

**FACTORS AFFECTING RETIREMENT  
PREPAREDNESS OF URBAN YOUNG ADULTS IN  
MALAYSIA: THE MEDIATING ROLE OF  
TEMPORAL CONSTRUAL LEVEL**

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**2024**

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TEMPORAL CONSTRUAL LEVEL**

**by**

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**Thesis submitted in fulfillment of the requirements  
for the degree of  
Doctor of Philosophy**

**August 2024**

## ACKNOWLEDGEMENT

Someone once told me that writing a thesis and doing research is like bees making honey: it takes hundreds of flowers plus a gargantuan effort to yield a bit of sweet. Producing this thesis is no exception. Many people have contributed directly and indirectly to its final outcome, and to them I am ever grateful.

Specifically, I owe my supervisor, Associate Professor Dr Hasrina Mustafa, a debt of gratitude for her guidance and helpful comments throughout this gruelling journey. Let's face it, without her constant encouragement and kind support, I know for a fact that I would have not made it this far. On a personal level, I much appreciated her belief in my ability to successfully complete this project – the toughest one I have encountered in my life, perhaps because of the never-ending demand for my time in my professional work as well as some health challenges. I especially treasure her forbearance and her valuable as well as timely feedback over the years that has nudged and inspired me to really push on to complete this research. For that, I would like to record here my deepest thanks.

My family – beloved wife Choon Poh and son Ryan Ming-Yiao, of course, deserve every ounce of my love and gratitude. Their unconditional love, encouragement and support in this journey have been key for my attainment of academia's highest achievement, and for that, a big thank you to you both. You are both very special in my heart.

Last but not least, to my Lord Jesus Christ, in whom all things are possible, thank you for the precious gift of salvation and eternal life!

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## **LIST OF ABBREVIATIONS**

AIA	American International Assurance
AKPK	Credit Counseling and Debt Management Agency
BNM	Bank Negara Malaysia
CB-SEM	Covariance Based Structural Equation Modeling
COVID-19	Coronavirus disease, an infectious disease caused by the SARS-CoV-2 virus
CSPS	Civil Service Pension Scheme
EPF	Employees Provident Fund
FTP	Future Time Perspective
GDP	Gross Domestic Product
HIS	Household Income Survey
IPSOS	Institut de Publique Sondage d'Opinion Secteur
LIAM	Life Insurance Association of Malaysia
LISREL	Linear Structural Relations
MAMA	Malaysia Shopping Mall Association
MID	Malaysian Insolvency Department
MIS	Members Investment Scheme
NACSCOM	National Council of Senior Citizens Organisations Malaysia
NGOs	Non-Governmental Organisations
OECD	Organisation for Economic Cooperation and Development
PIDM	Malaysia Deposit Insurance Corporation
PLI	Poverty Line Income
PLS-SEM	Partial Least Squared-Structural Equation Modeling
PNB	Permodalan Nasional Bhd
PRMI	Personal Risk Management and Insurance
PRS	Private Retirement Scheme

SC	Securities Commission
SEM	Structural Equation Modeling
SmartPLS	A software with graphical user interface for variance-based structural equation modeling using the partial least squares path modeling method
SPSS	Statistical Package for Social Science
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action

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Appendix A	Checking for Errors & Investing Missing Values 2
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**FAKTOR YANG MEMPENGARUHI PERSEDIAAN PERSARAAN DALAM  
KALANGAN GOLONGAN MUDA BANDAR DI MALAYSIA: PERANAN  
PENGANTARAAN TAHAP KONSTRUAL SEMENTARA**

**ABSTRAK**

Pelbagai kajian persediaan persaraan telah dibuat dan sebilangan besar menyokong manfaat persediaan bukan sahaja dari sudut kewangan, tetapi dari sudut sosial dan psikologi juga. Namun bilangan besar kajian ini ditumpukan kepada populasi pesara. Hanya segelintir sahaja kajian dibuat ke atas golongan muda dan bagaimana mereka bersedia untuk menghadapi persaraan dalam hidup mereka. Pada dasarnya, kajian ini bertujuan untuk mengenalpasti dan menilai kesan beberapa faktor komunikasi terhadap persediaan persaraan [komunikasi berkesan, kekerapan berkomunikasi, komunikasi bermaklumat, komunikasi berdaya pujuk, sikap, pengaruh (keluarga dan rakan sebaya)] dan literasi kewangan, serta faktor demografik – terhadap golongan muda bandar di Malaysia dan juga bagaimana tahap kefahaman konstrual menjadi pengantara, suatu teori yang menyokong tanggapan bahawa corak kelakuan seseorang tergantung kepada peri pentingnya beliau menanggapi sesuatu di masa hadapan, seperti persaraan seperti dalam kajian ini. Contohnya, apabila seseorang membicarakan tentang masa hadapan yang lampau (tahap kefahaman tinggi) mereka akan mentafsirkan kedudukan dan situasi dengan lebih mujarad atau abstrak berbanding dengan membicarakan tentang masa hadapan yang dekat (tahap kefahaman rendah) di mana tindakan yang lebih nyata/maujud perlu diambil. Sebanyak 142 maklumbalas yang boleh dipakai dikumpul dan perlu digabungkan bersama analisis data. IBM SPSS versi Windows 25.0 dan Partial Least Squares-Structural Equation Modeling (PLS-SEM) digunapakai bagi mengenalpasti data,

menguji secara empirikal akan model kajian, menganalisis hubungan serta jawapan kepada soalan kajian yang diutarakan dalam kajian ini. Dapatan dari kajian ini mengesahkan kebenaran model kajian ini berdasarkan perhubungan ketara pada pembolehubah-pembolehubah kajian ini. Antara 12 hipotesis yang diuji dalam kajian ini, lima disokong. Daripada 11 hipotesis tidak secara langsung menguji peranan pengantara tahap kefahaman konstrual, lima disokong. Fokus kajian ini adalah untuk menyelidik hubungan antara faktor-faktor komunikasi ke atas tahap kefahaman dan persediaan persaraan di kalangan golongan muda bandar di Malaysia. Data statistik melihatkan kewujudan kaitan songsang antara tahap kefahaman dan persediaan persaraan, iaitu sekiranya tahap kefahaman seseorang itu tinggi, persediaan persaraan beliau adalah terbalik – atau rendah – menyokong kepada hipotesis ini. Data statistik juga memperlihatkan bahawa komunikasi bermaklumat, tahap pendapatan, sikap dan pengaruh sosial mempengaruhi betapa segera responden bertindak terhadap persediaan persaraan. Dapatan ini telah mengenalpasti faktor pengaruh utama yang boleh dianggap penentu persiapan persaraan yang dapat memantapkan lagi polisi sosio-ekonomi negara berhubung populasi pesara. Keputusan kajian empirikal menonjolkan pelbagai faktor dari perspektif khusus yang dapat membantu dan menyokong dalam pelan perancangan golongan muda bandar di Malaysia. Satu aspek kritikal yang dapat diolah dari hasil kajian ini adalah bahawa golongan muda dewasa bandar di Malaysia perlu dididik dan diberi pengetahuan tentang perancangan persaraan dengan segera.



**FACTORS AFFECTING RETIREMENT PREPAREDNESS OF URBAN  
YOUNG ADULTS IN MALAYSIA: THE MEDIATING ROLE OF  
TEMPORAL CONSTRUAL LEVEL**

**ABSTRACT**

There are numerous studies done on retirement preparedness and many have confirmed the benefits of being adequately prepared for the golden years, not just financially, but socially and psychologically as well. The bulk of these studies, however, have focused on the retiring population. Few studies, if at all, are done on youth on how they view retirement preparedness and how they are preparing for this inevitable event in their life. This study aims to identify and examine, in particular, the impact of the various communication factors on retirement preparedness [communication effectiveness, communication frequency, communication informativeness, communication persuasiveness, attitude, influence (family and peer)] as well as financial literacy and demographic factors – on urban young adults in Malaysia as well as how they are mediated by temporal construal level, a theory that espouses on people's behavioural patterns based on the urgency of how they perceive a future event, like retirement as in the case of this study. For example, when people deliberate on the distant future (high construal level), they would construe positions and situations more abstractly as opposed to the near future (low construal level) where more concrete actions need to be taken. A total of 421 usable responses were collected and incorporated into the data analysis. The IBM SPSS for Windows Version 25.0 and Partial Least Squares-Structural Equation Modeling (PLS-SEM) were employed to check the nature of data, empirically test the research model, simultaneously analyse the relationships as well as answer the research questions advanced in this study. The

findings confirmed the validity of the research model based on significant relationships of the study variables. Of the 12 hypotheses tested in this study, five were supported. And of the 11 indirect hypotheses testing the mediating role of the temporal construal level, five were supported. The focus of this study is investigating the relationship between the various communication factors on construal level and retirement preparedness of urban young adults in Malaysia. The statistical data revealed the existence of an inverse link between construal level and retirement preparedness, i.e., if an individual's construal level is high, his level of retirement preparedness would be the opposite – low – supporting the hypothesis. The statistical data also revealed that communication informativeness, income level, attitude and social influence affected the urgency of the respondents towards retirement preparedness. These findings have identified the key influential factors which could be considered as determinants of retirement preparedness which would go a long way strengthen future socio-economic policies where retirement preparedness of the population is concerned. The empirical results in this study pinpointed the multi-facets factors from distinct perspectives that could assist and support the retirement planning of urban young adults in Malaysia. One critical aspect derived from this study's findings is that urban young adults in Malaysia must be educated on and knowledgeable about retirement planning urgently.

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the Research

Retirement preparedness is no longer just a nice concept to know. In the 21st Century work life, it is increasingly becoming a ‘must-do’ thing and ‘must-have’ lifestyle for everyone especially when the rising cost of livelihood, inflation, global health crisis (the COVID-19 pandemic from March 2020 to early 2023) and socio-economic uncertainties are taken into consideration. And how well one gets through a post-active employment life without a monthly pay cheque (regular income) will depend heavily on one’s retirement preparedness, not just financially, but physically (or health-wise), psychologically as well as socially.

When going over the empirical data on how Malaysian workers are saving for retirement and how retirement-prepared they are (Tan et al., 2012), two jarring facts come to the fore: many Malaysians, if ill-prepared, are in grave danger of not possessing adequate funds to maintain their standard of living and lifestyle in retirement, and the problem will only get more critical over time (Kaur, 2024).

Clearly, the COVID-19 pandemic did not do Malaysia any favours. If at all, it exacerbated the vulnerabilities in retirement savings of the Malaysian working population – many who felt unprepared for retirement even before the COVID-19 pandemic, now feel they really are in that quandary (Kaur, 2024). To cushion the devastating impact of the global pandemic, 8.1 million contributors withdrew RM145 billion over four rounds of COVID-19 withdrawals from the Employees Provident Fund (EPF) between 2020 and 2023 (Ushar, 2023). And as early as February 2021, the EPF reported that approximately 30% of its contributors had nearly drained their

retirement funds in Account 1, which is normally not withdrawable prior to age 55 (Kaur, 2024). About 6.3 million EPF contributors under the age of 55 had less than RM10,000 in their accounts at the end of 2022, accounting for 48% of its members (*Malaysiakini*, 2023).

Meanwhile, numerous market forces are exerting immense pressure on retirement systems around the world. Malaysia's very own retirement model, while more stable than many in the region, is not immune to these structural onslaughts. And while policymakers are assessing the state of retirement security for the nation's population and considering potential structural solutions, it is perhaps timely to also look into how the urgency of these reforms and their eventual outcomes can be effectively communicated to Malaysians, in particular, urban young adults, to ensure retirement preparedness is taken seriously even if it is in the distant future. The reason: when retirement planning is implemented early in one's life, time becomes a distinct advantage – for wealth accumulation through strategic planning and investments.

And while many studies have been conducted on the importance of retirement planning, these studies do not look at how to persuade young adults through the various communication platforms – newspapers, magazines, radio, television, social media – to consider and eventually adopt retirement planning as a lifestyle, and ultimately to be retirement prepared. For the most part, earlier studies were looking into whether individuals and households have a good sense of retirement preparedness by analysing measures such as risk aversion, household income, age or cohort (Tan et al., 2012), household type, possession of a defined benefit plan, house ownership, education levels and the state of individual health (Munnell et al., 2008). Earlier studies did not look into how communication factors like frequency of communication, quality of

communication, communication persuasiveness and communication informativeness affect the propensity to plan and be retirement prepared.

Historically, there are others who have also explored the impact of financial education on retirement preparedness. The Organisation for Economic Cooperation and Development (OECD, 2005) sees financial education and literacy as a long-haul journey of consistent teaching, learning and tweaking (via strategic communication platforms) so that consumers of financial products are imbued with the necessary knowledge on personal finance to make strategic as well as educated decisions to enrich their fiscal welfare. Lusardi and Mitchell (2006) found financial literacy to be strongly correlated with socio-economic status and ultimately more likely to have influenced people who are financially literate to think about retirement.

Numerous studies have also revealed that knowledge about pensions and social security is increasingly affecting retirement decisions (Chan & Huff-Stevens, 2003; Mastrobuoni, 2005). In a study conducted on government involvement in financial education in Chile, de Mesa et al. (2006) discovered that people who are knowledgeable about financial matters have a higher propensity of saving than is statutorily required through other savings instruments, giving further emphasis to the strong and unique association between financial knowledge and saving behaviour, in particular, for retirement. That said, Lusardi and Mitchell (2006) cautioned that a generic or “one-size-fits-all” financial literacy programme to encourage retirement planning would not be as effective as previously assumed to stimulate saving and could even be counterproductive. In a Washington Financial Literacy survey (Moore, 2003), most survey participants revealed that they tend to gravitate towards a more individualised approach to adopt money management methods as opposed to attending general information sessions.

Significant effort has been put into finding out the causes and consequences of financial illiteracy, but Lusardi and Mitchell (2006) said there is still insufficient evidence to conclude that financial knowledge is directly responsible in the inculcation of retirement planning and saving. As such, the problem with financial illiteracy is unlikely to be resolved by a “flash in the pan” financial economics or financial planning programme. Lusardi and Mitchell, meanwhile, also believe the finding that people generally struggle to follow through on planned actions on their lack of own volition suggests that financial education alone may not be enough in combating the lack of retirement preparedness. The fact that most people lack the motivation or are not driven enough to actively plan and prepare for their retirement planning is not just a Malaysian problem (*The Star*, March 4, 2024), but a global one.

Worldwide, despite the best intentions and efforts of the state in the more developed countries to educate its citizenry on the significance of being retired, there is still much to be done in the areas of building and increasing this crucial socio-economic awareness. Malaysia, with its aspiration to be a fully developed nation within the next five to eight years (*New Straits Times*, 2023), faces similar, if not tougher challenges when it comes to creating awareness on financial literacy and promoting the value of financial and retirement planning to its masses. There is sufficient empirical evidence to proof widespread financial illiteracy, limited retirement planning knowledge, procrastination and how they each, or jointly, contribute to the lack of retirement preparedness among the populace which will be further explored in Chapter 2.

For now, it must be pointed out that in addition to being discerning and prudent, the obvious purpose to be adequately prepared for retirement is the fact that apart from a steady income being severely impeded by unforeseen circumstances that might

include economic downturns, being suddenly impaired physically, and in more recent memory, the onslaught of the COVID-19 pandemic, thus rendering work impossible. Everyone grows old, and there will come a time – a certainty for every working adult – when gainful employment or having a recurring income stream from productive work will cease altogether, and how well an individual lives from henceforth will be a direct consequence of how well that individual is retirement prepared.

Aging is an anticipated biological phenomenon. Every human being will age, retire and die at some point in his/her life. As such, the earlier the concept of retirement preparedness is understood and adopted as a way of life by Malaysian young adults, the better Malaysia, as a nation will become – politically, economically and socially.

According to Fishman (2010, p.17), an aging society can, often times, be profound, irrational in many ways, and even puzzling, in many of its manifestations. Interestingly, the aging of the world's population is also increasingly driving globalisation – creating a progressively more open international economy exhibited principally by free trade, free flow of capital and the employment of cheaper foreign labour markets. In the process, it is redefining virtually every significant relationship that individuals and societies are engaged in and transforming life for both young and old to a large extent.

Already, there is enough empirical evidence to support this phenomenon in Malaysia even though the government is currently only giving it a cursory look. Even so, the introduction of the Private Retirement Scheme (PRS) in 2012 (Chan, 2015), the media attention given to the elderly (Yip, 2013), the call for more day-care centres for the elderly (*The Star Online*, 2016) and aged care living are now increasingly in the

spotlight (*The Star Online*, 2016), to name a few, are some of the latest developments taking place in Malaysia.

How this emerging trend affects Malaysia and impacts its gradually aging population remains to be seen, but like water, it will eventually find its own level. Against this backdrop, an arduous task is at hand – promoting and fortifying retirement preparedness – in particular, getting young Malaysian adults ready, by way of strategic communication, to better manage and comfortably adjust to an often highly-stressed, dreaded and alarming inevitable transition. And the fact that Malaysians in the 21st Century are generally living longer lives adds to the complexity of this conundrum. As the general human life span for both men and women increases, ensuring adequate funds are made available to maintain a certain lifestyle in the golden years becomes even more critical.

This longevity revolution is the most important upcoming demographic trend, with the global senior population projected to expand from 900 million in 2019 to 2 billion by 2050, with considerable increases in the number of people surviving to age 80 and beyond (Beard, 2024; Das et al., 2023; Bergman et al., 2013).



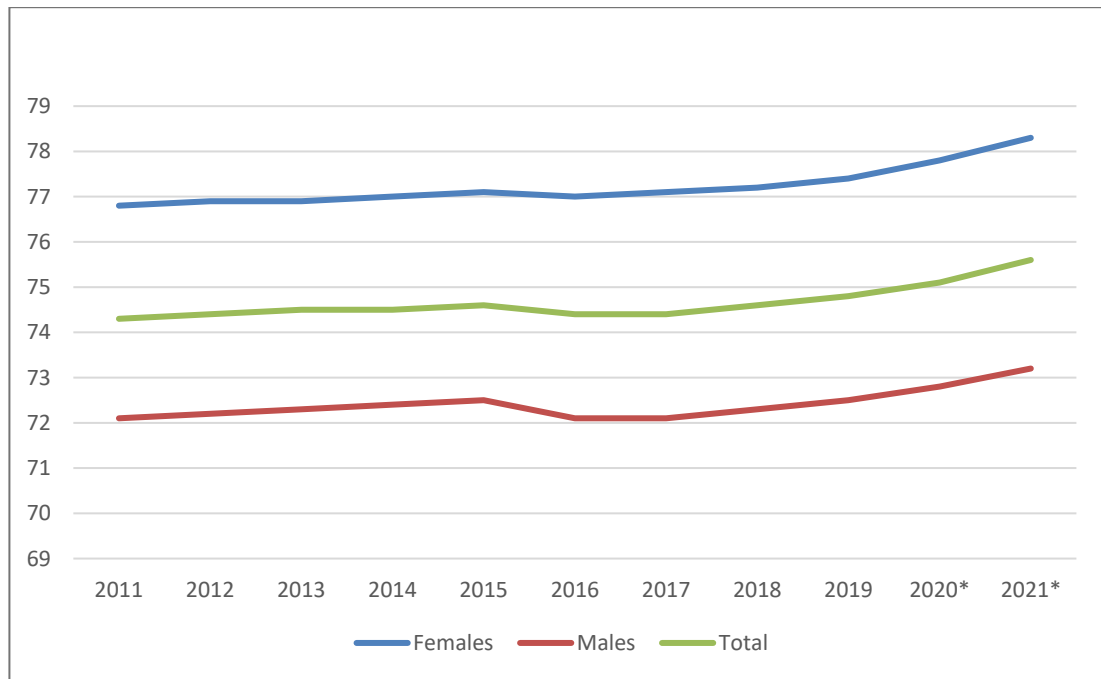


Figure 1.1 Life Expectancy at Birth, Malaysia, 2011-2021

**Source:** Department of Statistics, Malaysia.

Life expectancy in Malaysia has also increased (see Figure 1.1) in tandem with global findings to an average of 76.8 years to 78.3 for women and 72.1 to 73.2 for men (from 2011 to 2021). Malaysia, according to the United Nations, will by 2035, become an aged nation when 10% of its population is made up of elderly (above the age 60 years) citizens (National Council of Senior Citizens Organisation Malaysia, 2007). Worldwide, the percentage of adults over the age of 60 is expected to double from 12% to 22% between 2015 and 2050 (World Health Organisation, 2022). As a group, the older population segment is growing in both definite and comparative terms the world over. In 2019, the elderly folks, who are 65 or older, stood at 703 million people (World Population Aging 2019: Highlights – the United Nations). Longevity is rising. In 2021, approximately 7% or an estimated 3.5 million people in Malaysia are above the age of 65 (*The Star*, March 16, 2021). Recent data from the Department of Statistics Malaysia (DOSM) has shown an increase in the number of individuals who are above 65 years

of age, effectively a hike from 7.2% in 2022 to 7.4% in 2023, involving about 2.5 million people – clearly signaling Malaysia transitioning into an aging population (Zailani, 2023).

The aging population in Malaysia has been an area of increasing concern and attention, with the country experiencing a rapid demographic shift towards an older population. According to the National Health and Morbidity Survey (NHMS) 2018, Malaysia is forecasted to double the number of older persons aged 60 and above by 2046, from 7% of the total population in 2018 (Ghazali & Sooryanarayana, 2020). This trend is not unique to Malaysia, as the global population is estimated to see a doubling of older adults from 12% to 22% by 2050 (Ibrahim et al., 2017). The number of older persons aged 65 and above in Malaysia has steadily increased from 1.4 million in 2010 to 2.0 million in 2018, out of a total population of 32 million (Ghazali & Sooryanarayana, 2020; Tey et al., 2015).

Whilst it is not the main focus of this study to critically delve into the effects of financial literacy on retirement planning, it is important to note the impact financial literacy has on the retirement planning decision-making process as this research will look specifically into factors affecting the retirement preparedness to Malaysian young adults.

This chapter provides the backdrop of the research and discusses the research problem, the aim of the research as well as the research questions.

## **1.2 Problem Statement**

In Malaysia, retirement preparedness campaigners are confronted with one of the most formidable communication endeavours conceivable. From an empirical perspective, not only is the enormous task of understanding the perception of young adults towards retirement and aggressively persuading them to be retirement prepared not attempted before, the undertaking to inculcate within the working population as a whole, a commitment to put away more often than not, limited financial resources for use in some distant and obscure future that the person may or may not get to (Fenton et al., 2023), for returns that the person may sometimes not realise, at the present-day price that the person may not be willing to invest in, is also a proposition many related parties in the financial services industry are reluctant to be engaged in mostly because it has been deemed to be economically unsustainable (Mustafa et al., 2023).

Retirement preparedness among young urban adults is an important concern for policymakers in Malaysia. Even so, there is still currently limited academic research specifically focused on the government's concerted efforts to persuade young urban adults to be retirement prepared in Malaysia (Liman & Hananto, 2009). As for the purposeful use of strategic communication to aid the promotion of retirement planning and retirement preparedness among Malaysian young adults, there is currently no such endeavour in the literature. There are, however, attempts made to study how strategic messaging and the persuasiveness of a message can assist in changing an individual's mind to view retirement planning towards retirement preparedness more favourably (Fenton et al., 2023).

The communication and/or persuasion task is also complicated by not just socio-economic factors, but also the rapidly changing communication platforms, in addition to numerous lifestyle distractions. The complexity of the communication task is further compounded by the fact that young adults seldom, if ever, have the idea of preparing for their retirement crossed their mind, and as such, are more often than not are inadequately equipped for this eventuality (Sabri et al., 2023). Retirement is often, if not always, a notion that is intangible and too far off into the future, and as such viewed as something abstract, unimportant and does not warrant immediate attention by young adults and government agencies are also slow in confronting the issue head-on (Asher, 2011). This will be discussed in greater detail in Chapter 2 within the ambit of demographics, financial literacy, social influence (peers and family), attitude towards retirement, and the construal level theory.

### **1.3 Profile of Malaysian Young Adults/Youth**

Malaysia's population currently stands are about 34 million people (Sabri et al., 2023). From available statistics, 30.5% or 9.9 million of the total Malaysian population in 2022 are within the ages of 15 and 30, and 46.5% or 15.1 million are within the ages of 15 to 40. And in 2022, 26.5 million of the population is urban (Ministry of Youth and Sports, Malaysia, 2022) – thus making the focus on urban young adults in the study appropriate. The financial behaviour and retirement preparedness of Malaysian urban young adults, aged 20 to 35, is a topic of increasing significance, as this demographic represents a crucial segment of the population that will shape the country's economic future.

As the nation stands on the cusp of achieving high-income status, it is at a critical juncture where it needs to ensure the financial well-being of its citizens, particularly its young adult population. Concentrated increasingly in urban centres, these young adults represent the driving force of the nation's future. Understanding their financial behaviours, particularly regarding financial and retirement planning, and the level of their retirement preparedness is paramount for securing both individual prosperity and broader socio-economic stability. In this section, the researcher will delve into the intricate tapestry of urban Malaysian young adults, drawing upon relevant academic research and examining their demographic characteristics, financial and retirement planning behaviours, and overall retirement preparedness.

Urban Malaysian young adults are a vibrant microcosm of the nation's multicultural mosaic, reflecting its ethnic, religious, and linguistic diversity. They are tech-savvy digital natives, more educated than previous generations, and increasingly integrated into the globalised workforce. This demographic shift towards urban centres is driven by factors like greater access to education, employment opportunities, and a desire for a modern lifestyle. However, this concentration also presents unique challenges, particularly in the realm of financial security.

While urban Malaysian young adults enjoy greater access to opportunities, they also face significant financial pressures. The rising cost of living (Lai, 2023) in urban areas, coupled with stagnant wages and a competitive job market, creates a perplexing financial landscape, particularly for those entering adulthood (Aziz & Kassim, 2020). This precarious financial footing often takes precedence over long-term planning, including retirement, leading to a disconnect between awareness and action.

Recent studies have also highlighted other more serious financial challenges faced by Malaysian young adults – unemployment, bankruptcy and structural marketplace mismatch, to name a few. The COVID-19 pandemic has further exacerbated the financial well-being of this group, with declines in savings and income opportunities leading to underemployment (Sabri et al., 2023). Findings from a survey in the United States reveal that 50% of young adults have no savings for unexpected expenses, and 32% can only afford to make the minimum payment on their credit card bills each month. Similarly, a growing percentage of Malaysian young adults are struggling to make ends meet, with an increase in the number of young adults facing bankruptcy (Sabri et al., 2023).

Research suggests that while Malaysian young adults recognise the value of financial planning, their actual practices often lag behind (Tan & Singaravelloo, 2020). Studies like that of Idris et al. (2023) highlight a positive correlation between financial literacy, attitude, and awareness of retirement planning among university students. However, translating this awareness into action remains a challenge.

Many young adults lack the knowledge and skills to navigate complex financial products like retirement savings plans, make informed investment decisions, or manage debt effectively (Aziz & Kassim, 2020). Then, there is the immediate pressures of daily expenses, student loan debt, and lifestyle aspirations often overshadow long-term financial goals like retirement (Ekerdt & Adamson, 2024; Kock & Yoong, 2011). And there is a prevalent belief that having ample time to save for retirement later in life can lead to procrastination and inadequate savings (Puteh et al., 2012). Many people between the ages of 23 and 35 believe they are still too young to be anxious about retirement (Chai, 2013) and as such, procrastinated until it is too late. However, there are clear advantages for starting retirement planning and savings early.

Among them: the power of compounding interest and the fact that time will be a significant ally in the process of accumulation. For example, someone starts retirement savings at 22 for only 10 years versus another one starting at 32 for 30 years. The verdict will show that the former will have two-thirds more money at retirement than the latter (Weston, 2006).

Meanwhile, the lack of financial literacy among Malaysian youth is a significant contributor to their financial challenges. A 2018 survey found that 92% of low-income households had deposit accounts but low take-up of investment products, indicating a lack of understanding of more complex financial instruments. Moreover, the survey revealed that only 17% of Malaysians had life insurance or Takaful coverage, and 41% relied solely on their EPF savings as their main source of retirement income (Sabri et al., 2023; Husin & Mohamed, 2021; Aziz & Kassim, 2020).

Low financial literacy, coupled with the burden of the current economic climate, often results in insufficient savings for retirement (Lim & Jamal, 2023). The allure of immediate gratification and consumerism further intensifies this challenge. Also, the rise of the gig economy and freelance work, while offering flexibility and autonomy, often lacks the retirement benefits and social safety nets associated with traditional employment, leaving individuals responsible for their own retirement planning (Mustafa & Islam, 2021). Furthermore, Malaysians are living longer, requiring larger retirement nest eggs to cover their expenses throughout their extended lifespan. This necessitates starting early and saving consistently to accumulate sufficient funds (Rizal et al., 2022; Ibrahim et al., 2020).

The literature also reveals a concerning gender gap in retirement planning among Malaysian youth. Puteh et al. (2012) revealed that young women tend to be less financially literate, thus hindering their ability to make informed financial decisions, and less retirement prepared than their male counterparts. Among the reasons: women in Malaysia often face a gender pay gap, earning less than men for similar work, which directly impacts their ability to save for retirement. Societal expectations and caregiving responsibilities often lead women to take career breaks, impacting their earnings trajectory and retirement savings (Feng et al., 2019).

Addressing the challenges of retirement preparedness among urban Malaysian young adults requires a multi-pronged approach involving stakeholders across various sectors. Integrating financial education into school curricula, offering accessible workshops and online resources, as well as leveraging social media platforms can empower young adults with the knowledge and skills to make sound financial decisions, including retirement planning.

Encouraging a shift in mindset from consumerism to long-term financial planning is crucial. Initiatives like national savings campaigns, financial counseling programmes, and incentives for early retirement savings can foster a culture of financial responsibility. There is also the need to expand social security coverage, particularly for those in the informal sector, in order to provide a safety net for individuals who may not have access to employer-sponsored retirement plans. It is also important for the government to address gender disparities. Implementing policies that promote pay equity, provide affordable childcare options, and empower young women to participate fully in the workforce can help bridge the gender gap in retirement preparedness.



The financial well-being of urban Malaysian young adults is intricately linked to the nation's overall economic prosperity. Addressing the challenges they face in retirement planning is not merely an individual responsibility but a collective imperative. By investing in increasing financial literacy, promoting a culture of saving, strengthening social safety nets, and addressing gender disparities, Malaysia can empower its young adults to navigate the complexities of the financial landscape and secure a brighter future for themselves and generations to come (Aziz & Kassim, 2020; Husin & Mohamed, 2021; Sabri et al., 2023).

#### **1.4 The Urgency for Retirement Preparedness**

Governments, in realising the socio-economic impact of ill-prepared retirements have on their respective citizenry and economies, are now beginning to look more seriously into how to get their citizens, across the various age groups, ready for their golden years.

Malaysia has its own social security structure in the form of government pensions for the public sector and the EPF for the private sector (Tan et al., 2012). In Malaysia, the EPF was set up in 1951 under the Employees Provident Fund Ordinance 1951 (Asher, 2001; Bateman & Piggott, 1997). It was created by the British colonial power to provide for British expatriates (Caraher, 2003). This tax-exempt, mandatory retirement savings scheme is currently operating under the EPF Act 1991, which was amended in 1995. The EPF scheme is a defined contribution scheme – fully funded and publicly administered by the EPF as a statutory body under the supervision of the Government of Malaysia's Ministry of Finance.

Under the law, public sector employees have their retirement taken care of through a pension scheme which is wholly managed by the government as the employer. As private sector employees are not covered under the pension scheme, they, as well as the establishments that employ them, are compelled by legislation to contribute to EPF to ensure that their golden years are taken care of (Lee, 1997). But many have discovered, often much to their chagrin, that their pensions and EPF savings are insufficient to adequately support them in their retirement.

To further strengthen the Malaysian social security system, the PRS was launched (Carvalho & Rahim, 2012). The decision to set up the PRS was part of a grand design to establish a comprehensive “multi-pillar” retirement framework (the first pillar being government pensions and the second pillar being the EPF) for the country. The PRS is, for all its intents and purposes, a retirement fund above and beyond government pensions and the EPF. Civil servants and private sector employees can all participate in the PRS and are encouraged to do so. The PRS is also part of the government’s plan to create for the nation’s workforce (employees and the self-employed) another long-term savings and investment alternative for their retirement.

Even with these programmes in place, will 21st Century Malaysians have enough money to eventually and comfortably retire? According to a Bernama report, numerous studies have found that most Malaysians do not give any consideration for retirement even if they are retiring in five to 10 years (*The Star*, September 19, 2013). So, is Malaysia heading towards a retirement crisis soon in view of the fact that almost 40% of its citizens are not retirement prepared?

The prognosis is grim. As of the end of 2022, a staggering 51.5% of EPF contributors only had savings below the RM10,000 mark (Kamis & Abdul Aziz, 2023). What's even more troubling is the fact that only 18% of EPF contributors are likely to reach the RM240,000 mark when they reach retirement (Santini, 2023). EPF painted an extremely bleak picture of the situation, based on its calculations from 2023, when it reported that only 4% of Malaysians could afford retirement (Kaur, 2024). Also, Chin and Adlan (2022) reported that over 20% of bankrupts in Malaysia are youth.

Meanwhile, the Malaysian Insolvency Department said 16 people are declared bankrupt everyday (*New Straits Times*, February 1, 2023), and Malaysia's formal retirement systems (EPF, PRS & pensions) only cover about 60% of the workforce – most of which have insufficient retirement savings (*NST Business*, March 27, 2023). And according to another news report, 31,140 youths aged 35 and below have been registered as bankrupts from 2014 to May 2023 (*Bernama*, 26 June 2023). One of the main reasons they do not plan their retirement is financial illiteracy.

It appears that many Malaysians rely solely on their EPF savings, assuming that it would be enough to see them through their golden years. A survey found that 41% of Malaysians relied on their EPF savings as their main source of income for retirement. Young Malaysian adults often overlook the importance of preparing for retirement, putting their long-term financial stability at risk. This reliance on a single source of retirement income highlights the urgent need for more comprehensive financial planning and diversification of retirement resources. Addressing this issue will require a multi-faceted approach that focuses on improving financial literacy, promoting a strong savings culture, as well as encouraging a more holistic approach to retirement planning (Sabri et al., 2023; Husin & Mohamed, 2021; Aziz & Kassim,

2020) through the use of strategic communication platforms, and acute understanding of behavioural finance.

Already, many Malaysians are getting into difficulties when they are confronted with financial emergencies as they do not have an emergency buffer and financial assets of any kind to help them tide through these tough times. A case in point: The economic crisis triggered by the COVID-19 pandemic has led to significantly reduced incomes and increased financial strain, all of which have significant long-term implications for the retirement preparedness of Malaysians.

The economic downturn caused by the lockdown during the pandemic has also led to a significant increase in the unemployment rate in Malaysia, with estimates of up to 2.4 million job losses, primarily affecting unskilled workers. This has severely curtailed job opportunities, especially for young Malaysians, and has impacted their ability to save and plan for retirement (Samad et al., 2020). The pandemic has also led to a decline in income and savings, as many individuals have had to dip into their savings to cover basic expenses (Sabri et al., 2023).

The COVID-19 pandemic's impact on retirement preparedness is particularly concerning for vulnerable groups, such as those with lower incomes or limited access to social protection programmes. The pandemic also exacerbated existing inequalities, and hence, it is crucial to ensure that retirement systems are designed to support these vulnerable groups and to mitigate the long-term consequences of the crisis.

The over-reliance on individual savings through EPF in this country has also proven to be costly for those in low-paid, insecure employment, women, and those working in the informal sector. The COVID-19 pandemic has further highlighted the need to reform these systems, and to explore alternative approaches to income security

in old age, such as strengthening social safety nets and expanding access to retirement savings mechanisms. While these structural issues are widely known, little attention is paid to effectively promote retirement preparedness among working young adults in Malaysia through strategic communication.

The Malaysian government has introduced several relief measures to support vulnerable groups during this crisis, such as loan moratoriums and PTPTN (the National Higher Education Fund Corporation) loan deferral assistance for graduates (Othman, 2021). However, these short-term measures were not sufficient to address the long-term impact of the pandemic on retirement savings and planning. And even with the pandemic now over, it is crucial to examine its impact on the retirement preparedness of Malaysians and to explore potential solutions for a more concerted plan to increase the public awareness of the importance of retirement preparedness, in particular, among young adults in Malaysia as well as build more resilient retirement systems (Daud, 2021; Samad et al., 2020).

And since majority of Malaysians will likely not have sufficient savings when they retire, the government, in addition to the PRS, has put in place an initiative – increasing the minimum retirement age from 55 to 60 to address the issue. The Minimum Retirement Age Act 2012 was gazetted on August 16, 2012 and enforced on July 1, 2013. Malaysia's earlier retirement age of 55 is actually among the youngest in the world before the Minimum Retirement Age Act 2012 came into law. In Singapore, the statutory minimum retirement age remains at 62, but employers are now obliged to offer re-employment to eligible employees who turn 62, to work up to the age of 65. Workers leave the workforce at 60 in Indonesia, and 65 in Australia. Many countries recognised the benefits of delayed retirement; not just in terms of economic motivations, but also from the perspective of cognitive and emotional health, easing

potential labour shortages as well as freeing the government from shouldering a financial nightmare (Tan et al., 2018; Larsen, 2013; Rosegrant, 2013).

Working longer may help, but Malaysians are also increasingly confronted with financial hardship due to skyrocketing costs of living that are not proportional to the rise in their incomes. Consequently, many are inevitably forced to supplement their daily expenses either through personal loans or credit cards, which in turn exposes them to the risk of bankruptcy as a result of the higher interest rates charged by these loans. Coupled with financial illiteracy, the problem is further compounded in that it not only puts a major dent to these people's personal finance, but also significantly hampered their ability to consider retirement planning (Tan & Singaravelloo, 2019; Ng & Masud, 2018; Lusardi & Mitchell, 2007). As such, many Malaysians arrive on the verge of retirement with little or no personal wealth, which in the long-term, could pose numerous social problems. Among them: abandonment by their immediate family, homelessness and petty crimes.

That said, wealth and health remain two of the most important factors contributing to a successful retirement. Believing that one will have adequate post-retirement income is positively related to retirement adjustment (Beehr, 1986; Taylor & Doverspike, 2003). In Malaysia, research on the subject matter – retirement preparedness – is scarce even though the problem is acute. The gross lack of financial literacy, for example, has led many Malaysians to be declared bankrupt and the numbers are alarmingly on the rise (*New Straits Times*, February 1, 2023).

More recently, statistics from the Malaysian Insolvency Department revealed that 34,043 Malaysians were confirmed bankrupt between 2019 and 2023 (Dzulkifli, 2024). This revelation is startling as it reflects a very low level of financial literacy

among young Malaysians. Based on these numbers, people below the age of 34 made up 26% of the bankruptcy cases – which is the primary reason why the researcher embarked on this study to investigate all possible factors including communication aspects that affect retirement preparedness among the urban young adults. The final aim of the study is to consolidate all the findings to be generated from this broad study towards the development of a strategic communication framework. It is believed that the promotion of retirement planning and retirement preparedness to young Malaysian adults would only be successful by evaluating all possible factors affecting retirement preparedness namely psychological, social, demographic and communication.

Effective communication strategies play a crucial role in raising public awareness on important issues. This study explores the communication theories that promote public awareness on retirement preparedness, focusing on the key elements of messaging frequency, communication informativeness and effectiveness, and persuasion.

Frequent and consistent messaging has been identified as a critical component of effective public communication campaigns (Catalán-Matamoros, 2011). Repeated exposure to messaging helps strengthen the salience of the issue in the minds of the public and can drive behavioural change over time. Mass media campaigns, in particular, have been widely used as a means of reaching large audiences with health-related messages. These campaigns often employ a mix of media channels, such as television, radio, and social media, to maximise reach and reinforce the messaging.

The literature suggests that the frequency and intensity of messaging is directly correlated with its impact on public awareness and behaviour. Frequent messaging across multiple platforms can create a “drumbeat” effect, keeping the issue top-of-

mind for the public and building momentum for the desired change. However, it is important to strike the right balance, as oversaturation can lead to message fatigue and diminished effectiveness. Strategically coordinating the messaging frequency across different channels is crucial for maximising the campaign's reach and impact (Bünzli & Eppler, 2018).

The informativeness and effectiveness of the communication content is another key factor in promoting public awareness. Effective communication not only raises awareness, but also provides the public with the necessary information to understand the issue and take appropriate action. Research has highlighted the importance of tailoring communication content to the specific needs and preferences of the target audience (Randolph & Viswanath, 2004). For example, the Elaboration Likelihood Model (ELM) of persuasion suggests that message effectiveness can be enhanced by tailoring the communication approach to the audience's level of cognitive engagement, with more involved or "central route" processing leading to greater attitude and behavioural change (Petty et al., 2009).

Additionally, the use of visually engaging and emotionally resonant content has been shown to enhance the memorability and retention and impact of communication messages. Effective communication also requires a deep understanding of the target audience's existing knowledge, attitudes, and barriers to behavioural change. By addressing these factors, communication campaigns can be more effectively designed to provide the necessary information and motivational cues to drive the desired outcomes. Persuasion is a critical component of communication strategies aimed at promoting public awareness and behavior change (Besley et al., 2019). Effective persuasion relies on a combination of rational appeals, emotional appeals, and credible source attribution. The ELM of persuasion suggests that



individuals process persuasive messages through either a central or peripheral route. The central route involves careful consideration of the message's content and logic, while the peripheral route relies more on cues such as the source's credibility or the emotional appeal of the message.

Tailoring the persuasive approach to the audience's level of motivation and ability to process the message can enhance the campaign's effectiveness. For audiences with high motivation and ability to process the information, a more thoughtful, central-route persuasive approach may be more effective. Conversely, for audiences with lower motivation or ability to process complex information, a more peripheral, emotionally-appealing approach may be more impactful. Incorporating these principles of persuasion into communication strategies can help strengthen the impact of public awareness campaigns and drive the desired behavioural outcomes (Alim & Rahim, 2021; Hyland-Wood et al., 2021; Petty et al., 2009). It is important to note that communication theories that promote public awareness encompass a range of elements, including messaging frequency, communication informativeness and effectiveness, and the strategic use of persuasion. By understanding and applying these theoretical frameworks, communication practitioners can develop more impactful and influential public awareness campaigns.

Bridging communication strategies, temporal construal, and retirement preparedness, particularly by considering demographics, attitudes, social influence, and financial literacy, fills a crucial gap in the existing literature. For an overview, below is a breakdown of those gaps, categorised into knowledge, practical, and methodological domains.

From the knowledge gap perspective, there is currently a limited understanding of communication's role in temporal discounting. While Yakoboski et al. (2023) highlights the issue of poor "longevity literacy," and (Adams & Rau, 2011) points out the gap between financial knowledge and action, there is limited research on how communication strategies can be specifically designed to reduce temporal discounting in retirement planning. This research will address this gap by exploring how communication informativeness, effectiveness, frequency, and persuasiveness can make retirement planning feel more immediate and relevant. Also, the interplay of factors influencing retirement preparedness is currently under-explored. While studies by Chen et al. (2023) and Gettings and Anderson (2021) acknowledge the influence of demographics, attitudes and social factors on retirement planning, they often examine these factors in isolation. This research contributes by investigating the complex interplay between these factors and how communication can be tailored to address these unique combinations.

As for practical gaps, there is currently a lack of effective communication strategies for retirement planning. While there are many studies emphasizing the importance of financial literacy for retirement planning, they focus primarily on the content of financial education rather than the communication strategies used to deliver it (Lusardi & Mitchell, 2023; Gerth et al., 2021). This research could explore how tailoring communication to be more informative, effective, frequent, and persuasive can improve engagement and impact. Also, there is a need for targeted interventions to promote retirement planning and retirement preparedness. Research by Morgan and Trinh (2019) highlights the potential of technology for financial education, but a one-size-fits-all approach is often ineffective. This research can contribute to the