FACTORS UNDERLYING FAMILY FINANCIAL PLANNING: A CASE STUDY IN SURABAYA

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Abstract
Family financial planning is essential for each family. Financial planning has an important role to help families manage their financial resources and ensure achievement of family financial goals. In practice, many families do not realize the importance of financial planning. The aim of this research is to identify factors that underlie the importance of family financial planning.
Respondent of total 270 married men living in Surabaya participates in this research. Factor analysis reveals that there are seven factors underlie the importance of family financial planning. These factors are safety factor, lifestyle factors, reference group factors, cultural factors, life cycle factors, social class factors and economic condition factor. Factor analysis also reveals that in Surabaya the most important factors underlie the importance of family financial planning is safety factor.

Key words: financial planning, lifestyle, reference groups, cultural, life cycle, economic

INTRODUCTION

It is obvious that need occur whenever there is a physiological and psychological imbalance. Intuitively human being will be motivated to perform ways to compensate this imbalance by seeking for fulfillment. In common, human need is hierarchical as suggested in Maslow's Hierarchy of Needs. Maslow identify that beside a physiological needs as the lowest stage in hierarchy, there are four other stages which are parts of psychological needs. These include safety, belonging, esteem, and self-actualization as the subsequent stages in hierarchy. In order to ensure fulfillment along this Hierarchy of Needs, an excellent plan of resources allocation is a must. In family needs fulfillment context, this excellent plan include family financial planning.

Family financial planning is a process of financial management in accordance with the character of a family to guarantee needs fulfillment of the family in the future. Financial planning becomes family reference in spending, saving and investment (Welch, 2007). Benefits could be obtained through financial planning are avoidance of irresponsible use of financial resources by preventing excessive spending, reducing financial uncertainty resulted from the change of economic, and to free the family from the worries and fears for the future since family financial planning provide guidance to anticipate changes in source of income, expenditures, and changes in economic conditions. These benefits underline the importance of family financial planning.

Since character of each family is different, therefore factors underlie each family for the importance of financial planning might also different. Their reason for the importance of family financial planning might relied on many factors, other than internal factors includes demographic and psychographic of family member; external factors, for instance social network, might also take part. (Tang, 1991, 1992; Kotler, 1997; Engel, 1990).

Related to underlie factors that might affect family reasoning toward the importance of financial planning, an enquiry might occur. This enquiry is what factors actually underlie the importance of family financial planning. This research attempts to find the answer to this enquiries using Surabaya as a case study.

THEORETICAL FRAMEWORK

Family Financial Planning

Financial plan is a necessity for individuals and also for families. In financial planning, individual could create their financial plan independently or with the help from financial planners. Through discipline and learning process, individual could plan its own finances (Bertisch, 1994).

Myers (2008) defines financial planning as a series of processes to achieve financial goals through the establishment of a strategy that is accompanied by monitoring ensuring achievement of financial goals. According to Edelmen (2005) there are several reasons why families need financial planning. These are to protect yourself and your family from financial risk, eliminate debt bondage, to finance educational expenses of children, future parents live in peace and as a means of distributing wealth.

The Financial Planning Standards Board defines five elements of financial planning, which are cash flow planning, investment planning, protection planning, distribution of wealth planning, and tax planning.

Meaning of Money in Family Life

Tang (1991; 1992) define the meaning of money into three major components namely, affective components, cognitive components and behavioral components. Affective components consists views of money as good and evil. Cognitive factor component consists of money as achievement, money as respect, money as freedom or power. The third component, the behavioral component is the budget.

Money is good includes the notion of positive behavior toward money as money is precious and essential goods. Money is evil includes understanding negative behavior toward money as money is material that is evil. Money as achievements include the notion that money as a measure of individual success. Money as respect stands for honor from surrounding community. The more money owned by someone, the greater the honor given to the individual. Money as freedom perceives money as a matter to get what we want. The latter meaning the money is money that interpret the budget as a way of managing money and using money as effective and efficient.

Consumer Behavior

Consumer behavior is an act that directly involved obtaining, consuming and spending activities of products and services, including the decision processes that precede and follow the action. Kotler (1997) divides factors that influence consumer behavior into four factors: cultural factors, social factors, individual factors, and psychological factors.

Cultural factors are divided into cultural variables, sub-cultures and social classes. Culture is a complex entity including knowledge and habits acquired by any person as a member of the community. This includes culture and the cultural shift in family values. Through this understanding, it is known that culture consists of two elements, namely, knowledge and habits.

Sub-culture is a group of people with a separate value system based on their own experience and general life situation. Sub-culture is a part of the culture that make up a culture in society. In general, sub-cultures consists groups of people with a particular trait. Neighborhood is an aspect of the sub-culture. Neighborhood is where community interacts in society.

Social class is part of the society which is relatively permanent and well structured with its members embrace the values, interests and behavior of similar social class defined as a stratum (layer) of people who are equal in the continuum (the continuum) social status. This definition explains that in society there are people who, individually or collectively own social standing more or less the same.

Social factors are divided into reference group variable, family, role and status. Group is two or more people interact to achieve the group goals. The group itself can be categorized into two groups namely, informal reference group and formal reference group. Informal reference group is the group that is more towards friendship or kinship with relatively high level of intimacy. Informal reference group can be a friend and family. Formal reference group features a list of members who are well known, has an organization whose structure is well ordered. Formal reference group includes organizations, for instance: religious groups, professional associations and unions.

Family is the most important organization in consumer purchase decisions that can affect family members in their purchase of various products and services. Family could be describes as those who have a physical, social, and emotional relationship for each individual since they were born.
Role consists of activities that are expected to be performed by a person according to those who are nearby. Each role reflects status given by the community. The role is a dynamic aspect status. If a person completed rights and obligations in accordance with the position then the role within society is fulfilled.

Personal factors separated into age variables and life cycle stage, occupation, personality, economic conditions, and lifestyle. Consumer consumes different goods and services during their lifetime. Appetite for food, clothing, furniture and recreation is always related with the consumer age. Consumption decisions are also shaped by family life cycle stages. These stages are traversed by a family in accordance with maturity. Marketers often define the target market in form life cycle stages and develop an appropriate product and marketing plan for each phase.

Occupational also affects person's goods and services consumption. Marketers try to identify groups who have great interest for goods and services produced by the company. A company can even do a specialization marketing efforts for their products according to specific occupational groups.

The current economic situation will affect product selection. Marketers observe earnings trends in personal income, savings, and interest rates. Economic indicators should be noted in order to compose possible steps in redesign process of marketing strategy. Continues changes in economic situation will affect financial planning. One is through inflation rate.

A person lifestyle could be observed through one's life activities (work, hobbies, shopping, sports, and social activities), interest (food, fashion, family, recreation) and opinion. Lifestyle pattern represents reaction and interaction as a whole person in the world. Engel (1990) describes lifestyle as a pattern where people live and spend time and money. Lifestyle is a function of consumer motivation and previous learning. Value reflects the lifestyle of consumers.

Personality of each person clearly affects consumption behavior. Personality refers to the unique psychological characteristics that lead to relatively consistent responses and enduring to the environment itself. Personality usually described in terms of personality traits resembling self-confidence, dominance, easy to get along, autonomy, self-defense, adaptability, and aggressiveness. Personality can be useful for analyzing consumer behavior in selection process of a particular product or brand.

Psychological factors are divided into variable motivations, perceptions and beliefs and attitudes. Maslow's theory of motivation in preparing a boost level that affects human beings in the fulfillment of needs, physiological (the first level of motivation that focuses on meeting physical needs), safety and security (the second level of motivation that focuses on safety and security of person), sense of belonging, social and love (third level of motivation focuses on meeting the needs as a form of affection to both couples and families), self-esteem (the fourth level of motivation focuses on meeting the needs as a form of efforts to raise self-esteem), self-realization (the highest level of motivation focuses on meeting the needs as self-actualization).

Perception is the process through which consumers select, organize and interpret information to form a meaning of the product. Consumers can form different perceptions of the same stimuli for three different senses of the admissions process, which are selective attention, selective distortion and selective memory.

Learning describes changes in individual behavior that comes from experience. The importance of the practice of the theory of knowledge for marketers is that they can create demand for a product related to a strong impulse, using motivational instructions, and provide positive role.

Through action and learning, consumers gain confidence and attitude. Evaluation describes the attitude, feelings and tendencies of a person against an object or idea that is relatively consistent.

This attitude situates people in a thinking framework of liking or disliking something, about approaching or away from it. Belief is descriptive of one's own thinking about something. This belief may be based on actual knowledge, opinions or viewpoint which might raise emotions

METHODOLOGY

Consider the purpose of research is to find factors underlie the importance of family financial planning, describe these factors and to find if there is sufficient proof that family characteristic simplified to occupational affecting the importance of family financial planning, therefore this research could be classified as descriptive research. This research provides an overview of the underlying factors related to the importance of financial planning for family in Surabaya.

Population used in this research was men who have been married and domiciled in Surabaya. Proportioned sampling using quota sampling divides the population into groups of employees and employers work. The questionnaire used as the primary data source where as many as twenty-six questions were asked about the indicators related to opinion on family financial planning using Likert scales consisting five category (extremely disagree, disagree, neutral, agree, and extremely agree).

Exploratory factor analysis was deployed to indentify underlying factors. Exploratory factor anlaysis was used to do variables reduction. KMO-MSA and Barlett's test verified if correlation within data is sufficient for factor analysis. Varimax rotation also used to maximize variance loading.

RESULT

Profile of respondents

Based on the results of 270 respondents with occupational background as entrepreneur and employee, it is known that 42.6% of respondents perceive money as a tool for living. Whereas 36.7% perceive money as achievement, 14.8% perceive money as respect, and the remaining 5.9% interpret money as respect. This suggests that respondents interpret money as a tool which serves to simplify life. Money is important but money is not everything.

If the profile was analyzed based on the background of the head of the family, 45,93% of respondents which is entrepreneur senses money as a tool for living (45.93%). The remaining perceives money as achievement (34.07%), money as respect (14.81%) and money as freedom (5.19%). This high percentage of money as a tool of living present that entrepreneur tend to view money as a tool for fulfilling necessities of life compared with the money as a form of success.

There are 43.70% of family whose head of the family is employees, interpret money as achievement. This high percentage demonstrates that the majority of employees see cash as a benchmark of successful work. The rest sense money as a tool for living (34.82%), money as respect (14.81%) and money as freedom (6.67%).

Factor Analysis

Through the Kaiser Meyer Olkin test Measure of Sampling Adequacy in factor analysis perform a significance value of 0.901 with p-value of 0.000. This suggests that factor analysis is very satisfactory and variable states can be predicted and analyzed further. There are seven factors indentified through factor analysis of twenty-six indicators that were asked in the questionnaire.

Table 1. Total Variance Explained

Component	Eigenvalues
1	9.182
2	1.973
3	1.676
4	1.333
5	1.278
6	1.119
7	1.040

Eigenvalues value used in the study is latent root criterion; the value of the minimum Eigenvalues to be maintained restricted to 1.00. Thus, the number of factors that formed the seven factors with have cumulative variance extracted of 67.7%, ranging from the highest Eigenvalues of 9.18 (35.32%) to the lowest value of 1.04 (4%).

The result of orthogonal rotation with Varimax method groups 23 from 26 questions in total into 7 groups as follows. Three questions are excluded due to small correlation to any groups (correlation less than 0,500). These groups are arranged from the most important to the least important confirmed by the Eigenvalues.

Table 2. Variables Group

Factor Group	Indicator
Factor 1	Family member size should be supported
	Child existing within the family
	High risk job
	Unsatisfying job in terms of economic well being criterion
	Financial planning would lessen financial risk
	Financial planning demonstrate love and affection to the family
	Financial planning demonstrate responsibility to the family
	Previous financial problem affect financial planning
	Financial planning could prevent financial problem
	Financial planning could guarantee achievement of financial goals
Factor 2	Financial planning is a symbol of prestige
	Financial planning would leverage prestige
	Prestige is a must when bought goods and service
Factor 3	Influence from friend
	Influence from parents
	Influence from organization
Factor 4	Custom to saving
	Attending seminar/workshop/training in financial planning
Factor 5	Influence from spouse
	Age affecting the need of financial planning
Factor 6	Financial planning is needed by wealthy people
Factor 7	Financial planning is needed when in crisis
	Inflation affect the needs of financial planning

The first factor is the safety factor. Among these variables the correlation is most dominant in the past financial issues affecting financial planning (0,901). Overall these indicators represent that security is a major consideration in deciding to conduct family financial planning. If we compare the eigen value of the first factor (see table 1. Eigenvalues = 9,182) contrary to other factors, we found that indeed safety factor has excessive eigen values compared to others. It means safety factor is the most important factor compared to others in large extent.

The second factor is the lifestyle factor, with indicators of Financial planning is a symbol of prestige, financial planning would leverage prestige, prestige is a must when bought goods and service. Families with consumptive lifestyle are prone to financial problems. Therefore, the absolute need of family planning of family finances is to avoid financial problems.

The third factor is reference group, with indicator influence of friends, parents, and organization. This emphasizes that reference group influence decision in family financial planning.

The fourth factor is cultural factor, with indicator custom to saving and attending seminar/workshop/training in financial planning. Culture is a complex whole with habits and knowledge that has been firmly rooted in the community. The existence of habit of saving money and the knowledge of the benefits of financial planning has been the underlying idea in view that the family financial planning is indeed important.

The fifth factor is life cycle factor. Life cycle impact of spouse as well as with the increasing age affects the need of financial planning. This suggests that the higher a person's life cycle then the awareness of the importance of financial planning is indeed increase.

The sixth factor is social class with the indicators that financial planning is needed by wealthy people. Middle-upper social class is a group with income levels above average. This resulted in the required management of the excess funds they have.

The seventh factor is economic conditions factor. Poor condition of country's economy urges the need of financial planning to avoid financial problems.

CONCLUSION

The results of this research illustrates that the factors underlying the importance of financial planning for families in Surabaya are safety factor, lifestyle factors, reference groups factors, cultural factors, life cycle factors, social class factors and economic condition factor. From those seven factors, safety factor is the most important reason in family financial planning as confirmed.

Some other interesting result is most of families whose head of the family is an entrepreneur tends to view money as a tool for fulfilling necessities of life, while those families whose head of the family is an employee interpret money as achievement.

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