UNIVERSITY OF GHANA

ASSESSING FINANCIAL LITERACY OF PENSIONERS IN GHANA

BY

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DECLARATION

I do hereby declare that this thesis is a result of my research and has not been presented anywhere for any academic award in this or any other University. All references used in this study has been fully acknowledged. I bear sole responsibility for any shortcomings.

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DEDICATION

This thesis is dedicated to my father Mr James Okran, my pastor and second father Rev. Benjamin Kpodo, my bosses Mr Benjamin O. Addo and Dr Sherry Johnson. Also, to my beloved Miss. Priscilla F. Barnes.
ACKNOWLEDGEMENT

Glory be to God for the great things He has done. Firstly, I give thanks to God Almighty for the strength to work on this research. This work could not have materialised without the assistance of certain people, whose contribution was immense to its success. I want to thank Dr Teddy Ossei Kwakye for his help and guidance throughout this research. I also express my gratitude to the pensioners for their support and time and to Mr and Mrs Barnes for helping me get access to some pensioners.
ABSTRACT

Knowledge and literacy on the concept of finance and other related financial issues have been very topical around the globe. Being financially literate means having knowledge and understanding of financial concepts. Also, basic knowledge in risk, and the drive to apply these knowledge in making decision that affects the individual financial wellbeing and the society at large also forms part of financial literacy.

Several studies in financial literacy have been conducted around the world on different context and different subjects owing to the immense contribution of the concept of financial literacy to the global economy and individuals. However, studies on financial literacy of pensioners are seen to be limited in the literature. This study, therefore examines the financial literacy of pensioners in Ghana. The study examined financial literacy of the pensioners in Ghana by surveying pensioners from the Greater Accra region. The study in achieving its objectives applied the quantitative method, and sampled 155 pensioners from the population by the use of the simple random technique. This quantitative data was analysed using simple discrete data analysis, and inferential analysis.

The results of the research indicate that the level of financial literacy of the pensioners is low. It is therefore recommended that, seminars and workshops on finance, investment and other financial related issues are organised for pensioners to help improve their knowledge in finance to enable them make sound economic and financial decisions.
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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The 21st century has seen various transformational changes in the world in many areas of business, and these have got lasting consequences in several areas of the economy. The development of an economy strongly depends on the ability of the citizens to act as agents of development in their various field of endeavour. Individuals through their behaviour, attitude and conduct engage in activities which may be positive agent of development or detrimental to the growth of the economy. Thus, the role of individual citizens in economic development is essential. Studies on economic development have indicated a strong relationship with the role of the individual citizens acting as agents of development in areas of entrepreneurship (Habib, 2015), industrialisation, commerce, investment and provision of other services within the country.

Again, the quality of institutions and the institutional frameworks backed by a potent regulator also enhances the development of economy. A vital aspect of this, is the domestic financial market that exists in the economy. Studies have indicated a strong positive relationship between the quality of the domestic financial market and economic growth (Agbloyor, Abor, Adjasi & Yawson, 2014). That is, the quality of the domestic financial market in deciding how the surplus within the economy should be distributed to the relevant deficit agencies are active in enhancing development.

Additional factor in economic development is the level of literacy of the citizens in areas of finance and financial decision making. Financial literacy is an important component that enables individuals make sound financial decisions which affects their financial status and financial wellbeing. Knowledge and literacy level of the populace on financial instruments, markets and general financial systems is relevant in ensuring that, the citizens take steps, that ensures that their future is catered for, by embarking on decisions and steps that ensure that, some of their current income is reserved for the future.

The concept of financial literacy has been gaining significant interest in the World and as such, has attracted the interest of academics to conduct studies in this arena of business. The concept has over the years been playing a significant role as the interest of people are being changed
from immediate consumption of earnings to savings and investment orientation. Again, the rapid springing up of various companies with different mandate within the financial industry across the world has made financial literacy a relevant concept. The concept has gained much interest from several groups in the world. This category of people includes governments, bankers, employers, community interest groups, financial markets and other organisations. The importance of improving financial literacy has been due to factors such as the development of new financial products, the complexity of financial markets, and the changes in political, demographic, and economic factors in countries (Hussein & Al Anood, 2009).

The significance of financial literacy is being identified by countries progressively and as such, are investing resources in financial education (Habib, 2015). Due to the immense significance of financial literacy, governments and international organisations have massively been mobilizing resources to educate and build capacity in this field of financial literacy in low-income and middle-income countries (Habib, 2015).

To ensure that, people are being catered for in their old age when they cannot actively work, countries have policies and laws that categorically states, how their employment income should be paid with the aim of encouraging the attitude of savings for the future in employees. In Ghana, this law is “The National Pensions Act, 2008 (Act 766)” which was established to “provide pension benefits to ensure retirement income security for workers which is paid to them as and when due”. The government has also established an institution and a legal framework that ensure that, there are proper management and administration of these benefits due the employees, that is the Social Security and National Insurance Trust (SSNIT). Additionally, accounting as a discipline is playing an instrumental role in ensuring that, there is income security for people when they retire and cannot actively work. This is done through the institution of a standard in the International Financial Reporting Standards (IFRS). The standard indicates how employees’ benefits should be accounted for and reported in the financial statement. This standard is the International Accounting Standard 19, (IAS 19).

1.2 Statement of Research Problem
There have been several studies in the area of financial literacy in recent times. These studies have provided evidence of low level of financial literacy. Examples of such studies include van Rooij et al., (2009); Lusardi and Mitchell, (2011); and Agarwalla et al., (2013). The ability of individuals to secure their financial well-being is therefore questionable. Also, the low level of financial literacy in the world particularly in developing countries and the several changes and
emergence of new financial products in the world makes it extra cumbersome in taking a financial decision because people cannot tell the future implications of their current financial decisions. This has attracted countries to provide funding that aims at providing education on finance in various economies. In light of this, research aimed at frequently updating the public on financial literacy is direly needed.

Financial literacy has been studied in different aspects. Surveys have been conducted by private entities and government organisations in developed nations across the World to measure the level of financial literacy of their population. For instance, a study by the OECD (2005) reviewed financial literacy in 12 countries, including the USA, the UK, European countries, Australia, and Japan. Few of these studies have been conducted in a developing economy. However, none of these studies has been conducted in the Ghanaian context.

Also, financial literacy studies have been conducted in various field across the world economy like, financial literacy and investment decisions of UAE investors (Hussein, Al Anood, 2015), Entrepreneurship development and financial literacy in Africa (Habib, 2015), Financial literacy among youth (Neha & Shveta, 2018), Gender, Stock Market Participation and Financial Literacy (Johan & Anna, 2012), Lending terms, financial literacy and formal credit accessibility (Korutaro, Nkundabanyanga, Kasozi, Nalukenge & Tauringana, 2014), Demystifying financial literacy: a behavioural perspective analysis (Ani, Grigion & Kelmara, 2018). However, only a single study to the best of my knowledge has been conducted on assessing the level of financial literacy with emphasis on people on retirement. This study was however conducted in Australia, which is a developed economy.

Pensioners’ or people on retirement due to the low literacy on finance, tends to be dependent on their children and their grandchildren because of their inability to make a financial decision that would benefit them. Therefore, assessing the financial literacy of pensioners would help establish knowledge regarding this arena. Studies on financial literacy in the area of knowledge about the stock market are seen to have played essential roles in modifying the stock market operations and the financial market of most economies more, especially in developing countries. In a study by Van Rooij et al. (2011) using a representative sample of the Dutch population, he found that “many families shy away from the stock market because they have little knowledge of stocks and the stock market” therefore making it essential for the need to improve financial market and the stock market operations through financial literacy.
Ghanaians have for some time been experiencing severe loss of investments in various financial institutions due to lack of knowledge on financial instruments and various financial products and firms that are operating within the financial sector (Business Insider, 2018) study to assess the financial literacy of Pensioners’ in this regard following the evidence of financial literacy and stock market operations is therefore necessary.

1.3 Purpose of the study
The study examines the financial literacy of pensioners in Ghana. As an attempt to achieve the stated purpose, there are specific objectives that are considered in this research. This includes;

i. To assess the underlying financial knowledge of Ghanaian Pensioners.

ii. To assess the general investment knowledge of the Pensioners.

iii. To assess financial attitude and financial behaviour of Pensioners in Ghana.

1.4 Research Questions
In light of the above objectives, the study seeks to find answers to the following research questions. The questions of the study are:

i. What is the primary financial knowledge of Ghanaian Pensioners?

ii. What is the level of knowledge of investments of Pensioners in Ghana?

iii. What are the financial attitude and financial behaviour of Pensioners in Ghana?

1.5 Significance of the study
The study is much beneficial to policy formulation, corporate bodies, and academia as well.

To the corporate bodies, more specifically the financial industry, the findings of this research helps them to plan and develop policies. These plans would better place the financial sector entities to manage, adapt and attract the most investment from the employees which would cater for them on retirement. The forms of investment could be like the voluntary Pension Fund Management scheme and the design of policies and financial products that would help improve their financial wellbeing.

More so, the findings from this study considering the immense contribution of financial literacy and knowledge on the development of the economy helps the government and policymaking entities to adopt and plan for the making of policies. These policies would ensure that, the general public are financially literate in much respects to the basics of finance and investment.
at the advance level. The basis of risk and returns could also be integrated to prevent the public from taking unnecessary risk which at the end lead to the loss of their entire investment as has been the case in Ghana for some time.

To academia, the results of this study would contribute to the literature on financial literacy by looking at the financial attitudes and financial behaviour of the Pensioners in Ghana. This adds to the literature from the perspective of a developing economy. The gaps in the area of research are also being identified, which gives much relevance for future researchers to get a stronger ground to conduct future studies in this regard.

1.6 Chapter Disposition
The study is organised into five chapters. The summary of these chapters is discussed below.
Chapter one of the study presents an introduction and overview of the research. These are the study background, problem statement, research objectives and the research questions, and the significance of the study. Chapter two looks at reviewing existing literature on the subject area as well as the discussion of existing theories that surround the study. The literature is reviewed in areas of finance based on the relationship with the study objectives. Also, literature on financial attitude and behaviour are reviewed in this chapter.

Chapter three focuses on methodology; that is the steps that are followed in collecting the data and analysing the data that were collected to address the research problem. This chapter explains the methodology that is employed, sampling and the data collection techniques in the research. Chapter four presents data analysis and empirical findings. The findings are discussed with the literature to assess the level of compliance or deviation with existing studies. Finally, chapter five delves into summary of findings, conclusions and recommendation based on research findings for future researchers and policy implementers.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter reviews existing literature on financial literacy and financial behaviour. This serves as the theoretical basis for the research. The literature review enables the researcher to gain a deeper understanding of the concepts in the area of study. The chapter focuses on reviewing works and studies that have been conducted in the area of financial literacy. The various subsections of this chapter are; the concepts of financial literacy, definitions of financial literacy, components of financial literacy, financial literacy and economic growth, factors that influence financial literacy, the theoretical basis of financial literacy and research gap.

2.1 Concept of Financial Literacy
The concept of financial literacy was coined in America in 1787 by John Adams (Financial Corps, 2014). Several developments of the term financial literacy have occurred since the coining of the concept in 1787 (Neha & Singh, 2017). These developments that have taken place years after the term “financial literacy was coined” has seen it use again and again by several researchers, businesses and governments all across the globe in addressing differing problems and situations in the literature (Hung et al., 2009). However, there exist some challenges in financial literacy research as a review of financial literacy articles since the year 2000 by Remund (2010), reveals that there was no standard definition of financial literacy in the literature. As such financial literacy is akin to different terms, example is financial knowledge (Hilgert et al., 2003; Lusardi & Mitchell, 2011).

2.1.1 Definition of Financial Literacy
Financial literacy, according to literature does not have a single and straightforward definition because of the complex nature of the topic. Financial literacy also encapsulates “a wide range of aspects, starting with the understanding of key financial concepts going through the ability and confidence to effectively manage one’s finances to finally attain an efficient behaviour” (Vieira & Potrich, 2018, p.4). The concept is however, described to include various elements like financial awareness, education or knowledge, including of products, institutions and concepts; financial skills, such as the ability to compute interest payments; and financial capabilities such as money management and financial planning (Vieira & Potrich, 2018). In
practice, however, these elements frequently overlap with each other and are sometimes used together.

According to Lusardi (2008, p.12) and Lusardi and Mitchell (2007, p.36), financial literacy is “the knowledge of basic financial concepts and ability to do simple calculations”. Mandell (2007, p. 7) on the other hand defined financial literacy as “the ability to evaluate the new and complex financial instruments and make informed judgments in both choices of instruments and extent of use that would be in their own best long-run interests” cited in Neha and Singh (2017). Researchers also see financial literacy as an essential component of finance and comprises of “the ability to take simple decisions regarding debt and applying knowledge about interest compounding to real-life situations” (Lusardi & Tufano, 2009).

A generally accepted definition of financial literacy by the Organisation for Economic Co-operation and Development (OECD) defines the term as “knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life” (OECD, 2014) cited in Neha and Singh (2017, p.175). This definition is adopted for this study as it has all the various important components of the concept (financial knowledge, financial behaviour and financial attitude) and this helps in guiding the study towards a specific focus.

2.2 Components of Financial Literacy

The various components of financial literacy that are established in the adopted definition by OECD (2014) are financial knowledge, financial behaviour and financial attitude. The components in this definition as financial knowledge, financial behaviour and financial attitude are variables considered in this study and therefore directs the focus of the study and the achievement of the research objectives. Detail explanation of the components is below.

2.2.1 Financial Knowledge

Financial knowledge as a component of financial literacy involves an individual knowing some critical components of finance and financial concepts (OECD, 2013). Financial knowledge is considered a synonym to financial literacy (Huang et al., 2013; Lusardi and Mitchell, 2011)
and this, therefore, makes financial knowledge a very instrumental dimension in financial literacy studies (Huston, 2010).

Financial knowledge is perceived by some researchers to be an individual’s understanding of various financial concepts (Huang et al., 2013). Four areas of financial knowledge, according to Huston (2010, p. 298) are “basic money concepts, savings or investments, borrowing and protection concepts”. Other areas of financial knowledge include “simple interest, compound interest, time value of money, impact of inflation on price levels and impact of inflation on investment returns” (OECD-INFE, 2011, p.659). Various components of financial knowledge are, interest rate calculation, inflation and working of risk diversification (Lusardi & Mitchell, 2011), “a person’s knowledge of his own financial situations, instead of basic financial concepts, and treated it as a pre-requisite to take financial decisions effectively” (Herd et al., 2012).

Other areas include “government guarantees for deposits in national banks, current value of investments and specific financial knowledge questions like credit card (van Rooij et al., 2009), interest compounding (Lusardi and Mitchell, 2011) time value of money (van Rooij et al., 2009) impact of inflation on price levels and investments (Lusardi and Mitchell, 2011).

### 2.2.2 Financial Attitude

Financial attitude is one of the components of financial literacy that has been stated in the OECD (2014) definition. Financial attitude deals with the pre-disposition that, “people behave in a particular manner formed due to some economic and non-economic beliefs possessed by the individual on the outcome of certain behaviour” (Ajzen, 1991, p. 190). Attitude and preferences are essential components of financial literacy as research indicates that, individuals with financial attitude are more likely to have positive attitude towards planning (Remund, 2010). This makes the individual consume less today and invest some of their today’s income (Agarwalla et al., 2013). A high financial attitude of an individual means that individuals will think of retirement planning and can tolerate considerable and reasonable risk (Yu et al., 2015).

The financial attitude, which represents an individual’s reactions to factors like inflation, exchange rates, risk and financial planning is essential component of financial literacy and as such helps guide the behaviour of people.
2.2.3 Financial Behaviour

Financial behaviour considers how the individual on daily basis go about with their financial responsibilities and spending. Financial behaviour influences the financial well-being of an individual. That is, research indicates that behaviour has relationship with financial literacy (OECD, 2013). A high financial behaviour individual is likely to be involved in formal financial markets activities and stock market operations (van Rooij et al., 2008). Also, these high behaviour people develop the attitude of savings and make timely payment of bills.

The high financial behaviour individual also carefully and thoughtfully evaluate all financial products before a decision on investment is made (Atkinson & Messy, 2012), save rather than borrow, does self-assessment of the affordability of products and services and do engage in retirement planning (Lusardi & Mitchell, 2011) which enable them to accumulate assets and well manages them. These people also prefer low-cost borrowing, which enables them to accumulate more wealth from their appropriate financial decisions (Remund, 2010). Household budget is one factor that is considered by the high financial behaviour individuals.

Studies on financial behaviour indicated that “only about one-third of the US population could apply compound interest concept in real-life situations” (Lusardi & Tufano, 2009, p. 2). In India and Indonesia, studies found that 12% of the Indian population has access to bank account and 41% of Indonesia’s population has access to bank account. Majority of the Indian Youth from a study by Agarwalla et al, (2013) indicated positive financial behaviour that is exhibiting discipline with household finance and their financial planning and evaluation processes.

2.3 Economic Importance of Financial Literacy

There are several benefits of financial literacy to the individual households, and the country as a whole since the role of finance in development is immeasurable. The economic significance of financial literacy is seen in the development of interest globally about financial literacy. The role of financial literacy includes guiding consumers as their interest is being changed from immediate consumption of earnings to savings and investment orientation. Again, financial literacy guides people in selecting the best among the rapid springing up of companies with different mandate within the financial industry across the world, which ensures the protection of customers’ investment.

Savings and investment by citizens enable more resources to be put into production as the financial institutions help channel these resources from the surplus units to the deficits units.
The governments, bankers, employers, community interest groups, financial markets and other organisations are also supplied with resources for their operations since financial literacy is shifting the attention of the population towards future consumption from the development of new financial products, the complexity of financial markets, and the changes in political, demographic, and economic factors in countries (Hussein & Al Anood, 2009).

Also, financial literacy is relevant in ensuring economic growth as such, the much resources committed to improving financial education in some countries by governments. That is, the relevance of financial literacy and education has led governments and international organisations to massively mobilise resources to build capacity in this field of financial literacy in low-income and middle-income countries around the world (Habib, 2015).

2.4 Factors that Influence Financial Literacy

It is seen from literature that, socio-economic and demographic factors of people like the country, age of the people, the level of economic development, gender, income of the individual, family background of an individual and other factors play a very essential role in determining the level of financial literacy and the role of financial literacy in a country. Researches indicate that financial literacy of an individual is influenced by the socio-demographic factors of an individual and thus the level of an individual’s financial knowledge, financial attitude and financial behaviour (Lusardi and Tufano, 2009). These socio-economic determinants of financial literacy includes the educational level of an individual, the net income of an individual and the wealth of an individual.

For instance, a study by Lusardi and Tufano, (2009) in the context of income revealed that the level of financial literacy tends to increase with an increase in income. Thus, the financial literacy level among the low-income group was low and a comparable higher level of financial literacy among high-income earners. Using gender as context research by Lusardi et al., (2010) found that, the level of financial literacy among females with college degree was lower as compared to males with college degrees. On education as a basis, studies indicate that people with a higher level of education tend to have higher level of financial literacy than people with lower education.

A study on financial literacy among people on retirement by focusing on gender disparity revealed that the level of financial literacy scores of both male and female retirees was peaked at the 50th percentile (Anokye, Opoku & Frimpong, 2016). However, a comparison between the actual score revealed that the males’ 50th percentile score was higher than the females 50th
percentile score. That is, the male score at the 50th percentile upward was higher than that of the females. This is an indication of possible male dominance in financial literacy among retirees (Anokye, Opoku & Frimpong, 2016).

Further cross-analysis of the gender disparity using Chi-Squared test for independence between males and females indicated that, the males had a slightly higher score (88.0%) compared to 87.4% for females on the question on the preparation of the monthly budget. However, the difference was not statistically significant at 5% (Anokye, Opoku & Frimpong, 2016). The study concluded that the difference in financial literacy between the male retirees and the female retirees could be attributed to the socialisation process and therefore, expect the gender disparity in financial literacy to decline (Anokye, Opoku & Frimpong, 2016).

2.5 Theoretical Review

The concept of financial literacy has been studied in various areas across the globe using several theories. The theories used in studies on financial literacy include: the behavioural finance theory, the prospects theory, the theory of Social exchange (Newton & Palm, 2011), psychometric theory (Al-Tamimi & Kalli, 2009), the cognitive Experiential Self theory (CEST) (Glazer & Walther, 2013), the item response theory (Baker & Kim, 2017) and the classical test theory (Wu, Tam & Jen, 2017).

The behavioural finance theory is the theory that is adopted for this study owing to the significant relationship that exists between the behavioural finance theory and the financial behaviour of individuals. That is, it is posited that, the level of financial literacy of individuals leads them to develop a financial behaviour and since financial behaviour of people can be explained with the behavioural finance theory hence the adoption of this theory. That is, the behavioural finance theory establishes that human beings are rational which means people are subject to the available information and knowledge (Ritter, 2003). As such the knowledge and literacy of financial products and the existence of information influences the individual’s financial behaviour which the behavioural finance theory explains.

Again, the behavioural finance theory combines the cognitive psychological theory with conventional economic theory in order to propose a justification as to the reasons why people might make an irrational financial decisions. So the study looking at financial literacy and financial behaviour of pensioners in Ghana, the theory would help explain the financial behaviour of these class of people by judging the behaviour of the people from the psychological perspective which is behaviour and the economic perspective which is literacy.
and ability to make meaning from the concepts in finance. The behavioural finance theory has components of cognitive psychology that focuses on how people think and the second component being the arbitrage principle (Ritter, 2003).

The literature on cognitive psychology indicates that there are various ways through which people translate their thinking into behaviour and as such, there may be some errors in the human behaviour and attitude because they might be overconfident in the cognition process or might put too much weight on their recent experience. There may also be instances, where the preference of the individual may create distortions in the system, requiring the theory of behavioural finance to make decisions that are based on knowledge rather than an arrogant approach (Ritter, 2003). Additionally, financial literacy according to behavioural factors Vieira and Potrich, (2018) is complex and a multifaceted phenomenon that has both direct and indirect determinant of other behavioural factors. As such, the adoption of the behavioural finance theory.

2.6 Gaps in the Literature

There have been several studies in the area of financial literacy and financial behaviour in the literature of financial literacy. These studies have been conducted all around the world with a different focus and contextual background. Additionally, these studies have used different theories to judge the financial literacy level of different class of people. Financial literacy and investment decisions of UAE investors was examined by Hussein and Al Anood, (2015). The study examined the level of financial knowledge of the individual investors and the extent of the financial knowledge on investment decisions.

Financial literacy among youth (Neha & Shveta, 2018), thoroughly examined the interrelation between the various socio-economic and demographic factors of the youth and the level of financial literacy. The study found generally low level of financial literacy among the youths of the World. Gender, Stock Market Participation and Financial Literacy has been assessed by Johan and Anna, (2012). They examined the extent of stock market participation of women and men by using 1300 respondents from Sweden. Women were seen not participate more in stock market and their level of financial knowledge was as well lower compared to their male counterparts.
Lending terms, financial literacy and formal credit accessibility (Korutaro, Nkundabanyanga, Kasozi, Nalukenge & Tauringana, 2014), investigated the relationship between the lending terms by the commercial banks and level of financial literacy. The study quantitatively used 384 businesses and found a significant relationship between the commercial lending terms of the banks and the level of financial literacy to obtain these credit facilities.

However, very few studies have been identified to examine the level of financial literacy among the aged group of people around the world. Among these studies are; Financial literacy amongst elderly Australians (Xue, Gepp, O’Neill, Stern & Vanstone, 2018) which was anchored on the item response theory and found that, financially illiterate people are more likely to outlive their savings and investment at retirement. The study also examined health issues and financial literacy and found that, good health, and better educational attainment is associated with higher level of financial literacy. A study in the Ghanaian context titled, does gender disparity in financial literacy persist after retirement? (Anokye, Opoku, Frimpong, 2016) found that, males tend to be more financial literate than females even after retirement. In Anokye et al’s study, gender was examined as the main focus of the study. However, the study failed to examine the issues like financial behaviour and attitude as well as the general investment knowledge of these pensioners. As such, this gap in the literature is what is examined in this study.

Also, the use of behavioural finance theory in measuring the level of financial literacy and financial behaviour is very little in the literature. The silence in the literature in measuring financial literacy among pensioners in Ghana calls for a study in this regard.

2.6 Chapter Summary
The chapter considers the review of literature in the studying context. In the chapter, various theories that underline the concept of financial literacy is considered as well as an adoption of the theory that best helps to achieve the research objectives. The behavioural finance theory is adopted for the study and the imports of the behavioural finance theory are discussed in detail in this chapter. Again, the chapter also discussed the concepts of financial literacy and the components of financial literacy. The importance of financial literacy is considered as well as the socio-economic and demographic factors that affect the level of financial literacy. Also, the gaps in the literature are revealed which serves as a justifiable basis for this study in financial literacy.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research approach, research design, methods used in data collection, and how the data are analysed. This chapter is divided into four sections, namely: research approach, research design, data collection and data analysis.

3.1 Research Approach

There are generally three main ways of conducting research, that is, qualitative, quantitative and mixed research methods (Bogatzis, 1998; Creswell, 1994; Cochran & Patton, 2002). The qualitative approach is that approach that looks at the relationship between theories and research findings by focusing on generation of theories to establish its consistency and deviations (Bryman, 2004). The quantitative method on the other hand uses deductive approach with broad area of studies and quantitative analytical methods to come out with a replicable data and findings from its studies. The mixed approach combines the quantitative approach and the qualitative approach into a single work (Holme and Solvang, 1991) as well as combining the qualitative and the quantitative data analysis.

This study adopts the quantitative research approach since the aim of the study is to assess the financial literacy of pensioners in Ghana. The quantitative method is used for this study because the quantitative approach, according to Holme and Solvang (1991) uses deductive approach with broad studies and quantitative analytical methods to establish a replicable data and findings from the studies as this is the practical implication of this study. Creswell (2003) and Bernard (2000) observes that the quantitative research uses a problem-solving approach that is highly structured in nature and relies on the quantification of concepts, where possible, to evaluate the research questions and predetermined variables. Another reason why the quantitative approach is adopted is the ability of the approach to explain the relationship between variables, which helps to establish the link between financial literacy and financial behaviour of pensioners in Ghana.
3.2 Research Design

According to Powell and Connaway (2004, p. 57), research design refers to “the strategies surrounding the use of multiple methods of conducting a research study as required by different attempts to achieve a high degree of reliability and validity”. A research design is therefore the overall plan for obtaining answers to the research questions being studied (Polit and Beck, 2008). The research adopts the survey design. A survey research design is that design which Isaac and Michael (1997, p.136) “answer questions that have been raised, to solve problems that have been posed or observed, to assess needs and set goals, to determine whether or not specific objectives have been met, to establish baselines against which future comparisons can be made, to analyse trends across time, and generally, to describe what exists, in what amount, and in what context”.

The survey method is used as the research design because of its distinguishing features as identified by Kraemer (1991) and also, its suitability to the objectives of this study. The survey design according to Kraemer (1991), is used to describe specific aspects of a given population quantitatively, and this study tends to use some pensioners in Ghana as representation of all pensioners in the country hence the application of this survey feature. Also, the data required for survey research are collected from people and are, therefore, objective (Kraemer, 1991). This is because several respondents are used for survey study and each respondent for a survey answers the questionnaires based on the level at which the questions provided applies to him. This makes the responses very objective for analysis.

3.3 Data collection techniques and methods

3.3.1 Sources of Data

The data used for this study is obtained from the primary source. Primary data is original data collected by the researcher for the research problem at hand. The primary data source involved the use of a questionnaire as the data collection strategy. The questionnaire for the study was developed from studies in the area of financial literacy. That is, portions of the questionnaire were adopted from the literature. Copy of the questionnaire is attached to the final submission. (See appendix).
3.3.2 Data Collection Technique

The study adopts the use of questionnaires. A questionnaire is a structured data collection tool whereby all respondents are asked the same structured questions (McColl et al. 2001). The questionnaires help the researcher to get specific answers which are assumed very relevant from the respondents and that are closely linked with the objectives of the study. The questionnaire is the main technique used to collect data from the primary source.

3.3.3 Sample size and sampling technique

A sample of 155 respondents was used for this study to understand the level of financial literacy of pensioners in Ghana. These questionnaires were self-administered to the respondents at a seminar organised by the pensioners association of the University of Ghana. The simple random sampling technique was used to select the respondents for the distribution of the questionnaires. The random sampling according to Denscombe (2003), is one in which every member of the population has an equal chance of being selected concerning their proportion of the total population.

3.5 Data Analysis

The data that were collected are analysed using quantitative data analysis tools. VandeCreek, Bender and Jordan (1994) posit that data analysis is relevant in further understanding the raw data collected. The process of data analysis is eclectic (Tesch, 1990) and therefore the process, forms and techniques to conducting depends on the researcher and the objectives of the study.

The data analysis begins from sorting out the data, coding the data, entering the data and thereon analysing by using the discrete data analysis. The discrete analysis takes the form of mean and mode, and this is presented in tables. Also, the analysis is presented in tabular and graphical forms like the pie chart. The data is thereon discussed to know the consistency and deviations of the research findings with the literature.
3.6 Ethical Consideration

The research is conducted in strict adherence and compliance with the University of Ghana policies of conducting research. Thus, assurance was provided to the respondents not to disclose any information about them in any medium as assuring confidentiality of the data that they provided. Also, the aim and purpose of this study were vividly explained to the participants before the questionnaires were given to them. The questionnaires were structured in such a way that; it contained no personal information such as address or name that could be used to trace the participants. The answering of questionnaires was also straight forward and simple in other not to cause any inconveniences to the participants. Moreover, the respondents had their freewill to participate and withdraw from the research at any point in time based on their convenience and not to achieve the aims through any foul means.

3.7 Chapter Summary

This chapter looks at the method adopted and the process that was used to conduct this study. The chapter looked at elements like the research approach, the research design, the data collection techniques and the process that were used in conducting the research. Also, the chapter focused on the data analysis approach that was adopted for the study, and the ethical issues that are considered in the study.
CHAPTER FOUR

PRESENTATION OF RESULTS

4.0 Introduction

Chapter four of the study present an analysis of findings from the data that were collected in the field for the study. The data analysis is conducted using simple descriptive data analysis techniques. The analysis of the findings of the study is presented below.

4.1 Demographic Details of Respondents

The demographic information of the pensioners in the study is presented in the 4.1. The various components of the demographic information are the age class of the pensioners, the respondents religion, the respondents marital status, the academic qualification of the respondents, the number of years that the pensioners have been on retirement, the number of financial dependents, the average annual income of the pensioners, the general health condition of the respondents and finally the residential arrangements of the pensioners.

Table 4.1: Demographic information of Pensioners

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 60</td>
<td>3</td>
<td>1.9</td>
</tr>
<tr>
<td>61-70</td>
<td>83</td>
<td>53.5</td>
</tr>
<tr>
<td>71-80</td>
<td>61</td>
<td>39.4</td>
</tr>
<tr>
<td>Above 80</td>
<td>8</td>
<td>5.2</td>
</tr>
<tr>
<td>Total</td>
<td>155</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Academic Qualification</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHS</td>
<td>43</td>
<td>28.48</td>
</tr>
<tr>
<td>HND</td>
<td>49</td>
<td>32.45</td>
</tr>
<tr>
<td>Degree</td>
<td>31</td>
<td>20.53</td>
</tr>
<tr>
<td>Masters</td>
<td>17</td>
<td>11.26</td>
</tr>
<tr>
<td>Doctorate/PhD</td>
<td>11</td>
<td>7.28</td>
</tr>
<tr>
<td>Total</td>
<td>151</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>10</td>
<td>6.5</td>
</tr>
<tr>
<td>Married</td>
<td>125</td>
<td>81.17</td>
</tr>
<tr>
<td>Divorced</td>
<td>5</td>
<td>3.24</td>
</tr>
<tr>
<td>Widowed</td>
<td>14</td>
<td>9.09</td>
</tr>
<tr>
<td>Total</td>
<td>154</td>
<td>100</td>
</tr>
</tbody>
</table>
The demographic information presented in the table indicates a total number of 155 respondents of the questionnaires. The demographic variables of the respondents like the age of the pensioners indicated that, the majority of the respondents are between 61 and 70 years. The study indicated that, three (3) out of the 155 pensioners are below 60 years. Also, 83 out the 155 respondents of the questionnaires between 61 and 70 years representing 53.5% of the total pensioners used for the study. Again it is indicated that 61 respondents representing 39.4% of the respondents are between 71 and 80 years. The number of pensioners who are above 80 years is 8 representing 5.2%. The age category of the respondents was seen mostly to be above
60 years indicating compliance with the legal retirement age in Ghana which states the legal retirement age at 60 years (Pensions Act, 2008).

The highest academic qualification of the pensioners was also examined, and it was identified that the HND holders were 49 indicating 31.6% of the total respondents. Also, 43 out of 155 respondents were SHS graduates, 31 out of the 155 respondents were Degree holders. It was again indicated that, 17 respondents have masters’ degree as their highest academic qualification and 11 respondents were also either PHD Holders or Doctorate Degree holders. Four of the respondents, however, did not indicate their highest academic qualification. This is an indication that, majority of the pensioners that were used for the study are people who’s’ educational qualifications are neither very high nor very low. However, adding the number of SHS graduates to the number of HND holders, it can be said that the education level of pensioners is generally low as this represents 59.5% of respondents. The generally low level of education of the pensioners could be due to the fact that, in the past, general education level was lower in Ghana than it is now and as such, being a holder of an HND qualification was enough to earn a well-paying job hence the inability or unwillingness of these pensioners to pursue higher academic qualifications. This could be a contributing factor to the low level of financial literacy since those with higher academic qualification were seen to be more financially literate than those with low qualification.

The respondents’ marital status when examined revealed that, out of the 155 respondents of the questionnaires, 10 respondents representing 6.5% were single. One hundred and twenty-five pensioners forming 80.6% of the total respondents are married. Five of the pensioners were divorced, and 14 respondents are widowed. The marital status of the pensioners as indicated shows a normally distributed data and as such is a better representation of the population of pensioners in Ghana.

The pensioners in the study have been on retirement for a various number of years. The years’ category for the respondents in the study included below two years, from 2 to 5 years and above 5 years. It is however identified that only nine of the respondents have been on retirement for less than two years. Again 45 respondents indicated that they have been on retirement for years ranging 2-5. The majority of the respondents indicated that they have been on retirement for more than 5 years. 101 respondents representing 65.2% indicated that they have been on retirement for more than 5 years. Likewise, the marital status of the pensioners, it is inferred that the age at which the pensioners have been on retirement is normally distributed and as such
their responses given to the various questionnaire options are fair and a true representation of the view of the pensioners in Ghana. This is also an indication that, over the years, financial education and the availability of financially educative policies and programmes have been very low in Ghana since these pensioners have grown to their retirement age and yet have very little knowledge in finance and other financially related issues.

The number of dependents of the pensioners is examined in the study. Findings from the study indicate that, 40 pensioners in the study have below three people who are financially dependent on them. Also, it is seen that 75 pensioners of the study have 3-5 financially dependent people. Again, 25 pensioners responded that they have 6 – 8 financially dependent people. 11 pensioners from the study, however, indicated that, they have 9-10 financially dependent people. These dependents on the pensioners is a factor that affects the financial behaviour and attitude of the pensioners. The people who are financially dependents on the pensioners exerts financial burden on the pensioners and as such a factor that influences their financial behaviour and attitude. They are more likely to allocate a greater portion of their earnings to meeting the needs of their dependants before considering any savings or investment.

The average annual income of the pensioners indicated that, 52 respondents get an-average annual income which is below GHS 10,000. 73 of the pensioners indicated that averagely they earn between GHS 10,000 and GHS 20,000. Again, 11 pensioners indicated that averagely they earn between GHS 20,000 and GHS 30,000 in a year. Five pensioners in the study indicated they earn average annual income ranging between GHS 30,000 and GHS 40,000. While three pensioners did not indicate their income level, 11 respondents indicated that averagely they earn an annual income higher than GHS 40,000. The income level of these pensioners is an indication that, there exist some financial inflow regularly to the pensioners and as such the significance of studying their financial behaviour and attitude. The attitude of saving and investment may however be low among the pensioners considering the fact that their annual income may not be sufficient to meet their basic needs and that of their dependants and encourage the attitude of saving and investment.

The question on the general health status of the respondents indicated that 34 respondents (21.9%) indicated that, their health status is not all that good. 90 respondents (58.1%) indicated that, they generally have good health conditions. 25 respondents indicated that they have very good health conditions. Six (3.9%) of the pensioners indicated that, they have excellent health conditions. With the higher percentage of these respondents indicating a good health status, it
is presents a better opportunity to study their financial literacy and behaviour. It can also be concluded that, health needs or expenses on health is not a major factor the places demand on the income of these pensioners. They are therefore more likely to spend on other urgent and pressing needs other than their health. Hence, health status is not a major factor that affects the financial behaviour of pensioners in Ghana.

Finally, the residential arrangements of the respondent are examined to find out the percentage of the respondents who have their own buildings. Evidence from the table indicates that 123 pensioners (79.4%) of the total pensioners live in their own buildings. 27 respondents indicated that they live in a rented apartment and finally five pensioners (3.2%) indicated that they live in family house. The residential arrangements of the pensioners as shown in the table 4.1 is an indication of good financial attitude and behaviour and as such an indication of better financial choices of the pensioners.

### 4.2 Basic Financial Knowledge of the respondents

The basic financial knowledge of the respondents in the study is examined, and the results are presented in the table 4.2. The primary financial knowledge of the respondents was intended to test the level of accuracy of the respondents in regards to the questions below. The frequency of the responses regarding the questions is presented below in the table.

**Table 4.2: Basic Financial Knowledge of the Pensioners**

<table>
<thead>
<tr>
<th>DETAILS</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits account usually pays the MOST interest</td>
<td>22</td>
<td>22</td>
<td>59</td>
<td>26</td>
<td>26</td>
<td>155</td>
</tr>
<tr>
<td>The interest on a loan is calculated on the principal</td>
<td>39</td>
<td>34</td>
<td>53</td>
<td>20</td>
<td>9</td>
<td>155</td>
</tr>
<tr>
<td>I am a guarantor if I co-sign a loan for a friend</td>
<td>37</td>
<td>36</td>
<td>55</td>
<td>16</td>
<td>11</td>
<td>155</td>
</tr>
<tr>
<td>When a cheque is dishonoured, withdrawing is usually charged a fee</td>
<td>39</td>
<td>25</td>
<td>47</td>
<td>21</td>
<td>23</td>
<td>155</td>
</tr>
<tr>
<td>The interest payment on GHS 100 loan taken after 1 year at 20% is GHS 20</td>
<td>38</td>
<td>33</td>
<td>49</td>
<td>20</td>
<td>15</td>
<td>155</td>
</tr>
<tr>
<td>If the rate of inflation increases, the value of money increases</td>
<td>12</td>
<td>7</td>
<td>63</td>
<td>28</td>
<td>45</td>
<td>155</td>
</tr>
<tr>
<td>If the rate of inflation decreases, the value of money increases</td>
<td>38</td>
<td>20</td>
<td>64</td>
<td>20</td>
<td>13</td>
<td>155</td>
</tr>
<tr>
<td>GHS 1 yesterday is the same as GHS 1 today</td>
<td>14</td>
<td>22</td>
<td>33</td>
<td>30</td>
<td>56</td>
<td>155</td>
</tr>
</tbody>
</table>
The various responses of the respondents, as indicated in the table 4.23 shows that the respondents have some level of knowledge in finance. This knowledge is however low. For instance, “Fixed deposits account usually pays the MOST interest” as indicated in the table shows that 44 out of the 155 respondents in the study agree to the question. This means that 28.39% of the respondents had the answer right. Since they either agree or strongly agree to the question which is a true statement. 59 pensioners, however, chose neutral as their response which suggests that, these respondents are uncertain about the answer which may be an indication of a low level of knowledge in this regard. 42 pensioners, however, had the response entirely wrong. Form the responses it is indicated that, there exists a lower level of financial knowledge among the pensioners on the basis of this question. Financial knowledge and literacy which generally has to do with the individuals awareness of basic finance principles like interest computation, basis of risk and basic knowledge of financial products were identified to be generally low among the pensioners.

Also, it is indicated in the table that, 73 out of the 155 respondents forming 47.1% of the total respondents had the answer right for the question “the interest on a loan is calculated on the principal” by choosing strongly agree and agree as their response. However, the demonstration of financial knowledge in this regard is comparatively low since about 52.9% of the respondents were either uncertain or did not know. As for the computation of the interest on the principal, the percentage of the right response indicated that, the level of financial knowledge in respect of interest computation is average. That is, a right response rate of 47.1% is an indication of average knowledge of finance in respect of interest computation.

“I am a guarantor if I co-sign a loan for a friend” also had the right response rate of 73 pensioners representing 47.1%. Majority of the respondents as it had been identified in the previous questions, however, indicated negative response for “when a cheque is dishonoured, withdrawing is usually charged a fee”. That is, only 44 pensioners out of the 155 pensioners had the answer right for choosing strongly disagree and disagree as their responses for the question. This means that 111 pensioners either had the answer out rightly wrong or chose neutral which shows a low level of knowledge in this regard. The right response rate for the question “the interest payment on GHS 100 loan taken after 1 year at 20% is GHS 20” is 45.81% of the total valid percentages representing 71 pensioners either choosing agree or strongly agree as the response. The remaining 54.19% of respondents demonstrated lack of knowledge in this respect. On the question of being a guarantor of loan, it is again seen that, the pensioners indicated an average knowledge of finance. That is, it is again seen that 47.1%
of the pensioners had the answer right signalling an average knowledge of finance among the pensioners. However, the other question on withdrawal of dishonoured cheques is charged a fee indicated a very weak knowledge of the pensioners on financial matters. Again on the interest rate computation, it is seen that, there is an average level of financial knowledge in that regard. From these findings conclusion can be drawn as, pensioners in Ghana have lower financial knowledge in general but however, on the basis of interest rate computation there is average level of literacy among the pensioners.

Again, the right response rate for other questions like “If the rate of inflation increases, the value of money increases”, “If the rate of inflation decreases, the value of money increases”, “GHS 1 yesterday is the same as GHS 1 today” are 47.1%, 37.4% and 55.4% respectively. The right answers for the questions are strongly disagreed and disagree, agree and strongly agree and disagree and strongly disagree respectively. This shows a relatively low level of financial knowledge and literacy for these questions, except for the last question which had 55.4% of the respondents giving the right response. This stands somewhere below average for all the questions tested.

4.3 Knowledge on Investments of Pensioners
The general knowledge of investment of the pensioners in the table 4.3 assesses the level of the respondents’ comprehension or adaptation to the basics of investment or investment management. In the table 4.3 is a sample of investment questions that are used as tests to access the level of knowledge of investment by the pensioners. The detailed score with regards to the level of knowledge of the respondents is indicated in the table 4.3.

Table 4.3: Knowledge on Investments of Pensioners

<table>
<thead>
<tr>
<th>DETAILS</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in stock is likely to result in the most loss of money over a 1 year period</td>
<td>7</td>
<td>8</td>
<td>84</td>
<td>32</td>
<td>24</td>
<td>155</td>
</tr>
<tr>
<td>Investment in Treasury Bill is likely to result in the least loss of money over a 1 year period</td>
<td>28</td>
<td>36</td>
<td>50</td>
<td>19</td>
<td>22</td>
<td>155</td>
</tr>
<tr>
<td>I think stocks are generally riskier than bonds</td>
<td>19</td>
<td>23</td>
<td>83</td>
<td>16</td>
<td>14</td>
<td>155</td>
</tr>
</tbody>
</table>
When the interest rate on investment is 10%, and the inflation rate is 11%, I will invest today.

When the interest rate on investment is 10%, and the inflation rate is 11%, I will spend today.

When the inflation rate is less than the interest rate, I will defer consumption.

Long term investments are generally riskier than short term investments.

I prefer a riskier investment with higher interest than a less risky investment with relatively lower returns.

When planning to invest, the risk is a factor I consider.

Someone who inherits GHS100 million today is richer than someone who inherits GHS100 million in 1 year from today.

Suppose my income has doubled and prices of all goods have also doubled, I will be able to buy more with my income.

The results of the table for various questions indicate varying degrees of accuracy by the pensioners for the various questions. Based on the response to the questions it can be seen that the level of the respondents’ knowledge in investment is moderately low. This is by the frequency scores of the respondents. For instance, statement like “Investment in stock is likely to result in the most loss of money over 1 year” is a true statement and that is, only 15 pensioners from the list of 155 pensioners answered positively to that effects. That is, 140 respondents had the answer wrong. Again it is seen from the table that, 42 pensioners indicates that, they think stocks are generally riskier than bonds which is right and the remaining 133 respondents either disagree to the statement or were neutral to the statement. I will defer consumption when the inflation rate is lower than the interest rate also indicated that 40 out of the 155 pensioners had the answer right. This indicated a lower level of investment knowledge among the pensioners in Ghana, almost a quarter of the respondents got the answer right for deferring consumption in an economy of rising interest rate above the inflation rate.
On the other hand, some statements scored a higher level of accuracy under the knowledge of essential investments. These statements include, “Someone who inherits GHS100 million today is richer than someone who inherits GHS100 million in 1 year from today”. 82 pensioners out of the 155 pensioners’ respondents representing 52.9% of the pensioners indicated that they agree to the statement which is the right answer. This indicates that the respondents have a relatively high level of knowledge about time value of money. 64 pensioners, representing about 41.3% of respondents indicated that “Investment in Treasury Bill is likely to result in the least loss of money over a 1 year period” which is a true statement. The remaining 58% demonstrated low level of knowledge. 68 pensioners also indicated that, “Long term investments are generally riskier than short term investment” which is also a true statement. This represents about only 43.8% of the respondents, with the remaining 56.2% demonstrating low level in the regard.

Again, the responses by the pensioners indicate that the majority of the pensioners are risk-averse people. This is indicated in the frequency score of the respondents in the statement, “I prefer a riskier investment with higher interest than a less risky investment with relatively lower returns”. 30 pensioners indicated that they agree or strongly agree with the question and 73 respondents are indifferent or neutral about the statement. This indicates the extent of how risk-averse the pensioners are in terms of investment.

### 4.4 Financial Seminars and Workshops

The provision and availability of workshops and seminars on finance for the pensioners were also examined in the study, and the findings reveal that there are very lower means for the variables tested for in this table.

**Table 4.4: Financial Seminars and Workshops**

<table>
<thead>
<tr>
<th>Financial Seminars and Workshops</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are seminars and financial literacy workshops provided for my class of people either on</td>
<td>155</td>
<td>2.58</td>
<td>1.39</td>
</tr>
<tr>
<td>retirement or before retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I frequently attend workshops and seminars on finance and investment</td>
<td>155</td>
<td>1.99</td>
<td>1.072</td>
</tr>
<tr>
<td>The seminars or workshops shapes my financial life or my financial management skills</td>
<td>155</td>
<td>2.85</td>
<td>1.232</td>
</tr>
</tbody>
</table>
I would prefer to have more of these seminars to help broaden my
knowledge in finance  
155 3.5 1.192
I would greatly recommend seminars and financial workshops for
other people  
155 3.59 1.221

The table 4.4 indicates that, for statements like “There are seminars and financial literacy
workshops provided for my class of people either on retirement or before retirement” obtained
a mean score of 2.58 which falls between the “disagree” range and the neutral. This means that
the respondents disagree that financial seminars are organized for their class of people. Also,
“frequently attend workshops and seminars on finance and investment” showed a mean score
of 1.99 which indicates that the respondents disagree with the statement. This implies that, the
pensioners do not attend financial seminars. It is again indicated in the study that, the
respondents are neutral that, the seminars and workshops on financial management will shape
the financial life of the pensioners. That is, the respondents scored 2.85 for the mean and a
standard deviation of 1.232.

Additionally, the study indicates that, the pensioners in Ghana would prefer more seminars to
help broaden their knowledge in finance. The respondents further indicated that, they would
recommend seminars and financial workshops for other people. This is indicated with a mean
score of 3.59 and a standard deviation of 1.221.

4.5 Financial Attitude and Financial Behaviour of Pensioners in Ghana
The attitude and behaviour of the respondents, which in this case are pensioners are also tested
to find out the financial behaviour and the financial attitude of the respondents. The measuring
of the respondents’ attitude and financial behaviour were done with the use of means and
standard deviations. Also, the mean scores are sorted in descending order in order to know the
most prevalent financial attitude and behaviour among the pensioners in Ghana. The table 4. 5
presents the financial behaviour and attitude of the respondents.
Table 4. 6: Financial Attitude and Financial Behaviour of Pensioners in Ghana

<table>
<thead>
<tr>
<th>Details</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided I am to be young again; I would have changed most of my spending decisions</td>
<td>155</td>
<td>4.18</td>
<td>1.251</td>
</tr>
<tr>
<td>I report on any wrong debit on my account to the bank for immediate reconciliation and restatement</td>
<td>155</td>
<td>4.15</td>
<td>3.514</td>
</tr>
<tr>
<td>My experience of retirement has shaped my financial behaviour in many forms</td>
<td>155</td>
<td>3.86</td>
<td>1.31</td>
</tr>
<tr>
<td>I am good with keeping close personal watch on my financial affairs</td>
<td>155</td>
<td>3.69</td>
<td>1.149</td>
</tr>
<tr>
<td>I make balance inquiry before I withdraw from the ATM</td>
<td>155</td>
<td>3.62</td>
<td>1.26</td>
</tr>
<tr>
<td>I maintain an adequate financial record of my income and expenditure</td>
<td>155</td>
<td>3.55</td>
<td>2.702</td>
</tr>
<tr>
<td>I spend less than my monthly income</td>
<td>155</td>
<td>3.29</td>
<td>1.409</td>
</tr>
<tr>
<td>I consider carefully and set long term financial goals, and I strive to achieve them</td>
<td>155</td>
<td>3.16</td>
<td>1.154</td>
</tr>
<tr>
<td>I prepare my monthly personal budget based on my income</td>
<td>155</td>
<td>3.03</td>
<td>1.398</td>
</tr>
<tr>
<td>I have an emergency fund somewhere for unplanned and contingent expenses</td>
<td>155</td>
<td>2.68</td>
<td>1.427</td>
</tr>
<tr>
<td>He have insurance coverage for myself and my family</td>
<td>155</td>
<td>2.54</td>
<td>2.09</td>
</tr>
<tr>
<td>I plan and implement adequate insurance plans and programs for myself and my family</td>
<td>155</td>
<td>2.32</td>
<td>1.247</td>
</tr>
<tr>
<td>I am prepared to live for today and allow tomorrow to take care of itself</td>
<td>155</td>
<td>1.94</td>
<td>1.199</td>
</tr>
</tbody>
</table>

The table 4.5 indicates a mean score between 1 and 5. The mean score of 1 means that, all the pensioners strongly disagree to the variable, mean score of 2 means that, all the respondents disagree to the variable, mean score of 3 means that, the respondents are neutral, 4 means the respondents agree and mean score of 5 means the respondents strongly agree to the variable tested in the study.

The mean scores of the various statements indicate the extent to which the statements apply to the pensioners. It is seen from the table that, the statement like “Provided I am to be young again; I would have changed most of my spending decisions” scored the highest mean of 4.18
which means that the pensioners in one way or the other have been involved in a financial behavior that has cost them and as such, would wish they were young again to make better financial decisions. These costly financial decisions may have been due to their low levels of financial knowledge and financial literacy as indicated in the statistics in table 4.5. The pensioners also indicated that they report on any wrong debit on their account to the bank for immediate reconciliation and restatement. This statement from the table obtained a mean score of 4.15 and a standard deviation of 3.514.

Additionally, the respondents indicated that their experience of retirement had shaped their financial behaviour in many regards. This is represented on the table with a mean score of 3.86 and a standard deviation of 1.31. This response, in association with the previous response on whether they would have changed their financial and spending decisions if they were younger shows that, the pensioners’ financial lives may have been better compared to what it is now if they knew some things they have become aware of at retirement. Other statements on financial behaviour shows that, the pensioners, based on approximation to the nearest whole number agreed to, “I am good with keeping close personal watch on my financial affairs”, “I make balance inquiry before I withdraw from the ATM” and “I maintain an adequate financial record of my income and expenditure”. This shows that the pensioners are more aware of the need to make some prudent financial decisions.

It is again indicated that, the pensioners are neutral to these statements based on the approximation of their scores into the nearest whole number. These statements are “I spend less than my monthly income” which obtained a mean of 3.29; I consider carefully and set long term financial goals, and I strive to achieve them with a mean of 3.16. Others include “I prepare my monthly personal budget based on my income with a mean of 3.03; “I have an emergency fund somewhere for unplanned and contingent expenses” with a mean score of 2.68 and finally, “I have adequate insurance coverage for myself and my family”. This also scored a mean of 2.54. This shows that, averagely, about half of the pensioners demonstrate a relatively high level of commendable financial behaviour. This may, however, be due only to the experiences they may have had, mainly because their level of financial knowledge and financial literacy is generally and relatively low as shown in previous statistics.

The pensioners, however, disagree that, they plan and implement adequate insurance plans and programs for themselves and their families and the statement that, they are prepared to
live for today and allow tomorrow to take care of itself. These statements were scored means of 2.32 and 1.94 respectively.

4.7 Discussion of Findings

The findings of the study reveal that, the most considerable proportion of pensioners in Ghana are between 61 and 70 years. The highest educational qualification of majority of the pensioners is the Highest National Diploma (HND). This dominant educational qualification of these categories of the pensioners could be as a result of the then educational system that required students to undertake series of examination like the sixth form, entrance exams. At then HND was appraised and seen as among the highest qualification and as such, the preference of these pensioners. It is again indicated that, the majority of the pensioners are married and have been on retirement for more than five years. The largest group of the pensioners earn between GHS 10,000 and GHS, 20,000 annually. Additionally, it is identified that majority of the pensioners are in good health, have their own houses and have number of financially dependent people between 3 and 5.

It is, however indicated that, there exists a lower level of financial literacy among the pensioners in Ghana. That is, the low level of financial literacy among the pensioners is not only particular about pensioners but a general phenomenon in the world as findings by OECD (2013) when it found that financial literacy is generally low in the world. Also, consistent with a study by Anokye, Opoku and Frimpong, (2016) when they examined if there exists gender disparity between males and females after retirement.

However, it is identified that the general level of literacy in investment is higher than the general literacy in finance. The level of knowledge on investment is higher than the general financial knowledge in the country could be attributed to the availability of several promotional tools by the financial sector entities and the general investment taste of Ghanaians in many assets and policies in the country.

It is again indicated that there exists a good financial attitude among the pensioners in Ghana. However, it was identified that, the pensioners would have portrayed better financial behaviour had there been a chance to young life again. Also, the pensioners are seen to take lower-risk items as part of their financial behaviour.
Findings from the regression analysis identified that there is existent with significant relationship between the age of the respondents and the general health status with their financial attitude and behaviour. This is consistent with a study by Xue, Gepp, O’Neill, Stern and Vanstone, (2018) when they discovered a significant relationship and better financial literacy with good health of the respondents.

Also, knowledge in the investment of the pensioners and the availability of financial seminars and workshops is seen to have better effects on the level of financial behaviour by the pensioners. This is because knowledge in investment will enable the pensioners to choose and act wisely in a financially moderated approach. Also, availability of seminars in finance and workshop according to the pensioners have a significant influence as it will guide the pensioners to also act in line with good and sound financial behaviour.

4.8 Summary of Chapter

Chapter four of this study presents and analyse the results from the data collected from the pensioners. The results are presented in tabular form. Initially, the descriptive data analysis in the form of frequency and percentages were conducted to examine the level of accuracy of the pensioners in regards to the questions that were posed to test their financial knowledge and literacy in investment. Also, mean and standard deviations were used to examine the pensioners’ financial attitude and behaviour to the various components of the questionnaires. The findings from the pensioners were then discussed with the literature.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
This chapter discusses the summary of the main findings, conclusion and recommendations based on the research questions posed in this study. The examined financial literacy of pensioners in Ghana. This chapter presents a summary of the main findings, conclusion and recommendations based on the findings of the study.

5.1 Summary of Main Findings
The pensioners in Ghana were seen as people whose age ranges dominantly from 61 years to 80 years. The highest educational qualification of the pensioners were holders of the Highest National Diploma (HND). Also, it was identified that the level of income for the majority of the pensioners was between GHS 10,000 and GHS 20,000. Most of the pensioners of the study were seen as people with their own houses and most had between 3 and 5 financially dependent people.

The study identifies that the level of financial literacy of the pensioners in Ghana is below average. This was seen to be due to lack of seminars and workshops on finance and other financial educative events these respondents. However, the level of investment knowledge of the pensioners was seen as moderate and fell within the 50th percentile for most of the variables tested in this study. The higher level of investment literacy over financial literacy can be attributed to the number of investment products and services that are offered by the financial sector entities in the country and the interest of these pensioners to purchase and participate in some of these goods and services. This may have caused them to seek some level of knowledge as far as those investment products and services are concerned and have contributed to the increase in their level of investment knowledge. That is, this, as a result, presents all Ghanaians including the pensioners with knowledge about these investment products and services.

It is also identified that there are no seminars and workshops on finance and investment for the pensioners in Ghana. However, workshops and seminars would have improved the literacy and knowledge of the pensioners on financial and investment and most importantly their financial behaviour. The financial behaviour of the respondents was seen as positive and as such made some good and sound financial decisions. It is also identified that, the pensioners would have appreciated the chance to redo things entirely different should they have the chance to young
life. Also, the respondents based on their attitude are seen to take only calculated risk, which is compensated for and is risk averse in general.

The age of the respondents, the general health status of the pensioners, the availability of financial seminars and knowledge on investment have a significant relationship with the financial attitude and behaviour of the pensioners in Ghana.

5.2 Conclusion

Financial literacy as seen from the literature is very influential in ensuring the success of citizens and the nation at large. This is because knowledge and literacy in finance and investment would cushion the individual citizens of the essentials of managing their income and financial resources, which will aid them for the uncertain future. Financial knowledge which is seen as an individual’s general awareness of the basic concepts in finance and the basis of risk and returns were seen from the study to be lower among the pensioners in Ghana. Findings form the study which generally accessed their financial knowledge of the pensioners revealed that, there are generally lower level of financial knowledge among the pensioners in Ghana. However, the study also revealed that despite the lower level of knowledge, knowledge on interest rate computation was seen to be average.

The study again identified that there exist an average level of investment knowledge of pensioners in Ghana. The higher level of knowledge and literacy of investment than basic finance is an indication of the general availability of investment information in the country as many financial institutions on daily basis presents several investment products to their customers and other general public. An analysis of the level of financial literacy and knowledge in investment reveals that, pensioners in Ghana have generally below average scores.

Financial attitude and behaviour of the pensioners are positive indicating that pensioners in Ghana are generally have good attitude and behaviour for their finances. However, the pensioners would have done things in a better way have they had another chance to young age and work again. Pensioners in Ghana therefore have better attitude towards their financial matters and behave positively towards that. It can be said that, despite the lower level of knowledge in finance and the average level of knowledge in investment, pensioners in Ghana depicts a very good financial behaviour and attitude.
5.3 Recommendation

It is recommended that policies are made to encourage organisation and participation in seminar on finance and investment by the pension associations for their members to improve their financial knowledge and enable them make better financial decisions. The seminars in finance would also provide an avenue for the pensioners to share their knowledge and this would improve their attitude and behaviour towards finance and also help in their financial development.

It is also recommended that financial sector entities through some form of sponsorship organise events that aim at improving the literacy level of the pensioners in Ghana by some means of partnership with the pensioner associations. The institution based on the increase in knowledge can design financial products and services specially tailored to meet the financial needs of this class of people which will then improve their financial life even at an old age. Since it can be seen that, the lack of financial education of these pensioners leads to underutilization of the financial service products and services by the pensioners.

Additionally, future studies can be conducted on the pensioners by using other regions or districts of the country to examine the financial literacy level. Demographic and other factors which were not tested in this study can also be tested in future studies to examine their possible relationship with, and impact on financial attitude and behaviour.
REFERENCES


APPENDIX: RESEARCH QUESTIONNAIRE

QUESTIONNAIRE

Dear Respondent,

This questionnaire seeks to assess the financial literacy and financial behaviour of Pensioners in Ghana. The research is for academic purpose only and is assured that any information provided on this questionnaire will be treated with high confidentiality. Your honest opinion is highly valued. Also, participating in the questionnaire is anonymous by default and Responses will be analyzed such that no individual is identified.

RESPONDENTS DEMOGRAPHIC DATA
Indicate by ticking ☑ the option that perfectly describes you and the entity within which you operate.

1. Age of respondent
   Below 60 years ☐ 61-70 ☐ 70-80 ☐ above 80 ☐

2. Highest Academic Qualification
   SHS ☐ HND ☐ Degree ☐ Masters ☐ Doctorate/PHD ☐

3. Religion
   Christianity ☐ Islamic ☐ Other ☐ Please Specify ………………….

4. Marital Status
   Single ☐ Married ☐ Divorced ☐ Widowed ☐

5. Number of Years you have been on Retirement
   Below 2 years ☐ 2 – 5 years ☐ above 5 Years ☐

6. Number of people who are financially dependent
   Below 3 ☐ 3-5 ☐ 5-8 ☐ 9-10 ☐ above 10

University of Ghana http://ugspace.ug.edu.gh
7. Estimate of average annual income in (GHS)
   - Below 10,000 □
   - 10,000 - 20,000 □
   - 20,000 - 30,000 □
   - 30,000 – 40,000 □
   - Above 40,000 □

8. General Health Status
   - Not all that good □
   - Good □
   - Very Good □
   - Excellent □

9. Residential arrangements (I live in…)
   - My Own Building □
   - Rented Apartment □
   - Family House □

**SECTION B: BASIC FINANCIAL KNOWLEDGE OF PENSIONERS**

On a scale of 1 – 5 indicate by ✔ ticking, the extent to which you agree to the following questions or the questions below are applicable to you. Rating 1 = Strongly Disagree and rating 5 = Strongly Agree

<table>
<thead>
<tr>
<th>CODE</th>
<th>DETAILS</th>
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<tbody>
<tr>
<td>BF1</td>
<td>Fixed deposits account usually pays the MOST interest</td>
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<tr>
<td>BF2</td>
<td>The interest on a loan is calculated on principal</td>
</tr>
<tr>
<td>BF3</td>
<td>I am a guarantor if I co-sign a loan for a friend</td>
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<tr>
<td>BF4</td>
<td>When a cheque is dishonoured, withdrawing is usually charged a fee</td>
</tr>
<tr>
<td>BF5</td>
<td>The interest payment on GHS 100 loan taken after 1 year at 20% is GHS 20</td>
</tr>
<tr>
<td>BF6</td>
<td>If the rate of inflation increases, the value of money increases</td>
</tr>
<tr>
<td>BF7</td>
<td>If the rate of inflation decreases, the value of money increases</td>
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<tr>
<td>BF8</td>
<td>GHS 1 yesterday is the same as GHS 1 today</td>
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**SECTION C: KNOWLEDGE OF INVESTMENTS OF PENSIONERS**

On a scale of 1 – 5 indicate by ✔ ticking, the extent to which you agree to the following questions or the questions below are applicable to you. Rating 1 = Strongly Disagree and rating 5 = Strongly Agree
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<tr>
<td>IK1</td>
<td>Investment in stock is likely to result in the most loss of money over a 1 year period</td>
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<td>IK2</td>
<td>Investment in Treasury Bill is likely to result in the least loss of money over a 1 year period</td>
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<td>IK3</td>
<td>I think stocks are generally riskier than bonds</td>
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<td>IK4</td>
<td>When the interest rate on investment is 10% and the inflation rate is 11% I will invest today</td>
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<td>IK5</td>
<td>When the interest rate on investment is 10% and the inflation rate is 11% I will spend today</td>
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<td>IK6</td>
<td>When the inflation rate is less than interest rate I will defer consumption</td>
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<td>IK7</td>
<td>Long term investments are generally riskier than short term investment</td>
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<td>IK8</td>
<td>I prefer a riskier investment with higher interest than a less risky investment with relatively lower returns</td>
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<td>IK9</td>
<td>When planning to invest, risk is a factor I consider</td>
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<td>IK10</td>
<td>Someone who inherits GHS100 million today is richer than someone who inherits GHS100 million in 1 year from today</td>
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<td>IK11</td>
<td>Suppose my income has doubled and prices of all goods have also doubled, I will be able to buy more with my income</td>
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**SECTION D: FINANCIAL SEMINARS AND WORKSHOPS**

On a scale of 1 – 5 indicate by ✔ ticking, the extent to which you agree to the following questions or the questions below are applicable to you. Rating 1= Strongly Disagree and rating 5 = Strongly Agree
There are seminars and financial literacy workshops provided for my class of people either on retirement or before retirement

I frequently attend workshops and seminars on finance and investment

The seminars or workshops shapes my financial life or my financial management skills

I would prefer to have more of these seminars to help broaden my knowledge in finance

I would greatly recommend seminars and financial workshops for other people

SECTION E: FINANCIAL ATTITUDE AND FINANCIAL BEHAVIOUR OF PENSIONERS IN GHANA

On a scale of 1 – 5 indicate by ✓ ticking, the extent to which you agree to the following questions or the questions below are applicable to you. Rating 1= Strongly Disagree and rating 5 = Strongly Agree

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<tbody>
<tr>
<td>FAB1</td>
<td>I prepare my monthly personal budget based on my income</td>
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<td>FAB2</td>
<td>I do balance inquiry before I withdraw from the ATM</td>
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<td>FAB3</td>
<td>I report on any wrong debit on my account to the bank for immediate reconciliation and restatement</td>
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<td>FAB4</td>
<td>I maintain adequate financial record of my income and expenditure</td>
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<tr>
<td>FAB5</td>
<td>I spend less than my monthly income</td>
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<td>FAB6</td>
<td>I have insurance coverage for myself and family</td>
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<td>FAB7</td>
<td>I plan and implement adequate insurance plans and programs for myself and family</td>
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<td>FAB8</td>
<td>I consider carefully and set long term financial goals and I strive to achieve them</td>
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<td><strong>FAB9</strong></td>
<td>I am good with keeping close personal watch on my financial affairs</td>
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<td><strong>FAB10</strong></td>
<td>I am prepared to live for today and allow tomorrow to take care of itself</td>
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<td><strong>FAB11</strong></td>
<td>I have an emergency fund somewhere for unplanned and contingent expenses</td>
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<td><strong>FAB12</strong></td>
<td>My experience on retirement has shaped my financial behaviour in many forms</td>
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<td><strong>FAB13</strong></td>
<td>Provided I am to be young again, I would have changed most of my spending decisions</td>
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**Thank You very much for Your Contribution**