

CASE STUDY: COVID19 PANDEMIC AND THE PERSONAL FINANCIAL GOALS FOR RETIREMENT SAVINGS

S.T. Janetius*Principal & Professor of Psychology,
St. John College, Dimapur, India***ABSTRACT**Article DOI URL: <https://doi.org/10.36713/epra3439>

Covid-19 pandemic is creating devastating effects globally since the beginning of 2020. In India, the government declared a lockdown in the month of March 2020 that became the starting point of many psychological, emotional, social, and economic issues resulting from this pandemic. Job loss, pay cut, closure of the business enterprises are few of the many economic-related concerns that affected every financial decision-making. More than the threat of the virus, economic perils became a serious hazard to many ordinary people who live on the daily wages. The life of migrant workers took a serious twist due to massive unprecedented movement to their hometowns. Although the threat to survival was not a main concern for white-collar employees, the economic crisis was felt by them. This case study narrates the story of an economically comfortable person who sets financial goals for his retirement savings before the pandemic. While facing financial crisis due to pay cut, he quickly alters his decisions with a positive outlook.

KEYWORDS: *Covid-19 pandemic, Post-retirement preparation, Financial crisis, Decision making, Ageing and retirement*

INTRODUCTION

Ageing is a developmental reality of human existence. It is a complex phenomenon due to the individual differences associated with each personality. Developmental psychology is the field of study that deals with behavioural changes and continuity from conception to old age. Developmental psychology assists both psychologists and laypeople to face every period of life in a healthy, meaningful way. Although there are many theories to explain human development, Erikson's Psychosocial development theory perhaps would be the one apt to explain the adult development and the related social concerns for retirement preparation. According to Erikson, the social environment combined with biological maturation provides an individual with sets of developmental tasks that sometimes cause crises and that need to be faced and resolved in every stage of development so that the next stage of development is smooth and proper (Erikson, 1968). Erikson defines adulthood in two different stages of human development. Middle adulthood that typically covers the ages of 40 to 60 and late adulthood, the period from age 60 until death. Erikson attached some developmental tasks pertinent to the stage of development. The focus of this paper is not the psychosocial development, rather the preparations and

the related decision making needed to face the challenges of the last part of adulthood 'Integrity vs. Despair'.

There are philosophical as well as existential arguments among philosophers and psychologists on the nature of human freedom and decision making. Satre, the French philosopher who argued that humans are condemned to be free, based his argument that every part of a person's life involves a decision. His famous saying, 'man is condemned to be free; because once thrown into the world, he is responsible for everything he does' emphasises the active role of human decision making (Satre, 2007). Although classical psychologists Freud and Jung emphasized the role of unconscious mechanisms that are passed on by heredity in contributing human instincts and action, psychologist Viktor Frankl argues that human beings are the by-products of their own decisions. Everything can be taken from a man but one thing: the last of the human freedoms - to choose one's attitude in any given set of circumstances, to choose one's way' (Frankl, 2006, p.86). Human development throughout the life span is a constant interaction of biologically determined genetic factors and social-environmental influences such as family, school, religion, and culture, preparation to face the periodic challenges and the related individual decisions play a crucial role in the

success and failures of life. The adaptability, adjustability to the unique demands of life in every period is highly determined by the decision making.

Today, due to scientific inventions, the life expectancy has increased significantly. This could be attributed to medicine, nutrition, and higher awareness of personal as well as environmental hygiene. Late adulthood or the postretirement period, which was traditionally understood as a depressed and moody stage of life has become a period of 'new opportunities and new relationships' for many people (Kegan, 1982). Though the late adulthood period is marked by diminished physical abilities, psychological and social contributions increase as people look for personal meaning and fulfilment. However, preparation for retirement and postretirement life is the area that needs a lot of focus today in India (Janetius, 2012). Unlike the olden days in which the retired people were taken care of by their children, today the changing professional life and social outlook expect elders to be economically independent of their children. The older people are considered a burden by the younger generation today. Therefore, the postretirement phase of life needs preparation and the preparation includes economic preparation too, that is the focus of this case study.

Covid-19 pandemic is devastating the world since the beginning of 2020 with every possible hardship. Besides the threat to life and health, the financial crisis is a major concern. Job loss, undue salary deduction, forced closure of the business concerns do not need much elaboration. As essential supplies decreased panic buying increased and people started to purchase irrationally that led to exorbitant prices. According to economists, the financial crisis associated with the pandemic would take years to normalise. Having proper planning, prioritizing regular spending, utilising economic resources efficiently are the keys to financial stability. Although one may argue that job-loss or pay cut is a temporary situation, its effects can be seen for a long period. The people who are in their late 50s, who wish to retire in the next few years are one of the seriously affected people in this financial crunch.

This case study narrates the financial turbulence faced by an adult in the latter adulthood, who scheduled a plan for preparing finances for his retirement. Although this case study does not offer detailed solutions to any problems, the story does describe the positive attitude of the person and the self-satisfaction he enjoyed in valuing his decision making.

CASE PRESENTATION

LM is the subject of this case study. LM is a 57-year-old male, belong to higher middle-class. He is working in a private sector business concern that has more than 100 employees. He is planning to retire at the age of 60. He set a four-year plan in the month of May 2019 for his postretirement life. Accumulating a sum of ₹ 15,00,000 as cash savings by May 2023 was his economic target. To achieve this financial goal LM needed a monthly savings of ₹ 31,250. Although he completed a year and stick to his target almost closely, due to the pandemic his financial plans got a jolt. The story analyses 4 months before the pandemic and 4 months after the arrival of the pandemic to explore how LM accepted the financial crisis and remodified his retirement target.

LM is married and his wife is also employed. She is living with her elderly parents who are pensioners. His children are married and settled. All family members enjoy financial freedom and economical independence. LM has no financial obligation to anyone except that he pays a monthly sum of 10 to 12 thousand rupees for various household expenditure. LM has not taken a loan from any banks currently and financially stable. He has an annually paid medical insurance for the family and life insurance plans which he pays periodically. He has already accumulated some money in provident fund and has some guaranteed income in his endowment policies. He is currently accumulating wealth for his retirement plan through investments and savings. Though he is not very actively involved in regular stock market trading, he has recently started mutual fund investments and holds a Demat account.

LM's gross salary is ₹ 10, 20,000 per annum and the take-home amount is ₹ 7, 56,000. He has an annual bonus of ₹ 20, 000 which he utilises for his new year holidays. The house rent, water and electricity charges are deducted from the gross salary by the employer, also TDS. His monthly net salary is ₹ 63,000. At the start of May 2019, the LM set a target of ₹ 15,00,000 (1.5 million rupees) as cash saving by the year 2023 as a retirement fund, when he retires from active professional life. This target required a monthly savings of ₹ 31,250 that is, 50% of his take-home salary. Thus, he has made a balanced saving and living plan, that is 50% saving and 50% living. This 50-50 plan gave him an economical freedom for both spending as well as savings. The following table shows his savings for the four pre-pandemic months.

	4 months income/expenditure December 2019 to March 2020	Income (in rupees)	Expenditure (in rupees)	Savings (in rupees)
1.	Take home income	2,52,000		
2.	Income from Fixed Deposit	3,750		
3.	LIC Payment		14,564	
4.	Routine monthly expenditure, personal & family		1,22,780	
5.	Savings			1, 18,406
		2,55,750	1,37, 344	
6.	<i>Onetime income from extra work</i>	<i>48,500</i>		
7.	<i>Annual bonus in December</i>	<i>20,000</i>		
8.	<i>Annual vocation expense</i>		<i>68,500</i>	

Table1: Showing pre-pandemic economic scenario

In the pre-pandemic four months the total expenditure was ₹ 1,22,780, an average of ₹ 30,695 monthly, almost 50% of the net salary. The total saving for the pre-pandemic four months was ₹ 1,18,406 that comes to an average monthly savings of ₹ 29,601 rupees, a little below the set target of ₹

31,250, a deficit of ₹ 649 per month. Considering the small deficit, the situation was healthy and sound.

The whole scenario took a dramatic change in the post-pandemic situation. When all the employment services were closed in the last week of March when the Indian government

ordered the total lockdown. Many private institutions took this opportunity not to pay the employees their salary. LM's income, expenditure and the monthly savings were affected by the unexpected 'pay cut' implemented by his employer. The government of India announced not to cut the salary or terminate employees (Dhawan, 2020). However, the announcement was only an eyewash from the part of the government as there were millions of employees lost the jobs and, millions lost their salaries in the private sector. In the month of April, LM received the full payment. However, in the month of May, he was paid only 31% of the salary. When

the business concern opened partially in the first week of June, LM expected a full payment. However, he received only 70% of the salary. In the four months, April to July, the total income loss was 129% that is ₹81,900 of the net salary.

The family took various means to reduce the expenditure on food items and other non-essential items to boost the savings. He was able to reduce the monthly expenses from ₹30,000 to ₹22,466. However, his post-retirement savings target of ₹31,250 plunged to ₹16,971. This created a shortage of ₹14,279 from his set post-retirement target. The following table shows the pandemic monthly economic transaction.

	4 months income/expenditure April 2020 to July 2020	Income (in rupees)	Expenditure (in rupees)	Savings (in rupees)
1.	Take home income	1,71,200		
2.	Interest from Fixed Deposit	4,750		
3.	LIC Payment		8,400	
4.	Car insurance		9,800	
5.	Routine monthly expenditure, personal & family		89,864	
6.	Mutual Fund Investment & NPS			28,000
7.	Savings			39,886
		1,75,950	1,08,064	67,886

Economic hardships: LM tried to reduce the family monthly expenses by various measures. He stopped the housemaid when the workplace introduced a pay cut. He never bought any new clothes nor new shoes during the pandemic period. Even though he needed sports shoes urgently he made up his mind to use the old ones. As the petrol price went to unimagined heights, he minimised his car use. He started to use his motorcycle for errand purposes. He led an austere life. Despite all these, he never enforced any hardships towards his family members. Though he was able to reduce his monthly expenditure to somewhere 15 per cent as compared to pre-pandemic situation, his monthly savings was reduced to nearly 50 per cent. He was not able to reduce further any of his monthly expenditure due to skyrocketing vegetable and other commodity prices. Petrol that was sold for ₹76 in the month of February came to the highest price of ₹86. The vegetables that were sold at an average of ₹20 to ₹30 per kilo in the local market sold for ₹40 to ₹80 per kilos.

The government's poor economic policy and the increased taxation on oil prices during the pandemic caused so much of price increase in every commodity in the market. There was no public outcry or protest as the pandemic kept the people at home in silence. The polarised policies of the government, its religious promise to build Ram Temple made the majority people happy and they ignored the pandemic atrocities. Government's apathy is seen in the perils of blue-collar employees, migrant workers, and people of every employment sector in India. Instead of easing the life of people, the excess taxation, ineffective governance, polarising the society in the name of religion, unwanted tax benefits to big companies was the popular news every day (Chatterjee, 2020; Deepanshu, M., et al., 2020).

Though the pay cut by the employer has not affected the lifestyle of LM very much, it jeopardized his post-retirement plans and savings. The 2020 pandemic made a life-long imprint in the life of LM as he was not sure when normalcy would return. Financial confusion slowly crept in the mind of LM and slowly started to doubt his 1.5 million rupees savings target.

Alternative Plans: Since financial gurus predict that the current financial crisis has no short-term solutions and the economic slowdown would continue for years, LM started to look for alternative plans. The first alternative plan of LM was to postpone the retirement age. If the pandemic continues for one year, change the retirement plan from 60 years to 61 years of age that would give a grace period of one year to recover the financial shortage. Another alternative was to look for some ways to generate additional income to fill the monthly shortfall of ₹13,000 to ₹14,000. LM needs some more time to explore this alternative and execute it tangibly.

Positive outlook in Tragedy: LM is happy over many things. In the first place, the thought of having a job gives constant happiness. BBC India reports that in the month of April 2020 alone 122 million Indians lost their jobs (Inamdar, 2020). "In the face of this huge unemployment that affects millions of Indians, a certain percentage of pay cut is not a big issue to worry" was the rationalising thought of LM. Also, he thinks more realistically that 'not able to save for the future as planned is not a matter of serious concern in the face of life-threatening pandemic'. LM is also happy about the health conditions of self and the family members as everyone is safe in the world of pandemic. LM is positive that he was able to save at least some amount of money in achieving his goal for the post-retirement fund in this financial crisis.

The identified positive outlook primarily originates from his conscious decision making and, secondly, from the cooperation of the family members. LM also attributes his decision-making skills to the disciplined life, the good habits from his younger days, and the unabated focus he has on the preparation for the retirement life. He is happy about his decision to balance both ends, to save as well as to live happily and, handle these two needs healthily; all the essential needs and comforts are met although he had to reduce few of his expenditure here and there. The wealth creation goal is affected due to the pandemic based financial crisis which he has modified by his alternate goals.

CONCLUSION

Development is an integral part of every person. Nearly 20 to 30 per cent of human life belongs to the postretirement period. Therefore, it needs good preparation. A well-planned retirement life, in terms of economic security, can reduce the turmoil of old age to a greater extent. This case study explained the economic preparation initiated by a person in the latter adulthood and the unexpected economic crisis that crept in by the COVID-19 pandemic. Although the subject was not able to move with goals due to the COVID-19 pandemic, his ability to decide alternative goals give him satisfaction. Every person decides the destiny; the decision making, when owned by the individual, gives enormous amounts of life satisfaction even in the time of perils.

Declaration: The information contained in this case study is factual and written with the consent of LM. The opinions formulated by the author on the case story of LM are intended to stimulate academic and practical application for life among scholars of various age groups.

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