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RETIREMENT TRAINING ON FINANCIAL MANAGEMENT SKILLS AND AUTONOMY OF PERSONNEL IN THE EDUCATIONAL SECTOR IN BAYELSA STATE

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Abstract

This study focused on the need for retirement training on financial management skills as a predator for a healthy financial autonomy of personnel in the education sector in Bayelsa State, as they disengage from active service. This paper concluded with vital recommendations that, government should provide adequate training programmes on financial management skills, to enhance personnel's knowledge on saving and investment for a perfect financial autonomy towards retirement.

Keywords: Retirement Training, Autonomy, Financial Management, Education Sector

Introduction

As older workers in the education sector in Bayelsa State, approaches the end of their working career, they face a series of important decisions that will determine their economic wellbeing during their remaining lifetime; some of which are irreversible (Fapohunda, 2013). These choices will determine in part, the level of income in retirement. The sensitivity of income to economic fluctuations, and the ability to maintain consumption through retirement, Fapohunda (2013)

stated that, in order to successfully make the transition into retirement, individuals will need to rely on their knowledge about retirement training programs offered by their employer and by the government. Without accurate information and sufficient financial literacy, individuals may make adequate employment and investment choices that could have significant effect in the retirement years of personnel in the education sector in Bayelsa State.

Retirement Training

As new retirement training programmes becomes available, individuals re-optimize their consumption and savings behavior, and may alter their retirement expectations (Vankil, 2019). The primary retirement goals that individual set are the age that they will retire and the level of income they will have in retirement. A fundamental principle in retirement planning is that younger retirement ages and higher retirement income require more savings and less consumption throughout the working life (Fapohunda's 2013).

Clark, & Ambrosio (2016) stated that, the most important decisions facing employees closer to retirement are no longer how to acquire additional wealth for retirement, instead they need adequate on how to best use the resources available to them. Limited evidence suggest that older workers do not have sufficient knowledge or financial literacy to make the choices that must be made as individual make transition from work to retirement (Lasardi and Mitchell 2017,) discovered that, unprecised, inadequate and insufficient knowledge can lead to sub-optimal choices. Thus, training programs that increase financial literacy and retirement programme knowledge that can improve retirement decisions and produce good retirement outcomes, should be made available to employees throughout their service life.

Lusardi, & Mitchell, (2017) indicated that, pre-retirement planning seminars can completely address the numerous question and concerns that employees approaching retirement share, i.e., reduce human resource (HR) transaction cost of the firm. Some of the most important decisions older workers must take are;

1. When to leave his or her career job?
2. Whether to take a lump sum distribution from a defined benefit pension plan or to accept the amity option?
3. When to start social security benefits
4. Whether to annuitize all or part of 401 (k) and or 403(b) account balance?

5. How to change investment strategies in retirement?

Furthermore, how can employees acquire the need knowledge to make these key decision? One resource available to some workers is employer sponsored pre-retirement planning training programmes. These training programs allow organization to efficiently provide detailed information to their employees that are approaching retirement. This programmes vary substantially in length, content, and presentation. Although, many believe this type of programmes is beneficial to employees, relatively little is known about the effectiveness of these programmes in enhancing the knowledge of and altering the retirement decisions of employees (Lusardi, and Mitchell, 2017).

Financial Management Education

OECD, (2015), focused on the role of financial management education, in helping individuals save for retirement . Financial education is particularly important in this field, and how financial education programmes can be combined with other mechanisms to increase retirement savings and make retirement incomes more adequate and secure. Further work is required. It may for instance include examining the evaluation of financial education programmes in more detail and providing case studies of successful projects, as well an analysis of specific issues (such as the role of financial education could play in improving the demand for annuity products, further work related to defined benefit (DB) and defined contribution (DC) pension plans, personal pension plans, consumer behaviour, pension risk awareness, etc.). Clark, & Ambrosio (2016) examines why financial education is required, especially in light of the changing nature of retirement saving, and distinguishes between pensions and retirement savings plans. In addition, the study looks at what is currently being done to ensure adequate retirement income, both in terms of financial education programmes and other related measures and assesses, where possible, the effectiveness of these programmes. OECD (2015) stated that, the need for financial education is increasing being recognized in relation to all financial products, which focuses on the growing need for financial education in relation to retirement savings, and income autonomy of personnel in the education sector.

Nwanegbojaja (2017) argued that, both defined benefit and defined contribution schemes are considered as pension plans. Retirement savings is used to describe other, non-pension, retirement products, such as insurance products, tax-incentivized savings

etc. As the report will explain, financial education is particularly important for defined contribution type pension plans, which is one of the major aspect of this study. However, financial education cannot be ignored even within the context of defined benefit pensions or other retirement savings products involving guarantees. Financial education broad definition developed for the OECD study, simply means, improving financial literacy, analysis of issues, and control policies (OECD, 2015). Using a definition that includes elements of information, instruction, and advice, this study is as inclusive and comprehensive as possible in the identification, description, and analysis of financial education programmes.

According to OECD (2015) financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial autonomy well-being where:

- Information involves providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices, and consequences;
- Instruction involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance;
- Advice involves providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received.

Finally, financial management education also needs to be distinguished from consumer protection, although there is some overlap between the two. The provision of information on financial issues is common to both and they share the same goal of ensuring the well-being of consumers and shielding them from harm. They do, however, take different approaches, with financial education supplementing information with instruction and advice, while consumer protection emphasizes legislation and regulation designed to enforce minimum standards, require financial institutions to provide appropriate information, strengthen the legal protection of consumers, and provide for systems of redress.

The two should, however, be seen as complements rather than substitutes as it is important for both consumer well-being and for the effective operation of financial markets that consumers have full knowledge of the range of products available and of various contractual rights and obligations. Some consumers can acquire this knowledge through financial education programmes. However, others may be either unable or unwilling to do so and for these individuals consumer protection is important. A key goal is to avoid conflicts of interest, with care needed to ensure that financial education is used to educate and enable consumers whatever the retirement saving context – rather than for the promotion or advocacy of a particular form of pension or retirement income system (Coile, 2015).

Low levels of financial literacy effect on retirement saving and income autonomy.

The OECD (2015) study on financial education, improving financial literacy, analysis of issues and Policies, concluded that there is a lack of financial knowledge and awareness amongst personnel in the education sector with a number of similarities for example:

- low level of financial understanding among personnel.
- financial understanding is correlated with education and income autonomy levels;
- respondents often feel they know more about financial matters than is actually the case;
- consumers feel financial information is difficult to find and understand. Not only do consumers have low levels of financial literacy in general, they often lack a good understanding and knowledge of pensions and retirement saving plans and income autonomy. (Burn et al. 2020) For example:

1. Financial Education Needs According to Type of Retirement Plan, individuals are now saving for retirement in a variety of ways, including public pension provisioning, occupational pensions, and personal retirement saving plans. The level of financial education and type of information required does vary according to the characteristic of the retirement saving product chosen. For example, a deeper level of understanding would seem necessary for systems where individual choice is involved at all levels and where public pensions provide only a limited safety net in terms of personnel retirement income, autonomy, whilst less intensive knowledge may be deemed appropriate where individuals still rely on public pensions and do not have individual

responsibility for investment choices (as demonstrated in the simple matrix below).

The necessity to improve financial education should be seen as universal, applying also to environments with defined benefit pension plans or other retirement savings products involving guarantees.

Current Financial Management Training Programmes Related Approaches and Evaluations

Solem et al (2016) revealed how, financial education is urgently needed, and can play an important in helping workers achieve an adequate retirement income. However, financial training should be seen as only part of a broader strategy for achieving this goal. The following diagram illustrates various tools which have and can be used in combination by different countries to achieve the goal of helping to ensure adequate retirement incomes for their populations (OECD, 2015).

Understanding of Investments:

Financial education can contribute to the well-being of workers in retirement by providing them with the information and skills to make wise investment choices with both their pension plans and any individual savings plans. Programmes can provide workers with both basic financial information such as the trade-off between risk and return and the value of compound interest and more specific information about the advantages and disadvantages of particular types of investments. In Ireland, for example, the Irish Financial Supervisory and Regulatory Authority (IFSRA) is currently in the process of preparing two information booklets which will highlight the costs and risks involved with all forms of pension products. In addition, the Pensions Board and the Consumer Association of Ireland have published an information booklet on private pensions. Meanwhile in the United Kingdom, the Financial Supervisory Authority (FSA) requires providers of consumer products to produce explanatory documents and is currently bringing out a key facts document which outlines proposals to make the information contained in the explanatory documents more straightforward, and to be given a sharper focus. Financial education programmes can also contribute to the well-being of workers by teaching them to be wary of schemes that promise high returns with low risks and by helping them ask the right questions about financial products and services.

Improving the Ability of Financial Intermediaries and Pension Fund Fiduciaries

Clark & Ambrosio (2016) examined, the financial education for individuals particularly in an environment with defined contribution pension plans it is important to note that financial education programmes can also be targeted to the training of financial intermediaries. The licensing and training of those selling pension products and giving pension advice has been tightened in many countries. For example, the recently created Financial Services Act in the Netherlands requires that the financial advisor assess the financial situation of the consumer, determine the degree of risk the consumer is willing and able to take, and provide the consumer with all the information necessary to adequately judge the financial products and services offered.

Evaluations of Financial Education Training Programs With Respect to Retirement Savings and Income Autonomy:

Having discussed the need for financial education in general and specifically the growing need for financial education in relation to pensions, this study has set out some examples of programs run by different parties in various OECD countries. What can be said in terms of what works well in these programs, and what conclusions can be drawn?

Given the increasing responsibility of individuals for their retirement incomes, it is important that they make the best choices possible. Improving the financial knowledge of individuals will certainly play a role. Therefore, an assessment of the effectiveness of financial education programs in improving this knowledge and an evaluation of what approaches have worked well, is important.

Evaluations of financial education programs undertaken so far come from the United States. These can be classified as either subjective or objective. The subjective evaluations ask participants in the financial education program for their views about the information provided and about whether in response to this information they intend to change their behaviour by, for example, saving more or opening up a retirement account. This can be done by surveying participants both before and after they have taken a course in financial education. The objective evaluations identify some goal, such as an increase in participation rates or in contribution rates to a defined contribution plan, and then use data and statistical techniques to determine whether there is a significant relationship between attendance at a financial education programme and change in the goal variables, (OECD, 2015).

Objective Evaluations:

Bajer et al. (2020) study finds that participation in and contributions to voluntary savings plans [401(k) plans] are greater when employers offer frequent retirement seminars. The authors find that non-highly compensated workers experience the largest effects, with a 12 percentage point increase in participation rates and a one percentage point increase in the contribution rate. Highly compensated workers experience an increase in participation of six percentage points but no increase in contribution rate. Lusardi Mitchell (2017) also finds that, attending a retirement seminar increases workers savings. The effect of the seminars is especially strong for those with low levels of education and those with low levels of savings in the education sector.

Conclusion

The develop and developing nations are faced with the problem of retirement training on financial management skills as well as workers financial autonomy, as the disengage from active service therefore government and employees have to step up in some area where their lacking behind especially on retirement training of employees.

Recommendation

Bayelsa State government should be proactive in the promotion of retirement training on financial management skills programs for effective financial autonomy of personnel in the education sector particularly, those with Define Contributory pensions, (DC) who offers some form of education programs such as, retirement seminars and workplace financial training programs on saving. Therefore, to reduce planning cost, government should devised a strategic planning aid for new workers during employees orientation, to help them enroll in supplementary retirement accounts. For example, it breaks down the process of enrolling in supplementary pensions into several small steps describing to individual participants, what they need to do to be able to enroll online and to provide information that are needed to make decision about how much to contribute to those account to enable personnel in the education sector, to achieve a sustainable financial autonomy.

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