Securing old age vs. other saving goals of households

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Abstract: The article presents households' motivations for saving, including – in particular – saving for retirement. It defines the notion of goals with reference to a more frequently described notion of motives. On the basis of the authors' own empirical research results, the relationship between saving for retirement and other goals of saving was found, as well as verifying and comparing the determinants of particular goals of saving. The analysis uses the methods of descriptive statistics and logistic regression.

Keywords: saving behaviour, motives for savings, goals of savings

1. Introduction

Every consumer behaviour is driven by motives. It is not always possible to specify them and, moreover, the declared motives are not always the actual ones. A proper understanding of motives is possible thanks to qualitative research, and with motives specified it is possible to extrapolate the results to the general population.

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In saving behaviour research, it can be assumed that the motive for saving comes from the will or necessity to set aside funds for a particular goal (Białowąs 2013). When determining the notion of motives and goals, it is worth highlighting that a motive is a more general construct, an abstract entity connected with a desire to reach one's goals. Goals, on the other hand, are clearly specified, and they have an outward reference. (Białowąs 2013; Wärneryd 2000).

The concepts of the motives for saving and research on them changed over time. A classical list of motives is that by J.M. Keynes (Keynes 1956), which identifies:

- precaution,
- foresight,
- calculation,
- improvement,
- independence,
- enterprise,
- pride,
- avarice.

This division evolved, was aggregated and disaggregated in subsequent concepts (an extensive review of literature in Białowąs 2013). The most important of them include the ones of life cycle, according to which the main goal of saving is securing one's old age (Ando and Modigliani 1963; Friedman 1957), although they were not always confirmed by empirical verifications (Horioka and Watanabe 1997; Browning and Crossley 2001; Antonides and van Raaij 2003). On the basis of the motives which overlapped in particular classifications and research proposals, the following division was proposed, which combines the respective concepts:

- securing financial flow,
- buffer for unforeseen events,
- high spending on real or tangible property,
- building up savings,
- leaving inheritance,
- old-age pension.

Such a division, apart from highlighting the motives nominally, allows for their hierarchical representation (Białowąs 2013). It is true that studying motives better correspond

to theory; however, research frequently presents saving by means of aiming at particular goals. Such a method of measuring requires further adjustment to theory, but it is more understandable to respondents and allows more precise measurement.

The authors' own empirical research confirmed the anticipated correlations between goals and motives for saving (Białowąs 2014). The results point at a positive correlation between the goal of saving for retirement and five other motives for saving: precaution, leaving an inheritance, a pleasure from saving, and the belief that saving is necessary. The number of links between saving for retirement and the specified motives allows stating that the goal of securing one's old age is a good representation of the essence of saving. (Białowąs 2008). These correlations confirm the general principles of the Life Cycle Hypothesis.

2. Aim and method

The aim of the analysis is to specify the relationship between saving for retirement and other goals of saving and to verify the determinants of making saving for retirement one's goal. With this end in view, a quantitative study was conducted in 2015: pen and paper interviews with the heads of households. The study used a quota − sampling, the selected distribution was according to age, education level, and the class of locality. The sample included 466 households and the study was conducted in Wielkopolska, Poland. The analysis used the methods of descriptive statistics and logistic regression.

3. Results

The study revealed that the main goal of saving was helping other household members. Saving for retirement definitely is not an ignored goal, but it is also less popular than saving up to pay for education or home furnishings. Among all the named goals of saving, conscious saving for retirement is ignored by almost half (46%) of the respondents, who do not save and do not intend to do it. To a great extent it is a result of the fact that it is a goal which is easily postponed, as it concerns a distant future (Olejnik 2016). Only 8% of the respondents are going to start saving within 1 year, 13% - within 10 years, and 16% - even later.
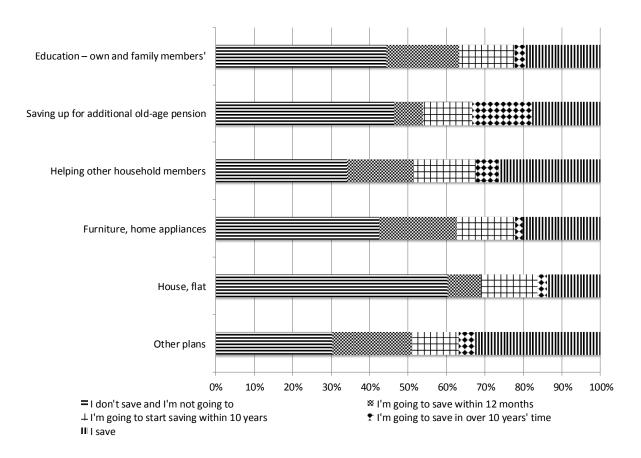
Figure 1. Saving and the intention to save for particular goals
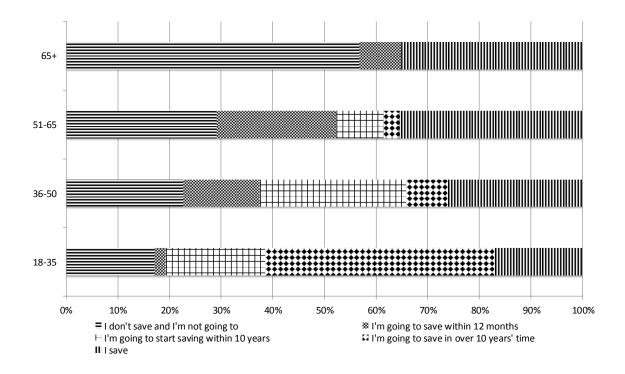
Source: authors' own research

Figure 2. Saving and the intention to save for additional old age pension vs. age

Source: authors' own research

The plans to save for retirement look interesting in the respective age groups. Together with age, the attitudes increasingly polarize: simultaneously, there is an increase in the percentage of people who do not intend to save for retirement, as well of those who do intend to do it. Consequently, the number of those intending to start saving decreases. Additionally, in the case of planning to start saving, age is a factor which significantly brings forward this moment.

In the case of the youngest respondents, the highest percentage are those planning to start saving in an over 10 years' time. In other groups, this percentage decreases, and among those planning to start saving, the increasingly dominant group are those who intend to start saving in the following year.
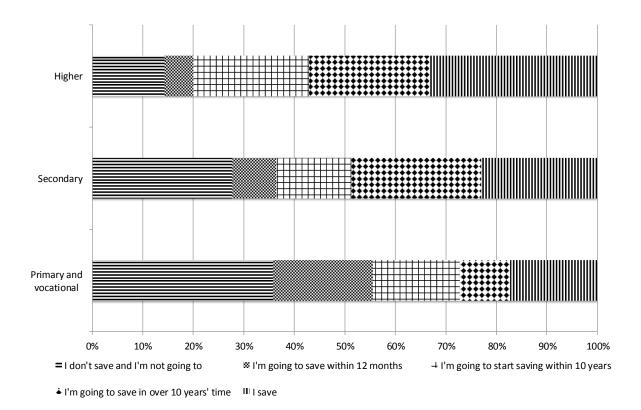

Figure 3. Saving and the intention to save for additional old age pension vs. education

Source: authors' own research

A clear correlation can also be seen in the influence of the level of education on saving for retirement. In the group of the respondents with primary education, as many as a third of them do not intend to save for retirement, and only 20% are already doing it. The awareness of the need to save money increases with the level of education: of people holding higher education 15% do not intend to save and another 33% are already saving.
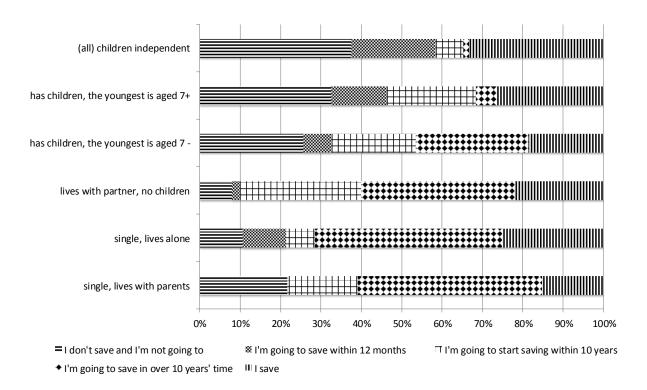
Figure 4. Saving and the intention to save for additional old age pension vs. the phase of life cycle

Source: authors' own research

Age is strongly linked to the phases of family life cycle. In the case of the phases of life cycle, the attitudes are not polarized so strongly, however, this criterion is usually better translatable into marketing communication. About 15%-25% of childless people save for retirement, and in the group of those co-habiting with a partner, (planning a future) it can be noticed that the percentage of people consciously ignoring saving for retirement is relatively the lowest (below 10%). Interestingly, this percentage increases noticeably in the case of people who have dependent young children (up to as many as about 25%). In the more mature phases of the family life cycle, there is the polarization of attitudes observed before, an increase in the percentage of people who save and of those who ignore the need to save for retirement. In the case of people whose children are older it is every fourth and every third person respectively, and in the case of people with independent children, every third and about 40%, respectively. Naturally, the increase in the extreme attitudes is linked to the considerable decrease in the percentage of people who do not intend to start saving in the future.

In order to specify the influence of the presented determinants on the declared goals of saving, an analysis was conducted with the use of logistic regression. In the analysis, declared

saving for retirement was deemed a success. The categories of reference are written in bold type.

The strongest correlations were observed for age. Those aged 36-50 are more likely to save for retirement by 2.78 times than those from the reference age range 18-35. In the other age ranges, the quotient of chances is even higher, and in the age range 51-65 it is over 6, while among the oldest respondents – almost 7.5.

The results also indicate that saving for retirement depends on education. People with secondary education save for retirement 1.6 times more frequently than those with primary and vocational education (reference group), and people with higher education – over 3 times more frequently.

Table 1. Saving for additional old age pension – logistic regression

	B	Standard deviation	Wald	df	Signifi-cance	Exp(B)
Age						
18-35			22.271	3	0.000	
36-50	1.025	0.385	7.091	1	0.008	2.788
51-65	1.806	0.428	17.769	1	0.000	6.084
65+	2.010	0.527	14.558	1	0.000	7.465
Propensity to take risks:						
Very low			10.227	3	0.017	
low	0.341	0.405	0.710	1	0.399	1.406
medium	0.689	0.379	3.296	1	0.069	1.991
high	1.472	0.479	9.447	1	0.002	4.359
Self-rated financial situation						
whole income spent			22.808	3	0.000	
left over saving	-0.048	0.626	0.006	1	0.939	0.953
saving of additional incomes	-0.120	0.656	0.033	1	0.855	0.887
regular saving	1.442	0.634	5.171	1	0.023	4.228
Education						
primary+vocational			6.926	2	0.031	
secondary	0.486	0.41	1.407	1	0.236	1.627
higher	1.102	0.439	6.319	1	0.012	3.012
Constant	-3.488	0.737	22.374	1	0.000	0.031

Source: authors' own research.

Variables which proved to be statistically significant included a self-rated financial situation, which is obvious, and the propensity to take risk, which is not obvious. The likelihood to save for retirement grows with the increase in the propensity to take risks (in people with high acceptance of risk, this likelihood is over four times higher than in those with the lowest acceptance of risk). In this case, it can be suspected that this is just an apparent correlation, and the actual factor are incomes.

In accordance with expectations, a strong (and obvious) determinant is a self-rated financial situation: households which save regularly are over 4 times more likely to save for retirement than the reference households which do not save at all.

In order to compare the influence of the determinants, a similar analysis was conducted for all of the specified saving goals. Due to the volume limits, the results of subsequent analyses of regression are not presented here. They are summed up in the summary table, naming the categories which, in a statistically significant way, differentiate the percentage of the respondents declaring a given saving goal. Plus is a statistically significant correlation which is directly proportionate, minus - a statistically significant correlation which is reversely proportionate, an asterisk means a significant correlation, but with no clear direction (usually one of the median categories reached extreme Exp(B). As expected, declared saving (as such) is positively correlated with all the saving goals. In the case of saving for retirement, which is key to the analysis, the correlation is less obvious, since there is a significant (over four-fold) increase in the likelihood of saving for retirement in those saving regularly, however the other categories are very close (slightly lower) to the reference category.

A saving goal of securing one's old age and helping others becomes more common with age. The life cycle phase significantly differentiates the likelihood of saving: for education (the highest odds in the case of people whose children are already independent), to buy real estate (those living with children), and other goals (living without a partner, independent).

Apart from saving for old age, education is a significant variable in saving in order to buy durable-use goods (the odds are higher in the case of primary and vocational education).

The class of locality is a significant variable only in the case of saving to buy a house or flat (over twice higher than in the country).

Gender turned out to be a significant factor only when it comes to saving for other goals (not directly named). In this case, women are more likely to save than men.

Table 2. Saving for particular goals – statistically significant correlations of determinants

	Gender	Age	Propensity to take risks	Saving	Life cycle stage	Class of locality	Incomes	Education
education				+	*			
real estate				+	*	*		
movables				+				*
helping others		+		+				
pension		+	+	*				+
other goals	*			+	*			

Source: authors' own research

4. Conclusions

Saving for retirement definitely is not ignored, but it is less popular than saving in order to pay for education or buy home furnishings. From all the mentioned goals of saving, aware saving for retirement is ignored by almost half of the respondents (who do not save and do not intend to do so). To a large extent it results from the fact that it is a goal which is easy to postpone, as it concerns a distant future.

The variable which has the greatest influence on saving for retirement is age. The number of those saving for this goal rises along with it. At the same time, there is an increase in the number of people who do not intend to save for this goal at all.

An interesting result of the analyses is also finding a diverse set of determinants of saving for the given goals. Saving for retirement has the greatest number of statistically significant determinants (among the studied goals). It is also worth noticing that sets of determinants for particular goals are different.

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ZABEZPIECZENIE STAROŚCI NA TLE INNYCH CELÓW OSZCZĘDZANIA W GOSPODARSTWIE DOMOWYM

Streszczenie

Artykuł przedstawia cele oszczędzania gospodarstw domowych, ze szczególnym uwzględnieniem oszczędzania na emeryturę. Artykuł definiuje pojęcie celów i odnosi je do popularniejszej koncepcji motywów. Na podstawie wyników własnych badań empirycznych określono relację między oszczędzaniem na emeryturę a innymi celami oszczędzania oraz zweryfikowano i porównano determinanty poszczególnych celów oszczędzania. W analizie wykorzystano metody statystyki opisowej oraz regresję logistyczną.

Słowa kluczowe: zachowania oszczędnościowe, motywy oszczędzania, cele oszczędzania