

Determinants of Pension Funds Planning for Family in East Nusa Tenggara Society (Southwest Sumba), Indonesia

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ABSTRACT

Prosperity in old age is the ideal of every human being, where workers can enjoy all activities or the preference they could not do during work time. This prosperous pension period will be realized if the individual is able to apply financial knowledge well, has the ability to manage finances, has future-oriented thinking, sets aside income received each month for well-prepared pension, and reduces high materialistic characters. This research aimed to figure out the relationship of financial knowledge, future orientation, income, materialism and financial management to pension fund planning in the East Nusa Tenggara (NTT) society (Southwest Sumba). The analysis technique used was Partial Least Square (PLS) assisted by WarpPLS software. Respondents selected in this research were 137 people with the criteria of having domiciled in Southwest Sumba regency, employed and having a minimum income of Rp. 3,000,000 per month. Based on the analysis conducted, the results stated that future orientation and materialism

had a relationship to pension fund planning, financial knowledge and income had no relationship to pension fund planning and financial management did not mediate the relationship between financial knowledge and pension plan planning.

KEYWORDS

Financial Knowledge, Financial management, Future Orientation, Revenue, Materialism and Pension Fund Planning, descriptive design, Indonesia

INTRODUCTION

The preparation for sufficient pension fund will make a family live well in old age (Unola & Linawati, 2014). Pension fund planning is categorized in long-term planning that must be done by individuals so that pension fund planning has become one of the important things at this time. Individuals who already have permanent jobs keep thinking about pension fund planning because such planning will be a burden on the individual if done when approaching pension period (Moorthy *et al.*, 2013). Pension fund planning is an important financial plan because the life cycle of humans will experience an increase in needs, either in health funds, family education funds, or funds for an investment which also includes funds that must be prepared for pension period. The increase in these needs is not necessarily accompanied by the happening of changes in conditions experienced by humans either physically or emotionally.

Moreover, pension fund planning will not be well prepared if the family does not run the financial management of their family properly. Financial management in the family is a very important thing to do as it is related to the economic prosperity of the family. The financial management in question is financial planning, which includes information on expenses and income recorded in detail. At this time, the workers feel that the pension fund is very important and needed to be planned and prepared to support the pension period to remain in welfare. So the wider society is required to study financial knowledge.

The financial knowledge owned by the society will later help implement financial planning that has been prepared previously. According to research conducted by Silvy & Yulianti (2013) at this time, the community lacks financial skills, both basic and more complex knowledge, whereas financial knowledge is the most important part of life because it is very useful during financial decision-making processes. Another factor that affects pension planning is the future orientation planned by the society.

Seginer (2003) stated that future orientation is the tendency to think about the future and as a concern about the results of current actions for the future. The future orientation is also related to expectations, standard goals, planning, and goal achievement strategies, where this orientation is the most important thing for the society as it involves readiness in facing the future which means that they have anticipated future happenings.

The example is planning pension funds. Another factor that determines prosperous pension fund planning is the income of society. Income is measured based on income from all sources. The biggest component of total income is wages and salaries. In a study conducted by Hilgert, Hogarth, & Beverly (2003), respondents with lower income were very unlikely to pay bills on time compared to respondents who had a high income.

Another determinant of pension planning is materialism. Materialism is a behavior that is more oriented to worldly ownership as very important aspect. Someone who has a high level of materialism will have an impact on financial management, where such people will be very concerned about the shopping activities that must be done to fulfill the uncontrolled desire for shopping. Nye & Hillyard (2013) state that the attitude of materialism that tends to be high will greatly negatively affect financial management and if this happens the plan for pension funds will not be managed properly and even unthinkable. With the explanation described earlier, researcher was interested in conducting research under the title “Determinants of Family Pension Planning Funds in Southwest Sumba Society, NTT”.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Pension is a period when all workers will take a break from their work activities. This is usually related to the arrival of individuals at the productive age limit. The increasing of age causes productivity not to be the same as during a productive age so that it requires a plan for when reaching the age that is no longer productive, old age can still undergo prosperity.

The high level of satisfaction received by workers when they reach pension period indicates that when they are productive these workers are active in preparing for their pension plans (Topa, Moriano, Depolo, Alcover, Morales, 2009). A similar thing was said in a study conducted by Moorthy et al. (2012). In productive age in the range of 26-35 years it is very likely that workers have very good thoughts and behavior in terms of planning for pension funds early on. This is because workers feel that they have enough time to prepare their pension funds. Prosperous pension fund planning will be realized by the family if the plan is supported by several factors, that the family must have sufficient financial knowledge to be able to make financial decisions properly.

Research conducted by Irwanto (2018) stated that financial knowledge is the most critical basic factor because it is very helpful in the financial decision making process. Individuals who have good knowledge will use the funds as needed and this will make the producers of goods create products according to their needs (Irwanto, 2018). Silvy & Yulianti (2013) stated that the need to have financial knowledge is the main thing that must be known and developed. From this, individuals will have expertise in finance and be able to use financial tools. Besides having good financial knowledge, in realizing

a prosperous pension, family must be able to do the right financial management.

At present the society is in a high culture of consumerism and is also followed by the increasingly high price of needs. This makes the individual must be able to manage the income received. If the income received is high enough, but the individual is not able to manage finances well, it will be wasted. Irwanto (2018) stated that financial management has a strong relationship with how individuals are responsible for managing their finances. The responsibility in question is by managing money and assets using productive methods. Individuals who have good ability in managing finances can be ascertained that at the present time they are able to live in prosperity and at times when they are unproductive they remain in a prosperous condition. This is in accordance with Yushita (2017) in her research stating that financial difficulties will occur if the individual makes a mistake in financial management, so that financial management capabilities are needed and supported by good financial knowledge. In addition to good financial knowledge and ability in financial management, each family must have a future-oriented mindset so that it can help in planning the future.

Families who want a prosperous pension must have future-oriented thoughts. Future orientation is a picture of the future that is formed from a collection of attitudes and thoughts from the past that interact with information and the environment used as a shaper of the future; goals and aspirations that provide insight into future happenings (McCabe & Barnett, 2000). Future orientation involves struggling between short-term and long-term results of one's behavior and is expected to have a major influence on individual financial planning. What is even more important is that future orientation is used as a guideline for behavior related to pension planning decisions (Howlett, Kees, & Kemp, 2008). In addition, the factor that supports pension fund planning is income.

According to economics, income is the presence of a maximum value that can be consumed by a person or individual in a certain period by expecting the same condition at the end of the period which will be the same in the original state. Unola & Linawati (2014) stated that the higher the income received by a person, the higher the person's ability to prepare funds for their pension. It can also be said that the individual is ready to prepare their pension fund. Another factor that can determine pension fund planning is materialism. Materialism is one's view that states that material is measured by success or happiness, for example, seeing the success of others based on their possessions. It is considered that the respondent has a view of all goods owned is important. If this happens, it can be said that society feels that the goods owned have uses and benefits as needed.

Financial Knowledge and Pension Fund Planning

Irwanto (2018) stated that the knowledge or information obtained at the education level would hone financial knowledge. This is because financial knowledge is a very important basic factor in the financial decision making process. Similarly, research conducted by Fornero & Monticone (2011) states that financial knowledge has

a very positive impact on future planning, where respondents can obtain this knowledge from formal and informal education. Putri & Rahyuda (2017) stated that individuals who have good financial knowledge could be used as consideration in making financial and investment decisions; on the contrary if individuals do not have good financial knowledge, errors will arise in the decision making process in preparing for future planning. The same is the case with Cummins, Haskell & Jenkins (2009) research; financial knowledge is one of the most important factors for achieving success in life, so knowledge of good and right financial management must be known by both individuals and wider society. The more knowledge one has about financial planning shows that the individual is more capable and has good thoughts about future planning. This will affect the prosperous short and long term planning (Astuti & Hartoyo, 2013).

H1: Financial knowledge has a relationship with pension fund planning.

Financial Management mediates Financial Knowledge and Pension Fund Planning

The ability of individuals to conduct financial management will greatly affect each financial plan, either short-term, in this case related to a number of obligations, learning, or for long-term planning such as preparing funds for the future; in this case the individual has retired.

Similar to the research conducted by Yushita (2017) regarding future plans, one of which is planning pension funds. Such planning is one form of wise planning because by planning individuals will set aside a number of income received to invest in a more prosperous old age; by including the planning in financial management activities, the individual has made a reduction in the risk of movement that is far from a prosperous future. This happens because the individual already has good financial knowledge.

Silvy & Yulianti (2013) stated that financial management must be supported by financial knowledge. In addition, it is also very necessary for planning both short and long term planning. The way to achieve this goal is to make investments, allowance for funds or savings and allocate funds. By doing proper financial management, these individuals will not be trapped in the nature of consumerism and a number of financial plans will be achieved.

In the research conducted by Dowling, Tim, & Hoiles (2009), every individual and family who has good knowledge is able to do financial management well. They can create the amount of wealth needed also prepared to meet current needs and needs when they are no longer productive or reach pension period. Therefore, research conducted by Yushita (2017) concludes that financial difficulties not only occur because of the low income received but also because the individual is not able to manage finances well due to lack of good financial knowledge.

H2: Financial management mediates financial management and pension fund planning.

Future Orientation and Pension Fund Planning

Having future-oriented thoughts is expected to contribute well in planning pension funds in order to prosper in old age. By having the principle of future orientation, individuals will be more careful in making decisions and making improvements for actions that will have a positive influence for the future, for example by carrying out financial planning and productive actions. Fornero & Monticone (2013) stated that people who have been oriented towards the future can certainly have the ability to manage finances.

It is a guarantee of welfare and will make people avoid mistakes in decision making so that they to make the right financial decisions to achieve future goals. This statement is supported by previous research conducted by Howlett, Kees, & Kemp (2008) stated that future orientation has a positive impact on pension planning. Based on this future orientation, individuals have had behaviors that have been carried out and will be carried out in the future.

H3: Future orientation has a relationship with pension fund planning.

Income and Pension Funds Planning

Unola & Linawati (2014) stated that the higher the income received by someone, the higher the person's ability to prepare funds for their pension. So that it can be said that the individual is ready to prepare for their pension funds. Similar to the research conducted by Irwanto (2018) stated that individuals with large incomes tend to have good financial management and responsible behavior. This is because the funds owned are large enough so that individuals have a big responsibility in managing them.

However, this is different from the research conducted by Rita & Kusumawati (2011). They stated that the higher the income received by individuals, the smaller the funds saved for pension planning. This is because the individual's desire to use the income for consumption is higher. This is similar to the research conducted by Al Kholilah & Iramani (2013). They stated that the higher the income of the individuals, the worse the financial management, both in the short term and in planning the future. This is due to the increasing desire to consume which is not only for needs but for everyday desires.

H4: There is a relationship between income and pension fund planning

Materialism and Pension Fund Planning

Someone with a high level of materialism will have an impact on planning in the future because the person will be very concerned about the shopping activities that must be done to fulfill the uncontrolled desire for shopping. The high desire for shopping makes one forget to manage their finances, even though managing finances well will help retire financial planning. The more materialist someone is, the worse

the future financial management behavior will be. This is because materialism is an individual behavior that shows unplanned shopping patterns. Nye & Hillyard (2013) stated that the attitude of materialism that tends to be high will have a very negative effect on financial management and if this happens the pension fund planning will not be managed properly and even unthinkable.

People who have high materialistic values will tend to prefer unplanned consumption activities. That is, the higher the level of materialism, the worse the level of financial management, and it can be ascertained that there are no pension funds saved for future welfare.

H4: Materialism has no relation to pension fund planning.

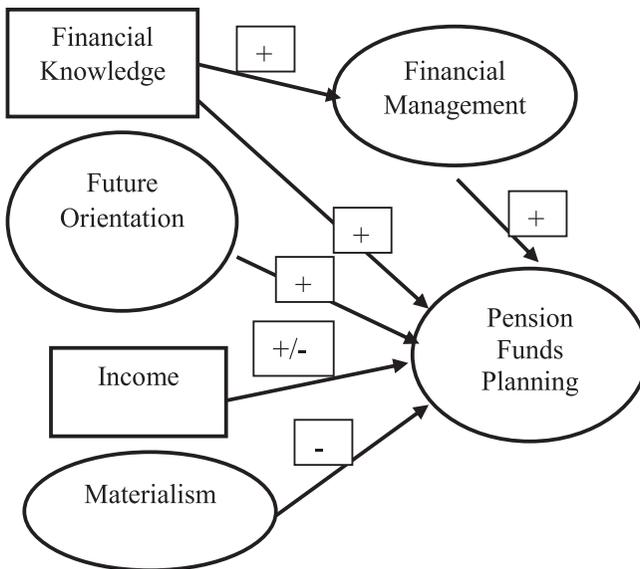


Figure 1: Framework of Thinking

RESEARCH METHOD

Based on the theoretical foundation and research hypothesis, there are 5 variables in this research, which were:

Exogenous variable (X) is financial knowledge where the indicators are basic knowledge of finance, savings and loans, insurance and protection and investment. Measurement of this variable used a ratio scale that is true or false. Future orientation was measured using indicators, namely the desire for a prosperous old age, continuing to work in old age, actions or activities carried out for old age, motivation to do saving

for old age. Measurement of this variable used the interval scale with a range of strongly disagree to strongly agree. Income in the measurement of this variable applied an ordinal scale with a range of Rp. 3,000,000 up to more than Rp. 15,000,000. Materialism was measured by using indicators, namely more selfish attitudes, a level of lifestyle that is full of ownership, respect for ownership, and pride in ownership. Measurement of this variable used the interval scale with a range of strongly disagree to strongly agree.

Endogenous variable (Y) is that pension fund planning was measured using indicators, namely allocation for pension funds, old age insurance, business preparation for old age, thoughts of prosperous old age. Measurement of this variable used the interval scale with a range of strongly disagree to strongly agree.

Mediation variable is financial management that is measured by using indicators of controlling expenses, paying bills on time, financial planning, Measurement of this variable used the interval scale with a range of strongly disagree to strongly agree.

The population in this research was the entire society of Southwest Sumba Regency. The sampling technique in this research applied to Purposive sampling. Sampling was based on criteria. The criteria for selecting samples in this research were a minimum income of Rp. 3,000,000 and had work experience of more than 2 years. The number of questionnaires distributed by researchers was 137. The researchers obtained data in the form of primary data using a survey method with a tool in the form of a questionnaire to be filled out by the respondents. The analysis technique used was Partial Least Square (PLS) and the software used was WarpPLS.

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive analysis in this research provided an overview or description of the data regarding the variables studied reviewed from the mean value.

Table 1; Descriptive Variables of Pension Fund Planning

Pension Funds Planning	
Indicators	Mean
Allocation of old day funds	4.29
Old age assurance	3.99
Preparation/effort carried out for old age	3.82
Thoughts about old-age prosperity	4.24
Preparation of old age funds	4.08
Average	4.08

Financial Management	
Controlling the expenses	4.20
Paying bills on time	4.33
Making financial planning	4.11
Saving money	4.27
Developing funding for oneself and family	3.98
Important pension fund products for families	4.11
Important investment product for the family	4.06
Having several types of investments (houses, etc.)	3.97
Average	4.13
Future Orientation	
Desire for a prosperous old age	4.41
Desire to keep working in old age	4.19
Actions taken for old age	4.40
Actions taken for old age	4.37
Future depends on current financial management	4.25
Getting motivated to do saving for old age	4.26
Preparing sufficient funds for old age	4.26
Average	4.30

Table 2. Descriptive Variables of Financial Knowledge

Indicators	Correct Answer		Wrong Answer	
	Total	Percentage	Total	Percentage
Basic financial knowledge	125	91.2	12	8.8
Knowledge of savings and loans	51	37.2	86	62.8
Knowledge of savings and loans	109	79.6	28	20.4
Knowledge of insurance and protection	115	83.9	22	16.1
Investments	85	62	52	38
Average	97	70.78	40	29.22

Source: Data processed

Table 3: Descriptive Variable of Income

Indicators	Total	Percentage
3.000.000 - 6.000.000	89	69
6.000.000 - 9.000.000	9	7
9.000.000 - 12.000.000	10	8
12.000.000 - 15.000.000	6	5
≥ 15.000.000	14	11
Total	137	100

Source: Data processed

Table 4: Descriptive Variable of Materialism

Indicators	Mean
Tendency to have a more selfish nature	3.00
Having a level of lifestyle that is full of ownership	3.47
Having an attitude of respect for ownership	3.08
Admiring individuals based on luxury	2.95
Being proud of luxury owned	3.01
Average	3.12

Source: Data processed

Pension Funds Planning

Variable indicator of Pension Fund Planning that had the highest average value was “Allocation for old age funds” with a value of 4.29, whereas for the statement that had the lowest average value was “Preparation/effort made for old age” that had a value of 3.82.

Financial Management

Variable indicator of Financial Management that had the highest average value was “saving money” with a value of 4.27, while for statements that had the lowest average value was “Having several types of investment (house, etc.)” with a value of 3.97.

Financial Knowledge

The statement that had the most correct answer was the statement about “Basic financial knowledge” (PK 1) with the number of respondents who answered this statement correctly was 125 respondents, while the statement that had the most wrong answer was the statement about “Knowledge of savings and loans “(PK2) with the number of respondents who answered incorrectly was 51 people.

Future Orientation

Variable indicator of Future Orientation which had the highest average value was the statement of “Desire for prosperous old age” with a value of 4.41, while the statement that had the lowest average value was “Desire to continue working in old age” with a value of 4.19 .

Income

The majority of family income from the people of East Nusa Tenggara, especially Southwest Sumba, is for respondents with the highest number of income that is in the range of Rp. 3,000,000 to 6,000,000 with 89 respondents (69%), while respondents with the smallest number were 6 respondents (5%) in the income range of Rp. 12,000,000 up to 15,000,000.

Materialism

Variable indicator of Materialism which had the highest average value was “having a level of lifestyle full of ownership” with a value of 3.47, while for statement that had the lowest average value was “Tendency to have a more selfish nature” with a value of 3.00.

Validity and Reliability Test Results

Based on the results of the validity test and reliability test in this research, the researchers stated that the indicator can be said to be valid if each indicator has a factor loading greater than 0.4 - 0.7, while the results of indicator reliability test can be said to be reliable if it has an alpha cronbach or Composite Reliability of 0.6. So that it can be explained that the data received with the help of the questionnaire is valid, then based on the reliability test, all constructs tested are reliable.

Partial Least Square Test

Partial least squares (PLS) was used as a statistical analysis tool that is by using Warp PLS. Testing this data analysis technique was done through stages - stages, that was by using PLS test analysis. Based on the results of the analysis using WarpPLS software, results are obtained as shown in Figure 2:

After testing, the researcher obtained the results. The results of the test can be clearly seen in Table 5:

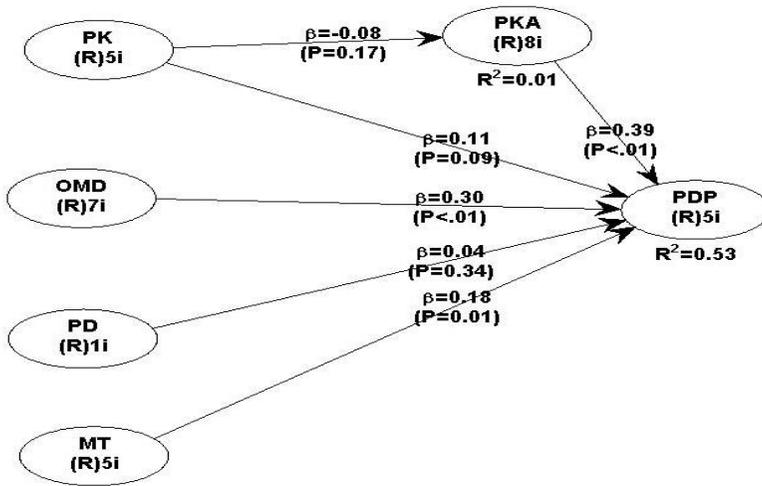


Figure 2: PLS Research Model

Table 5: Hypotheses Testing Results

		Path Coefficient (β)	p-Values	Sig	Remarks
PK	PDP	0.11	0.09	0.05	Non-significant
PK	PKA	0.08	0.17	0.05	Non-significant
OMD	PDP	0.30	<0.01	0.05	Significant
PD	PDP	0.04	0.34	0.05	Non-significant
MT	PDP	0.18	=0.01	0.05	Significant
R squared coefficient PKA					0.01
R squared coefficient PDP					0.53

Source: Data Processed

Based on table 7, the results of hypothesis testing stated that there are three variables that have a non-significant relationship and two variables that have a significant relationship.

Hypotheses Testing Results

The Effect of Financial Knowledge on Pension Fund Planning had a P-Value value of $0.09 > 0.05$, so that it can be explained that Financial Knowledge had a non-significant effect on Pension Fund Planning. The effect of Financial Knowledge on Pension Fund Planning mediated by Financial Management had a P-Value value of $0.17 > 0.05$, so it can be explained that Financial Knowledge had a non-significant effect on Pension Fund Planning mediated by Financial Management. The Effect of Future Orientation on Pension Fund Planning had a P-Value value of $0.01 < 0.05$. This result

states that Future Orientation had a significant effect on Pension Fund Planning. The Effect of Income on Pension Fund Planning had a P-Value value of $0.34 > 0.05$. It can be explained that income had a non-significant effect on Pension Fund Planning. The effect of Materialism on Pension Fund Planning had a P-Value value of $0.01 < 0.05$, this means that Materialism had a significant effect on Pension Planning.

In the first hypothesis, the researchers conducted a test on the effect of Financial Knowledge on Pension Fund Planning. The results of hypothesis testing in this research proved that Financial Knowledge had a non-significant effect on Pension Fund Planning. The results of this research are not in accordance with the research conducted by Bucher-Koenen & Lusardi (2011) stating that respondents who have good financial knowledge will create a desire to develop financial plans in order to have a prosperous old age. Another study conducted by Fornero & Monticone (2011) also said that financial knowledge has a significant effect on Pension Fund Planning where this ability or knowledge is obtained from formal and informal education. Unola & Linawati (2014) stated that respondents with good financial knowledge ability would make respondents avoid mistakes in making decisions related to finance both in the short and long term.

In the second hypothesis, the researchers conducted a test on the effect between financial knowledge and Pension Fund Planning mediated by Financial Management. The results of hypothesis testing in this research proved that financial management did not significantly. In the third hypothesis, the researcher tests the effect of Future Orientation on Pension Plan Planning. The results of hypothesis testing in this study prove that Future Orientation has a significant influence on Pension Plan Planning on Pension Fund Planning. It means that Financial Knowledge owned by individuals does not provide guarantees in managing family finances, one of which is to conduct a Pension Fund Planning which is used during pension. In other words, the people of Southwest Sumba have enough knowledge related to finance, but often there are mistakes in their management due to frequent happenings of unexpected and urgent needs that cause the funds provided to be used for this purpose, a number of plans that have been prepared relating to the future are often delayed.

This result is very different from the research conducted by Silvy & Yulianti (2013) stated that Financial Knowledge would make a major contribution to the family's Financial Management capability so that it can prepare a number of funds to be used in the future. It is the same as the research conducted by Perry & Morris (2005) which states that having good financial knowledge will be able to carry out more responsible financial management so that individuals will be better at preparing pension plans.

In the third hypothesis, the researchers tested the effect of Future Orientation on Pension Plan Planning. The results of hypothesis testing in this research showed that Future Orientation had a significant effect on Pension Plan Planning, so families with future-oriented thoughts would also be better in preparing plans related to pension funds that would be used in pension period. Research conducted by Fornero &

Monticone (2013) stated that people who are oriented towards the future will be able to make decision-making processes related to finance in order to achieve future goals. Similar to the research conducted Howlett, Kees, & Kemp (2008), future orientation has a positive impact on pension fund planning because future-oriented individuals have actions to be taken and have prepared actions that will later be carried out.

In the fourth hypothesis, the researchers conducted a test on the effect of Income on Pension Plan Planning. The results of hypothesis testing in this research proved that income had a non-significant effect on Pension Fund Planning. The area for distributing questionnaires, which is Southwest Sumba Regency, is one of the new regencies. This regency has become a tourist destination so there are many recent trends that force people always follow every change. This causes many families to ignore the plan for pension funds that will be used when they are no longer productive. This is supported by research conducted by Silvy & Yulianti (2013) which stated that the increase in life necessities is not comparable with the income received so that respondents tend to ignore pension fund planning. If this happens, upon reaching pension the family experiences regret and ends up with not having a prosperous life. Research conducted by Rita & Kusumawati (2011) stated that the higher the income received by the family, the less funds are set aside to conduct pension fund planning. This is caused by the higher income, the higher the desire of respondents to use the income for consumptive activities. Similar to the research conducted by Al Kholilah & Iramani (2013), the higher the level of income received, the worse the financial management will be because the desire to carry out consumptive activities is higher.

In the fifth hypothesis, the researchers conducted a test on the effect of Materialism on Pension Plan Planning. The results of hypothesis testing in this research proved that Materialism had a significant effect on Pension Fund Planning. Significant results are caused by the tendency in this study whose direction states that this materialism is measured by ownership which indicates that the family or individual is successful. Research conducted by Frey & Stutzer (2002) stated that materialism has a bad effect on pension preparation because this materialism makes individuals tend to use their income for consumption or that individuals are more concerned with shopping and following all the trends that occur, so the family ignores saving activities to prepare a pension that will be used for prosperity in the old age. Similar to the research conducted by Nye & Hillyard (2013), they stated that the attitude of materialism that tends to be high would have a very negative effect on financial management. If this happens, the planning of pension funds will not be managed properly. People who have high materialistic values will tend to prefer unplanned consumption activities. It means that the higher the materialism, the worse the level of financial management and it can be ascertained that there are no pension funds stored for prosperity in the old age.

CONCLUSIONS

Based on the results of data analysis and discussion above, the results obtained are as follows: Financial Knowledge has a non-significant effect on Pension Fund Planning; Financial Management does not mediate the Relationship between Financial Knowledge and pension fund planning; Future Orientation has a significant effect on Pension Fund Planning. Income has a non-significant effect on Pension Fund Planning; and Materialism has a significant effect on Pension Fund Planning. In this research, the limitations found by the researcher were that the R2 obtained was 0.52. This indicates that the model obtained in this research was “Moderate” which means that only 52% of Pension Fund Planning variables can be explained by Financial Management, Financial Knowledge, Future Orientation, Income and Materialism, while the remainder is affected by factors outside the variables.

From the limitations of the research and also the discussion explained by the researcher, the researcher give suggestions to future researchers, among others: The future researcher can develop the theme of this research further to get better results. The future researcher can also add several variables that also affect the Pension Fund Planning variables. The society is also expected to enhance further the outlook that is oriented towards the future so that it can help plan the prosperity of the pension. Besides, the level of materialism that is owned by the society, in this case, the success that has been achieved, hopefully, can make the society think more about a prosperous life when they are no longer productive.

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