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-RESEARCH ARTICLE-

RETIREMENT PLANNING PRACTICES OF INDIVIDUALS OPERATING IN THE SOUTH AFRICAN INFORMAL ECONOMY

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─Abstract─

Of the total number of economically active individuals in South Africa, approximately 43% are engaged in the informal economy. Despite its substantial contribution to the national labour market, this sector is often marked by limited enforcement of employment legislation. Workers within the informal economy are predominantly self-employed, and this segment exhibits minimal engagement in structured retirement planning. Such a trend raises critical concerns regarding their financial stability in the post-retirement phase. To investigate the retirement planning behaviours of individuals operating within South Africa's informal sector, a mixed-methods research design has been employed. The study's findings indicate that retirement planning is influenced by a broader array of variables beyond basic demographic characteristics. Notably, there is a low uptake of formal retirement products and limited reliance on professional financial advisory services among informal workers. These insights underscore the pressing need for targeted strategies, including financial literacy initiatives and the enhancement of access to formal financial mechanisms, tailored specifically to this group.

Keywords: Self-Employed, Retirement Planning, South Africa, Informal Economy, Pension Plans.

INTRODUCTION

Individuals engaged in the informal economy are categorised as informal workers. These persons are typically involved in economic activities that fall outside the

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regulatory framework of formal labour legislation, meaning they generally operate without formal employment contracts, benefits, or the security of a fixed income (Charman et al., 2017; Guven, 2019). Owing to the absence of structured enforcement of labour protections in this sector, such individuals frequently experience restricted access to formal financial services and employment-related benefits, such as pension schemes (Guven, 2019). Nevertheless, the informal sector plays a pivotal role in global economies by creating employment opportunities, fostering entrepreneurial initiatives, mitigating unemployment, reducing poverty, and advancing economic growth (Winters, 2002; World Bank, 2006). While the definition of the informal economy varies across countries, it commonly includes low-income earners and the self-employed who often manage small, unregistered enterprises or engage in household-based work. Many of these workers are part-time, including migrant labourers, and are commonly found in agriculture, construction, and service-related fields (Guven, 2019).

Although South Africa possesses a well-established retirement fund system, its coverage remains limited to a portion of the population (Pillay & Fedderke, 2022). In the formal sector, employees are automatically enrolled in pension schemes, whereby a portion of their salary is regularly deducted and invested by their employers in compliance with employment agreements (Guven, 2019). Conversely, individuals in the informal sector are not compelled to participate in any such schemes and are largely responsible for their own retirement planning. This autonomy in financial decision-making contributes to limited engagement with retirement savings products. Employees in the formal sector are bound by legal mandates such as the Pensions Act (1956) to contribute to pension plans, and employers often facilitate access to retirement provisions. In stark contrast, informal sector workers exercise personal discretion regarding retirement planning, which frequently results in suboptimal savings behaviour (Getu & Devereux, 2013; Miti et al., 2021; Oteng et al., 2022). Such tendencies often culminate in financial insecurity during old age, prompting dependency on state-provided social grants due to inadequate retirement preparation (Dovie, 2018; Getu & Devereux, 2013; Oteng et al., 2022).

Retirement planning influences a range of financial behaviours, including savings habits and portfolio management decisions (Shehu & Molishti, 2022). It encompasses the strategic actions and decisions individuals make to secure their financial well-being post-retirement. Sound planning includes consideration of financial, emotional, and social factors necessary for a successful transition into retirement (Kerry, 2018; Trivedi, 2020). Individuals who adopt prudent financial behaviours accumulate sufficient savings to maintain their desired standard of living and avoid economic vulnerability in later life (Moleko & Ikhide, 2017). Pension schemes serve as a principal means of accumulating retirement income for millions globally (Githui & Ngare, 2014).

Prevailing cultural norms in the informal economy often prioritise short-term financial needs over long-term planning, contributing to low levels of participation in formal retirement savings mechanisms among informal workers and the self-employed. This is further exacerbated by the absence of a supportive institutional infrastructure that can encourage or guide individuals towards retirement planning (Guven, 2019; Oteng et al., 2022; Surender et al., 2010). Informal economy participants typically perceive retirement as a voluntary process influenced by one's health and financial condition (Dovie, 2018; Oteng et al., 2022). The belief that individuals may continue working as long as they remain physically able, or lack sufficient financial resources to cease working, perpetuates minimal involvement in pension schemes and retirement annuities (DeVaney & Chien, 2000). As a consequence, a considerable proportion of retirees from this sector lack any form of stable income during their retirement years (Dovie, 2018). This low engagement with retirement financial instruments can be attributed in part to limited awareness and comprehension of the importance of long-term financial planning. Furthermore, the irregular and unpredictable nature of earnings in the informal economy makes consistent contributions to retirement savings schemes particularly challenging (Guven, 2019; Surender et al., 2010).

Consistent with international patterns, South Africa continues to face significant challenges in achieving adequate retirement savings. A substantial portion of the population fails to prepare sufficiently for retirement. Recent estimates suggest that only 6% of South Africans will be able to sustain their pre-retirement standard of living, and fewer than 10% are likely to achieve financial independence in retirement (Dhlembeu et al., 2022). A major contributor to insufficient retirement preparedness is the general lack of financial literacy among individuals (Dhlembeu et al., 2022; Singleton & Keddy, 1991). Competent retirement planning demands a foundational understanding of financial concepts, including inflation, interest rates, compounding interest, time value of money, financial instruments, risk diversification, and the relationship between risk and return (Dhlembeu et al., 2022; Harahap et al., 2022; Mustafa et al., 2023).

Within the African context, Aluodi et al. (2017) challenge the prevailing emphasis on financial literacy as a primary determinant of retirement readiness. Their research suggests that an individual's comprehension of financial principles does not necessarily predict effective retirement planning behaviour. Despite ongoing advocacy for savings awareness, retirement planning levels in South Africa remain low, with only 24% of citizens actively engaging in retirement preparation (Dhlembeu et al., 2022). Although voluntary saving for retirement has been linked to understanding the concept of savings (Kempson et al., 2005; Suh, 2022), there remains limited insight into how self-employed individuals in varying contexts prepare for retirement (Fachinger & Frankus, 2015; Hershey et al., 2016), particularly regarding their interpretation of retirement planning.

Significance of the Study

Individuals often face financial vulnerability upon retirement due to inadequate savings.

Key impediments to participation in voluntary retirement savings schemes include affordability constraints, misconceptions regarding retirement savings, and a general lack of awareness (Feng, 2018). While Feng's quantitative study identifies these barriers, it does not delve into the underlying narratives, which could be more effectively explored through qualitative research methods. Extant literature has highlighted the insufficient retirement planning and savings among South Africans. Nonetheless, there remains a need to further investigate the underlying causes of inadequate retirement funding, particularly among Black South Africans. Zeka (2020) addresses this gap by identifying various determinants that influence retirement savings adequacy within this demographic. These factors include the involvement of financial advisers, familial roles, individual health and financial well-being, as well as financial literacy. Moreover, Zeka's study takes into account the geographical diversity of Black South Africans—spanning urban formal, urban informal, rural, and traditional farming areas—thus offering a more representative understanding of retirement funding within this group. However, the quantitative nature of the study precluded the inclusion of personal perspectives, especially from individuals engaged in the informal economy. This paper begins by outlining the background and importance of the study, followed by a clear articulation of the research aim. The subsequent sections review pertinent literature, delineate the research methodology, describe the data collection procedures, and elaborate on the analytical methods employed. The study concludes by presenting key findings and discussing their implications for policy development and practical application.

LITERATURE

This section critically reviews existing literature concerning retirement planning behaviours, with a particular emphasis on individuals operating within South Africa's informal economy. The discussion centres on the specific challenges encountered by self-employed individuals in preparing for retirement, the influence of financial literacy on retirement preparedness, and the extent to which access to financial products affects their ability to accumulate sufficient retirement savings.

Factors Affecting Retirement Planning Practices

Retirement planning practices are influenced by a combination of demographic, financial, behavioural, and social factors (Moorthy et al., 2012). Empirical studies have consistently shown a positive correlation between financial literacy and responsible financial behaviours, including saving and investment decisions (Beverly et al., 2003). Within the South African context, Gutura and Chisasa (2024) found that financial literacy is positively associated with retirement planning among informal sector workers in Randburg. Their study further identified that participation in informal business activities significantly enhances retirement planning efforts. Financial literacy, in this regard, refers to an individual's ability to comprehend and process economic information, enabling informed decision-making concerning both short-term and long-term financial matters (Lusardi & Mitchell, 2013).

Financial Advisor

Despite prevailing financial constraints, research indicates that individuals who actively engage in financial planning or seek the guidance of financial advisors tend to experience more favourable retirement outcomes (Hackethal et al., 2012; Rostamkalaei et al., 2019). The involvement of financial advisors has been shown to correlate positively with the establishment of retirement savings objectives (Kim, et al., 2018). Additionally, financial advisors play a moderating role in the relationship between financial attitudes, financial literacy, and retirement planning, particularly among those who are self-employed (Mustafa et al., 2023).

Use of Financial Savings and Retirement Products

Oteng et al. (2022) identified that self-employed individuals in Ghana adopted a portfolio investment approach to retirement planning, incorporating savings with financial institutions, corporate equities, and insurance products as essential elements of their strategy.

Attitudes and Perspectives

Individuals exhibiting a positive attitude towards saving—characterised by the deliberate formulation of a savings plan—are more inclined to participate in retirement planning activities (Shehu & Molishti, 2022). This observation is consistent with the Life Cycle Savings Hypothesis, which asserts that individuals' saving behaviours vary according to their age and income-generating potential.

Retirement Planning in the Informal Economy

The African labour market is predominantly characterised by informality, wherein individuals of working age are largely self-employed, entrepreneurs, or engaged in informal employment without access to formal pension schemes. Empirical findings from Ghana, South Africa, and Albania indicate that such workers often rely on non-traditional retirement savings mechanisms to secure financial resources for later life. These mechanisms typically involve land acquisition and investments in private equity, such as small business ventures (Obuobi, 2024; Oteng et al., 2022; Zeka, 2020). However, these alternative savings strategies do not offer the same level of security and stability as formal retirement savings instruments. They are particularly susceptible to economic fluctuations, thereby exposing informal workers to significant financial vulnerability in old age (Dhlembeu et al., 2022). The irregular and unpredictable nature of income within the informal sector further complicates long-term financial and retirement planning efforts (Zeka, 2020). Zeka (2020) also emphasises the potential

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benefits that financial advisors could offer to individuals in this sector. Financial advisors play a vital role in enhancing retirement preparedness by assisting individuals in understanding and managing their cash flows, while also supporting the development of structured saving plans. This assertion is supported by Hackethal et al. (2012), who observed that self-employed individuals who utilised the services of financial advisors demonstrated greater financial discipline and were more likely to adequately plan for retirement.

Theoretical Framework

Shobha and Amrutha (2021) proposed a conceptual framework illustrating that retirement planning behaviours are shaped by four key factors: demographic variables, financial literacy, financial risk tolerance, and attitudes toward retirement planning, as depicted in Figure 1.

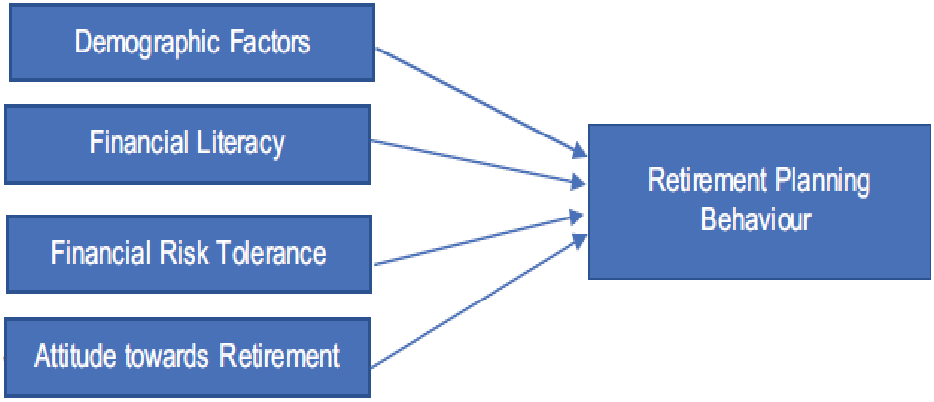

Figure 1: Shobha and Amrutha (2021).

The relationship between demographic factors and retirement planning behaviour is underpinned by the Life Cycle theory, as applied by Shehu and Molishti (2022). Their study demonstrates that individuals' saving behaviours are linked to their need to prepare for retirement, a process that typically begins during their working years and intensifies as retirement approaches. The connection between financial literacy, financial risk tolerance, attitudes toward retirement, and retirement planning behaviour is supported by the Life Course Perspective theory. This theory, as evidenced by Jacobs-Lawson and Hershey (2005), asserts that individuals accumulate financial knowledge and skills through education, work experiences, and significant life events such as marriage, parenthood, and job loss. Moreover, their financial knowledge and attitudes are shaped by life experiences, which can include periods of both financial prosperity and hardship. These experiences are often influenced by broader historical, political, and socioeconomic contexts in which individuals live (Danes & Yang, 2014; Mustafa et al., 2023). Figure 2 provides a summary of the definitions of the Life Cycle Savings Hypothesis and Life Course Perspective theories.

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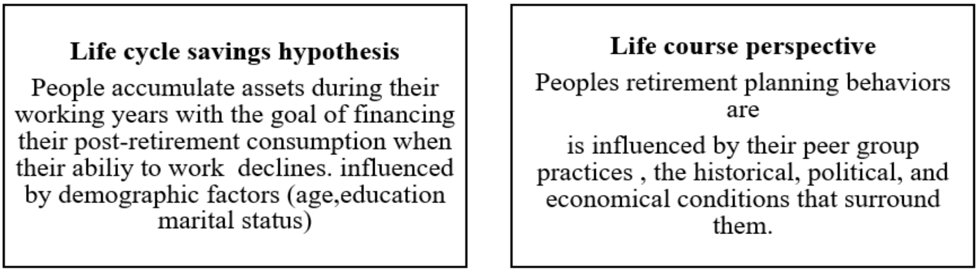

Figure 2: Life Cycle Savings Hypothesis and Life Course Perspective Definitions (Author's design, 2024).

In this study, the four key factors identified by Shobha and Amrutha (2021) are categorised into theories, as illustrated in Figure 3. Moreover, Figure 3 demonstrates that retirement planning practices are driven by the Life Cycle Savings Hypothesis and Life Course Perspective theories. Retirement planning behaviour plays a crucial role in explaining the actions of individuals who are actively preparing for a financially secure retirement. These practices are viewed as a subset of specific behavioural actions. The study identifies participation in pension funds, retirement annuities, savings accounts, and the use of a financial advisor as key practices of retirement planning (Danes & Yang, 2014; Hershey et al., 2016; Kempson et al., 2005).

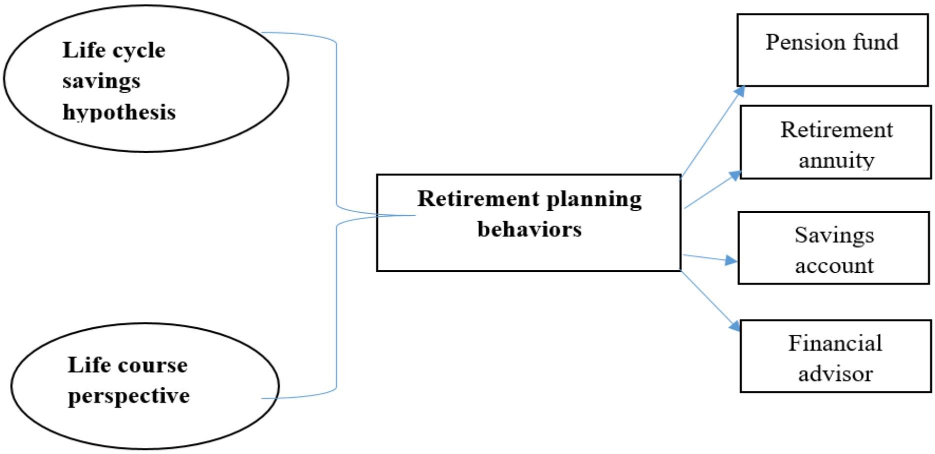

Figure 1: Theoretical Framework for Retirement Planning Behaviour and Practices (Authors design, 2024).

The novelty of this study lies in the development of a Theoretical Framework for Retirement Planning Behaviour and Practices, which integrates the Life Cycle Savings Hypothesis, Life Course Perspective theories, and retirement planning practices. These practices include participation in pension funds, retirement annuities, savings accounts, and the utilisation of a financial advisor (Danes & Yang, 2014; Hershey et al., 2016; Kempson et al., 2005). Additionally, the framework allows for the inclusion of any further retirement planning practices that may emerge from the empirical findings.

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RESEARCH METHOD

This study adopts a descriptive approach, employing a mixed-methods design for both data collection and analysis. The mixed-methods approach is commonly utilised in retirement planning research, as it enables the researcher to gain a deeper understanding of participants' behaviours and decision-making processes regarding retirement planning (Charman et al., 2017). A self-constructed questionnaire was used to collect data from a sample of 111 self-employed individuals aged 22 to 60 in the Vhembe district. A mixed sampling strategy, incorporating purposive and snowball sampling techniques, was employed. The use of a combination of sampling methods is often necessary when dealing with hard-to-reach populations (Etikan et al., 2016). The final study sample consisted of participants who were willing to engage in the study, which aimed to explore retirement planning behaviours within South Africa's informal economy, specifically focusing on individuals' understanding of retirement planning and their utilisation of financial products.

Focus of Study

The sample for this study is based in the Vhembe district, the largest district in the Limpopo Province of South Africa. Situated on South Africa’s border with Zimbabwe, Botswana, and Mozambique, Vhembe has a notably significant informal economy, which is primarily driven by high unemployment levels exceeding 50.6 percent (Africa, 2022). Approximately 32.8 percent of the district's population operates within the informal sector. This sector is composed of five main categories: informal transportation services (taxis and buses), small-scale construction, domestic work, retail, and small-scale manufacturing. These sectors have limited access to economic resources and are vulnerable to economic and social fluctuations, such as changes in petrol prices, interest rates, and migration patterns. Due to the cash-based nature of the informal economy in the Vhembe district and the lack of formal regulation, both service providers and customers are exposed to potential losses (Affairs, 2020).

Sample and Data Collection

The study utilised purposive and snowball sampling techniques to recruit participants, ideal for accessing hard-to-reach populations in the informal economy (Etikan et al., 2016). Purposive sampling enabled the researcher to select self-employed individuals aged 22 to 60, likely to be engaged in or nearing retirement planning (Guven, 2019), with 60 as the typical retirement age. Data were collected from 111 business owners and entrepreneurs in the Vhembe district, following Guven (2019) classification of self-employed individuals in informal African economies. Snowball sampling further aided recruitment by using initial participants to identify others, facilitating access to this hard-to-reach group (Biernacki & Waldorf, 1981).

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Data Collection Instrument

A self-constructed questionnaire was administered via Google Forms, a tool frequently used by researchers to access hard-to-reach communities (Evans & Mathur, 2018). The questionnaire gathered primary qualitative and quantitative data, later analysed to offer a multi-dimensional view of retirement planning practices (Creswell & Plano Clark, 2018). It consisted of three sections: Section A collected demographic data, including age, gender, marital status, and education level. Section B included open-ended questions on the meaning and actions of retirement planning, providing insights into participants' thoughts and experiences (Braun & and Clarke, 2006). Section C comprised yes/no questions to assess the use of retirement products and financial advisors, enabling the researcher to identify patterns in retirement planning practices (Fink, 2013).

Ethical Considerations

Participants were informed of the study's objectives, their role, and their right to withdraw at any time before participation. Participation was voluntary and not compulsory. To ensure anonymity and confidentiality, identifiers were excluded, though age and gender were disclosed as factors influencing retirement planning. Ethical clearance was obtained from the University of Johannesburg, and data were collected and stored in compliance with the Protection of Personal Information Act (POPIA) of South Africa.

Data Analysis

The study involved 111 participants, with Table 1 summarising the distribution by age and gender. The largest group, comprising 49 participants, was aged 31–35. This aligns with Kimiyagahlam et al. (2019) findings, which indicate that retirement planning is more common among individuals in their early to mid-30s, as they become more aware of the need for financial security. Figure 4 displays the distribution of participants by marital status, gender, and highest qualification. The most common qualification was a diploma, followed by matric, the South African high school completion certificate. These educational levels were also noted by (Oteng et al., 2022) as indicators of varying financial literacy, which directly impacts retirement planning behaviours.

Table 1: Summary of the Distribution of Participants (Age and Gender of Sample)

Age	22-25	26-30	31-35	36-40	41-45	46-50	51-55	55-60
Female	5	0	26	18	5	3	1	2
Male	2	4	23	8	7	3	2	2
Total Number	7	4	49	26	12	6	3	4

Figure 4 illustrates the participants' distribution by marital status, gender, and highest qualification. The most common qualification was a diploma, which aligns with

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Johnson and Sherraden (2007) findings, linking higher education levels to improved financial preparedness and greater involvement in retirement planning activities. The qualitative data analysis followed the thematic analysis method outlined by (Braun & and Clarke, 2006) and further developed by (Erlingsson & Brysiewicz, 2017). The researchers familiarised themselves with the data, noting initial codes and ideas related to the research objectives. This approach mirrors that of Willows and October (2023), who explored black women's perceptions of retirement savings, uncovering new insights within the legacy of critical commerce research.

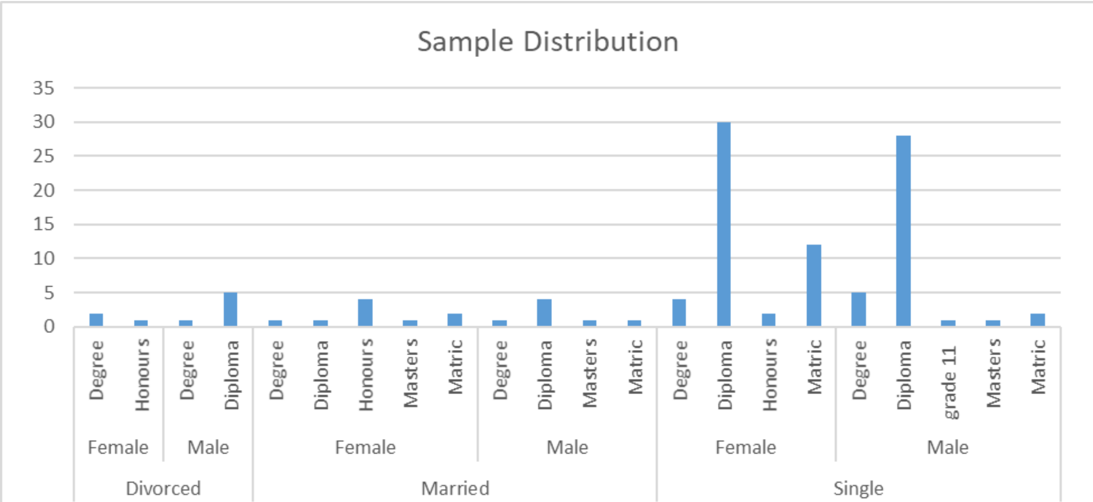

Figure 2: Sample Characteristics by Marital Status, Gender and Highest Qualification (HQ) (Authors own design, 2024).

The open-ended transcripts were analysed using thematic analysis, employing an inductive and semantic approach. The data were systematically examined to identify overarching themes. ATLAS.ti v9's Auto Coding function generated 10 initial codes, which were refined, ultimately leading to three final themes. These themes capture participants' nuanced understanding of retirement planning, particularly within the informal economy. Similar coding strategies have been applied in financial studies to better understand personal finance behaviours (Kimiyagahlam et al., 2019).

Similar to DeVaney and Chien (2000), the study employs the bivariate ($\log(\frac{p_i}{1-p_i}) = \beta_0 + \beta_1 X_j$) and multivariate logistic regression ($\log(\frac{p_i}{1-p_i}) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots \beta_k X_k$), to examine retirement planning behaviours. Where:

- P_i = Probability of observing retirement planning activity $Y_i = 1$
- β_0 = Intercept term
- β_1 = Coefficient representing the effect of independent variable X_j on the outcome
- X_j = One independent variable at a time

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These dependent variables (Yi) are categorised as:

- Retirement Product (RP): This variable examines whether participants hold any financial products purposed for retirement, such as pensions or provident funds.
- Fixed Payment into Savings (FPIS): This variable refers to participants regularly making fixed payments into a savings account.
- Salary and Retirement Deduction (S\&RDR): This variable examines whether participants were formally paying themselves a salary from the business and allocating a portion of that to a retirement product.
- Retirement Annuity (RA): This variable was gathered in Section C; it is a measure of whether participants own a retirement annuity for the purpose of retirement planning.
- Financial Advisor (FA): This variable was gathered in Section C; it is a measure of whether participants use the services of a financial advisor.

Table 2: A Summary of the Studies Independent and Dependent Variables

Dependent Variables (Y_i)	Independent Variables (X_j)
Y_1 = RP	Age
Y_2 = FPIS	Gender (Coded as Male = 0, Female = 1)
Y_3 = S&RDR	Marital Status (Single, Divorced, Married)
Y_4 = RA	Education (Grade 11, Matric, Degree, Diploma, Honours, Masters)

In addition to the bivariate and multivariate logistic regression, the study investigates the relationship between individual demographic variables (age, gender, marital status, and education level) and retirement planning activities, as summarised in Table 2. Methodological triangulation was employed to integrate both qualitative and quantitative methods, enhancing the validity of the findings and providing deeper insights into retirement planning practices (Creswell & Plano Clark, 2018; Donkoh & Mensah, 2023; Kimiyagahlam et al., 2019).

FINDINGS

The research found that individuals operating in the informal sector demonstrated an understanding of the retirement planning process. Some participants perceived retirement planning as a process that requires the application of a comprehensive and sequential plan. This was evidenced by participants describing retirement planning as a systematic approach to saving and investing money to achieve financial independence during retirement. Furthermore, participants highlighted the importance of adopting a proactive approach, emphasising the need to systematically set aside funds to ensure financial stability and self-sufficiency during the retirement phase. The following sections synthesise participants' voices in relation to the identified themes.

Understanding the Term "Retirement Planning"

Participants demonstrated a clear understanding of retirement planning, recognising it

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as more than simply saving money. They viewed it as a comprehensive process that requires strategic financial planning to ensure financial sustainability beyond their working years. One participant (Age: 23, Gender: Female, HQ: Matric) articulated:

"I understand it as a way or method of preparing and putting into action ways of saving retirement money, ways of making an income and sometimes what you could be doing when you are no longer working before you even retire."

Another participant echoed this view, stating that retirement planning involves setting aside adequate resources (Age: 36, Gender: Female, HQ: Postgraduate Diploma).

"Putting in place sufficient resources that will ensure my retirement days are well-funded."

Participants who understood the timing of retirement were also able to define 'retirement planning' as the process of ensuring financial preparedness to maintain their desired lifestyle after their professional careers. For instance, a participant (Age: 31, Gender: Male, HQ: Masters) explained that it involved:

"Ensuring that I have funds to sustain my lifestyle long after my professional career has ended."

This perspective reinforces the notion that retirement planning transcends mere immediate savings, emphasising its connection to the future utilisation of funds for a fulfilling life. Furthermore, participants highlighted the importance of establishing retirement income goals. As one participant (Age: 40, Gender: Female, HQ: Matric) expressed:

"Involves determining retirement income goals and what's needed to achieve those goals."

This insight highlights the importance of developing a financial plan to achieve long-term lifestyle goals.

Financial Preparation and Planning

Participants primarily understood retirement planning as a financial preparation process that involves both saving and investing. While some participants used these terms interchangeably, they commonly recognised the need for both strategies to secure a stable income during retirement. As one participant (Age: 40, Gender: Female, HQ: Honours) aptly stated:

"Retirement planning is saving for the future."

Additionally, participants highlighted the importance of a consistent income during retirement, stressing the need for financial stability. As one participant (Age: 43, Gender: Female, HQ: Degree) explained:

"Retirement planning mean that I must prepare to have steady money after retirement."

Another participant (Age: 38, Gender: Male, HQ: Degree) further emphasized:

"Retirement planning is insuring I prepare for my financial stability beyond my active years."

Multistep Process (Goal Setting)

Participants characterised retirement planning as a dynamic, multi-stage process that demands ongoing modifications in response to evolving life situations. As one participant (Age: 35, Gender: Female, HQ: Matric) remarked:

"I see retirement planning as a multistep process that evolves over time."

Another participant (Age: 40, Gender: Female, HQ: Matric) highlighted the significance of having a long-term strategy:

" I think it is important to draw a proper plan for when I retire so that me and my family can be secured for a very long time."

Moreover, participants recognised goal-setting as a crucial aspect of retirement planning. One participant (Age: 56, Gender: Female, HQ: Degree) explained:

"My retirement planning process involves determining my retirement income goals and what's needed to achieve those goals."

Subjective Goals

From the participants' perspectives, three subjective goals of retirement planning emerged. The first is planning for the transition. Participants highlighted the importance of preparing for the shift from work to retirement, viewing retirement as a time for rest and family. One participant (Age: 38, Gender: Female, HQ: Matric) noted:

"My retirement goal is to stop working, so I can have time with your family."

The second goal is planning for funding future lifestyle, with participants emphasising the necessity of saving to maintain their lifestyle after retirement. As one participant (Age: 41, Gender: Male, HQ: Grade 11) stated:

"My retirement goal is to have my own home, paid vacations, and money to spend."

Finally, planning for financial independence emerged as a key goal. Many participants highlighted that retirement planning is fundamentally about securing financial independence. One participant (Age: 40, Gender: Female, HQ: Masters) explained:

"Retirement planning means preparing today for your future life so that you continue to meet all your goals and dreams independently."

Quantitative Results

The cross-tabulation analysis reveals significant variations in retirement planning activities based on demographic characteristics. Age was notably linked to both S\&RDR and the possession of a retirement annuity, with older participants more

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inclined to engage in these practices. Gender differences were initially apparent, with females exhibiting a lower likelihood of having a retirement product (RP) or retirement annuity (RA); however, these differences became non-significant after statistical adjustment. Marital status also played a role, with divorced individuals showing a lower likelihood of engaging in S\&RDR or holding an RA compared to their single counterparts. Education level was another crucial factor, as individuals with a diploma were significantly more likely to possess an RP and an RA, indicating that higher education positively influences retirement planning behaviours. Table 3 provides a comprehensive summary of the cross-tabulation, bivariate logistic regression, and multivariate logistic regression findings, which are elaborated upon in the subsequent discussion.

Retirement Product (RP)

Education and age were found to be significant predictors of engagement with retirement products. This suggests that individuals tend to save more as they approach retirement, aligning with the study's observation that older participants are more likely to use financial products. However, in the bivariate analysis, age was not significantly associated with retirement product usage (OR: 1.034, p=0.35), and this finding remained non-significant in the multivariate model. Initially, gender was significant, with females showing lower odds of using retirement products (OR: 0.380, p=0.05). Furthermore, education level had a significant positive relationship with retirement product usage, with those holding a diploma demonstrating higher odds of engaging with such products (OR: 10.897, p=0.001). This highlights the role of education in enhancing financial literacy and encouraging participation in formal retirement schemes.

Fixed Payment into Savings (FPIS)

Age, gender, marital status, and education level did not show significant associations with fixed payment behaviour into a savings account. Individuals in the informal economy tend to prioritise less structured savings practices, such as fixed payments, due to irregular income patterns. Although structured saving plans are essential for retirement, the income variability typical in informal economies often limits consistent participation in such financial behaviours.

Salary and Retirement Deduction (S&RDR)

Age was significantly positively associated with paying oneself a salary and allocating funds for retirement (OR: 1.166, p=0.008). However, gender and education level did not show significant associations with this behaviour. Additionally, marital status was a factor, as divorced individuals were less likely to engage in this behaviour (OR: 0.364, p=0.252).

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Retirement Annuity (RA)

Age was not significantly associated with retirement annuity ownership in the bivariate analysis, but after adjusting for other variables, it became significantly positively associated (OR: 1.110, p=0.02). This suggests that while age alone may not initially appear as a predictor, its influence is enhanced when controlled for other demographic variables. The multivariate analysis further reveals the critical role of education, with individuals holding diplomas having significantly higher odds of owning a retirement annuity (OR: 30.047, p=0.000). These results underscore the importance of higher education in fostering retirement planning through financial products like annuities.

62% of participants reported having a financial advisor, with females more likely to engage one. Financial advisors play a pivotal role in shaping effective retirement planning behaviours, assisting individuals in navigating complex financial products, and fostering disciplined saving and investment habits. Figures 5 and 6 illustrate the distribution of participants who utilised financial advisors, categorised by gender and highest qualification. While 62 percent of participants had a financial advisor, a larger proportion were female, and individuals with higher education levels (degree or diploma holders) were more inclined to seek professional financial guidance. This indicates that individuals with post-matric education were more likely to engage a financial advisor.

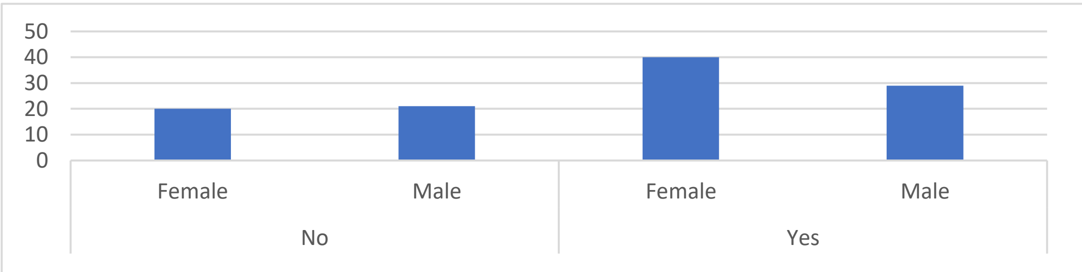

Figure 3: Use of Financial Advisor by Gender (Author's design, 2024).

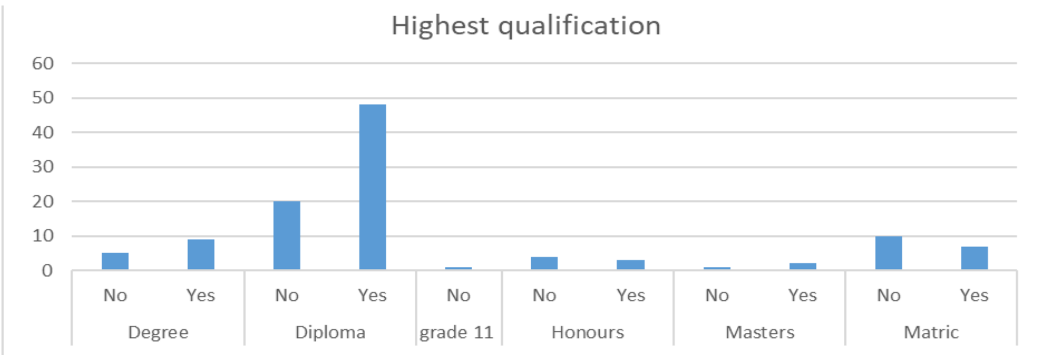

Figure 4: Use of Financial Advisor by Highest Qualification (Author's design, 2024)

Table 3: Summary of Bivariate Logistic Regression, Cross-Tabulation, and Multivariate Logistic Regression

			Cross Tabulation		Bivariate Analysis	Multivariate Analysis
Characteristics	**Category**	**Retirement Planning Activity**	**Yes (%)**	**No (%)**	**Crude Odd Ratio (P-Value)**	**Adjusted Odd Ratio (P-Value)**
Age		RP			1.034(0.35)	1.052(0.172)
		FPIS			0.985(0.729)	1.024(0.631)
		S&RDR			1.166(0.008)*	1.278(0.004)*
		RA			1.049(0.159)	1.110(0.02)*
Gender	**Male**	RP	43(50.6)	7(28)	1.00	1.00
		FPIS	44(44.4)	6(54.5)	1.00	1.00
		S&RDR	45(46.4)	5(38.5)	1.00	1.00
		RA	40(50.6)	10(32.3)	1.00	1.00
	Female	RP	42(49.4)	18(72)	0.380(0.05)*	0.745(0.628)
		FPIS	55(55.6)	5(45.5)	1.50(0.525)	1.301(0.734)
		S&RDR	52(53.6)	8(61.5)	0.722(0.591)	1.021(0.983)
		RA	39(49.4)	21(67.7)	0.464(0.085)*	1.035(0.956)
Marital Status	**Single**	RP	67(78.8)	18(72.0)	1.00	1.00
		FPIS	78(78.8)	7(63.6)	1.00	1.00
		S&RDR	77(79.4)	8(61.5)	1.00	1.00
		RA	63(79.7)	22(71.0)	1.00	1.00
	Divorced	RP	7(8.2)	2(8.0)	0.940(0.942)	0.876 (0.900)
		FPIS	8(8.1)	1(9.1)	0.718(0.77)	0.891(0.929)
		S&RDR	7(7.2)	2(15.4)	0.364(0.252)	0.044(0.021)*
		RA	11(13.9)	5(16.1)	0.437(0.246)	0.137(0.035)*
	Married	RP	11(12.9)	5(20.0)	0.591(0.382)	0.789(0.770)
		FPIS	13(13.1)	3(27.3)	0.389)0.209)	0.272(0.169)

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		S&RDR	13(13.4)	3(23.1)	0.450(0.281)	0.155(0.106)
		RA	5(6.3)	4(12.9)	0.768(0.657)	1.047(0.96)
Education	**Grade 11**	RP	1(1.2)	0(0.0)	181(1.00)	113(1.00)
		FPIS	0(0.0)	1(9.1)	0.00(1.00)	0.00(1.00)
		S&RDR	0(0.0)	1(7.7)	0.00(1.00)	0.00(1.00)
		RA	3(3.8)	0(0.0)	0.00(1.00)	0.00(1.00)
	Matric	RP	8(9.4)	9(36)	1.00	1.00
		FPIS	16(16.2)	1(9.1)	1.00	1.00
		S&RDR	14(14.4)	3(23.1)	1.00	1.00
		RA	5(6.3)	12(38.7)	1.00	1.00
	Degree	RP	8(9.4)	6(24.0)	1.5(0577)	1.27 (0.764)
		FPIS	10(10.1)	4(36.4)	0.156(0.118)	0.147(0.127)
		S&RDR	11(11.3)	3(23.1)	0.786(0.791)	0.708(0.781)
		RA	9(11.4)	5(16.1)	4.32(0.058)	7.227(0.031)*
	Diploma	RP	62(72.9)	6(24.0)	11.625(0.00)*	10.897(0.001)*
		FPIS	64(64.6)	4(36.4)	1.00(1.00)	0.942(0.961)
		S&RDR	65(67.0)	3(23.1)	4.643(0.077)	2.684(0.424)
		RA	60(75.9)	8(25.8)	18(0.00)*	30.047(0.000)*
	Honours	RP	3(3.5)	4(16.0)	0.844(0.851)	0.936(0.948)
		FPIS	6(6.1)	1(9.1)	0.375(0.511)	0.596(0.744)
		S&RDR	4(4.1)	3(23.1)	0.286(0.208)	0.42(0.512)
		RA	2(2.5)	5(16.1)	0.960(0.967)	1.072(0.955)
	Masters	RP	3(3.5)	0(0)	181(0.99)	212 (0.99)
		FPIS	3(2.7)	0(0.0)	100(0.99)	232(0.999)
		S&RDR	3(3.1)	0(0.0)	346(0.999)	103(0.999)
		RA	3(3.8)	0(0.0)	38(0.999)	71(0.999)

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DISCUSSION

In South Africa's informal economy, individuals perceive retirement planning as a comprehensive and sequential process, characterised as a systematic approach to saving and investing with the aim of achieving financial independence during retirement. Participants also view retirement planning as ensuring that sufficient funds are accumulated from savings and investments to support their desired lifestyle post-retirement. This aligns with the literature, where Kimiyagahlam et al. (2019), and Oteng et al. (2022), found that financial independence and the capacity to maintain one's lifestyle are core motivations for engaging in retirement planning. The participants underscore the importance of a proactive approach, highlighting the necessity of systematically setting aside funds to secure financial stability and a self-sufficient retirement phase. Moreover, individuals in the South African informal economy view retirement planning as a process that requires balancing strategic decisions regarding both personal and business finances. This finding is consistent with existing literature, which suggests that workers in the informal sector often integrate their business strategies with their retirement planning practices (Oteng et al., 2022). This integration stems from the perception that retirement and their business are interconnected; many individuals in the informal economy regard their business's financial security and their personal fulfilment as integral to their overall well-being (Hershey et al., 2016).

Retirement planning in this context is also seen as a practical process that involves preparing for retirement through the use of financial instruments or products, such as savings accounts or retirement annuities. Participants described it as a multistep process that evolves over time and includes goal setting, which is consistent with the model proposed by (Johnson & Sherraden, 2007). They conceptualise retirement planning as a dynamic and evolving process. This multistep approach is further supported by the Life Cycle Savings Hypothesis, which posits that individuals adjust their retirement behaviours and investment strategies as they progress through different life stages (Johnson & Sherraden, 2007). Three subjective goals emerge from this process: planning for transition, planning for funding future lifestyle, and planning for financial independence. The importance of goal setting is evident, as it ensures financial independence throughout various stages of retirement (Kimiyagahlam et al., 2019). This approach also reflects the need to address the transition aspect of retirement (Oteng et al., 2022) and to secure financial resources to maintain one's lifestyle after retirement (Hershey et al., 2016).

In the Albanian context, middle-aged individuals (36–50 years old) exhibited a higher propensity to save for retirement compared to younger or older groups, a trend observed in similar studies within other emerging economies (Feng, 2018). This underscores the importance of the life stage in retirement planning. The findings of this study suggest that informal economy workers display low engagement with formal retirement products, such as pension funds and annuities. While prior research indicated that informal sector workers often rely on government social grants (Dovie, 2018; Oteng et al., 2022), this study provides empirical evidence of the limited adoption of structured

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retirement products. The absence of formal pension schemes, combined with irregular income, further hinders the adoption of such products, particularly when compared to formal economy workers who benefit from automatic pension contributions. This study, unlike previous research which primarily focused on financial literacy without quantitative analysis, statistically establishes education as a crucial determinant of retirement planning behaviour. Individuals with diplomas were significantly more likely to engage in retirement planning activities, such as Salary and Retirement Deduction (S\&RDR) and holding a Retirement Annuity (RA).

While the initial findings of this study revealed significant gender differences in engagement with retirement planning products, with females less likely to participate, these differences became statistically insignificant after adjusting for other variables. This suggests that gender disparities in retirement planning may be mitigated through equitable access to education and financial resources. This contrasts with studies that suggest persistent gender-based disparities in retirement preparedness (Suh, 2022). Financial advisors, often highlighted in the literature as valuable for retirement planning, were shown in this study to be engaged by 62 percent of participants, with females and individuals with higher education levels being more likely to use these services. The qualitative data complement these findings, highlighting the crucial role that financial advisors play in assisting informal economy workers to overcome income irregularities and navigate complex financial products. This contrasts with prior literature that has typically focused on self-directed retirement planning behaviours without professional guidance.

The theoretical framework of this study, driven by the Life Cycle Savings Hypothesis and Life Course Perspective theories, posits that individuals engage in retirement planning practices—such as participating in pension funds, contributing to retirement annuities, and using savings accounts—along with seeking professional financial advice. These practices are objective and measurable. The empirical findings of this study demonstrate that, in addition to these objective practices, there are subjective elements of goal setting that also serve as indicators of retirement planning practices. The conceptual framework is illustrated in Figure 7, which presents the Subjective and Objective Retirement Practices Framework (SOIRP).

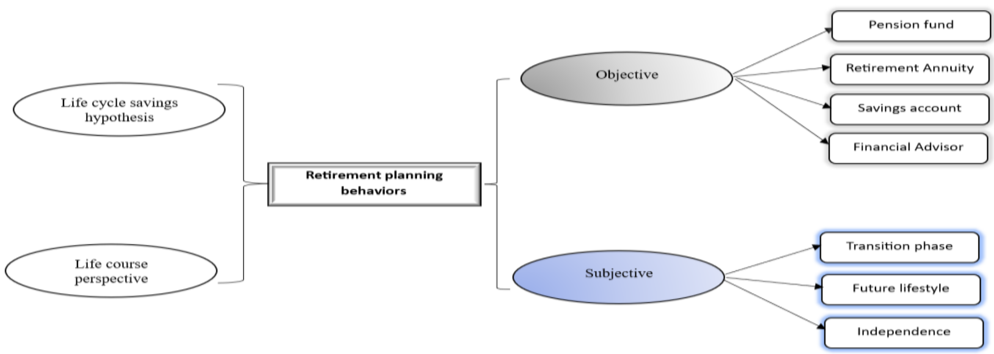

Figure 5: The Subjective and Objective Retirement Practices Framework (SOIRP) (Authors own design, 2024).

CONCLUSION

The study aimed to describe retirement planning behaviours within South Africa's informal economy, with a specific focus on individuals' understanding of retirement planning and their utilisation of financial products. It introduces the SOIRP, which addresses the dual nature of financial preparation and personal aspirations in retirement planning. To overcome the study's limitations, future research should explore structural barriers within the financial system, such as the need for a steady income and formal employment to participate in pension funds. This research should aim to develop innovative solutions that bridge the gap between the retirement planning of informal workers and that of formal economy workers.

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