer (Montizaan *et al.*, 2013). They report that mandatory retirement becomes a necessity when deferred compensation is adopted as it ensures that underpayment at the beginning of a career is equal to overpayment at the end of the career. Employers have no incentive to enforce mandatory retirement for workers with general skills while on the other hand mandatory

retirement plans force workers with firm-specific skills out of the workforce when they reach the mandatory retirement age.

Warner, Hayward and Hardy (2010) ascertain that contrary to the common belief that retirement means an abrupt end to labour force participation, research shows that older workers in the United States exit the workforce in complex ways. Pleau (2010) supports this point and reports that working after defining oneself as retired is more common than generally assumed; the abrupt withdrawal from work and commencement of leisure is the experience of about half of all employees.

Based on the above knowledge, Pleau and Shauman (2013) conducted a study with the aim to explain the theoretical understanding of retirement-to-work transitions by presenting an analysis of how macro-level contexts affect entry into post-retirement employment while specifically looking at how structural and demographic changes have affected the trends in post-retirement employment. Structural changes that have been notable include social security rules that have been changed in the USA in the year 2000; some recipients can earn an additional income without losing their benefits. Secondly, mandatory retirement was abolished with the 1967 Age Discrimination in Employment Act (US EEOE, 2011). Demographic changes that prevailed include longevity, the ageing of the population as a whole and the representation of more women in the work force. It is to be noted that longevity in this case is not viewed negatively, as additional years of life tend to be active ones with the modern medical advances (Federal Interagency Forum on Aging-related Statistics, 2010). The analysis of the study indicated that both macroeconomic and demographic changes have enabled the participation of older workers in the workforce; specifically with regards to formulated policies that have been in favour of working after retirement (Pleau & Shauman, 2013).

2.3.2 Reasons for delaying and phasing retirement

Maestas and Zissimopoulos (2010) define population ageing as when the life expectancy rises and fertility for the population declines. The authors report that an economic challenge arises when the number of people who live to an older age increase and the number of young people able to support the old decrease. This causes the growth in

society's consumption needs to outpace the growth in its productive capacity. They further cite that the ultimate impact of population ageing depends on how long people choose to work before they retire. The results from the study by Maestas and Zissimopoulos (2010) indicate that the economic dependency ratio will decline from 62 workers per hundred non-workers to 53 workers per hundred non-workers in 2030, if the labour force participation among older workers does not improve. Furthermore, they found that educated people tend to work longer because they are paid more, have more fulfilling jobs and face fewer physical demands compared to their uneducated counterparts. Lastly, Maestas and Zissimopoulos (2010) mention that with increasing life expectancy, older Americans will need to make a trade-off between care-giving responsibilities to their parents, spouses or even grandchildren and continuing to work. According to them the biggest constraint for employers' demand for older workers is the future health care cost associated with an ageing work force.

Purcell (2010) states that changes in the age profile of the population and the average age at which people retire have implications on both the growth of the national income and the size and composition of the state budget. Key to Purcell's (2010) findings is the discovery that over the past century the labour force participation rate has fallen for men and risen for women, even though a greater percentage of the workforce is men. Again he notes that a shift in the United States' economy from production industries like mining and manufacturing to a service based economy has further created opportunities for women in the labour market. Purcell (2010) also found that individuals who start to receive social security before their retirement age have their benefits permanently reduced compared to if they only claimed at their full retirement age. For example, a worker who receives social security at an age of 62 will have his benefit permanently reduced by 25% compared to if he claimed at 67 years of age.

Contrary to other reports in literature, Purcell (2010) says that the results of his study indicate that most workers can anticipate retirement as a time when they will be financially independent rather than relying on their children for financial support. He states that this has been brought about by a number of factors including the now common 'two-earning' couples, the near universal coverage by social security and the fact that almost half of the

employment work force is participating in some form of employer-sponsored retirement plan. In conclusion, Purcell (2010) advises the employers to alter their employment practices and pension plans to encourage some workers to remain on the job after retirement, as the members of the baby-boom generation with their much needed skills and experience are starting to retire.

Wang and Shultz (2010) conceptualised retirement as a career development stage for some employees. In their study they aimed to develop a model of post-retirement age career planning which is based on the theory that the more individuals feel capable of succeeding in occupation-related activities and challenges, the more likely they are to become and stay interested in activities related to their occupation. The results of the study indicated that post-career intention is directly related to post-retirement career planning activities which reflect on the actual planning behaviour of the participant. Social cognitive variables such as occupational self-efficacy, post-retirement work outcome expectations and interest in occupation related activities are part of the post-retirement career planning process; therefore they can help to explain post-retirement career planning to some extent.

Wang and Shultz (2010) also mention actions that can be taken to encourage older workers to participate in the labour market like public information campaigns that can change the societal image related to ageing from a negative, deficit oriented to a more positive, resource oriented view on ageing. These campaigns have proven successful in some countries like Australia and Finland (OECD, 2011). Secondly, Wang and Shultz (2010) suggest that organisations' human resources and managers can provide information to employees on the positive outcomes of post-retirement work and how to overcome the downsides.

Lazear (2011) defines efficient retirement as the time an individual should retire that will involve a balance between the value of his/her work and the value of leisure. Lazear (2011) also states that if an individual's time is more valuable at work, it is probable that the individual will continue working, thereby generating a surplus through the value of output they will produce versus the forgone value of leisure. He continues that efficient retirement is more precise when taken in the context of self-employed people because

they are able to compare the full value of their work in terms of profit or wage versus leisure. Furthermore, Lazear (2011) states that employed workers will measure the value of their work by considering the wage they receive for their productivity, which is usually less than the actual value of their output to enable the employer to make a return on the investment.

According to Lazear (2011) wage determination theories can be used to predict the most efficient retirement for individuals. Some of the theories that Lazear (2011) explored are firstly, general training that will make a worker more productive in his current firm as well as in another firm. This will make it more likely for him to abandon the firm when his value of work at the current firm falls below what he could get at another firm. Secondly, it is argued that firm-specific training affects the worker's productivity only in the current job and makes the worker less competitive in the labour market and more likely to stay with the current employer, because he will be worth more to the current employer than in the market. Thirdly, Lazear (2011) states that firms insure their workers by reducing wages so that they can cover their insurance expenses. The workers earn less but don't leave the organisation because they perceive the rewards they get to be worth more than their leisure time. The last theory is the politics in the industrialised environment. Here Lazear (2011) uses the median voter theory which suggests that in the union context or other formalised wage setting processes, policies are dictated by the median rather than the extremes of the distribution. Salaries tend to be reduced while the members' perceptions will increase. An example of this last theory is the wide difference in wages of the public sector where formalised wage setting is common versus those in the private sector.

Bal and Visser (2011) investigated the factors influencing the motivation to continue working after retirement among a sample of Dutch teachers. The findings of the study indicated that organisational support that is concerned with removing various organisational and psychological barriers, like availability of flexible working hours, is significantly related to the continuation to work after retirement. It was also found that the possibility to change work-related roles after retirement, such as doing different tasks than prior to retirement, also has a positive effect on the motivation to continue working. However, these two factors did not support each other; the individuals that had a lot of

motivation to change their roles after retirement lacked the organisational support to do so. Lastly, the results of the study indicated that financial resources do not influence the motivation to continue working after retirement at all. In order for organisations to retain their older workers, certain policies need to be implemented to support teachers in changing their roles when they retire. This can include allowing older teachers to become mentors to the young teachers which will also ensure that the institutional memory stays within the organisation.

2.3.3 Implications for delaying and phasing retirement

Rappaport and Bajtelsmit (2014) reiterate that with increasing longevity more people are expected to work beyond the normal retirement age to compensate for the need of extra income. Rappaport and Bajtelsmit (2014) suggest that when and how people choose to retire bears great importance to financial service professionals and advisors who may need to encourage their clients to work longer in order to supplement their traditional investment-focused approach to building retirement security. Furthermore, financial advisers and their clients have to be wary of benefit plans' provisions that make certain post-retirement work options less attractive (Rappaport and Bajtelsmit, 2014). Unattractive provisions may include a reduction in pension benefits when the participant exceeds stipulated working hours or income limitations, meaning a trade-off will have to be made based on the option with the most attractive financial prospects. For those individuals receiving social security benefits but have not yet reached the normal social security retirement age, benefits would need to be adjusted downwards if wage earnings exceed the prescribed limit. Individuals with employer-sponsored retiree health benefits need to consider that work after retirement may affect their retiree health benefits negatively. Financial advisors and professionals need to bring all these aspects to the attention of their clients before a decision can be made in order to avoid negative irrecoverable consequences.

Demographic changes characterised by an ageing and shrinking population, have an impact on the society, companies and individuals in many countries of the Organisation for Economic Cooperation and Development (2012). Many OECD member countries are reacting to these challenges by increasing pension ages (OECD, 2011) in order to retain

skilled workers. Currently many employers have negative stereotypes regarding older workers, for example they regard them as slow and associate them with a decrease in productivity. Based on these stereotypes, policies were put in place to support an early exit of the ageing population from the work force (Van Dalen, Henkens & Schippers, 2010). These enacted policies can have a negative impact on the shrinking working population which might have to be induced to phase its retirement.

According to Gruber and Wise (2010) policy makers have often argued that an additional benefit of facilitating early retirement is that it creates employment for the younger generation. This theory can be true if the young and the old are substitutes. Kalwi, Kapteyn and De Vos (2010) counter argue this statement by saying that some policies are aimed at retaining older workers to counter the economic consequences of an ageing population. They are however still aware that the opponents of this theory continue to argue that youth employment will be negatively affected.

The aim of the study by Kalwi, Kapteyn and De Vos (2010) was to examine the extent to which youth employment and employment of older workers are complements or substitutes of one another. The analyses of the results indicate that the employment of the young and the old are not substitutes and they found some minor complementary aspects of employment in the different age groups. Changes in the employment of 55 to 64 year olds have on average small but positive effects on the employment of 15 to 24 year olds, as well as on the prime 25 to 54 year olds. Another discovery from the study was that changes in skill requirements and technology create a bias in skills of the old and the young. This might be the reason for them not being substitutes. A conclusion of this paper is that stronger incentives for continued work of the older population will have no adverse effect on youth employment. However, with rising youth unemployment becoming a crisis, policy makers might be put under pressure to reintroduce early retirement incentives, and this can be counterproductive given the labour market's current needs.

2.4 Retirement Expenses

Luhrmann (2009) stated that the life cycle model for consumption predicts that rational open-minded clients plan their saving decisions so that their consumption is smoothed

over their life cycles dependent on their average life time income. However, she identified a change in consumption expenditure during retirement which contradicts this theory, termed the Retirement Consumption Puzzle. Luhrmann (2009) reported that this change in consumption might be strongly attributable to changes in extra time likely to be spent at home, which may lead to increase in the home production by retired individuals. Some possibilities that can lead to the change in expenditure during retirement include the reduction or abolishment of work-related expenses such as buying lunch at work, transportation costs and costs of work clothing. Secondly, shocks that happen around retirement for example an unexpected lower pension income or sudden deterioration in health which was not budgeted for; this can possibly deplete pension savings. Lastly consumption expenditure might decrease due to the responsibility to personally do some activities at home that were previously paid for, like doing one's own home cleaning, laundry, washing the car, doing home repairs and gardening as a leisure activity. This will mean that the consumption stayed the same while the costs of performing those activities lead to a reduction in expenses. Luhrmann (2009) further identified that the time spent at home after retirement on average increases from 14 to 20 hours per week for men while for women it increases from 24 to 29 hours per week. This increase in time spent at home means that individuals have more time to contribute towards their home production, which Luhrmann (2009) concludes leads to a considerable reduction in expenses. She also notes that even individuals who do not experience a drop in their income increase their home production after retirement.

A study by Salter, Harness and Chatterjee (2011) reported how retirees cover their health care expenses and how they intend to pay for their long-term care expenses. Salter *et al.* (2011) identified that for retirees of pre-Medicare age, the most common method of covering their health care expenses is through a plan from a former employer or a spouse's employer. On the other hand, for retirees of Medicare eligible age, the Medicare system and supplementary policies are widely used while former employers' coverage is not utilized as much for this age group. Regarding the cost of long-term care, Salter *et al.* (2011) identified that the majority of retirees who have modest investable assets, plan to self-insure themselves to meet their long-term care expenses while those with a limited level of assets may not be able to afford the level of care necessary or expected through

self-insurance. Surprisingly though, a few retirees with large amounts of investable assets plan to spend down their assets so that they can qualify for Medicaid. This is however risky because most of them are not completely familiar with the rules of Medicaid and they can ruin their finances while still not qualifying for Medicaid.

Timmermann (2014) identified the need for financial planners and their clients to think of housing and relocation after retirement in three ways. Firstly, one can have a psychological attachment to a house; secondly, the practical considerations of moving need to be evaluated and lastly, the financial implications of choosing to move or stay at one's pre-retirement home need to be weighed. Her research indicates that a very small percentage of people over the age of 65 years relocate after retirement. Others are eager to move, especially if their homes seem to be outdated, in the wrong neighbourhood or have unhappy memories. She further points out that an individual's surroundings make for a happy retirement but there has to be a balance between the emotional aspect of housing and the financial aspect. Timmermann (2014) mentioned the need for retirees to look objectively at their homes and assess their suitability. The conclusion that she draws is that individuals need to consider all the elements and blend them with the financial implications of moving. As she mentioned, when an individual retires it might be too expensive to stay in the same neighbourhood due to high tax rates. This can force a retiree to move to a more affordable home and environment or force the retiree to sell his/her home in order to supplement retirement income and buy a cheaper apartment or move to a nursing home.

2.5 Risks in Retirement

A number of risks surrounding retirement have been identified, ranging from planning prospects that are too short, experiences of widows, single and coupled individuals, inflation, health and long-term care risks, as well as retirement fund management risks. Each of these risk types will be discussed below.

2.5.1 Health and long-term care risk

This type of risk is defined by Bajtelsmit, Rappaport and Foster (2013) as the risk of unforeseen serious illness or disability that can have dramatic consequences and that can derail a plan. Bajtelsmit *et al.* (2013) indicated that many people only focus on the

cash flow and regular income to meet expected expenses when planning for their retirement, while they should also be considering unexpected setbacks. Regular expenses can easily be tracked and controlled in case of emergencies; therefore they are relatively easy to deal with. On the other hand, unexpected expenditure may come at any time and in any degree. One strategy proposed by Rappaport (2014) to curb this problem is for employers to revise the benefits and products they offer to include an option for voluntary purchases of some products that are not offered in the existing plans. She also proposes education and advice on post retirement challenges in general. Some employers may already have an option to incorporate extra features into the plan at additional costs to the employees, but because information is not effectively disseminated the majority of the employees may not be aware of it. The best strategy to mitigate this problem would be for employers to give regular updates, advice and employee education regarding their benefits and retirement plans.

2.5.2 Health status risk

Bressan, Pace and Pelizzon (2014) stated that there is a relationship between savings and the health status of individuals; individuals accumulate more precautionary savings when they expect their future medical expenses to surge. This reduces the funds available for consumption and investment, as reported by Love and Smith (2010). They indicated that the marginal propensity to consume varies with health status. This poses the risk that individuals will not be able to save more for retirement when they are not in good health. Their funds will be tied up in short-term savings that do not earn much interest, in anticipation of health issues. Individuals from countries with a poor health system are more likely to seek safer investment opportunities and make more provisions for their medical expenses than those from countries with good and reputable health systems (Pang & Warshawsky, 2010). Bressan *et al.* (2014) mentioned that people who self-report negative health conditions are likely to hold investments that pose less risk. Bressan *et al.* (2014) further stated that physical health and psychological health have no impact on saving choices for individuals. Lastly, they reported that the mortality risk convinces people to transfer their current savings to present consumption, while others will transfer a bulk of their savings and investments to their heirs as inheritance.

2.5.3 Early retirement risk

Rappaport (2014) identified another risk; that employees are retiring earlier than the stipulated statutory age limit. She discovered that most people who take early retirement feel that they did not have an option and were pushed out of their jobs due to a number of factors. These factors include poor working conditions, inability to adjust to the evolving work demands and being unable to cope with pressures of work while also dealing with ageing. Given the uncertainties of the markets and unstable global economy it is beneficial for employees to accumulate as much funds for their retirement as they possibly can, and retiring early denies them that opportunity. Retiring early means that individuals have more years for which retirement funds will be needed. This exposes the pensioners to the risk that their accumulated funds may not be able to last them their whole life time. Another issue in early retirement is that pensioners incur health costs that would have been covered under the employer health benefits if they continued to work.

2.5.4 Investment in non-financial assets risk

Bajtelsmit, Rappaport and Foster (2013) have established that housing is a major asset for most American families. Furthermore, middle-income Americans have non-financial assets, including housing of significantly higher value than their financial assets. This poses a risk in case of emergencies when funds are urgently needed to cover huge medical expenses. In cases like these non-financial assets are of little assistance because they cannot be immediately converted into cash. Even when pensioners run out of funds and decide to convert their non-financial assets into liquid assets, there is no guarantee that they will get the return they are hoping for as property values fluctuate. Bajtelsmit *et al.* (2013) also found that most retired families who own their houses do not consider selling it as an option; they intend to pass it to their children or other family members as legacies. This means that there has to be consumer education on diversifying employees' investments to also include liquid assets for precautionary purposes. Retirees should be advised to downsize their homes once they earn a lower salary since the running costs of a house can get quite costly.

2.5.5 Longevity risk

Post and Hanewald (2012) emphasized that the uncertainty about the increase in future survival rate adds an important systematic component to the life span uncertainty that individuals need to consider when planning their life cycle savings. They stated that individuals are aware, to some extent of the risk of outliving their savings, but they do not save more to counteract this risk as one would expect. Coco and Gomes (2012) also reported that individuals who make sub-optimal decisions regarding their investments and insurance choices in response to longevity risk, risk facing considerable welfare loss in retirement. To manage this risk, it would be wise for individuals to choose plans that are based on sound expectations about asset returns and longevity risk. Fortunately, some people consider and manage the consequences of longevity and have opted to use hedging instruments and an increased investment in deferred annuities (Post, 2012). Again, consumer education is crucial as some ordinary consumers may not be aware of financial strategies that can be used to minimize risk and increasing the likelihood of having enough money and savings for retirement over a long period.

2.5.6 Retirement fund management risk

According to Friede (2012), every retirement plan needs good governance in order to produce the expected outcome for the investors. She states that good governance includes making wise financial and administrative decisions throughout the life span of a plan; this can only be achieved by a committed team carefully designed to manage a plan. This team must include the employer's representatives, a fiduciary that will be responsible for holding the assets in trust for the beneficiaries (employees), employees' representatives to oversee that the decisions made are in their best interests, service providers for other support services including insurance companies and lastly, the financial professionals who will give advice as and when needed. Friede (2012) stated that by dividing the roles, the performance of the fund will improve as each person will have clearly defined boundaries and roles. Therefore irregularities can be easily spotted and the responsible individuals can be dealt with. Regular monitoring, selection of appropriate investment options and review of the processes should be done to ensure optimal rewards. Lastly, she mentioned that proper governance of retirement plans makes it easy for monitoring bodies like the state and audit firms to get the information they need.

Given the criticality of good retirement plan governance, employers should seek to adopt the above mentioned strategies to manage the risk of losing funds through bad and ineffective management of plans.

2.5.7 Unemployment risk

Involuntary unemployment may be caused by a number of factors, ranging from stiff competition in the labour market, ill-health and lay-off shocks (Jang, Park & Rhee, 2013). Regardless of the cause, Jang *et al.* (2013) stated that involuntary unemployment is more likely to lead to early retirement since individuals have no source of income for a considerable time and therefore they are forced to spend their retirement savings. Spending down retirement savings restrains the growth of funds which consequently leads to a reduction in consumption and a deterioration in life style.

2.6 Types of Pension Plans

Ayuso and Valero (2011) distinguished between defined contribution and defined benefit plans. They described a defined contribution plan as a strategy in which the contribution rate is established and on the basis of the real return rate, the amount to be paid out at retirement is obtained. On the other hand, a defined benefit plan is a pension plan in which the retirement income level to be received in retirement plus the value of contributions paid to achieve that level are determined by periodic actuarial assessment which establishes the total amount to be paid.

Ayuso and Valero (2011) pointed out that in Spain new pension models that are fully reliant on private management of fully-funded individual accounts have been adopted, but these pension plans are not adequate for the people for whom they are intended. They proposed that the pension scheme contribution levels should be proportional to the socio-economic status of the insured individuals which will determine their capacity to contribute. In addition, they proposed that there should be an expansion of voluntary pension schemes to supplement the already existing schemes, while also considering the informal sector which is not mandated to have pension plans. They suggest that the government must play a part in reducing old-age poverty by providing a public pension system where benefits will be linked to individual contributions. This pension system can be used to fund capital projects which will stimulate the economy and create employment.

Since contributions remain tax free during the accumulation stage, it is worth considering the impact of this proposal on government income tax during those prolonged periods of contributions against the perceived economic stimulation.

Kogut and Dahan (2012) conducted a study on certified economists working for the Israel Ministry of Finance. The purpose of the study was to determine the relationship between positive and negative perceptions of pension and the motivation to engage in the decision making about choosing a private pension plan. Even though participants are considered specialists in financial planning, the results indicated that there was a low interest to engage in the process of choosing a suitable plan, thereby settling for a default choice without considering their individual needs. The low motivation to engage in the process is reflected by procrastination in decision making and sometimes avoidance to make those decisions even when individuals are a few years from retirement. Kogut and Dahan (2012) pointed out that most individuals perceive their contributions as greater than their discounted future income streams, because they see the pension deductions on their pay slips every month. The low motivation to choose the right pension plan may lead to an insufficient search of relevant information that might not be to the best financial interest of the individual.

Gallery *et al.* (2010) argued that the recent global shift from defined benefit plans to defined contribution plans have placed members in an advantageous position to choose the right plans for them. Since members have a choice as to how their savings are invested, the adequacy of the retirement benefits is in part contingent on the members' decisions, therefore members must make a continuous effort to always review the performance of their chosen plans throughout their working lives, which will require some form of financial literacy. Gallery *et al.* (2010) reported that financial illiteracy is widespread and it limits the ability of individuals to plan adequately. However, they conclude that more research still needs to be done to assess and determine the educational needs of particular groups in the society.

Van Rooij, Lusaidi and Alessie (2011) conducted a large household survey on financial capability and money management within households. The results highlighted a significant diversity in financial behaviour but overall showed that households do not

manage their finances well. One particular reason that stood out was that most households are short-sighted when it comes to financial decisions, hence making them more likely to be ill-prepared for retirement. Since there has been a general shift from the defined benefit plans to the defined contribution plans, individuals have to be involved and take responsibility for their own financial security in retirement. In order to effectively do so they need to possess adequate skills (Van Rooij, Lusaidi & Alessie, 2011). They observed that women and those with lower education attainments display the lowest levels of financial knowledge; therefore financial education should be targeted towards these groups. Another conclusion made by Van Rooij *et al.* (2011) is that nine out of ten employees in the Netherlands work for employers with mandatory pension funds, however many workers still do not build up full pension benefits due to job mobility, changes from employed to self-employment and due to periods of involuntary unemployment.

Recently there has been a shift in pension plans in Ghana from the social insurance scheme to a three-tier pension model comprising of Pay As You Go Social Insurance, a mandatory defined contribution pension plan and a voluntary defined contribution pension plan (Kpessa, 2011). Kpessa (2011) noted that it is puzzling to have two private pension pillars in a country that lacks the financial market to invest the funds with security and protection implications, to entrust old-age income security in the hands of private fund managers in a country with a fragile private sector. He further argued that the idea of personal freedom embodied in defined contribution plans raises concerns for individuals as they may undervalue their future needs due to the lack of skills to perform a proper analysis. He further raised concerns about the competition within the private pension provider section which could lead to an information overload for consumers, which can further make individuals choose inappropriate investment products. The high administrative charges associated with this competition could lead to the actual funds forming the retirement income to be lower leading to lower returns. One last concern was that even though the consumer's choices have been broadened under the three-tier model, pension is still biased to formal and urban working classes while participants in the informal labour market are expected to contribute towards their retirement income security on voluntary basis, which is not feasible because most of them are barely coping

with their basic daily financial needs like food, clothing and schooling for their children. Therefore, Kpessa (2011) proposed that the government should intervene to answer all the above stated problems by cancelling the private pension plans and establishing a universal fund for all citizens.

According to Manchester (2010) a widespread replacement of defined benefit plans by defined contribution plans over the last few decades has transferred the saving risk from the institution to the individual employee, particularly in the private sector. Even and Macpherson (2007) determined that this transition will lead to an increase in the overall retirement wealth; however, gains will be concentrated amongst the high-income individuals while the lower-income individuals are expected to experience a reduction in wealth. Manchester (2010) observed that for the defined benefit plans, wealth decreases with additional years of service beyond the statutory retirement age creating an incentive to leave the institution from this age. For the defined contribution plans more years in service increase the pension wealth, which can be an incentive for those enrolled in a defined contribution plan to delay retirement. He also noted that higher employer contributions increase the probability of members to enrol in the defined contribution plans, while employer contributions are not significantly related to plan enrolment under defined benefit plans. When individuals are given a choice, those who have financially savvy, earn high salaries, intend to delay retirement and have higher employers' contributions will opt to enrol for a defined contribution plan. Those with lower educational attainment and who are planning to retire early will likely choose to enrol for a defined benefit plan.

2.7 Conclusion

Proper financial planning which requires some knowledge and understanding of financial and investment decisions, have been found to have a substantial impact on the individual's ability to have adequate resources in retirement. Almost all of the studies reviewed indicate that the majority of people will need to work beyond their mandatory retirement ages in order to afford and be able to maintain themselves post-retirement. On the other hand, most individuals are not aware or do not consider some risks and expenses when making financial decisions with regards to their retirement and this has

been found to have a negative impact on their retirement wealth. Lastly, a widespread shift from defined benefit plans to defined contribution plans seems to be favouring phased retirement.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was followed in the study. Research methodology starts with the process of research design, followed by sampling strategies and data analysis techniques. The elements of research methodology will be discussed in the sections that follow.

3.2 Research Design

According to Huff (2009), research design is a set of related decisions that link the activities, scholarly purposes and outcomes of a particular phenomenon. The elements of research design are research strategies, research type and data collection method. Each of these elements will be discussed below.

3.2.1 Research design strategies

Blaikie (2011) pointed out that it is essential to first identify the research paradigms at the beginning of the research design process. Huff (2009) further stressed that researchers should be concerned about the ontological and epistemological assumptions they follow in their research because firstly, they contribute to how others understand and judge the researcher's work and secondly the philosophical stand points are universal; therefore it is a prerequisite for the research to be considered internationally.

Blaikie (2011) defines research paradigms as broad philosophical and theoretical traditions within which attempts to understand how the social world operates is conducted. Research paradigms are divided into ontological assumptions and epistemological assumptions. Huff (2009) defines ontology as what exists, while Gray (2009) further defines it as the study of being, the nature of existence. On the other hand, Huff (2009) defines epistemology as what humans can know about what exist. Gray (2009) also mentioned that epistemology provides a philosophical background for deciding what kind of knowledge is legitimate and adequate.

The epistemology assumption followed in this study is objectivism which Bernard (2013) describes as the researcher's awareness of his or her experiences, opinions and values while still being able to achieve accurate knowledge from the study by transcending the

researcher's biases. Alvesson and Skoldberg (2012) stated that the nature of the phenomenon being researched determines what research methods are applicable. They therefore argue that the researcher's central task in objectivism is to identify the necessary constituent properties of the studied object since these characteristics define what actions the object can produce.

The ontology assumption followed in this study is positivism. Positivists, according to Gray (2009) hold the view that the social world exists externally to the researcher and its properties can be measured directly through observation. Gray (2009) again mentioned that the positivists believe that enquiry should be based upon scientific observation as opposed to value judgement of normative statements, while further recognising that the natural and human sciences share common logical and methodological principles which deal with facts and not values. Sekaran and Bougie (2013) also added that positivists view science and scientific research as the way to get to the objective truth. Sekaran and Bougie (2013) further ascertain that the world operates by laws of cause and effect that can be discerned only through scientific research while also being particularly concerned about the rigor and replicability of the research, reliability of observations and the generalisation of research findings. Lastly, Alvesson and Skoldberg (2012) hold the view that modern positivists should be concerned not only about what is observable, but also about what is measurable or possible to register through some kind of instrument.

3.2.2 Type of study

This was a descriptive study as the intention of this study was to find out the prevailing living expenses and the awareness of the identified expenses for the Lesotho public servants after retirement. Currently there has not been a study with an aim to establish the Lesotho public servants' living expenses and their awareness of paying for living expenses after their retirement, as well as the level of financial literacy within the Lesotho public service. Egels-Zanden and Sandberg (2010) defined a descriptive study as a study intended to explain the specific characteristics and behaviours by dealing with the real life. The purpose of this study is to build on the knowledge about the above mentioned factors. Babbie (2010) said that in descriptive studies the researcher observes and then describes what was observed.

Sekaran and Bougie (2013) stated that descriptive studies help researchers to:

- Understand the characteristics of a population;
- Think systematically about issues in a given situation;
- Develop ideas for further probe and research; and
- Develop simple decisions.

An inductive research strategy was followed in this study. Inductive research starts with the collection of data, followed by data analyses and finally proceeds to derive generalisations using inductive logic (Blaikie, 2011). He said that the main aim of inductive research is to describe the characteristics of a phenomenon and then determine the nature of the relationships and connections between those characteristics. After connections are established, the occurrence of certain specific events can be explained accordingly. Babbie (2010) on the other hand explained that inductive reasoning in research moves from the particular to the general, from a set of specific observations to the discovery of the existence of a pattern that represents some degree of order amongst all the given characteristics. The general conclusions about the living expenses of the Lesotho public servants after retirement were expected to be drawn based on sample results.

This study is a cross-sectional study because the data that is used to answer the research questions is collected just once (Sekaran and Bougie, 2013). The position that the researcher maintained throughout this study was that of an outsider, which Blaikie (2011) describes as using methods that allow the researcher to be detached while observing the phenomenon. The researcher also maintained the expert position which means that the study was approached with the researcher armed with relevant existing knowledge which further influenced how the research questions were formulated (Blaikie, 2011). The study was performed primarily out of researcher curiosity, but the results will be used to assist the Government of Lesotho to better understand the nature and awareness of living expenses after retirement for its employees. This may assist the government to provide the appropriate pension plans and financial education necessary to meet those expenses.

3.2.3 Data collection method

Data collection methods are explained by Perri and Bellamy (2012) as procedures for capturing what is important for answering the research questions from the data that has been collected.

Quantitative data was collected by means of a structured questionnaire comprising of biographic data questions, sixteen closed ended questions and one open ended question. Questionnaires are research tools through which respondents are asked to respond to the same set of questions in a pre-determined order (Gray, 2009). All questions were presented in English as all respondents were expected to be literate in English. In section B, the respondents were expected to select an answer from among four already provided options presented using a 4 point Likert scale, ranging from strongly agree, agree, disagree to strongly disagree. The advantage of a Likert scale is that it unambiguously measures the relative level of agreement of respondents to provided questions (Sekaran and Bougie, 2013).

The researcher personally delivered and collected the questionnaires from the respondents. The questionnaire was pre-tested on a sample of five respondents before being circulated to detect any ambiguities and perform clarifications that may be necessary. The researcher had minimal interference with the normal flow of work since the respondents were expected to answer the questionnaire during their own time. The study was conducted in a non-contrived environment as it was a survey and not an experiment.

The advantage of the mentioned questionnaire method is that there is some direct contact between the respondents and the researcher, which is believed to induce a greater proportion of respondents to fill and complete the questionnaire (Gray, 2009). Furthermore, Sekaran and Bougie (2013) mentioned that questionnaires are ideal when performing a large scale survey as a wide population can be covered less expensively and respondents are able to record their responses in their own time in their own environment. Babbie (2010) identified the advantages of questionnaires as firstly, they make observations more explicit leaving no room for implication; secondly, they make it easier to aggregate, compare and summarise data, and lastly, they open up the possibility

of statistical analyses, ranging from averages, complex formulas and mathematical models. Huff (2009) identified the disadvantages of using questionnaires as firstly, oversimplification and secondly, unacknowledged subjectivity of definitions and procedures. Babbie (2010) further said that there is a potential loss of richness in meaning that comes with using questionnaires as data collection method.

3.3 Sampling

The population in this study was the entire permanent work force of the government of Lesotho which consists of around 48,000 people. The study however was performed on a sample of the population as it was not possible to include the whole population, because it is too large and may require a lot of time and resources. All government ministries excluding the Ministry of Police and the Ministry of the Defence Force were included in the sample to minimise biasness, because all ministries have the majority of their staff composed of professionals in a particular field and there could have been inherent demographic factors that might have influenced responses from a certain group if only a few selected ministries were included.

Baker (2014) said that the distribution of variables in a sample has to be similar to the distribution in a target population in order to increase the likelihood of producing accurate survey results. Uprichard (2013) mentioned the three inter-related assumptions that limit the options for sample design. Firstly the ontology of the case, secondly the epistemological assumption underpinning what properties is necessary to know the case and lastly the logistics involved in the process of 'casing' the case. This means that the sampling strategy and sampling method have to be coherent with the ontology, epistemology and the research objectives in order to correctly answer the research questions and achieve the research objectives.

3.3.1 Sampling strategy

The internal and external validity of any empirical research depends to a large extent on the adequacy of the sample to meet the research aims and objectives (Uprichard, 2013). Therefore, the sample was selected in such a way that the probability of respondents from all levels of employees was increased, ranging from their occupations, hierarchical levels and demographic characteristics.

The population of the Lesotho public servants is around 48,000. Using the Krejcie and Morgan model (1970) as presented by Sekaran and Bougie (2013), the sample size that is representative of the whole population is 381 respondents at 95% confidence level and 5% margin of error. However, the sample size was 408 in order to increase the precision. The Lesotho public service has 24 government ministries excluding the Ministry of Police and the Ministry of the Defence Force and a sample of 17 employees was drawn from each ministry to formulate the overall sample size. Stratified random sampling which is a type of probability sampling, was used to sample the population according to different ministries. Stratified random sampling is described by Sekaran and Bougie (2013) as a type of probability sampling that is used when there are identifiable subgroups of elements within the population which are expected to have different parameters on a variable of interest. Bernard (2013) further mentioned that stratified random sampling ensures that all key sub-populations are included in the sample, while also ensuring group homogeneity and maximising heterogeneity between groups. Each government ministry was included because the employees within the ministries were expected to have different exposures to financial matters; therefore it was essential to ensure that every ministry was included in the study in order to allow the results of the study to be generalizable.

Within the government ministries, simple random sampling was used. Considering the sample size and logistics involved in covering 24 government ministries it was the most convenient method to use. Simple random sampling ensures that all elements in the population have an equal chance of being selected and allows for ease of assembling the sample (Bernard, 2013).

3.4 Data Analysis

Data analysis methods are procedures used to manipulate data so that the research questions can be answered, usually by identifying important patterns (Perri & Bellamy, 2012). Data will be analysed by following these few steps: coding and data entry, coding and responses, data entry, data editing and finally, data analysis instruments. Each of these data analysis steps will be briefly discussed in the following paragraphs.

3.4.1 Coding and data entry

Coding and data entry is the process of assigning numbers to the responses provided in the questionnaire so that they can be entered into the database. Gray (2009) said that data coding and entry should begin with data cleaning, which will make the data reliable before it can be entered into the system. Gray (2009) further said that data cleaning is an involved process which aims to detect any irregularities before data are captured so that only relevant data is entered into the database.

3.4.2 Coding and responses

According to Sekaran and Bougie (2013) coding and responses refer to values assigned to the responses and deciding how to deal with non-responses. The researcher ensured uniformity by assigning the letter 'A' to all the non-responses so that they were easily identifiable. To check for accuracy after responses have been entered 10% of the coded questionnaires were checked for coding accuracy, as recommended by Sekaran and Bougie (2013). The questionnaires that were checked for accuracy were selected using the systematic random sampling procedure whereby every n^{th} questionnaire is checked. The researcher planned to double-check all questionnaires for accuracy in the event that there were any errors with the selected questionnaire sample; however, no errors were found.

3.4.3 Data entry

After coding, the researcher entered the responses into the database. The first column was used for identification purposes; this means that every questionnaire was assigned a number and that number was written on the first page and entered into the first column. This enabled the researcher to compare the data entered into the data file with the answers of the individual participants, even after the data file had been rearranged.

3.4.4 Editing data

This step deals with detecting and correcting illogical, inconsistent and illegal data and omissions in the information entered into the database (Sekaran and Bougie, 2013). Illogical responses are responses that exhibit extreme deviation from the mean and they need careful examination to determine their authenticity. Inconsistent responses on the other hand are responses that are not in harmony with other information provided by the

respondent. The researcher dealt with inconsistent responses by inferring and editing (Sekaran and Bougie 2013). Illegal data represent data with values that are not specified in the coding instruments (Gray, 2009) and the researcher did not include them in the database. Lastly, the researcher dealt with omissions within the questionnaire responses by not including the specific questionnaire in the analysis of that omitted question. Where the researcher discovered that a substantial number of questions were left unanswered in a specific questionnaire; which is 20% according to Sekaran and Bougie (2013), that questionnaire was not included at all in the analysis, therefore resulting in a decrease in the response rate.

3.4.5 Data analysis instruments

After the data was edited, variables were categorised by the use of ordinal scales. Ordinal scales present data in a way that demands differences among various categories and ranks those categories in some meaningful way (Sekaran and Bougie, 2013). Since the questionnaire was answered using a four-point Likert scale, the ordinal scale was used to rank the responses according to the categories of answers, which was from strongly agree to strongly disagree. Even though the ordinal scales help the researcher to order rank responses, it does not provide the magnitude of differences amongst variables.

Gray (2009) highlighted that descriptive statistics attempt to show what the data is compared to inferential statistics which attempts to draw conclusions beyond the provided data. Since the nature of this study was descriptive in nature, the best methods to present the collected data were by the use of tables and graphs (Sekaran and Bougie, 2013). The visual summary of a single variable was presented in a bar chart. Again measurement of the relation between variables was done using contingency tables.

3.5 Ethical Considerations

During the course of the study, the researcher was bound by the following ethical considerations:

- The researcher did not purposely exclude some people or groups of people from the sample. According to Farrimond (2013), it is unethical to exclude a group of people from the research without a good reason. He further said that the

researcher should follow the guidelines of the selected sampling method when determining who to include in the sample.

- The researcher protected respondents' time. Huff (2009) explains that it is the researcher's ethical responsibility to respect the respondents' time by sticking to the agreed schedule and not transgressing from the agreed terms of the study.
- The researcher presented the original ideas and arguments provided by the respondents. Huff (2009) mentioned that it is the responsibility of the researcher to provide the original analysis, graphic material and arguments in the form that the respondents provided originally. Arguments will not be presented in a way that is only suitable for the researcher's own selfish purposes.
- The researcher performed deceptive research which compromises the informed consent of respondents. According to Farrimond (2013), it is the researcher's responsibility to stick to the research objectives which were discussed and agreed upon with the respondents. It is therefore not ethical for the researcher to deceive the respondents by hiding the true objectives for which data is intended.
- The researcher protected the confidentiality of the respondents at all times. Respondents were not asked to provide any self-identifying information when they answered the questionnaires. Any information that may threaten to reveal the identity of respondents will not be provided to any third parties without the respondents' permission.

3.6 Conclusion

The premise of any research methodology is based on the research paradigms within the research design. The researcher's chosen research paradigms should be sufficient and effective to answer the research questions so that the results of the study can provide meaningful insight. Furthermore, the selected paradigms have to be aligned to the objectives of the study so that meaningful conclusions can be drawn from the collected data. Huff (2009) stated that making ontological and epistemological combinations that are not considered logical make the starting point incoherent and less likely to be followed, hence the paradigms followed have to be made clear from the onset. All the other

elements of research methodology that have been discussed in this chapter, including the type of research, the researcher's stance, data collection method, sampling strategies and data analysis methods and techniques have all emerged from the research paradigms.

CHAPTER 4: DISCUSSION OF FINDINGS

4.1 Introduction

The data analysis and a comprehensive description of the results obtained during the data collection will be discussed in this chapter. The research data was collected by means of a questionnaire which was personally delivered and collected by the researcher on the dates agreed with the respondents. When dropping off the questionnaires, the respondents were asked to scan the document and seek clarity on any questions that they did not understand. Data collection was completed over a period of six weeks. 17 questionnaires were delivered at each of the 24 Lesotho Government Ministries, which made the sample size to be 408. Of the 408 questionnaires that were distributed, only 310 were completed, resulting in a 75.98 % response rate. Data was analysed by a statistician using SPSS for windows software.

Each of the questions will be individually analysed and at the end of the chapter recommendations based on whether the research objectives are met will be made. Finally, a conclusion will be given summarising the chapter's contents. The biographic data that was in section A of the questionnaire will be analysed first, followed by the retirement questions in section B.

4.2 Discussion of Findings

4.2.1. Biographic data

Section A of the questionnaire required respondents to fill out their age, the ministry where they work, their level in the organisation, their marital status and their spouse's level in their organisations. Each of these variables will be discussed below.

Table 4.1: Age.

| Respondent's age | Frequency | Valid Percentage |
|------------------|-----------|------------------|
| 19 - 35 years | 142 | 46.4 |
| 36 - 40 years | 65 | 21.2 |
| 41 - 50 years | 57 | 18.6 |
| 51 - 55 years | 18 | 5.9 |
| 56 - 59 years | 24 | 7.8 |
| Total | 306 | 100.0 |

Out of 310 questionnaires that were completed, only 306 respondents completed their age. 46.4 % were aged between 19 and 35, 21.2 % were aged between 36 and 40, 18.6 % were aged between 41 and 50, 5.9 % were aged between 51 and 55 and 7.8 % were aged between 56 and 59 years (Table 4.1). This means that the largest age group was the 19 to 35 age group and the smallest age group was the 51 to 55 group.

Table 4.2: Level in the organisation.

| Respondents' level in the organisation | Frequency | Percent |
|--|-----------|---------|
| Grade C-F | 159 | 51.8 |
| Grade G-H | 113 | 36.8 |
| Grade I-K | 35 | 11.4 |
| Total | 307 | 100.0 |

307 of the 310 respondents completed this question. Respondents who are in grades C to F (operational level) constituted the largest portion at 51.8 %, followed by those in grades G and H (middle management) at 36.8 % and lastly, respondents in grades I to K

(top management) constituted 11.4 % (Table 4.2). This is representative of the actual population, because the largest group in the Lesotho Public Service is the operational level employees, followed by middle management and then top management.

Table 4.3: Marital status.

| Respondents marital status | Frequency | Valid Percent |
|----------------------------|-----------|---------------|
| Single | 82 | 26.8 |
| Married | 199 | 65.1 |
| Divorced | 20 | 6.5 |
| Separated | 5 | 1.6 |
| Total | 306 | 100.0 |

This question was completed by 306 of the 310 respondents. Single respondents made up 26.8 %, married respondents were the largest group at 65.1 % and divorced or separated respondents constituted 8.1% (Table 4.3). It is important to take note that the married respondents are substantially more than the other groups.

Table 4.4: Level of spouses in their organisations.

| Respondents spouses' level in their organisations | Frequency | Valid Percent |
|---|-----------|---------------|
| Operational | 96 | 50.8 |
| Middle management | 78 | 41.3 |
| Top management | 15 | 7.9 |
| Total | 189 | 100.0 |

Of the 199 married respondents in the sample, 189 indicated their spouse's level in the organisation where they work. It can be assumed that the remaining ten respondents' spouses are probably not working. The researcher did not include the option of 'not working' on the questionnaire. Respondents whose spouses are at an operational level

totalled to 50.8 %, those at middle management made up 41.3 % and lastly, those at top management level made up 7.9 % (Table 4.4). Again operational management forms the biggest group while top management has the lowest representation. The difference between those at operational level and those at middle management is not big; however there is a substantial gap between those at middle management and those at top management level.

4.2.2. Retirement Questionnaire

Section B of the questionnaire had a total of 17 questions. The first three questions required the respondents to select the age group that best described them in terms of the variables presented in those questions. From question 4 to question 16 the respondents were asked to select from a 4 point Likert-scale the statement that best describes them. Question 17 required the respondents to list a maximum of three factors that has the greatest impact on their ability to afford retirement. Each of the questions will be analysed below. The analyses will be based on chi-square and cross-tabulation statistical tools.

Table 4.5: Age at permanent employment.

| Respondents' age of permanent employment | Frequency | Percent |
|--|-----------|---------|
| 19 - 29 years | 211 | 68.1 |
| 30 - 35 years | 77 | 24.8 |
| 36 - 40 years | 14 | 4.5 |
| 41 - 45 years | 8 | 2.6 |
| Total | 310 | 100.0 |

From Table 4.5 above it can be seen that all the respondents answered this question. Respondents who were permanently employed when they were at the age group 19 to 29 were recorded as 68.1 %, 24.8 % were permanently employed when they were in the age group 30 to 35 years, followed by the 36 to 40 years age group who made up 4.5 % and lastly the 41 to 45 years age group made up 2.6 %. It is important to note that almost

70 % of the respondents were permanently employed when they were in the age group of 19 to 29 years of age.

Table 4.6: Age of preferred retirement.

| Respondents' age of preferred retirement | Frequency | Percent |
|--|-----------|---------|
| 40 | 25 | 8.1 |
| 45 | 73 | 23.5 |
| 55 | 104 | 33.5 |
| 60 | 108 | 34.8 |
| Total | 310 | 100.0 |

For the question regarding the preferred age of retirement, all 310 individuals responded. From Table 4.6 it can be seen that 8.1 % of the respondents would like to retire by the age of 40, 23.5 % would like to retire at 45 years of age, 33.5 % would like to retire at the age of 55 and 34.8 % would prefer to retire at the age of 60.

Table 4.7: Age to afford retirement.

| Age at which respondents think they will afford to retire | Frequency | Valid Percent |
|---|-----------|---------------|
| 40 | 14 | 4.5 |
| 45 | 58 | 18.8 |
| 55 | 110 | 35.6 |
| 60 | 96 | 31.1 |
| Never | 31 | 10.0 |
| Total | 309 | 100.0 |

Only one respondent did not reply to this question. 4.5 % of the respondents indicated that they will afford to retire at 40 years of age, while 18.8 % indicated they will be able to retire at 45 years of age. The majority of the responses at 35.6 % indicated that they will

afford to retire at 55 years of age followed by 31.1 % who indicated that they will be able to afford to retire at the age of 60. The last group that made up 10 % of the sample indicated that they will never afford to retire, given their financial circumstances. This data is given in Table 4.7.

Question 4 - Work in retirement to supplement income

For many people the concept of retirement is change. Some people do what they always wanted (Cahill, Giandrea & Quinn, 2015), e.g. mentoring youth, continuing in their line of work on a consulting basis or pursuing a different career.

Respondents were asked to indicate if they will have to work in retirement to supplement their retirement income. Two respondents did not answer this question. 27.92 % strongly agreed, 50.65 % agreed, 14.94 % disagreed while 6.49 % strongly disagreed with the statement (Figure 4.1).

Respondents' age and Question 4

Using chi-square it was determined that there is a significant relationship between the respondents' age and whether they will have to work in retirement explained by a p-value of 0.017. For the respondents aged 19 to 35, 82.2 % will have to work in retirement, 81.5 % of those aged between 36 and 40 and 82.4 % of those aged between 41 and 50 say that they will have to work in retirement to supplement their retirement income. On the other hand, 50 % of the respondents aged 51 to 55 and 62.5 % of those aged 55 to 59 say that they will have to supplement their retirement income by working (Table 4.8). From this study it can be concluded that public servants aged 50 years and younger are of the opinion that they have to work in retirement to supplement their income compared to those older than 50 years.

Figure 4.1: Question 4 – Work in retirement to supplement income.

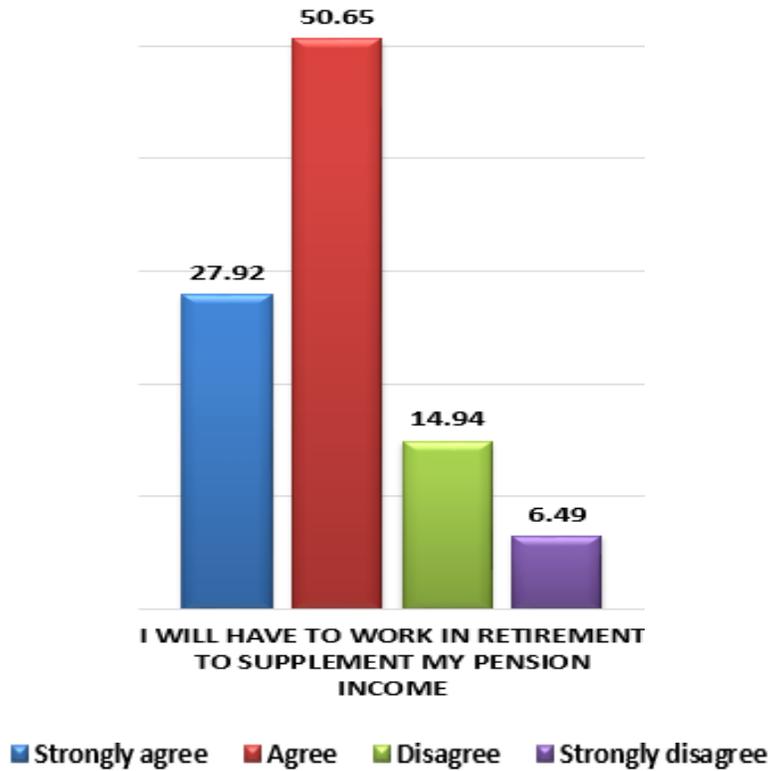


Table 4.8: Age and Question 4 cross-tabulation.

| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|-------|---------------|----------|----------------|-------|----------|-------------------|--------|
| AGE | 19 - 35 years | Count | 34 | 81 | 18 | 7 | 140 |
| | | % within | 24.3% | 57.9% | 12.9% | 5.0% | 100.0% |
| | 36 - 40 years | Count | 19 | 34 | 9 | 3 | 65 |
| | | % within | 29.2% | 52.3% | 13.8% | 4.6% | 100.0% |
| | 41 - 50 years | Count | 21 | 26 | 7 | 3 | 57 |
| | | % within | 36.8% | 45.6% | 12.3% | 5.3% | 100.0% |
| | 51 - 55 years | Count | 5 | 4 | 7 | 2 | 18 |
| | | % within | 27.8% | 22.2% | 38.9% | 11.1% | 100.0% |
| | 56 - 59 years | Count | 5 | 10 | 4 | 5 | 24 |
| | | % within | 20.8% | 41.7% | 16.7% | 20.8% | 100.0% |
| Total | | Count | 84 | 155 | 45 | 20 | 304 |
| | | % within | 27.6% | 51.0% | 14.8% | 6.6% | 100.0% |

Marital status and Question 4

Again, marital status was found to have a significant impact on whether respondents have to work in retirement to supplement their retirement income, denoted by a p-value of 0.013. Married people who say that they would like to work in retirement to supplement their income make up 53.9 % of the respondents followed by single respondents at 19.4% (Table 4.9). This is surprising, because research indicated that married people enjoy more financial freedom than their single counterparts in retirement (Purcell 2010), but then again it could be that married people are likely to have more children to support than those who are not married. Furthermore, from section A it was established that married respondents make up 65 % of the total respondents.

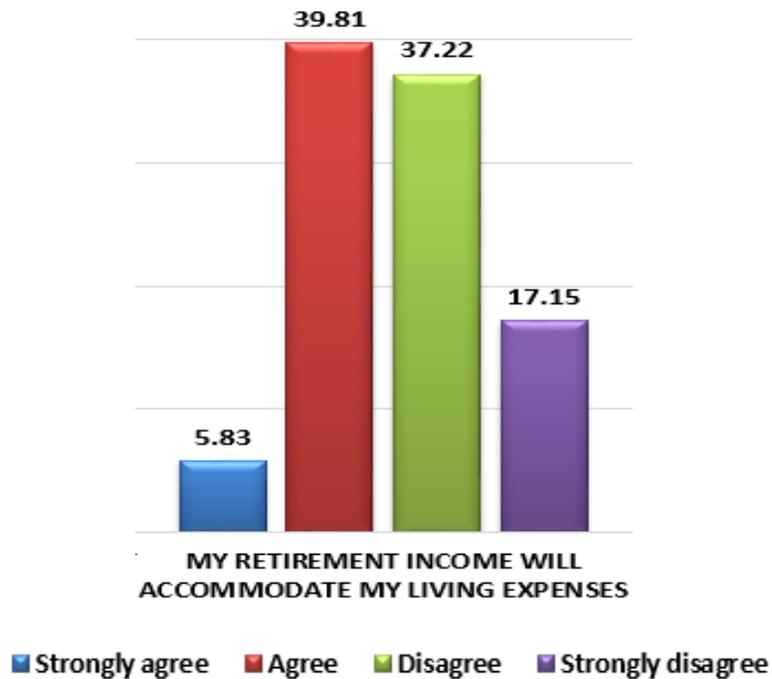
Table 4.9: Marital status and Question 4 cross-tabulation.

| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|----------------|-----------|----------|----------------|-------|----------|-------------------|--------|
| MARITAL_STATUS | Single | Count | 18 | 41 | 14 | 6 | 79 |
| | | % within | 22.8% | 51.9% | 17.7% | 7.6% | 100.0% |
| | Married | Count | 60 | 104 | 28 | 8 | 200 |
| | | % within | 30.0% | 52.0% | 14.0% | 4.0% | 100.0% |
| | Divorced | Count | 3 | 9 | 3 | 5 | 20 |
| | | % within | 15.0% | 45.0% | 15.0% | 25.0% | 100.0% |
| | Separated | Count | 3 | 1 | 0 | 1 | 5 |
| | | % within | 60.0% | 20.0% | 0.0% | 20.0% | 100.0% |
| Total | | Count | 84 | 155 | 45 | 20 | 304 |
| | | % within | 27.6% | 51.0% | 14.8% | 6.6% | 100.0% |

Question 5 – Retirement income accommodate living expenses

Respondents were asked if their retirement income will accommodate their living expenses. 5.8 % of the respondents strongly agreed, 39.8 % agreed, 37.2 % disagreed and 17.2 % strongly disagreed that their retirement income will accommodate their living expenses (Figure 4.2). Only one respondent did not complete this question.

Figure 4.2: Question 5 - Retirement income accommodate living expenses.



Respondents' age and Question 5

The age at which respondents were permanently employed was found to have a strong influence on whether respondents perceive that their retirement income will accommodate their living expenses, indicated by a p-value of 0.077. Of the 45.9 % who said that their retirement income will not accommodate them, 45.4 % of them were permanently employed at 19 to 29 years of age (Table 4.10). This age group is likely to have more years contributing to the Lesotho Government retirement fund than those who were permanently employed at a later stage, hence enabling them to enjoy the rewards of compound interest. Further studies would need to be conducted to determine the real underlying reasons.

The age at which respondents would like to retire has a significant connection with the respondents saying that their retirement income will accommodate them (p-value 0.014). Furthermore, there seems to be a noteworthy relationship between the age at which respondents think that they will be able to afford retirement and their assertion that their

retirement income will accommodate their living expenses (Table 4.11). This relationship is explained by a p-value of 0.000.

Table 4.10: Age and Question 5 cross-tabulation.

| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|-------|---------------|----------|----------------|-------|----------|-------------------|--------|
| AGE | 19 - 35 years | Count | 11 | 53 | 54 | 23 | 141 |
| | | % within | 7.8% | 37.6% | 38.3% | 16.3% | 100.0% |
| | 36 - 40 years | Count | 1 | 27 | 24 | 13 | 65 |
| | | % within | 1.5% | 41.5% | 36.9% | 20.0% | 100.0% |
| | 41 - 50 years | Count | 5 | 25 | 18 | 9 | 57 |
| | | % within | 8.8% | 43.9% | 31.6% | 15.8% | 100.0% |
| | 51 - 55 years | Count | 0 | 8 | 7 | 3 | 18 |
| | | % within | 0.0% | 44.4% | 38.9% | 16.7% | 100.0% |
| | 56 - 59 years | Count | 1 | 10 | 8 | 5 | 24 |
| | | % within | 4.2% | 41.7% | 33.3% | 20.8% | 100.0% |
| Total | | Count | 18 | 123 | 111 | 53 | 305 |
| | | % within | 5.9% | 40.3% | 36.4% | 17.4% | 100.0% |

Table 4.11: Age of preferred retirement and Question 5 cross-tabulation.

| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|-----------------------------|----|----------|----------------|-------|----------|-------------------|--------|
| AGE OF PREFERRED RETIREMENT | 40 | Count | 5 | 4 | 8 | 8 | 25 |
| | | % within | 20.0% | 16.0% | 32.0% | 32.0% | 100.0% |
| | 45 | Count | 2 | 31 | 31 | 9 | 73 |
| | | % within | 2.7% | 42.5% | 42.5% | 12.3% | 100.0% |
| | 55 | Count | 6 | 45 | 38 | 14 | 103 |
| | | % within | 5.8% | 43.7% | 36.9% | 13.6% | 100.0% |
| | 60 | Count | 5 | 43 | 38 | 22 | 108 |
| | | % within | 4.6% | 39.8% | 35.2% | 20.4% | 100.0% |
| Total | | Count | 18 | 123 | 115 | 53 | 309 |
| | | % within | 5.8% | 39.8% | 37.2% | 17.2% | 100.0% |

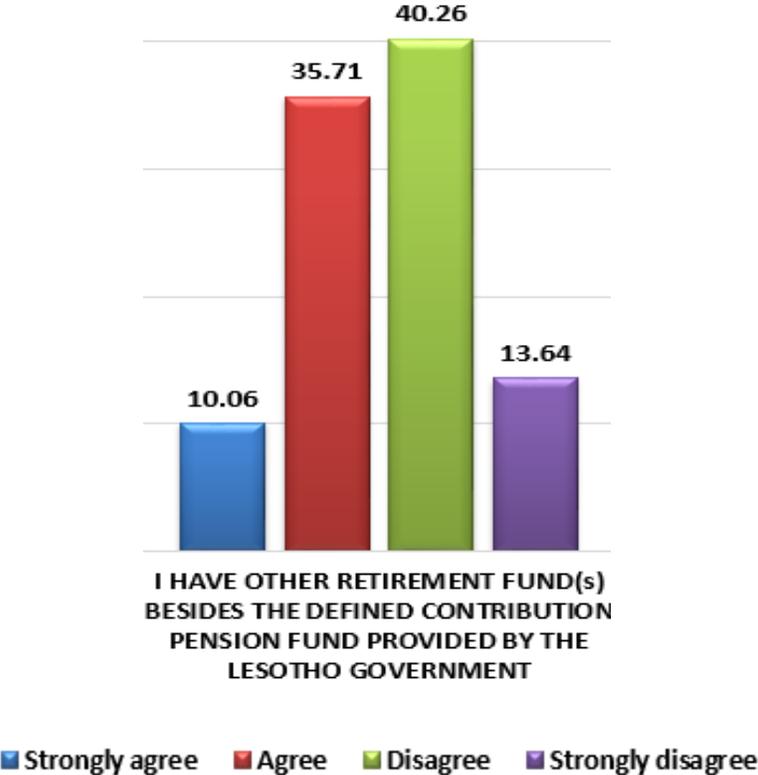
Question 6 – Other retirement funds

In this question respondents were asked if they have other retirement funds besides the Defined Contribution Pension Fund provided by the Government of Lesotho.

Only two respondents did not provide an answer. 10.1 % strongly agreed, 36 % agreed, 40.3 % disagreed and 13.6 % strongly disagreed that they have other pension funds

besides the Defined Contribution Pension Fund provided by the Lesotho Government (Figure 4.3). Only 46.1 % of the respondents have other retirement funds and investments. This percentage would have to be compared with previous studies to determine if there has been an increase or a decrease since the introduction of the Defined Contribution Pension Fund. A strong relationship exists between the age at which respondents say that they would like to retire and whether they have other pension funds (p-value 0.005). Consequently, the age at which respondents say that they will afford to retire is largely related to whether respondents have other retirement funds (p-value 0.000).

Figure 4.3: Question 6 - Other retirement funds.

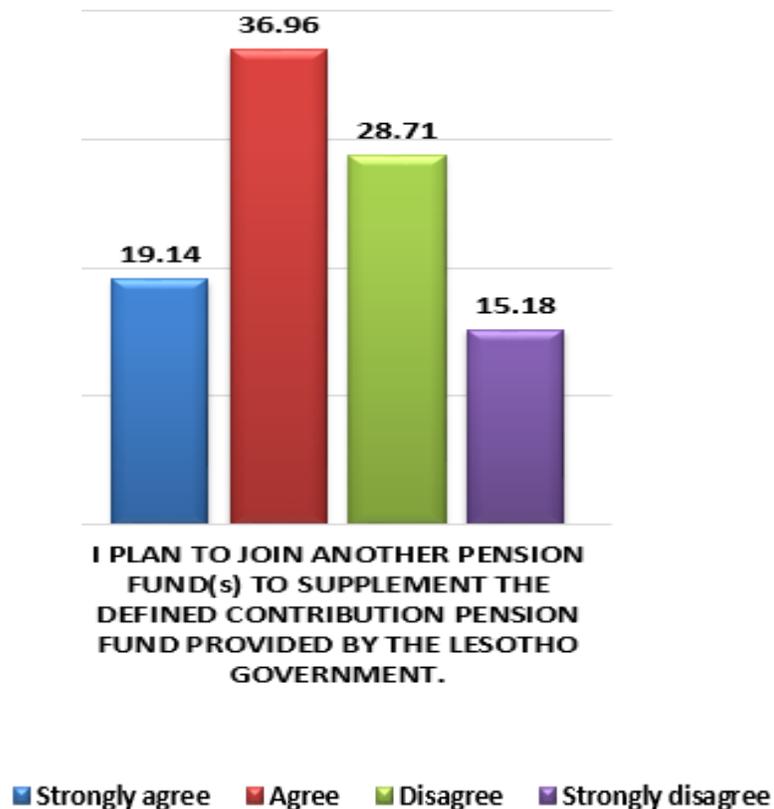


Question 7 – Join another pension fund to supplement

This question required respondents to indicate whether they plan to join another pension fund(s) to supplement the Defined Contribution Pension Fund provided by the Government of Lesotho.

Seven respondents did not complete this question. 19.1 % strongly agreed, 37 % agreed, 28.7 % disagreed and 15.2 % strongly disagreed that they plan to join another pension fund to supplement the Defined Contribution Pension Fund (Figure 4.4). The respondents' age, their levels in the organisation, marital status, the age at which they would like to retire and the age at which they will afford to retire are all significantly related to whether they plan to join another pension fund or not. The p-values between the listed variables and whether respondents plan to join another pension fund are 0.000, 0.028, 0.001, 0.012 and 0.010 respectively.

Figure 4.4: Question 7 - Join another pension fund to supplement.



Respondents' age and Question 7

67.6 % of the respondents are in the 19 to 35 age group, 60.3 % in the 36 to 40 age group, 51.8 % in the 41 to 50 age group, 5.6 % in the 51 to 55 age group and 21.7 % of those aged 56 to 59 are willing to join other pension funds (Table 4.12). It is clear that younger workers are willing to have extra savings and investments for their retirement compared to older workers. This may be because they still have time to prepare financially for their retirement as it is still far off in the future, or again it could be because of work force dynamics and different life exposures resulting from growing up in different eras. Additional research is essential to determine the true reason.

Table 4.12: Age and Question 7 cross-tabulation.

| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|-------|---------------|----------|----------------|-------|----------|-------------------|--------|
| AGE | 19 - 35 years | Count | 35 | 59 | 29 | 16 | 139 |
| | | % within | 25.2% | 42.4% | 20.9% | 11.5% | 100.0% |
| | 36 - 40 years | Count | 12 | 26 | 14 | 11 | 63 |
| | | % within | 19.0% | 41.3% | 22.2% | 17.5% | 100.0% |
| | 41 - 50 years | Count | 9 | 20 | 20 | 7 | 56 |
| | | % within | 16.1% | 35.7% | 35.7% | 12.5% | 100.0% |
| | 51 - 55 years | Count | 0 | 1 | 12 | 5 | 18 |
| | | % within | 0.0% | 5.6% | 66.7% | 27.8% | 100.0% |
| | 56 - 59 years | Count | 1 | 4 | 11 | 7 | 23 |
| | | % within | 4.3% | 17.4% | 47.8% | 30.4% | 100.0% |
| Total | | Count | 57 | 110 | 86 | 46 | 299 |
| | | % within | 19.1% | 36.8% | 28.8% | 15.4% | 100.0% |

Respondents' level in the organisation and Question 7

The organisational levels of the respondents who would like to join other pension funds can be seen in Table 4.13 - grades C to F (57.1 %), grades G to H (59.1 %) and grades I to K (44.1 %). There is a slight difference between operational level and middle management, while top management is a bit below the other two levels. The reason could be that those in top management already have high gross salaries which mean that they contribute more money to the pension fund than those who are at operational and middle management levels.

Table 4.13: Level in the organisation and Question 7 cross-tabulation.

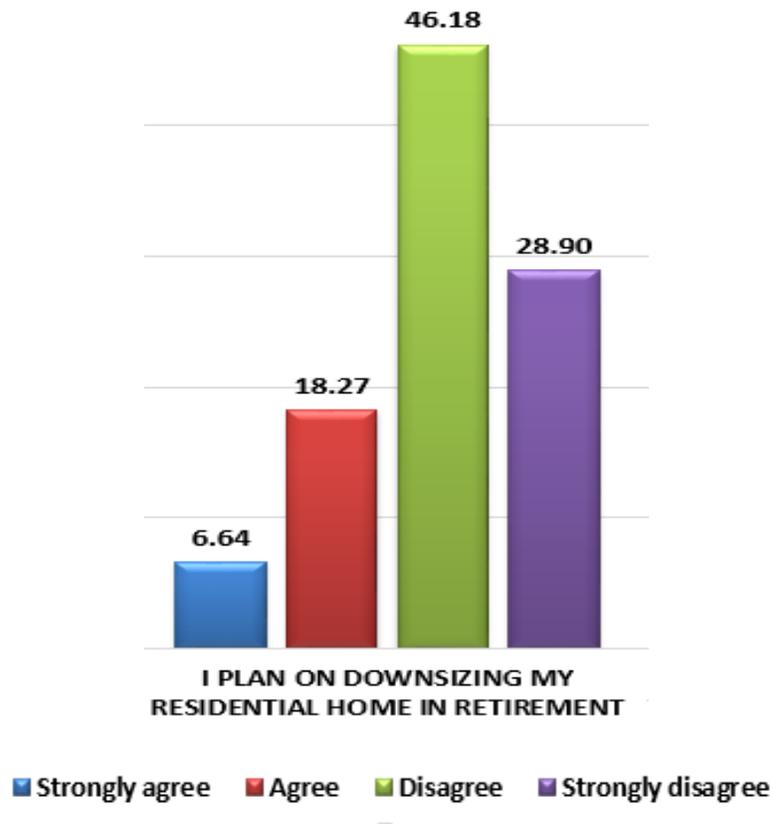
| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|--------------------|-----------|----------|----------------|-------|----------|-------------------|--------|
| LEVEL_ORGANISATION | Grade C-F | Count | 26 | 63 | 47 | 20 | 156 |
| | | % within | 16.7% | 40.4% | 30.1% | 12.8% | 100.0% |
| | Grade G-H | Count | 26 | 39 | 22 | 23 | 110 |
| | | % within | 23.6% | 35.5% | 20.0% | 20.9% | 100.0% |
| | Grade I-K | Count | 6 | 9 | 16 | 3 | 34 |
| | | % within | 17.6% | 26.5% | 47.1% | 8.8% | 100.0% |
| Total | | Count | 58 | 111 | 85 | 46 | 300 |
| | | % within | 19.3% | 37.0% | 28.3% | 15.3% | 100.0% |

Question 8 – Downsize residential homes in retirement

Question 8 inquired whether respondents are planning to downsize their residential homes in retirement.

Nine respondents did not answer this question. 6.6 % strongly agreed, 19.3 % agreed, 46.2 % disagreed while 28.9 % strongly disagreed (Figure 4.5). The majority of the respondents, at 75.1 % do not wish to downsize or move out of their residential homes during retirement. This is in line with reports that mentioned that for many people their residential homes represent an emotional attachment and therefore they do not easily wish to part with them (Bajtelsmit, Rappaport & Foster, 2013). The respondents' downsizing of their residential homes are significantly related to their age (p-value 0.075); the age at which respondents were permanently employed (0.033) and the age at which respondents think that they will afford to retire (p-value 0.009).

Figure 4.5: Question 8 - Downsize residential homes in retirement.



Respondents' age and Question 8

With regards to age, 77 % of those aged 19 to 35, 70 % of those aged 36 to 40, 72 % of those aged 41 to 50 and 89 % of those aged 51 to 55 do not wish to downgrade their homes (Table 4.14). This statistics reflect that all age groups within the Lesotho Public Service are against the idea of moving to smaller homes in retirement. It could be because owning a bigger home is associated with prestige or it could be that there is an emotional attachment between Basotho and their homes. A different study would have to be conducted to draw up informed conclusions.

Table 4.14: Age and Question 8 cross-tabulation.

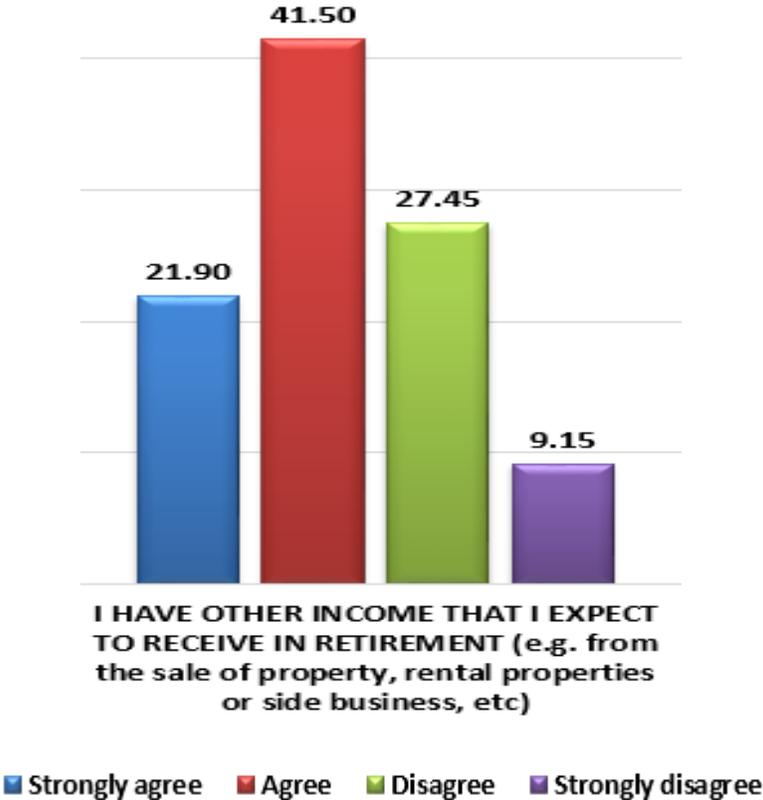
| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|-------|---------------|----------|----------------|-------|----------|-------------------|--------|
| AGE | 19 - 35 years | Count | 8 | 23 | 63 | 40 | 134 |
| | | % within | 6.0% | 17.2% | 47.0% | 29.9% | 100.0% |
| | 36 - 40 years | Count | 8 | 11 | 31 | 14 | 64 |
| | | % within | 12.5% | 17.2% | 48.4% | 21.9% | 100.0% |
| | 41 - 50 years | Count | 0 | 16 | 23 | 18 | 57 |
| | | % within | 0.0% | 28.1% | 40.4% | 31.6% | 100.0% |
| | 51 - 55 years | Count | 2 | 0 | 11 | 5 | 18 |
| | | % within | 11.1% | 0.0% | 61.1% | 27.8% | 100.0% |
| | 56 - 59 years | Count | 2 | 5 | 7 | 10 | 24 |
| | | % within | 8.3% | 20.8% | 29.2% | 41.7% | 100.0% |
| Total | | Count | 20 | 55 | 135 | 87 | 297 |
| | | % within | 6.7% | 18.5% | 45.5% | 29.3% | 100.0% |

Question 9 – Other income during retirement

In this question, respondents were asked if they have other income that they expect to receive in retirement.

Four respondents did not answer this question. Of the total responses, 21.9 % strongly agreed, 41.5 % agreed, 27.5 % disagreed and 9.2 % strongly disagreed that they expect to receive other income in retirement other than the pension from the Defined Contribution Pension Fund (Figure 4.6). Marital status (p-value 0.019), the age at which respondents would like to retire (0.002) and the age at which respondents think that they will be able to afford retirement (p-value 0.000) all have a strong relationship with whether the respondents have another income that they expect to receive in retirement.

Figure 4.6: Question 9 - Other income during retirement.



Marital status and Question 9

Of the 63.3 % of the respondents who say that they have another income that they expect to receive during retirement, 24.1 % are single, 71.7 % are married, 3.7 % are divorced and 0.5 % are separated (Table 4.15). Married respondents seem to be more likely to have other incomes during retirement compared to the other groups.

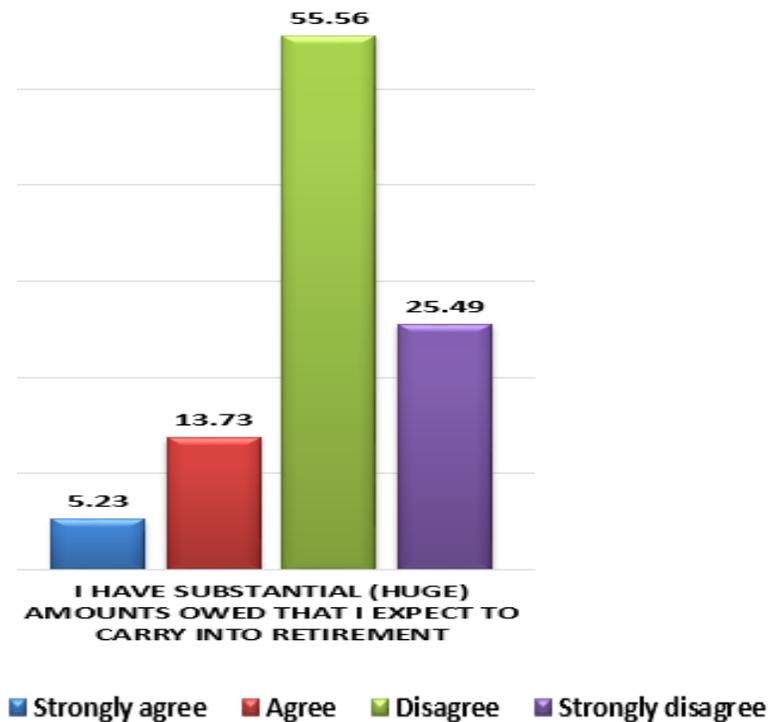
Table 4.15: Marital status and Question 9 cross-tabulation.

| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|----------------|-----------|----------|----------------|-------|----------|-------------------|--------|
| MARITAL_STATUS | Single | Count | 16 | 30 | 25 | 9 | 80 |
| | | % within | 20.0% | 37.5% | 31.3% | 11.3% | 100.0% |
| | Married | Count | 47 | 90 | 46 | 14 | 197 |
| | | % within | 23.9% | 45.7% | 23.4% | 7.1% | 100.0% |
| | Divorced | Count | 2 | 5 | 10 | 3 | 20 |
| | | % within | 10.0% | 25.0% | 50.0% | 15.0% | 100.0% |
| | Separated | Count | 1 | 0 | 3 | 1 | 5 |
| | | % within | 20.0% | 0.0% | 60.0% | 20.0% | 100.0% |
| Total | | Count | 66 | 125 | 84 | 27 | 302 |
| | | % within | 21.9% | 41.4% | 27.8% | 8.9% | 100.0% |

Question 10 – Debt in retirement

This question asked respondents if they have substantial debt that they expect to carry into retirement.

Figure 4.7: Question 10 - Debt in retirement.



Four respondents did not answer this question. 5.2 % strongly agreed, 13.7 % agreed, 55.6 % disagreed and 25.5 % strongly disagreed that they have huge amounts of debt that they expect to carry into retirement (Figure 4.7). The age at which respondents would like to retire and the age at which respondents think that they will afford to retire are significantly related to whether the respondents expect to carry huge amounts of debt into their retirement, denoted by p-values of 0.079 and 0.033 respectively. The overall rate of respondents who expect to carry substantial debt into their retirement is only 18.9 %.

Age of preferred retirement and Question 10

The respondents who would like to retire by age 40 to 45 years and expect to carry huge debt into retirement constitute the biggest portion within their groups (Table 4.16). This might be because they probably will be retiring from formal employment while they still expect to be economically active and hence afford to settle their debt.

Table 4.16: Age of preferred retirement and Question 10 cross-tabulation.

| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|----------------------------|----|----------|----------------|-------|----------|-------------------|--------|
| AGE OF PREFERED RETIREMENT | 40 | Count | 2 | 3 | 8 | 12 | 25 |
| | | % within | 8.0% | 12.0% | 32.0% | 48.0% | 100.0% |
| | 45 | Count | 7 | 9 | 38 | 19 | 73 |
| | | % within | 9.6% | 12.3% | 52.1% | 26.0% | 100.0% |
| | 55 | Count | 4 | 16 | 64 | 19 | 103 |
| | | % within | 3.9% | 15.5% | 62.1% | 18.4% | 100.0% |
| | 60 | Count | 3 | 14 | 60 | 28 | 105 |
| | | % within | 2.9% | 13.3% | 57.1% | 26.7% | 100.0% |
| Total | | Count | 16 | 42 | 170 | 78 | 306 |
| | | % within | 5.2% | 13.7% | 55.6% | 25.5% | 100.0% |

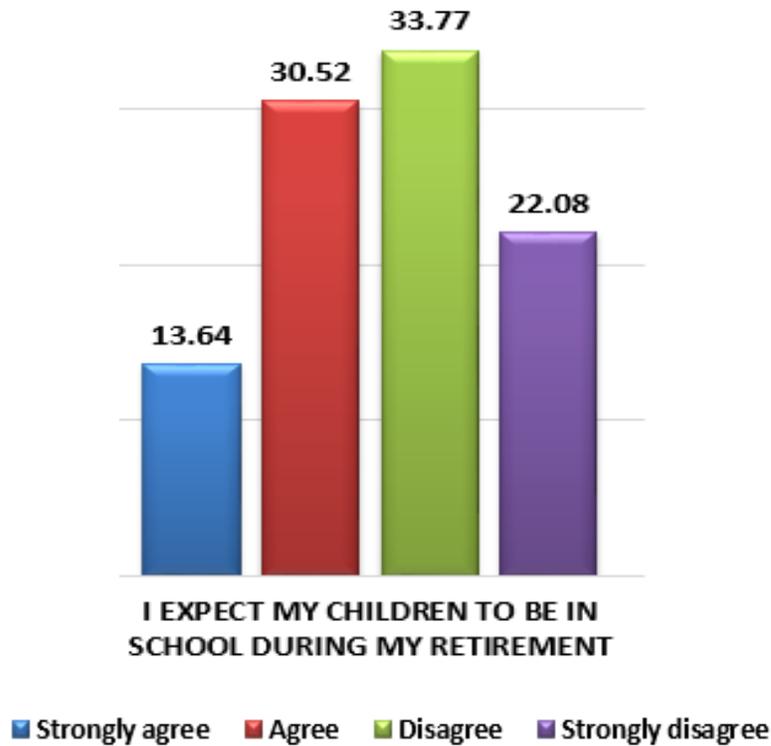
Question 11 – Children in school during retirement

Question 11 enquired whether respondents expect their children to be in school during their retirement.

Two respondents did not reply to this question. Respondents totalling to 13.6 % strongly agreed, 30.5 % agreed, 33.8 % disagreed and 22.1 % strongly disagreed that they expect their children to still be in school by the time they retire (Figure 4.8). The ratio of those agreeing with the statement to those disagreeing with the statement is 1:1.3. This ratio

indicates that there is not much difference between respondents who have children early in life and those that postpone or have children later in life.

Figure 4.8: Question 11 - Children in school during retirement.



The respondents' levels in the organisation (p-value 0.060), the age at which they were permanently employed by the Lesotho Government (p-value 0.041), the age at which they would like to retire (0.000) and the age at which they think they will afford retirement (0.000) have a significant relationship with whether they expect their children in school during their retirement.

Respondents' levels in the organisation and Question 11

61% of the respondents in grades C to F, 51.3 % of those in grades G to H and 42.8 % of those in grades I to K make up the 55.7%, which is the total number of respondents who do not expect their children to be in school during their retirement (Table 4.17). From these results it can be concluded that public servants who are at operational level are less likely to have dependent children during their retirement as compared to middle and top management public servants. This may be attributable to the fact that people who

attain higher positions are likely to have spent longer time studying and building their careers than those in junior positions, hence implying they have less time to focus on building families early in their lives compared to those in lower organisational levels.

Table 4.17: Level in the organisation and Question 11 cross-tabulation.

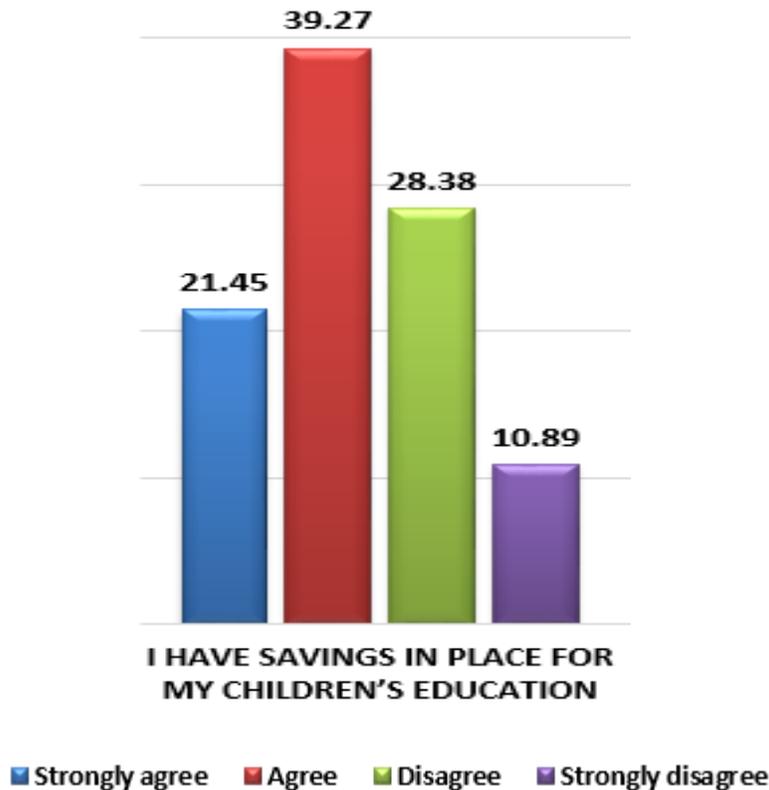
| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|---------------------------|-----------|----------|----------------|-------|----------|-------------------|--------|
| LEVEL IN THE ORGANISATION | Grade C-F | Count | 18 | 43 | 54 | 44 | 159 |
| | | % within | 11.3% | 27.0% | 34.0% | 27.7% | 100.0% |
| | Grade G-H | Count | 20 | 34 | 37 | 20 | 111 |
| | | % within | 18.0% | 30.6% | 33.3% | 18.0% | 100.0% |
| | Grade I-K | Count | 3 | 17 | 11 | 4 | 35 |
| | | % within | 8.6% | 48.6% | 31.4% | 11.4% | 100.0% |
| Total | | Count | 41 | 94 | 102 | 68 | 305 |
| | | % within | 13.4% | 30.8% | 33.4% | 22.3% | 100.0% |

Question 12 – Savings for children’s education

In this question respondents were asked if they have savings in place for their children’s education.

Seven of the 310 respondents did not give an answer. 21.5 % strongly agreed, 39.3 % agreed, 28.4 % disagreed and 10.8 % strongly disagreed that they have savings in place for their children’s education (Figure 4.9). A total of 64.2 % do not object to having savings in place for their children’s education. Okech, Little and Williams-Shanks (2013) emphasised that children from higher income households and those from lower income households whose parents made saving provisions for their education are more likely to enrol and pay for their tertiary education, therefore bettering their chances of upward mobility in organisations. This means that when Lesotho public servants make provisions for their children’s education, they not only relieve themselves of the financial and economic burden later in life, but they also increase their own children’s likelihood of succeeding and climbing the corporate ladder. Therefore there is still room for improvement even though the rate of those saying that they have made provisions is over sixty percent.

Figure 4.9: Question 12 - Savings for children’s education.



The respondents’ age (p-value 0.000), levels in the organisation (p-value 0.020), marital status (p-value 0.000), the age of permanent employment (0.086), when they would like to retire (0.000) and the age at which they think they will afford retirement (0.000) have an important impact on the respondents having savings for their children’s education.

Respondents’ age and Question 12

77.7 % of the respondents aged 19 to 35, 62.5 % of those aged 36 to 40, 52.6 % of those aged 41 to 50, 11.1 % of those aged 51 to 55 and 14.3 % of those aged 56 to 59 agreed that they have savings in place for their children’s education (Table 4.18). The observed trend indicates that younger respondents have made more provisions for their children’s education than older ones. It may be due to a number of possibilities including the likelihood that the trend for parents having to pay their children’s tuition fees has just emerged in Lesotho as the government previously had been responsible for tertiary education. Another possibility may be that older public servants have grown-up up

children who are already economically independent as compared to younger employees. Both of these possibilities cannot be ascertained from the available data.

Table 4.18: Age and Question 12 cross-tabulation.

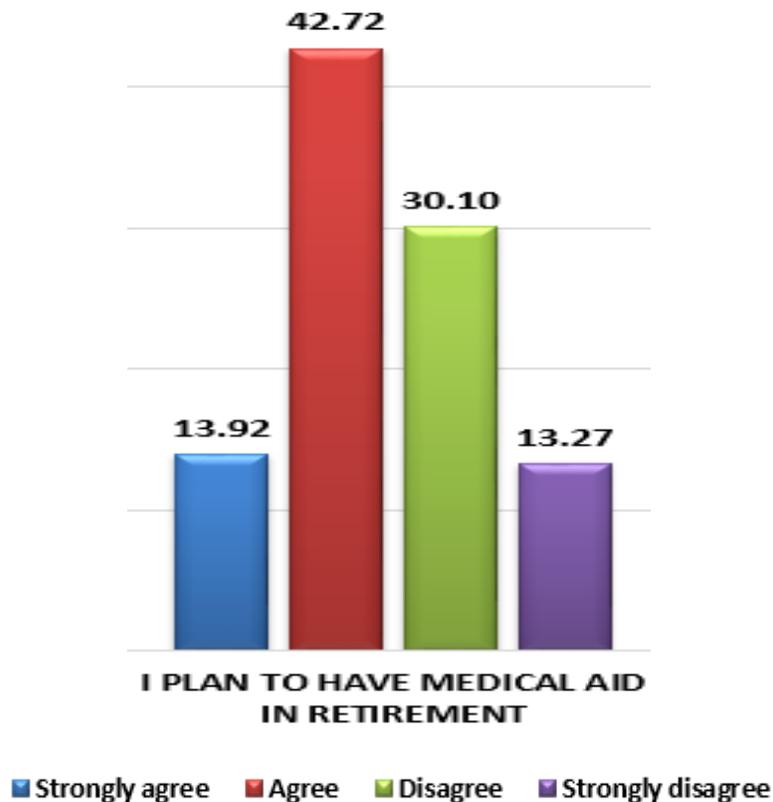
| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|-------|---------------|----------|----------------|-------|----------|-------------------|--------|
| AGE | 19 - 35 years | Count | 46 | 62 | 26 | 5 | 139 |
| | | % within | 33.1% | 44.6% | 18.7% | 3.6% | 100.0% |
| | 36 - 40 years | Count | 11 | 29 | 16 | 8 | 64 |
| | | % within | 17.2% | 45.3% | 25.0% | 12.5% | 100.0% |
| | 41 - 50 years | Count | 8 | 22 | 22 | 5 | 57 |
| | | % within | 14.0% | 38.6% | 38.6% | 8.8% | 100.0% |
| | 51 - 55 years | Count | 0 | 2 | 9 | 7 | 18 |
| | | % within | 0.0% | 11.1% | 50.0% | 38.9% | 100.0% |
| | 56 - 59 years | Count | 0 | 3 | 10 | 8 | 21 |
| | | % within | 0.0% | 14.3% | 47.6% | 38.1% | 100.0% |
| Total | | Count | 65 | 118 | 83 | 33 | 299 |
| | | % within | 21.7% | 39.5% | 27.8% | 11.0% | 100.0% |

Question 13 – Medical aid in retirement

Health and long-term care, unforeseen serious illnesses or disability may have dramatic consequences that can derail a pension fund (Bajtelsmit *et al.* 2013). In line with the provided statement above, respondents were asked if they plan to have medical aid in retirement.

Only one respondent did not answer this question. 13.9 % strongly agreed, 42.7 % agreed, 30.1 % disagreed and 13.3 % strongly disagreed to have a medical aid during retirement (Figure 4.10). There is still room for improvement with regards to incentivising public servants to consider having a medical aid in their retirement because only 56.6 % do not object to having medical aid in retirement. Brooks (2013) noted that unexpected medical expenses have a tendency to surprise people extremely during retirement. As a solution, he suggested that when engaging in financial planning, people should consider that they might be in retirement for 20 to 40 years; therefore they need to make provisions accordingly.

Figure 4.10: Question 13 - Medical aid in retirement.



Planning to have medical aid in retirement is strongly related to the respondents' age (p-value 0.001), the preferred age of retirement (p-value 0.057) and the age at which respondents think that they will be able to afford retirement.

Respondents' age and Question 13

As stipulated in Table 4.19, 63.8 % of respondents aged 19 to 35, 60 % of those aged 36 to 40 and 57.9 % of those aged 41 to 50 are planning to have medical aid in retirement. Only 11.1 % aged 51 to 55 and 37.5 % aged 56 to 59 plans to have medical aid (Table 4.19). It is also important to note that in all age groups, a substantial majority agreed while only small percentages strongly agreed. This might mean that public servants are not too keen to have a medical aid during retirement. Again, for this variable it is important to note that Lesotho government hospitals and clinics offer medical care for free to all citizens.

Table 4.19: Age and Question 13 cross-tabulation.

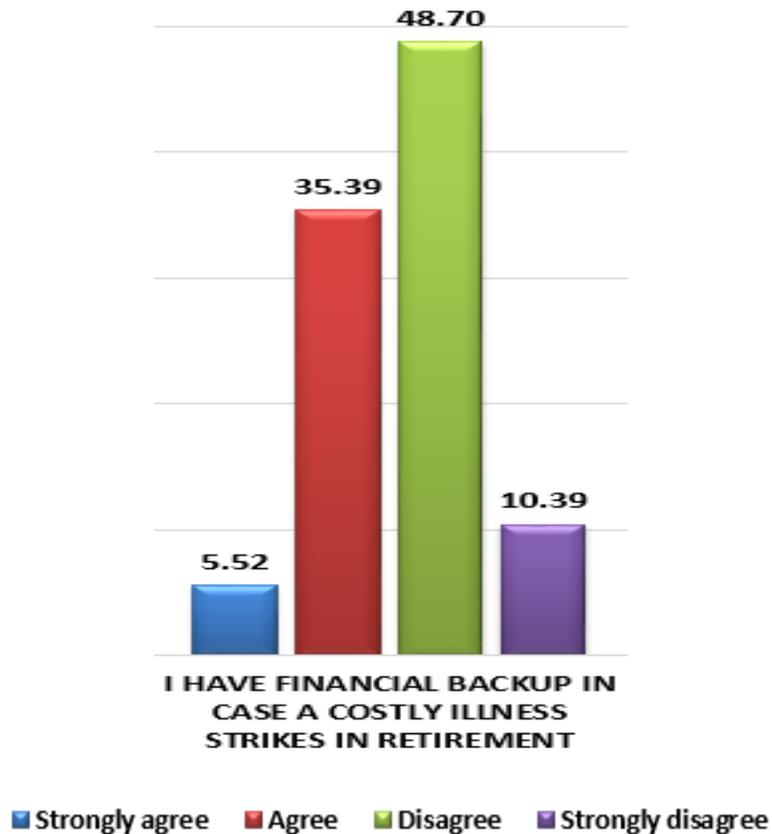
| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|-------|---------------|----------|----------------|-------|----------|-------------------|--------|
| AGE | 19 - 35 years | Count | 27 | 63 | 39 | 12 | 141 |
| | | % within | 19.1% | 44.7% | 27.7% | 8.5% | 100.0% |
| | 36 - 40 years | Count | 7 | 32 | 17 | 9 | 65 |
| | | % within | 10.8% | 49.2% | 26.2% | 13.8% | 100.0% |
| | 41 - 50 years | Count | 8 | 25 | 15 | 9 | 57 |
| | | % within | 14.0% | 43.9% | 26.3% | 15.8% | 100.0% |
| | 51 - 55 years | Count | 0 | 2 | 13 | 3 | 18 |
| | | % within | 0.0% | 11.1% | 72.2% | 16.7% | 100.0% |
| | 56 - 59 years | Count | 1 | 8 | 7 | 8 | 24 |
| | | % within | 4.2% | 33.3% | 29.2% | 33.3% | 100.0% |
| Total | | Count | 43 | 130 | 91 | 41 | 305 |
| | | % within | 14.1% | 42.6% | 29.8% | 13.4% | 100.0% |

Question 14 – Financial back-up

This question required respondents to indicate if they have financial back-up in case a costly illness strikes in retirement.

Two respondents did not reply to this question. 5.5 % strongly agreed, 35.4 % agreed, 48.7 % disagreed and 10.4 % strongly disagreed (Figure 4.11). 59.1 % of the respondents reported that they do not have financial backup in case of a costly unplanned illness; this percentage is high even as Brooks (2013) noted the importance of planning for medical expenses in Question 13 above. Nonetheless, since the percentage of respondents who plan to have medical aid in retirement is relatively high compared to those who do not plan on obtaining one (from Question 13 above), the challenge might be to encourage public servants to enrol on the premium medical aid plans that cover almost all costs and every illness.

Figure 4.11: Question 14 - Financial back-up.



Marital status and Question 14

44.4 % of single respondents and 43.5 % of married respondents do not object to having financial back up, on the other hand only 10 % of divorced and 0 % of separated respondents say that they have financial provisions for costly illnesses (Table 4.20). This might mean that divorced and separated public servants do not have enough financial resources compared to their single and married counterparts. This creates an interesting possibility for private investment companies which may have to design different financial packages for different customers with varying marital statuses.

Table 4.20: Marital status and Question 14 cross-tabulation.

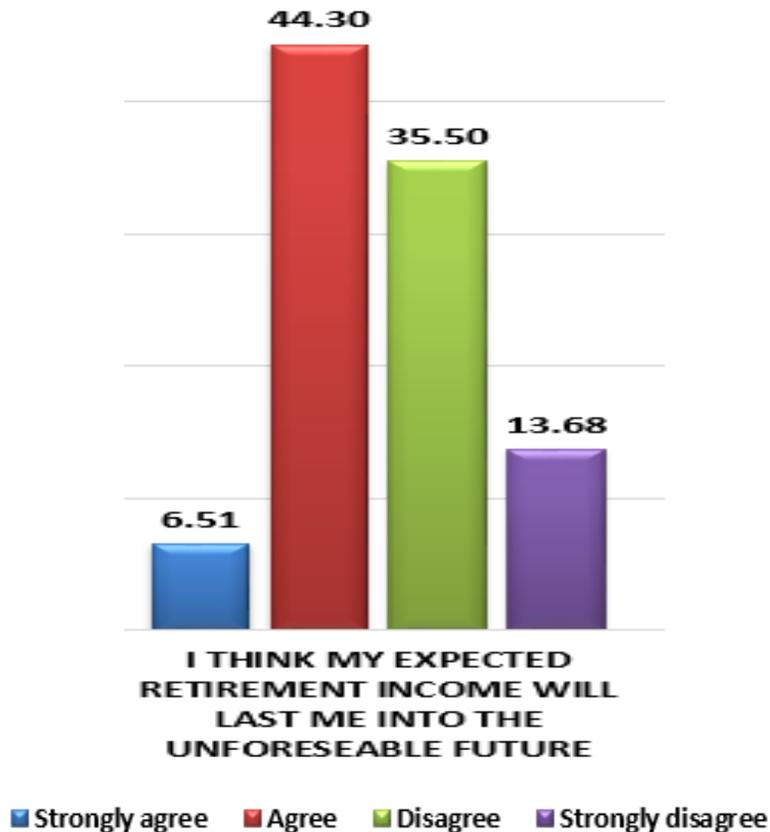
| | | | Strongly agree | Agree | Disagree | Strongly disagree | Total |
|----------------|-----------|----------|----------------|-------|----------|-------------------|--------|
| MARITAL STATUS | Single | Count | 7 | 29 | 39 | 6 | 81 |
| | | % within | 8.6% | 35.8% | 48.1% | 7.4% | 100.0% |
| | Married | Count | 10 | 76 | 92 | 20 | 198 |
| | | % within | 5.1% | 38.4% | 46.5% | 10.1% | 100.0% |
| | Divorced | Count | 0 | 2 | 15 | 3 | 20 |
| | | % within | 0.0% | 10.0% | 75.0% | 15.0% | 100.0% |
| | Separated | Count | 0 | 0 | 3 | 2 | 5 |
| | | % within | 0.0% | 0.0% | 60.0% | 40.0% | 100.0% |
| Total | | Count | 17 | 107 | 149 | 31 | 304 |
| | | % within | 5.6% | 35.2% | 49.0% | 10.2% | 100.0% |

Question 15 – Retirement income enough for life

Medical advances today enable more people to have longer life spans (Post and Hanewald 2012). Respondents were asked to consider the above statement when answering this question which inquired if they think their retirement income will last them into the unforeseeable future.

Three respondents have not replied to this question. 6.51 % strongly agreed, 44.3 % agreed, 35.5 % disagreed and 13.68 % strongly disagreed with the above question (Figure 4.12). There is a 50:50 allocation of respondents who think that their retirement income will last them and those who do not think that it will last them into the unforeseeable future. When the researcher collected the questionnaires, some of the respondents verbally mentioned that they do not expect to live considerable years beyond their retirement as most of their colleagues died just after they retired. A different study would need to be conducted to confirm and address this issue as it has implications for public servants' livelihood after retirement and the planning thereof in the case that they live longer than they expected.

Figure 4.12: Question 15 - Retirement income enough for life.



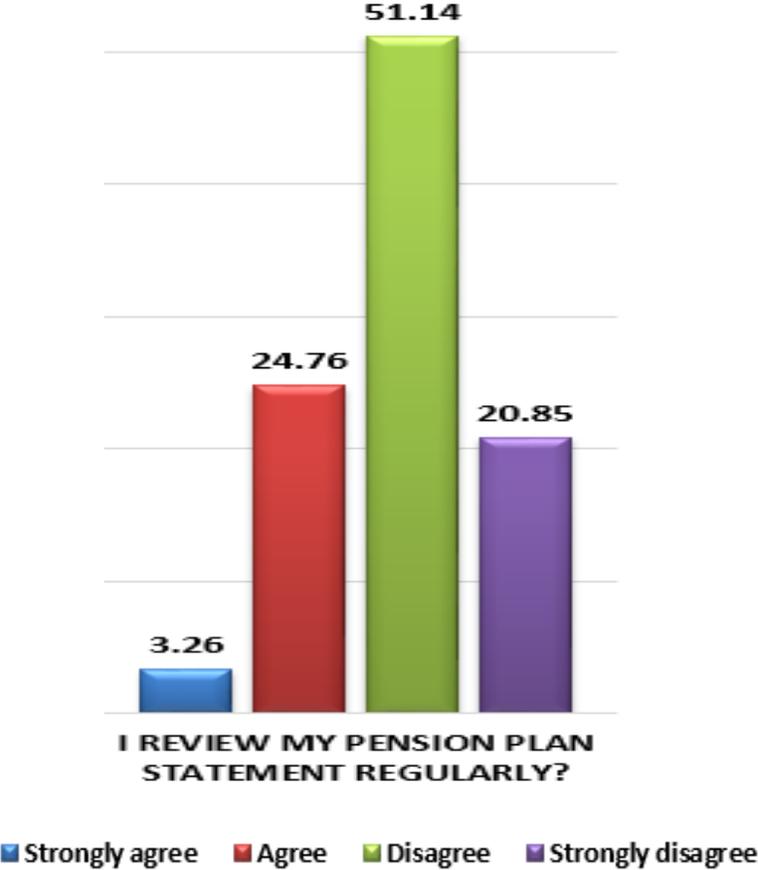
Using chi-square, there seems to be a relationship between the permanent age of employment (p-value 0.025), preferred age of retirement (p-value 0.015), the age at which respondents think that they will be able to afford retirement (p-value 0.000) and whether respondents think that their retirement income will last them into the unforeseeable future.

Question 16 – Regularly review pension plan statements

Question 16 asked respondents if they review their pension plan statements regularly. Three respondents have not provided an answer. 3.26 % strongly agreed, 24.76 % agreed, 51.14 % disagreed and 20.85 % strongly disagreed that they review their pension plan statements on a regular basis (Figure 4.13). The age at which respondents would like to retire (p-value 0.039) and the age at which they think they will afford to retire (p-value 0.000) have a strong relationship with whether respondents review their pension plan statements regularly or not. 71.9 % of the respondents do not review their pension plan statements regularly. Again respondents complained informally that since the

introduction of the Defined Contribution Pension Fund, the employer has never formally explained how the pension plan works and there are no regular updates on the management of their funds. The employer will have to rectify this issue and ensure that employees are kept up to date on their investments as they cannot plan their finances adequately when they don't know how much they currently have and what to expect in future.

Figure 4.13: Question 16 - Regularly review pension plan statements.



Question 17 – Factors of greatest impact on retirement affordability

In this question, respondents were asked to list factors that have the greatest impact on their ability to afford retirement. Each respondent was asked to list a maximum of three factors in order of priority. Table 4.21 below reports the factors that the respondents considered to be of first priority. It is worth noting that 83.9 % of the respondents listed at least one factor.

Table 4.21: Factors having greatest impact on retirement affordability.

| | Factors | Frequency | Percent |
|-------|--|-----------|---------|
| Valid | Health risks | 23 | 8.8 |
| | Longevity | 4 | 1.5 |
| | Children's education | 18 | 6.9 |
| | Business success and other investments | 53 | 20.4 |
| | Adequacy of current salary | 89 | 34.2 |
| | Economic conditions | 42 | 16.2 |
| | Current spending habits/Financial planning | 6 | 2.3 |
| | Extended family | 16 | 6.2 |
| | Inheritance | 1 | .4 |
| | Debts | 7 | 2.7 |
| | Never thought of retirement | 1 | .4 |
| | Total | 260 | 100.0 |

It is clear from Table 4.21 that the three factors with the greatest impact on the respondents' ability to afford retirement are:

1. Adequacy of salary at 34.2 %;
2. Business success and other investment at 20.4 %; and
3. Economic conditions at 16.2 %.

A total of 35.2 % of the overall respondents listed at least two factors. The factors having the second greatest impact on the affordability of retirement are presented below in Table 4.22.

Table 4.22: Factors listed as the second most likely to impact ability to afford retirement.

| | Factors | Frequency | Valid Percent |
|-------|--|-----------|---------------|
| Valid | Health risks | 14 | 12.8 |
| | Children's education | 12 | 11.0 |
| | Business success and other investments | 15 | 13.8 |
| | Adequacy of current salary | 18 | 16.5 |
| | Economic conditions | 24 | 22.0 |
| | Current spending habits/Financial planning | 7 | 6.4 |
| | Extended family | 11 | 10.1 |
| | Inheritance | 2 | 1.8 |
| | Debts | 6 | 5.5 |
| | Total | 109 | 100.0 |

Again, the first three factors listed by the majority of respondents as the second most likely to affect their ability to afford retirement are:

1. Economic conditions at 22 %;
2. Adequacy of current salary at 16.5 %; and
3. Business success and other investments at 13.8 %.

The last factors that respondents listed as having an impact on their ability to afford retirement are listed in Table 4.23 below. It is also worth considering that only 31 respondents have listed three factors.

Table 4.23: The third most likely factors to have an impact on the ability to afford retirement.

| | Factors | Frequency | Valid Percent |
|-------|--|-----------|---------------|
| Valid | Health risks | 5 | 16.1 |
| | Children's education | 3 | 9.7 |
| | Business success and other investments | 2 | 6.5 |
| | Adequacy of current salary | 2 | 6.5 |
| | Economic conditions | 5 | 16.1 |
| | Current spending habits/Financial planning | 6 | 19.4 |
| | Extended family | 5 | 16.1 |
| | Debts | 3 | 9.7 |
| | Total | 31 | 100.0 |

The third most likely factors to have an impact on retirement affordability are:

1. Current spending habits/ financial planning at 19.4 %;
2. Economic conditions at 16.1 %; and
3. Health risk at 16.1 %.

4.3 Key research findings

78.57 % of the respondents will have to work in retirement to supplement their income. Since every age group is well represented, all public servants will have to work in retirement to supplement their retirement income. However, public servants aged 50 years and younger are more likely to work in retirement than those older than 50 years.

Secondly, public servants who were permanently employed at a younger age say that their retirement income will not accommodate them. This might be the reason why most public servants say that they will have to work in retirement; but it is puzzling to the researcher because it was anticipated that those who were permanently employed earlier in their life would have had more time to make provisions, investments and savings for their retirement. There could be different reasons leading public servants to think that

their retirement income will not accommodate them even though they may have been working for many years. The reasons may be associated to economic conditions and adequacy of salary as indicated in Question 17 above.

Thirdly, 46.1 % of respondents have other retirement funds and investments other than the Defined Contribution Pension Fund provided by the Government of Lesotho. It is also reported that 53.9 % of the respondents are likely to rely solely on the pension income from the Defined Contribution Pension Fund, and this may be the reason why many public servants say that they will have to work in retirement to supplement their retirement income.

Furthermore, operational and middle management employees are more willing to join other pension funds as compared to top management employees. As it has been mentioned earlier, the reason might be that those in top management anticipate that they will have saved enough due to their high gross salaries which enable them to contribute more to the Defined Contribution Pension Fund.

75.1 % of the respondents do not wish to downsize their residential homes during retirement. It is necessary to have another study conducted to determine the sizes and nature of housing that public servants own because another possibility may be that they already stay in modest homes, which would render downsizing ridiculous. Again, the study would have to determine if public servants and the entire Basotho are aware of the costs and risks associated with owning luxurious homes, especially in retirement when most people are highly likely to be earning less than they did when they were still working full time.

Lastly, only 18.9 % of the respondents expect to carry huge debt in retirement, and this might mean that public servants are aware of the cost associated with debt. The cost of debt can be burdensome, especially during retirement; as a result the employer should continuously educate public servants about the costs associated with debt so that they can avoid going into retirement with debt.

4.4 Conclusion

Lesotho public servants seem to consider that their salaries hinder them from being financially secure in retirement. While it may be true that the public service does not offer competitive salaries compared to profit making entities in the private sector, Lesotho public servants should engage in some form of saving as early as possible, even if it is just a little. It is important so that one can take advantage of long-term benefits of compound interest and to enjoy financial freedom in retirement.

Business success has been listed as the second most important factor that can have an impact on their retirement affordability, indicating that most public servants intend to start-up a business or join the business sector when they retire. While this may demonstrate entrepreneurship and likely may have positive financial rewards, business skills are a pre-requisite for the success of any business, therefore public servants must first be trained on business planning before they retire.

CHAPTER 5: RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

In this chapter, a conclusion of the whole study will be made based on the alignment of research objectives to the results obtained in Chapter 4. Secondly, recommendations will follow which will also be based on the results from Chapter 4 and the alignment of those results to objectives of the study.

5.2 Analysis of Results Aligned with the Research Objectives

The primary objective of this study was to determine whether Lesotho public servants are aware of the living expenses after retirement. Based on the data analysis, it can be concluded that all public servants are aware of the living expenses after retirement, because in all the age groups more than 50 % of the respondents say that they will have to work during retirement to supplement their income. However, those aged between 19 and 50 seem to be more aware of the need to work during retirement than the older individuals. Willingness to work during retirement suggests that the public servants are aware that their retirement expenditure is likely to be higher than their expected pension pay-out. However, Lesotho public servants do not seem to consider the costs mentioned by Timmermann (2014) which are associated with housing expenses in retirement and this has a big impact on one's retirement income. This can be beneficial for future generations who may not have to spend money on a loan for a house as the Basotho culture firmly supports inheritance of residential homes by the sons as soon as their parents die.

The first secondary objective was to establish if Lesotho public servants engaged in any financial planning for their retirement. This was measured by whether public servants had savings for their children's education, expect to receive additional income in retirement and if they have substantial debt amounts that they expect to carry into retirement. 44.1 % of the respondents expect their children to be in school during their retirement and 64.2 % of the respondents say that they have savings in place for their children's education. Public servants in younger age groups seem to be the ones who are making more provision for their children's education. As has been earlier mentioned in Chapter 4, the reason for this might be because older public servants have children who are older and

financially independent and again, the Lesotho government through the National Manpower Development Secretariat has previously been solely responsible for tertiary education. This however is changing due to restricted government budgets and scholarships are now allocated based on certain quotas; therefore this can have a big impact on younger parents having to make their own provision for their children's' education.

81.1 % of the respondents do not expect to carry huge debt into retirement, indicating that the majority of public servants are likely to not have burdensome debt in their retirement. 63.4 % of the respondents expect to receive other income except from the Defined Contribution Pension Fund. These three factors indicate that public servants do indeed engage in some form of financial planning for their retirement.

The degree of engagement by public servants with the Defined Contribution Pension Fund was the second secondary objective. A substantial percentage of respondents in all age groups and all organisational levels say that they do not have any idea how the pension plan works, how much to expect when they retire and are not familiar with the rules, terms and conditions of the plan. This is a big concern for the researcher and the employer should deal with this with great urgency to prevent some public servants to have unreasonably high expectations from the return on their investments.

The last secondary objective of the research was to establish if public servants take risks into consideration when planning for their retirement. More than 50 % indicated that they plan to have medical aid, which indicates that public servants at least take medical risks into consideration when planning for their retirement. Conversely, 59.09 % of the respondents stated that they do not have financial backup in case a costly illness strikes (refer to Chapter 4, question 13). As proposed earlier in Chapter 4, this might be fundamentally because government hospitals and clinics offer free medical services. However, the researcher has observed that Lesotho still lacks on some medical skills and facilities like cancer units and rely solely on transferring critical patients to South Africa. The resulting expenditure and facilitation of transfers may not be bearable to the government in future, especially when one considers the burden and costs associated with public debt. Hence, individuals still need to have back-up plans to cater for these

types of unexpected possibilities. Most interestingly is the fact that some Lesotho public servants do not seem to consider the risk of longevity at all when they plan their retirement as they do not expect to live long; even with the medical advances that are now widely accessible to enable longer life spans. With regards to having financial backup in case a costly illness strikes in retirement and considering the risk of longevity, public servants seem to be lacking knowledge and planning, and only consider having a medical aid to guard against any illness.

5.3 Recommendations

Since the majority of public servants who are willing to join other pension plans fall in the age group 19 to 50 and are in operational and middle management classes, the government should liaise with the pension providers to develop pension schemes and investments that are specifically aimed at this group. One of the focus areas of those pension schemes and investments should be affordability as public servants consider the adequacy of their salaries to have the biggest impact on their ability to afford retirement. Again affordable medical aid plans should be targeted at divorced and separated public servants as only 10 % of the divorced and 0 % of the separated respondents said they have medical backup in case a costly illness strikes in retirement, compared to 44.4 % of the single respondents and 43.5 % of the married respondents.

Secondly, the employer must take the responsibility of educating employees about the different risks in retirement. The range of risks must include the longevity risk, risks associated with owning a house, risks associated with unforeseen medical conditions and the cost of debt risks. All of these risks can have a negative impact and dramatic consequences on the retirement income of public servants if it has not been taken into consideration when planning for retirement.

Thirdly, the researcher proposes that during formal employee introduction sessions, newly appointed public servants should be taught about the importance of financial planning and providing for one's retirement as early as possible. Inducting new employees on the importance of financial planning will increase the likelihood of success; usually when people start to work they do not have huge financial commitments yet which can prevent them from saving and investing. Continuous refresher sessions about the

importance of financial planning should also be conducted; at least annually for all public servants to ensure that they are kept abreast of any developments and to decrease the likelihood of deviation from proper financial management.

Most respondents indicated that the success of businesses which they intend to start in retirement has the greatest impact on their ability to afford retirement. Here the researcher proposes that the employer should educate employees that are near their retirement age on different employment options after retirement, especially since the majority of public servants believe that they will have to work in retirement to supplement their income. The latest reported unemployment rate in Lesotho was 25.3 % in 2008 (Trading economics, 2015); this means that it will not be easy for retired employees to get formal employment unless they have specialized skills. Furthermore, those public servant retirees who intend to join the business sector after retirement would need business training to increase their chances of success. Since public service has other ministries that specifically focus on business development, coaching and entrepreneurship, the employer can use these available.

Lastly, the majority of public servants (71.9 % of the respondents) do not review their pension plan statements regularly. The underlying reasons were informally identified as failure by the Defined Contribution Pension Fund to provide regular updates. As a remedy, the employer should take the responsibility of ensuring that all permanently employed public servants get updated statements, at least bi-annually. This exercise can be facilitated by the human resources offices within government ministries. This will enable public servants to make decisions about their retirement finances based on the actual data available.

5.4 Conclusion

Lesotho public servants are aware of living expenses after retirement; hence most of them realise that in order to afford retirement financially, they will have to work in retirement. Most public servants want to engage in businesses when then they retire as a way of supplementing their retirement income, however the Lesotho government should assume the responsibility of imparting business skills to its employees to minimise business failure.

Manchester (2010) has noted that with the shift from the defined benefit plans to the defined contribution plans, the investment risk has shifted away from the institution and to the individual employees. As a result, Lesotho public servants stand to lose money if the Defined Contribution Pension Fund is not well-managed; the government has to educate the public servants about how the new pension plan works and explain all the risks associated with it. Up to this point, the Government of Lesotho has not assumed this responsibility as 71 % of the respondents do not review their pension plan statements regularly; the main reason cited is that regular updates are not available and there is a lack of understanding about how the fund works.

Croy, Gerrans and Speelman (2010) have identified a direct and positive relationship between financial planning and increased retirement savings. In order to increase financial planning, the Government of Lesotho should ensure that there is awareness about the importance of financial planning by educating its employees. This will not only benefit the employees by increasing the likelihood of their financial freedom in retirement, but the government will also relieve itself of the burden of taking care of their citizens during their old age, because they were ill-equipped to make wise financial decisions while they were still working.

Even though the government did not manage the transition from the defined benefit plans to the defined contribution plans correctly, moving forward the employees must also make the effort to learn about financial issues that affect them directly; since the introduction of the Defined Contribution Pension Fund there has never been a formal complaint by employees about how the fund is managed or how their retirement benefits have been affected.

Lastly, the Lesotho government should consider incorporating issues about retirement fund management and financial planning onto the job descriptions of human resources specialists or at least establish a section within the Ministry of Public Service, Ministry of Development Planning or Ministry of Finance which will deal specifically with retirement planning. This will ensure accountability and minimise the chances of negligence in the long run.

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17 June, 2015

COLLECTION OF DATA FOR RESEARCH PROJECT

You are hereby authorized to collect data for research project, (Awareness of living Expenses after retirement for Lesotho Public Servants) undertaken towards fulfillment of Masters of Business Administration with the University of Free State.

Wishing you all the best in your studies.

Yours faithfully,


M. TAKALIMANE (MS)

DIRECTOR HUMAN RESOURCES – MINISTRY OF LAW

25 June 2015

TO WHOM IT MAY CONCERN

**PERMISSION TO OBTAIN INFORMATION AS PART OF THE MAGISTER IN
BUSINESS ADMINISTRATION**

Name: P Mokhothu
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Dissertation Topic: The awareness of living expenses after retirement
for Lesotho public servants.
Research supervisor: Prof Helena Van Zyl

It is a requirement of our MBA qualification that all students undertake a practical research project (a field study) in their final year of study.

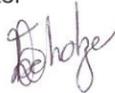
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Thank you for your assistance in this regard.

Yours sincerely

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APPENDIX B: RETIREMENT QUESTIONNAIRE

AWARENESS OF LIVING EXPENSES AFTER RETIREMENT QUESTIONNAIRE

The objective of this study is to determine the awareness of living expenses after retirement for the Lesotho Public Servants.

The questionnaire is sub-divided into two sections. In section A you are required to provide your biographical data by ticking the relevant boxes. Section B comprises of sixteen questions in which you are also requested to tick the appropriate boxes and one last question in which you are expected to provide your own views.

Kindly answer each question as authentically as possible for best result.....

SECTION A

RESPONDENT'S AGE: 19-35 36-40 41-50 51-55 56-59

MINISTRY (please write down the ministry in which you are currently working):

LEVEL IN THE ORGANISATION:

GRADE (C-F)

GRADE (G-H)

GRADE (I-K)

MARITAL STATUS:

SINGLE

MARRIED

DIVORCED

SEPARATED

SPOUSES'S LEVEL IN ORGANISATION (in case of married respondents):

OPERATIONAL

MIDDLE MANAGEMENT

TOP MANAGEMENT

SECTION B

1. AT WHAT AGE WERE YOU PERMANENTLY EMPLOYED BY THE LESOTHO GOVERNMENT?

- a) b) c) d)

2. WHEN WOULD YOU LIKE TO RETIRE?

- a) b) c) d)

3. AT WHAT AGE DO YOU THINK YOU WILL AFFORD TO RETIRE?

- a) b) c) d) e)

4. ***“FOR MANY PEOPLE, THE CONCEPT OF RETIREMENT IS CHANGING. SOME PEOPLE WORK THE JOB THEY HAVE ALWAYS WANTED (e.g. mentoring youth, continuing in their line of work but on consulting basis, pursuing a different career)”.***

I WILL HAVE TO WORK IN RETIREMENT TO SUPPLEMENT MY PENSION INCOME

- a) b) c) d)

5. MY RETIREMENT INCOME WILL ACCOMMODATE MY LIVING EXPENSES

- a) b) c) d)

6. I HAVE OTHER RETIREMENT FUND(S) BESIDES THE DEFINED CONTRIBUTION PENSION FUND PROVIDED BY THE LESOTHO GOVERNMENT

- a) b) c) d)

7. I PLAN TO JOIN ANOTHER PENSION FUND(S) TO SUPPLEMENT THE DEFINED CONTRIBUTION PENSION FUND PROVIDED BY THE LESOTHO GOVERNMENT.

a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

8. I PLAN ON DOWNSIZING MY RESIDENTIAL HOME IN RETIREMENT

a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

9. I HAVE OTHER INCOME THAT I EXPECT TO RECEIVE IN RETIREMENT (e.g. from the sale of property, rental properties or side business, etc)

a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

10. I HAVE SUBSTANTIAL (HUGE) AMOUNTS OWED THAT I EXPECT TO CARRY INTO RETIREMENT

a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

11. I EXPECT MY CHILDREN TO BE IN SCHOOL DURING MY RETIREMENT

a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

12. I HAVE SAVINGS IN PLACE FOR MY CHILDREN'S EDUCATION

a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

13. ***"HEALTH AND LONG-TERM CARE POSE A RISK THAT UNFORESEEN SERIOUS ILLNESS OR DISABILITY MAY HAVE DRAMATIC CONSEQUENCES THAT CAN DERAIL A PENSION PLAN"***.

I PLAN TO HAVE MEDICAL AID IN RETIREMENT

a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

14. I HAVE FINANCIAL BACKUP IN CASE A COSTLY ILLNESS STRIKES IN RETIREMENT

- a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

15. ***“MEDICAL ADVANCES ENABLE MORE PEOPLE TO HAVE LONGER LIFE SPANS”.***

I THINK MY EXPECTED RETIREMENT INCOME WILL LAST ME INTO THE UNFORESEABLE FUTURE

- a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

16. I REVIEW MY PENSION PLAN STATEMENT REGULARLY?

- a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree

17. WHAT FACTORS DO YOU THINK HAVE THE GREATEST IMPACT ON YOUR ABILITY TO AFFORD YOUR RETIREMENT?

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THANK YOU VERY MUCH FOR TAKING YOUR TIME TO RESPOND TO THIS QUESTIONNAIRE!!!!