

Financial Literacy and Retirement Preparedness: A Critical Review of Determinants and Policy Using Scopus AI Analytics

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ABSTRACT

Retirement preparedness has become an increasingly urgent concern considering demographic shifts, rising life expectancy, and economic uncertainties. However, despite its importance, many individuals remain inadequately prepared for retirement due to limited financial literacy, behavioural biases, and structural inequalities. This critical gap underscores the need to examine the determinants of financial literacy and their implications for retirement planning. The present study aims to analyse how financial literacy and its key determinants—such as education, income, gender, behavioural attitudes, and health literacy shape individuals' retirement preparedness, with a particular focus on policy implications. To achieve this, the study employed a systematic review method using Scopus AI (25 September 2025), incorporating tools such as Summary and Expanded Summary, Concept Map, Topic Experts, and Emerging Themes. This approach enabled a comprehensive synthesis of evidence across diverse contexts and time periods.

The findings reveal a consistent and positive relationship between financial literacy and retirement preparedness, indicating that higher financial knowledge enhances savings behaviour, investment diversification, and long-term planning. Determinants such as education and income emerged as critical enablers, while gender disparities and behavioural factors (e.g., overconfidence and under confidence) significantly influenced outcomes. Emerging themes highlighted the need for integrating financial literacy with health literacy and recognizing the moderating role of financial advisors in shaping retirement outcomes. Theoretically, this study contributes by consolidating fragmented insights into a holistic framework linking financial literacy, behavioural finance, and retirement preparedness. Practically, the findings underscore the importance of policy interventions that enhance financial education, promote digital financial literacy, and address gender and socioeconomic gaps. Limitations include reliance on secondary data and varying contextual differences across countries. Future research should employ longitudinal and cross-cultural designs to deepen understanding and test the effectiveness of policy-driven interventions.

Keywords: Financial literacy, retirement preparedness, behavioural finance, policy implications, health literacy

INTRODUCTION

Retirement preparedness has emerged as a critical issue in contemporary societies, driven by demographic transitions, rising life expectancy, and growing concerns over financial security in old age. In an era of economic volatility and declining reliance on traditional pension schemes, individuals increasingly bear the responsibility of planning and financing their own retirement (Niu & Zhou, 2018; Moure, 2016). At the core of this responsibility lies financial literacy, which equips individuals with the knowledge, skills, and confidence to make informed decisions that safeguard their long-term financial well-being (Yeh, 2022; Md Hasnol Alwee & Baha, 2025).

While financial literacy has been widely recognized as a determinant of retirement planning behaviours, recent research highlights the interplay of behavioural, psychological, and socioeconomic factors that shape retirement outcomes. For instance, risk tolerance, financial judgment, and overconfidence in financial decision-making have been shown to significantly influence retirement preparedness (Park & Martin, 2022; Yeh & Ling, 2022).

Moreover, disparities in financial literacy across demographic groups including gender, age, education, and income raise important equity concerns, as women, younger adults, and low-income individuals are often disadvantaged in accumulating adequate retirement savings (Farrar et al., 2019; Karakurum-Ozdemir et al., 2019).

Although prior studies have examined financial literacy and retirement preparedness across various contexts, gaps remain in synthesizing the determinants holistically and translating insights into actionable policy recommendations. Much of the existing literature focuses on specific regions or demographic cohorts (e.g., Shimizutani & Yamada, 2020; Niu et al., 2020), with limited attention to cross-cutting themes such as financial inclusion, behavioural biases, and confidence in financial literacy. Furthermore, while financial education programs and inclusion policies are frequently advocated, there is insufficient consensus on their long-term effectiveness in improving retirement readiness (Nam & Loibl, 2021; Fisch & Seligman, 2022).

The aim of this review is to critically analyse the determinants of financial literacy and their impact on retirement preparedness, with particular emphasis on policy implications. By employing a concept map approach and integrating insights from topic experts, this study synthesizes emerging themes such as financial inclusion, behavioural finance, gender disparities, and educational interventions. This article contributes by consolidating evidence from diverse contexts, highlighting research gaps, and offering recommendations for policymakers, educators, and financial institutions to strengthen retirement planning outcomes.

The remainder of this paper is structured as follows: Section 2 provides a conceptual framework linking financial literacy to retirement preparedness. Section 3 discusses the results which reviews the determinants of financial literacy, including educational, psychological, and socioeconomic dimensions. It also examines policy interventions and their effectiveness in enhancing retirement preparedness, emerging themes and identifies areas for future research. Finally, Section 4 concludes with practical implications for policymakers and stakeholders.

METHODOLOGY

This review employed a systematic approach to synthesizing the determinants of financial literacy and their impact on retirement preparedness, with a focus on policy implications. To ensure comprehensiveness and rigor, Scopus AI (last accessed on 25 September 2025) was utilized as the primary research tool. Scopus AI was chosen due to its advanced capability to generate summaries, expanded summaries, concept maps, topic expert highlights, and emerging themes, which together provide a structured overview of the literature.

The search strategy was developed to capture studies addressing financial literacy, retirement preparedness, and their associated behavioural, demographic, and policy-related determinants. The final Boolean string applied in Scopus AI was:

("financial literacy" OR "financial education" OR "money management" OR "financial knowledge") AND ("retirement preparedness" OR "retirement planning" OR "pension readiness" OR "future savings") AND ("investment" OR "savings" OR "budgeting" OR "wealth management") AND ("behavior" OR "attitude" OR "decision making" OR "planning") AND ("demographics" OR "age" OR "income" OR "socioeconomic status"). After executing the search query, SCOPUS AI generated outputs across five analytical sections (Refer to Figure 1).

This string was applied across title, abstract, and keywords fields to ensure that both conceptual and empirical studies were captured. The initial search yielded 1,243 documents, which were then refined using Scopus AI's Summary function to identify central themes such as financial literacy gaps, behavioural biases, and the role of demographic determinants. The Expanded Summary provided deeper insights by linking financial education interventions with retirement outcomes across regions, allowing for the identification of cross-country comparisons (e.g., China, Chile, and Brunei) (Niu & Zhou, 2018; Moure, 2016; Md Hasnol Alwee & Baha, 2025).

To strengthen conceptual clarity, the Concept Map generated by Scopus AI was employed. This map visually linked determinants such as education, socioeconomic status, psychological factors, and gender disparities with

retirement preparedness outcomes, highlighting financial inclusion and behavioural finance as bridging constructs. The Topic Experts function further contextualized these findings by showcasing contributions from leading scholars such as Annamaria Lusardi and Olivia Mitchell, who have been instrumental in shaping the discourse on financial literacy and retirement planning (Lusardi & Mitchell, 2014).

In addition, Scopus AI's Emerging Themes function was used to identify novel directions in the field. Themes such as digital financial literacy, behavioural nudges for savings, and gender-sensitive financial education programs were highlighted as underexplored yet promising areas (Park & Martin, 2022; Farrar et al., 2019). These emerging insights not only helped to bridge existing research gaps but also informed the policy-oriented recommendations developed in this study.

By triangulating across these Scopus AI functions, summary, expanded summary, concept mapping, expert validation, and emerging theme identification, ensures both breadth and depth in analysing the determinants of financial literacy and retirement preparedness. This methodological approach helps put together scattered evidence, link behavioural, socioeconomic, and policy aspects, and provide a strong basis for making policy recommendations.

Scopus AI functions range from broad to specific insights.



Fig. 1: 5 core elements of SCOPUS AI

RESULTS AND DISCUSSION

The findings of this review are organized by integrating insights derived from (i) Summary and Expanded Summary, (ii) Concept Map, (iii) Topic Experts, and (iv) Emerging Themes generated through Scopus AI (25 September 2025). This structure not only consolidates the breadth of evidence across multiple domains but also highlights the underlying theoretical and policy implications of financial literacy in shaping retirement preparedness.

Summary and Expanded Summary

The synthesis of findings from the Summary and Expanded Summary underscores that financial literacy is a crucial factor influencing retirement preparedness, affecting individuals' ability to foresee future financial

requirements, assess financial products, and engage in sustainable retirement planning practices. Higher levels of financial literacy are consistently linked to better retirement planning results, such as less anxiety about debt, a greater willingness to take risks, and more proactive investing in retirement plans (Noviarini et al., 2021; Yeh, 2022). On the other hand, low financial literacy makes people more financially vulnerable, which can lead to early withdrawals from retirement accounts and not saving enough money, putting long-term financial security at risk (Tharayil & Walstad, 2022).

A critical determinant identified is the relationship between financial knowledge and behavioural decision-making. Individuals with sound financial literacy not only recognize the importance of retirement planning but also demonstrate a willingness to attend financial seminars, diversify asset allocation, and participate in voluntary retirement savings schemes (Md Hasnol Alwee Pg Hj Md Salleh et al., 2025). Among millennials, financial literacy has been shown to mediate the link between risk tolerance and long-term financial planning, underscoring the importance of targeting younger cohorts in financial education efforts (Kepramareni et al., 2025). These findings suggest that financial literacy serves as both a direct and indirect driver of retirement preparedness by shaping attitudes, reducing behavioural biases, and strengthening financial decision-making.

The results further reveal notable policy implications. First, evidence underscores the need for structured financial literacy programs tailored to demographic differences, particularly addressing the needs of women, low-income earners, and less-educated populations who consistently display lower levels of preparedness (Niu et al., 2020; Sarpong-Kumankoma, 2023). Additionally, financial literacy combined with confidence in financial advisers significantly enhances retirement readiness, emphasizing the dual importance of financial education and accessible, trustworthy advisory services (Rupeika-Apoga & Priede, 2025). Policymakers in aging societies are therefore urged to design interventions that not only disseminate financial knowledge but also enhance advisory engagement and trust, enabling households to make more informed financial choices (Rasiah et al., 2020).

Moreover, initiatives that increase individuals' awareness of their actual financial knowledge play a critical role in overcoming under confidence or overconfidence biases. Overconfident individuals with low literacy often perform no better than their equally low-literate counterparts, while underconfident but knowledgeable individuals risk under-preparation due to hesitation in financial decision-making (Angrisani & Casanova, 2021). Such findings point to the need for behavioural interventions—such as nudges, self-assessment tools, and targeted awareness campaigns—that align perceived knowledge with actual competence.

From a broader economic perspective, low levels of financial literacy carry adverse consequences, including insufficient household savings, inequitable access to financial markets, and persistent vulnerabilities among marginalized groups such as women, youth, and older adults (Shimizutani & Yamada, 2020). On the contrary, improvements in financial literacy significantly increase the probability of households engaging in structured retirement planning and diversifying assets beyond basic savings, such as investing in stocks and securities (Zhuang & Yang, 2025). This reinforces the argument that financial literacy has far-reaching macroeconomic implications, with the potential to enhance retirement security, reduce reliance on state pensions, and foster greater economic resilience at the societal level.

In conclusion, the evidence indicates that financial literacy is fundamental to effective retirement preparedness, with determinants including knowledge, behaviour, and confidence in advisory systems. Policy implications transcend education, incorporating structural reforms to enhance financial inclusion, the development of customised literacy initiatives, and the mitigation of behavioural biases. By closing these gaps, policymakers, educators, and financial institutions can work together to give people the information they need to make smart decisions, which will protect both their own and the group's financial security in retirement.

Concept Map

Figure 2 presents a concept map generated by Scopus AI, illustrating the thematic linkages between financial literacy and retirement preparedness. The visualization highlights three central clusters; financial behaviour, determinants, policy implications, and retirement planning strategies. Each of which encompasses distinct yet interrelated sub-themes.

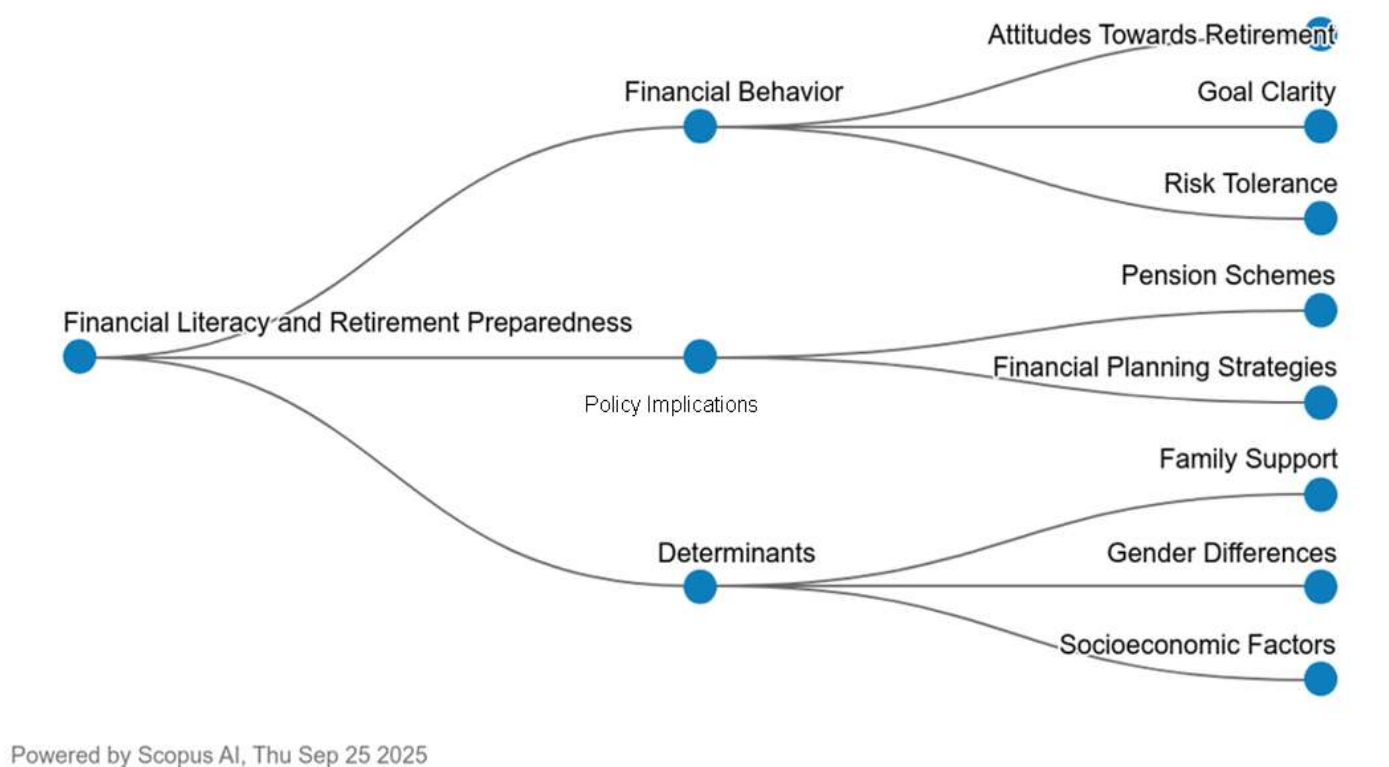


Fig. 2 Financial literacy and Retirement Preparedness

The Relationship between Financial Literacy and Retirement Preparedness

The findings across the reviewed literature underscore a strong and consistent relationship between financial literacy and retirement preparedness. Individuals with higher levels of financial literacy demonstrate greater awareness of retirement needs and actively participate in planning activities such as attending seminars, diversifying investments, and seeking professional advice schemes (Md Hasnol Alwee Pg Hj Md Salleh et al., 2025). In contrast, those with limited financial knowledge are less likely to engage in proactive financial behaviours, which increases the risk of inadequate retirement savings. Evidence from China further supports this view, indicating that financial literacy significantly improves the probability of retirement planning and the use of financial markets for retirement preparation (Niu & Zhou, 2018). These results emphasize that financial literacy not only influences knowledge acquisition but also directly translates into behavioural changes that enhance retirement security.

Another critical determinant of retirement preparedness is financial behaviour shaped by risk tolerance, debt management, and attitudes toward savings. Studies in New Zealand reveal that financially literate individuals exhibit lower levels of debt anxiety and higher willingness to take calculated risks, which improves their ability to secure long-term financial well-being (Noviarini et al., 2021). This behavioural confidence is essential in navigating complex financial products, such as pension schemes and investment portfolios. Similarly, Sundarassen et al. (2024) highlight that financial literacy promotes financial sustainability by encouraging long-term saving and responsible money management. Collectively, these findings indicate that financial literacy operates not only as knowledge but as a behavioural enabler that underpins retirement preparedness.

Beyond individual financial behaviour, education and innovative interventions also emerge as important determinants. Gamification has been shown to significantly enhance financial knowledge retention and saving behaviours among younger cohorts by providing real-life simulations and immediate feedback (Grobbelaar & Alsemgeest, 2024). These educational tools can bridge generational gaps in financial literacy, equipping younger populations with the mindset and strategies necessary for retirement planning early in their careers. Policymakers and educators therefore need to explore the integration of gamification and digital learning platforms into formal and informal financial education to build a culture of savings from an early stage.

Regional variations further demonstrate that the relationship between financial literacy and retirement preparedness is influenced by contextual factors. Evidence from the Baltic region shows that confidence in financial advisers, combined with higher financial literacy, significantly improves retirement readiness (Rupeika-Apoga & Priede, 2025). This suggests that social trust and institutional support act as complementary factors in enhancing retirement planning outcomes. Similarly, determinants such as gender, socioeconomic status, and access to advisory services influence the extent to which financial literacy translates into effective retirement preparedness. Therefore, financial literacy should not be viewed in isolation but within a broader socio-economic and institutional framework that enables individuals to act on their knowledge.

From a policy perspective, the evidence highlights the urgent need for targeted interventions that strengthen financial literacy across diverse population groups. Tailored programs should focus on vulnerable segments, such as women, low-income earners, and younger individuals who are just entering the workforce. Policy measures could include integrating financial education into school curricula, incentivizing retirement savings through tax benefits, and strengthening the availability of trusted advisory services. Importantly, the findings call for collaboration between governments, financial institutions, and educators to create a holistic financial ecosystem that supports retirement preparedness. By addressing both knowledge gaps and structural barriers, policymakers can ensure that financial literacy translates into sustainable retirement planning behaviours and improved financial security in later life.

The relationship between Financial Literacy and Retirement Preparedness and Financial Behaviour

The relationship between financial literacy, financial behaviour, and retirement preparedness has been widely examined, with evidence suggesting that financial behaviour plays a mediating role. Kepramareni et al. (2025) found that while financial literacy enhances individuals' knowledge and awareness of retirement needs, its direct effect on retirement planning is limited. Instead, financial behaviour—such as budgeting, saving, and investing—fully mediates the relationship between financial literacy and retirement financial planning. This highlights that knowledge alone is insufficient for improving retirement outcomes unless it translates into proactive financial behaviours.

Financial literacy also significantly influences risk tolerance and debt management, which are critical components of financial behaviour that support retirement preparedness. In New Zealand, financially literate individuals displayed lower debt-related anxiety and a higher capacity for risk-taking, which improved their confidence in engaging with retirement planning instruments (Noviarini et al., 2021). These findings align with the argument that retirement preparedness requires not just knowledge of financial concepts but also the psychological and behavioural readiness to make long-term financial commitments. Thus, financial behavior acts as the bridge through which financial literacy translates into retirement security.

Regional studies also reinforce the role of financial behaviour as a determinant of retirement preparedness. In Brunei Darussalam, financially literate individuals not only demonstrated higher retirement knowledge but were also more likely to engage in behaviours such as seeking professional advice, diversifying investments, and incorporating land or insurance into their retirement portfolios schemes (Md Hasnol Alwee Pg Hj Md Salleh et al., 2025). These findings suggest that financial behaviour is the practical manifestation of financial literacy in retirement planning contexts.

However, the relationship is not universally consistent. Evidence from Malaysia indicates that financial literacy does not always predict retirement preparedness, nor does it mediate the relationship between financial behaviour and retirement planning among government officers (Tan & Singaravelloo, 2020). These results suggest that contextual factors, such as access to pension schemes, financial incentives, or cultural attitudes toward retirement, may weaken the impact of financial literacy on behaviour and preparedness. Moreover, Henager and Cude (2016) showed that the influence of financial literacy and financial behaviour varies across age groups, underscoring the importance of demographic determinants such as age, income, and socioeconomic status.

The policy implications of these findings are substantial. Interventions should focus not only on enhancing financial literacy through education programs but also on fostering positive financial behaviours that directly contribute to retirement preparedness. This could be achieved through behavioural nudges, gamification, and

structured financial advisory services that encourage consistent saving, investing, and long-term planning. Policymakers should also consider tailoring financial literacy programs to specific groups, recognizing variations across demographic and occupational contexts. Ultimately, strengthening the nexus between financial literacy and financial behaviour is essential for improving retirement outcomes and ensuring financial security in aging populations.

The relationship between Financial Literacy and Retirement Preparedness and Policy Implications

The relationship between financial literacy and retirement preparedness is widely acknowledged, with evidence pointing to its central role in shaping individuals' ability to secure their financial future. Studies from China reveal that large segments of the population, particularly the elderly, women, and less-educated individuals, exhibit considerable deficiencies in financial literacy, which limits their capacity to prepare adequately for retirement (Niu et al., 2020). This indicates that financial literacy is not only a personal competency but also a societal concern, requiring targeted policies to close knowledge gaps among vulnerable groups. Without such interventions, disparities in retirement preparedness are likely to widen, exacerbating socioeconomic inequalities.

In Malaysia, financial literacy has been shown to positively influence retirement preparedness, with policy recommendations emphasizing the integration of financial well-being into broader social protection frameworks (Rasiah et al., 2020). Policies that encourage early financial education, workplace-based retirement planning programs, and stronger engagement with financial institutions can help workers develop sustainable retirement strategies. This underscores the importance of institutional support and structured financial guidance in ensuring that financial literacy translates into effective retirement preparedness, particularly within developing economies facing rapid demographic shifts.

Evidence from the United States highlights another dimension: financial inclusion as a complement to financial literacy. For low-income older adults nearing retirement, access to inclusive financial products and services was strongly associated with improved financial-planning behaviours (Nam & Loibl, 2021). This finding suggests that improving financial literacy alone may not suffice unless individuals also have access to tools and systems that enable them to act on their knowledge. Thus, policymakers must consider not only educational interventions but also structural reforms that reduce barriers to participation in financial markets and retirement schemes.

In Brunei Darussalam, financial literacy has been shown to foster proactive retirement planning, with financially literate individuals more likely to seek professional advice, diversify investments, and include non-traditional assets like land and insurance in their plans schemes (Md Hasnol Alwee Pg Hj Md Salleh et al., 2025). These findings suggest that policy frameworks should strengthen advisory services and promote awareness campaigns tailored to specific population groups. This approach would not only enhance individual decision-making but also build confidence in formal financial systems, which is critical for long-term retirement sustainability.

Finally, evidence from New Zealand emphasizes the complex interaction between financial literacy, income, education, and risk tolerance (Noviarini et al., 2021). While financially literate individuals tend to exhibit stronger retirement preparedness, the benefits are disproportionately concentrated among those with higher income and education levels. This raises important policy questions regarding equity and inclusivity. Policymakers should therefore prioritize targeted interventions for marginalized groups to ensure that improvements in financial literacy translate into more equitable retirement outcomes. Collectively, these findings underscore the need for integrated policies that combine financial education, financial inclusion, and behavioural supports to enhance retirement preparedness on both individual and societal levels.

The relationship between Financial Literacy and Retirement Preparedness and Determinants

The relationship between financial literacy and retirement preparedness has been consistently highlighted as crucial for long-term financial security. A wide body of evidence shows that individuals with higher financial literacy levels are more likely to engage in retirement planning and adopt behaviours that enhance financial sustainability (Sundarasan et al., 2024; Salleh & Baha, 2025). Financially literate individuals are better equipped to evaluate investment opportunities, manage debt, and calculate retirement needs, which ultimately improves

their overall preparedness. Conversely, low financial literacy often correlates with inadequate savings and poor retirement outcomes, underscoring the significance of literacy as a determinant of preparedness.

Educational attainment and income levels have been widely recognized as strong determinants of financial literacy and retirement preparedness. A cross-country study comparing Japan and the United States found that middle-aged and older individuals with higher education and cognitive skills displayed better financial literacy, which directly translated into stronger retirement planning (Shimizutani & Yamada, 2020). Similarly, higher income groups typically possess greater access to financial products and advisory services, strengthening their retirement preparedness (Noviarini et al., 2021). These findings highlight the reinforcing cycle between education, income, and financial decision-making capacity, suggesting that socioeconomic disparities play a critical role in shaping retirement outcomes.

Gender differences also influence retirement preparedness, though the results are mixed. Some evidence suggests that gender gaps narrow when financial literacy is considered, with men and women demonstrating similar planning outcomes once literacy levels are accounted for (Rupeika-Apoga & Priede, 2025). However, other studies emphasize that women often exhibit lower levels of financial literacy and planning engagement, leading to reduced preparedness (Farrar et al., 2019). These discrepancies may be linked to labour force participation, income inequality, and cultural norms, underscoring the importance of gender-sensitive interventions in financial literacy programs.

Behavioural factors also emerge as important determinants of retirement preparedness. Research shows that confidence in one's financial knowledge, whether under- or overestimated, can significantly affect retirement outcomes. Angrisani and Casanova (2021) found that underconfident individuals tend to avoid financial planning, resulting in weaker preparedness, while overconfident individuals may make riskier financial choices, potentially jeopardizing long-term security. This indicates that beyond knowledge acquisition, psychological and behavioural traits influence how individuals apply financial literacy to retirement decisions.

In summary, the determinants of financial literacy and retirement preparedness are multifaceted, encompassing education, income, gender, and behavioural characteristics. These determinants do not operate in isolation but interact in ways that reinforce or hinder retirement readiness. Addressing these factors requires holistic approaches, such as integrating financial education into school curriculum, improving access to financial services, tailoring interventions for women and low-income groups, and incorporating behavioural insights into retirement planning programs. These strategies can help reduce differences and make people from different backgrounds more ready for retirement.

Topic Expert

The review of contributions by prominent scholars in the field highlights the evolving role of financial literacy in shaping retirement preparedness. Wan Mashumi Wan Mustafa's work emphasizes the interplay between financial attitudes, health literacy, and retirement planning, with financial literacy acting as a moderating factor that strengthens individual preparedness. Their findings suggest that retirement planning is not solely dependent on income or savings but is significantly influenced by psychological and behavioural attitudes toward money management (Wan Mustafa, 2023). This perspective adds depth to the understanding of retirement preparedness by underscoring the importance of mindset, self-discipline, and health awareness in sustaining financial security during later life.

Complementing this, Md Aminul Islam brings attention to the interconnectedness of financial attitudes and the role of financial advisors in promoting effective retirement planning. Islam's research underscores the importance of professional guidance, particularly when individuals lack sufficient knowledge or confidence to make retirement-related decisions independently (Islam, 2022). His findings highlight how financial literacy enhances the value of advisory services by allowing individuals to better understand, evaluate, and act upon professional recommendations. This suggests that policies aimed at retirement preparedness should not only promote financial education but also increase access to affordable and trustworthy financial advisory services.

Meanwhile, Md Sharif Hassan gives a detailed look of how financial attitudes and health literacy collectively

impact retirement readiness. His research confirms that individuals with stronger health literacy are more likely to align financial and health-related decisions, thereby improving their overall preparedness for retirement (Hassan, 2022). By integrating both financial and health perspectives, Hassan's work highlights the multidimensional nature of retirement planning. It reinforces the idea that preparedness extends beyond economic resources to include physical and psychological well-being, which are critical for sustaining quality of life in later years.

Taken together, these scholars collectively illustrate that financial literacy operates as both a direct and moderating factor in retirement preparedness. Their insights converge on the notion that financial attitudes, health literacy, and advisory engagement are key determinants of successful retirement outcomes. Importantly, these findings suggest that interventions to improve retirement preparedness should be multidimensional: strengthening financial literacy, promoting positive attitudes toward saving, integrating health considerations, and enhancing the role of advisors in financial decision-making.

Overall, the contributions of Wan Mashumi Wan Mustafa, Md Aminul Islam, and Md Sharif Hassan reinforce the need for policies that take a holistic approach to retirement planning. Governments and institutions should implement initiatives that combine financial education with health literacy programs, incentivize proactive financial behavior, and expand access to credible advisory services. Such integrated strategies will not only improve retirement preparedness at the individual level but also reduce the potential long-term burden on public welfare systems.

Emerging Themes

The consistent emergence of financial literacy as a determinant of retirement preparedness highlights its critical role in shaping long-term financial outcomes. Across diverse contexts, research consistently demonstrates that individuals with higher levels of financial literacy are better able to engage in retirement planning, accumulate savings, and make informed investment decisions (Niu et al., 2020; Sundarasan et al., 2024). These findings emphasize the enduring importance of financial education as a policy tool for enhancing retirement preparedness. This consistency underscores the need for sustained interventions, particularly among vulnerable populations such as women, the elderly, and individuals with lower levels of education, who are often found to have lower financial literacy and weaker retirement planning behaviours (Farrar et al., 2019; Niu & Zhou, 2018).

Another consistent theme is the strong link between financial literacy and investment decisions, which directly influences retirement outcomes. Studies indicate that financially literate individuals are more likely to diversify their investment portfolios, demonstrate higher risk tolerance, and protect themselves from predatory practices such as scams and fraud (Noviarini et al., 2021; Rupeika-Apoga & Priede, 2025). In contrast, low levels of financial literacy can lead to poor investment decisions, excessive reliance on debt, and inadequate retirement wealth accumulation. These results affirm that retirement preparedness is not solely about saving but also about the quality of investment decisions made over the life course, which depend heavily on financial knowledge.

The emergence of novel themes in the literature suggests a broadening scope in how retirement preparedness is conceptualized. Recent studies indicate that financial literacy does not operate in isolation but interacts with other dimensions such as financial attitudes, health literacy, and access to advisory services (Mustafa, W. M. W., et al., (2023). This new perspective recognizes the multidimensional nature of retirement planning, where financial preparedness is intertwined with physical health, psychological well-being, and trust in financial advisors. Such findings imply that retirement planning requires a more holistic approach that goes beyond traditional financial education to incorporate lifestyle and health considerations.

Moreover, the novel theme highlights the risks of overconfidence in financial literacy, which can lead to suboptimal retirement decisions. Overconfident individuals may overestimate their financial abilities, underestimate risks, and ultimately jeopardize their retirement wealth (Angrisani & Casanova, 2021). This highlights the importance of designing interventions that not only raise financial literacy but also calibrate individuals' confidence in their financial decision-making. Integrating behavioural finance concepts into financial education may therefore be essential for improving retirement outcomes.

Overall, the consistency of themes around financial literacy and preparedness, alongside the novelty of multidimensional approaches, underscores the dual policy challenge of reinforcing established financial education strategies while innovating to meet emerging needs. Policymakers, educators, and financial institutions must continue investing in literacy initiatives while exploring integrative models that combine financial, health, and behavioural components. This dual approach has the potential to not only strengthen retirement preparedness across diverse populations but also address gaps that traditional financial education programs may overlook.

CONCLUSION

This review critically examined the relationship between financial literacy and retirement preparedness, focusing on determinants, financial behaviour, and policy implications. The findings consistently demonstrate that financial literacy plays a pivotal role in shaping individuals' ability to plan for retirement, manage investments, and accumulate savings. Determinants such as education, income, gender, and behavioural confidence levels significantly influence financial literacy and, in turn, retirement readiness (Farrar et al., 2019; Niu et al., 2020). Furthermore, financial behaviour emerged as a crucial mediator between financial literacy and retirement preparedness, highlighting that knowledge alone is insufficient without the corresponding behavioural translation (Kepramareni et al., 2025).

From a theoretical perspective, this review reinforces the integration of financial literacy into behavioural finance frameworks, underscoring that financial outcomes are shaped not only by knowledge but also by psychological and attitudinal factors. The emergence of novel themes, such as the interplay between financial and health literacy, provides an expanded lens for understanding retirement preparedness as a multidimensional construct rather than a purely financial exercise (Mustafa, W. M. W., et al., (2023). These findings contribute to existing theories by demonstrating the need to account for cross-domain literacies and the moderating role of confidence and advisory trust.

The practical implications of this study are equally significant. Policymakers should prioritize targeted financial literacy programs, especially for vulnerable groups such as women, low-income earners, and the elderly, who consistently exhibit lower levels of preparedness (Niu & Zhou, 2018; Rupeika-Apoga & Priede, 2025). Financial institutions and advisors must play a proactive role in bridging knowledge gaps, while digital tools and gamified platforms can be leveraged to engage younger generations in retirement planning (Grobelaar & Alsemgeest, 2024). Additionally, integrating financial education with health and lifestyle literacy may strengthen holistic retirement outcomes.

Nevertheless, several limitations merit consideration. Much of the evidence is drawn from cross-sectional surveys, which limit causal inferences. Regional differences in financial literacy results suggest that the findings may not apply to all situations. Additionally, most studies depend on self-reported assessments of financial literacy, which are susceptible to biases of overconfidence or under confidence (Angrisani & Casanova, 2021). These limitations suggest that current understandings of the literacy-preparedness nexus may be partial and context-dependent.

Future research should adopt longitudinal designs to capture the long-term effects of financial literacy interventions on retirement outcomes. Comparative studies across developed and developing economies could shed light on cultural and structural determinants of preparedness. Emerging themes such as the integration of health literacy, digital financial platforms, and behavioural nudges represent promising avenues for future exploration. Furthermore, addressing overconfidence and misinformation in financial decision-making remains a critical gap for both research and practice. By tackling these areas, future scholarship can advance theory while informing more effective policies to promote financial security in retirement.

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