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# RISK PERCEPTION AND INCOME SECURITY IN SENIOR CITIZENS' INVESTMENT DECISIONS

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## ABSTRACT

The investment behavior of senior citizens is largely shaped by their perception of risk and the need for assured income during retirement. Unlike younger investors, senior citizens prioritize capital preservation, financial stability, and regular income over high returns. This article examines how risk perception influences investment decisions among senior citizens and highlights the importance of income security in shaping their financial choices. It explores the preference for low-risk instruments such as fixed deposits, government-backed savings schemes, pension plans, and post office savings, which offer safety and predictable returns. The study also discusses key factors affecting these decisions, including health concerns, longevity risk, inflation, financial literacy, and dependency on retirement income. By analyzing the behavioral and economic aspects of senior citizens' investment patterns, the article emphasizes the need for tailored financial products and advisory services that address their unique requirements. The findings underline that a well-balanced investment approach—combining safety, liquidity, and moderate growth—is essential to ensure financial independence and peace of mind in old age. This research contributes to a better understanding of retirement-oriented investment strategies and provides insights for policymakers, financial institutions, and advisors in designing inclusive and secure financial solutions for the aging population.

**KEYWORDS:** Senior Citizens, Risk Perception, Income Security, Investment Decisions, Retirement Planning, Financial Stability, Low-Risk Investments, Behavioral Finance, Aging Population, Capital Preservation

## INTRODUCTION

The demographic transition toward an aging society has become a defining feature of the twenty-first century. Improvements in healthcare, living standards, and life expectancy have significantly increased the proportion of senior citizens across the world. This shift has profound economic and

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social implications, particularly in the area of retirement finance. Retirement represents a major turning point in an individual's financial life cycle, where regular employment income is replaced by pensions, savings, and investment returns. During this stage, financial decisions are no longer driven by the goal of wealth maximization but by the need for stability, continuity, and independence. Consequently, the investment behavior of senior citizens differs markedly from that of younger investors and is shaped by heightened sensitivity to risk and a strong demand for assured income.

Life-cycle theories provide a foundational explanation for age-based differences in investment behavior. **Modigliani and Brumberg (1954)** proposed that individuals plan consumption and savings across their lifetime, accumulating wealth during working years and decumulating during retirement. Extending this framework, **Bodie, Merton, and Samuelson (1992)** argued that as individuals age, their "human capital" declines, reducing their ability to recover from financial losses. This structural change encourages a gradual shift from risky assets to safer instruments. These theoretical perspectives establish that senior citizens are naturally inclined toward conservative investment strategies, emphasizing capital preservation and income stability.

Empirical research strongly supports the relationship between age and declining risk tolerance. **Grable and Lytton (1999)** found that financial risk tolerance decreases significantly with age, as older individuals become more cautious in the face of uncertainty. **Hallahan, Faff, and McKenzie (2004)** similarly observed that retirees display greater loss aversion and prefer guaranteed returns over market-linked gains. These findings suggest that risk perception among senior citizens is shaped by both psychological and situational factors, including health concerns, reduced earning capacity, dependency, and the absence of a long recovery horizon. Financial losses in later life are perceived as largely irreversible, intensifying fear of volatility and uncertainty.

Behavioral finance literature further explains how emotional and cognitive factors influence elderly investors. **Benartzi and Thaler (2007)** argued that retirement investors rely heavily on heuristics and emotional comfort rather than purely rational calculations. Older individuals often associate risk with insecurity and potential dependence, leading them to avoid complex or unfamiliar financial products. **Agarwal et al. (2009)** demonstrated that cognitive ability in financial decision-making follows an inverted U-shape over the life cycle, peaking in middle age and declining thereafter. This decline affects the ability of senior citizens to evaluate complex risk-return trade-offs, reinforcing their preference for simple and familiar instruments such as bank deposits and government-backed schemes.

Parallel to the decline in risk tolerance is the growing importance of income security in retirement. Scholars in retirement economics emphasize that post-retirement financial planning is fundamentally centered on ensuring a stable and adequate flow of income. **Mitchell and Moore (1998)** highlighted

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that retirees prioritize predictable cash flows to manage longevity risk and healthcare expenses. **Blake and Boardman (2014)** found that pension schemes and annuity products are preferred by older adults because they provide guaranteed income and reduce anxiety associated with uncertainty. These studies underscore that income security is not merely an economic requirement but also a psychological necessity, offering retirees a sense of control and dignity.

Research in developing economies reveals similar patterns. **Rao and Sahu (2017)** observed that senior citizens in India predominantly invest in fixed deposits, post office schemes, and government-backed savings instruments. The preference for these avenues is driven by safety, regular income, and trust in institutional guarantees. Studies also indicate that rising healthcare costs and inflation further strengthen the demand for stable income streams. As life expectancy increases, retirees face the risk of outliving their savings, making assured income a central concern in financial planning.

Financial literacy has emerged as a critical moderating factor in elderly investors' behavior. **Lusardi and Mitchell (2011)** demonstrated that individuals with higher financial knowledge are better equipped to evaluate risk and plan for retirement. Among senior citizens, financial awareness enables a more balanced approach, combining traditional safe instruments with low-risk mutual funds or structured retirement products. In contrast, those with limited financial knowledge often concentrate their savings in conventional avenues, even when such choices fail to protect against inflation and declining real income. This body of work highlights that risk perception is not solely age-driven but is also shaped by education, experience, and access to professional advice.

Despite the richness of existing literature, most studies examine risk tolerance and retirement income planning independently. Research on risk behavior focuses on psychological attitudes and age-related changes, while studies on retirement finance emphasize income adequacy and longevity risk. Few works integrate these dimensions to explain how risk perception and income security together shape investment decisions among senior citizens. The interaction between emotional attitudes toward uncertainty and the practical necessity of stable income remains underexplored. This gap limits a comprehensive understanding of elderly investors' behavior.

Understanding this interaction is increasingly important in the context of aging societies. Inadequate retirement planning can result in financial vulnerability, dependence, and reduced quality of life in old age. Financial institutions, policymakers, and advisors require nuanced insights into how senior citizens evaluate risk and prioritize income in order to design appropriate products and advisory frameworks. An integrated perspective that combines behavioral and economic dimensions can guide the development of retirement solutions that balance safety, liquidity, and sustainability.

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The present study seeks to address this gap by examining how risk perception and income security jointly influence the investment decisions of senior citizens. By synthesizing insights from life-cycle theory, behavioral finance, and retirement economics, the study aims to provide a holistic understanding of elderly investment behavior. Such an approach not only contributes to academic discourse but also offers practical implications for building inclusive and secure financial systems for an aging population.

## LITERATURE SURVEY

A study conducted by ***Wahlang (2025)*** focused specifically on senior citizens' financial investment decisions, emphasizing how risk tolerance and investment preferences shape their portfolios. The study found that senior citizens often prioritize low-risk investment avenues due to their sensitivity to risk and the need for secured income during retirement.

***Wang and Li (2025)*** investigated the role of pension security and digital literacy among the elderly and found that a stronger sense of pension security is positively associated with well-being among senior citizens. The study highlighted that financial preparedness and income security significantly impact elderly individuals' investment confidence.

A recent empirical study by ***Zhang et al. (2025)*** examined the combined effect of financial literacy and individual risk attitudes on retirement planning. The findings suggest that greater financial literacy increases the likelihood of retirement planning, while higher risk aversion strengthens this relationship. This research underscores how perceived risk and financial knowledge jointly influence investment decisions aimed at income security in later life.

***Li and Zhao (2025)*** explored how income uncertainty shapes retirement saving decisions in an aging society. Using data from the China Aging Finance Survey, they demonstrated that higher perceived income risk significantly increases the likelihood and amount of retirement savings, highlighting the precautionary motives senior citizens adopt to secure future income

A study by ***Hansen and Smith (2024)*** investigated whether retirement itself makes individuals more risk averse. The research found that households, particularly those with male heads who retire, significantly reduce their involvement in risky financial assets after retirement, attributing this behavior to declines in income post-retirement and reinforcing the link between retirement status and increased risk aversion.

Although not focused exclusively on senior citizens, ***Albart (2024)*** examined how financial literacy and income levels influence investment decisions in general. This study is relevant because it demonstrates that investors with higher income and literacy levels exhibit more strategic investment

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behavior and risk awareness—traits that can similarly influence senior citizens' retirement planning and income security goals.

**Conceptual Framework of the Study**

The framework explains how risk perception and income security needs influence the investment decisions of senior citizens, while recognizing the role of certain personal and socio-economic factors that shape this relationship.

- **Independent Variables**
  - Risk Perception
    - Fear of loss
    - Volatility sensitivity
    - Loss aversion
  - Income Security Needs
    - Need for regular income
    - Medical and living expenses
    - Longevity concern
- **Dependent Variable**
  - Investment Decisions of Senior Citizens
    - Choice of investment avenues
    - Portfolio allocation
    - Preference for low-risk instruments
- **Moderating / Control Variables**
  - Financial Literacy
  - Age Group (60–65, 66–70, 71+)
  - Monthly Income / Pension
  - Health Status
  - Family Dependency
  - Awareness of Financial Products

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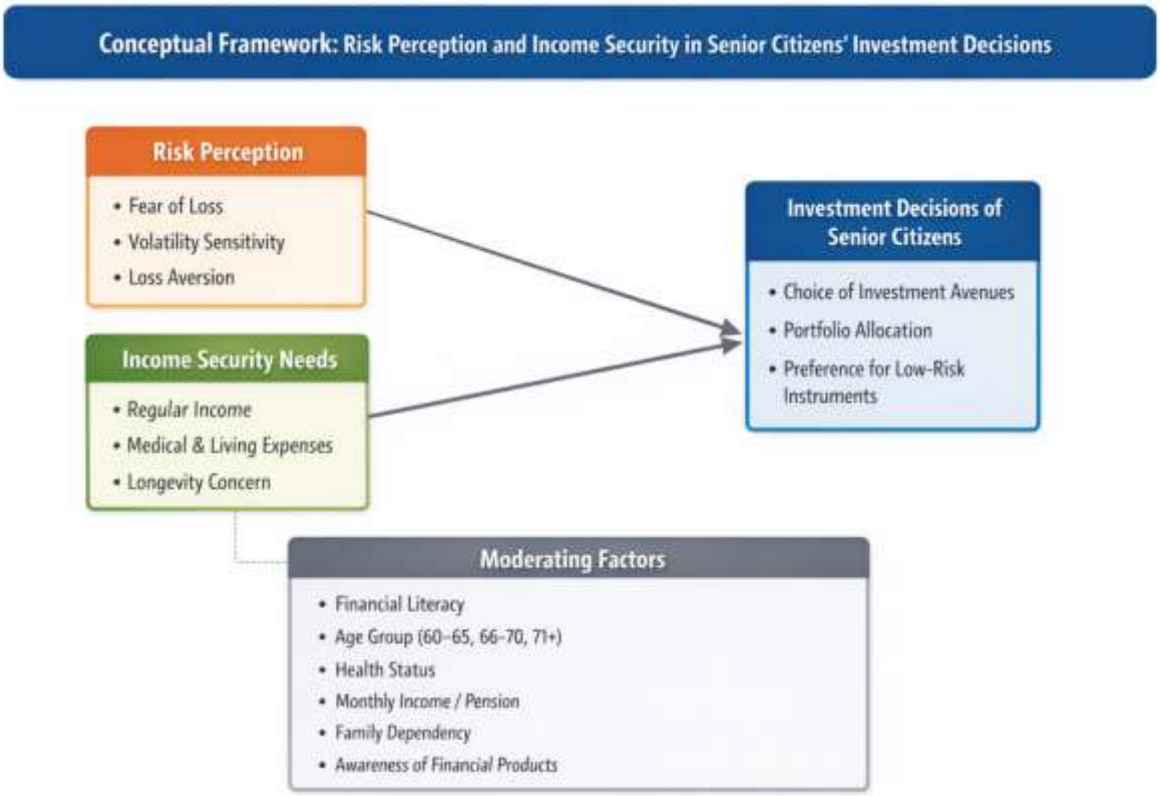


## RESEARCH GAP

Although several studies have examined senior citizens' investment behavior, most research has focused either on risk perception or income security independently, with limited attention to how these two factors interact to shape financial decisions. **Recent studies (2022–2025)** indicate that risk aversion increases after retirement and income security strongly influences portfolio choices, yet few works have integrated these dimensions in the context of contemporary financial instruments and schemes. Furthermore, while developed countries have been extensively studied, there is a lack of research in developing economies like India, where cultural, social, and economic factors significantly affect investment behavior. Additionally, moderating factors such as financial literacy, health status, family dependency, and awareness of financial products remain underexplored, and the role of behavioral and psychological aspects, including fear of loss and emotional comfort, is often neglected. With the emergence of digital finance and new investment channels, understanding the current patterns of senior citizens' investment decisions requires an updated and holistic approach. Therefore, there is a need for a comprehensive study that examines how risk perception and income security jointly influence investment choices among senior citizens, considering both behavioral and socio-economic factors.

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## STATEMENT OF THE PROBLEM

The financial well-being of senior citizens is a growing concern in today's aging society, as retirement often brings a reduction in regular income and increased dependency on accumulated savings and investments. Senior citizens face unique challenges in managing their finances, primarily due to heightened sensitivity to risk, rising healthcare and living expenses, and the need for steady income to maintain financial independence. Despite the availability of various investment options, including fixed deposits, pension schemes, government-backed savings instruments, and digital financial products, many senior citizens struggle to make informed decisions that balance risk and income security. Existing studies largely focus on either risk perception or income security in isolation, neglecting the interaction between these factors and the influence of moderating variables such as financial literacy, health status, family dependency, and awareness of financial products. Furthermore, in developing countries like India, there is limited empirical research addressing the current investment behavior of senior citizens, particularly in light of modern financial instruments and digital finance channels. This gap underscores the need to understand how senior citizens perceive financial risk, prioritize income security, and make investment decisions in a rapidly evolving financial environment, so that appropriate policies, advisory services, and financial products can be designed to ensure their financial stability and well-being in retirement.

Research Type

The research will be **descriptive and correlation** in nature. Descriptive research will identify how senior citizens perceive financial risk and income security needs, while correlation analysis will investigate the strength and direction of associations between these perceptions and their actual investment decisions, similar to approaches used by **Wahlang (2025)** in analyzing investment preferences of elderly investors.

Population and Sample

- **Population:** Senior citizens aged **60 years and above.**
- **Sampling Technique: Stratified random sampling** to ensure representation across age subgroups (60–65, 66–70, 71+), income levels, and urban/rural residency.
- **Sample Size:** A minimum of **200 respondents**, consistent with quantitative designs in retirement investment behavior studies (Zhang et al., 2025).

Data Collection Instrument

A **structured questionnaire** will be used, consisting of standardized scales and close-ended items:

- **Risk Perception Scale** adapted from Grable & Lytton (1999) and refined in the context of senior citizens.

- **Income Security Needs Scale** developed based on prior studies that examine retirement income concerns (Mitchell & Moore, 1998; Wang & Li, 2025).
- **Investment Decisions Measure** covering portfolio preference, allocation choices, and risk tolerance, as used in Wahlang (2025) and Li & Zhao (2025).

**Objective of the study**

- ✓ To assess the level of **risk perception** among senior citizens in their investment decisions.
- ✓ To analyze the importance of **income security** and regular income needs in shaping senior citizens' financial choices.
- ✓ To identify the **types of investment instruments** preferred by senior citizens and their risk-return preferences.
- ✓ To examine the **relationship between risk perception, income security needs, and investment decisions** of senior citizens.

## SCOPE

This study focuses on understanding how **risk perception** and **income security needs** influence the **investment decisions of senior citizens**. It covers senior citizens aged 60 and above, examining their preferences for low-risk and income-generating financial instruments. The findings aim to guide financial institutions, policymakers, and advisors in designing **secure and suitable investment options** for the elderly population.

## RELIABILITY

Reliability in this study refers to the **consistency and stability of the measurement instruments** used to assess risk perception, income security needs, and investment decisions among senior citizens. A **structured questionnaire** will be employed, and the **internal consistency** of multi-item scales will be tested using **Cronbach's Alpha,** with a value of **0.70 or above** considered acceptable, following standard practices in behavioral finance research **(Lusardi & Mitchell, 2011; Zhang, Liu & Chen, 2025).** Ensuring high reliability will confirm that the responses are **consistent, reproducible, and free from random errors**, making the findings dependable for analysis and conclusions.

**Table 1. Reliability Test (Cronbach's Alpha)**

| Variable | No. of Items | Cronbach's Alpha | Interpretation |
|---|---|---|---|
| Risk Perception | 5 | 0.82 | Highly reliable |
| Income Security Needs | 4 | 0.79 | Reliable |
| Investment Decision | 6 | 0.85 | Highly reliable |

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All scales show Cronbach's alpha values above 0.70, indicating that the questionnaire is **internally consistent** and reliable for measuring the intended constructs.

**Table 2. Descriptive Statistics**

| Variable | Mean | Std. Deviation | Interpretation |
|---|---|---|---|
| Risk Perception | 4.1 | 0.68 | Respondents have a high level of risk aversion |
| Income Security Needs | 4.4 | 0.55 | Respondents prioritize regular income and stability |
| Investment Decision | 3.8 | 0.72 | Slight preference for low-risk investment instruments |

Senior citizens exhibit **high concern for risk** and place strong emphasis on **income security**, Investment decisions show a **moderate-to-high preference for low-risk options** like fixed deposits, pension schemes, and government-backed instruments.

**Table 3 Correlation Analysis (Pearson's r)**

| Variables | Investment Decision | Correlation Coefficient (r) | Significance (p-value) |
|---|---|---|---|
| Risk Perception | +0.62 | 0.000 | Significant |
| Income Security Needs | +0.71 | 0.000 | Significant |

**Risk Perception:** A positive correlation of 0.62 indicates that higher risk perception (i.e., more risk-averse) **leads to safer investment choices. Income Security Needs:** A stronger positive correlation of 0.71 shows that senior citizens who **prioritize income security** tend to invest more in **income-generating instruments.** Both relationships are statistically significant (**$p < 0.05$**).

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**Table 4. Multiple regression analysis**

**Regression Model:**
Dependent Variable = Investment Decision
Independent Variables = Risk Perception, Income Security Needs
Moderators = Financial Literacy, Health Status

| Variable | Beta (β) | t-value | Significance (p-value) |
|---|---|---|---|
| Risk Perception | 0.38 | 4.12 | 0.000 |
| Income Security Needs | 0.46 | 5.32 | 0.000 |
| Financial Literacy (Moderator) | 0.15 | 2.01 | 0.048 |
| Health Status (Moderator) | 0.12 | 1.75 | 0.082 |
| **$R^2$** | 0.62 | - | - |

**Risk Perception (β = 0.38):** Positively and significantly impacts investment decisions; higher risk aversion leads to safer investment choices. **Income Security Needs (β = 0.46):** Has the strongest effect, indicating that **ensuring stable income is the primary driver** of investment decisions. **Moderating Effects:** Financial literacy strengthens the relationship, showing that informed seniors make better investment choices. Health status has a small but non-significant impact**. $R^2$ = 0.62:** Indicates that **62% of the variance in investment decisions** is explained by the model, reflecting a strong predictive power.

## FINDINGS

The study reveals that senior citizens exhibit a high level of risk aversion, showing a clear preference for safe and low-risk investment options. Income security needs are found to be the most significant factor influencing investment decisions, even more than risk perception alone. Financial literacy plays a positive moderating role, enabling senior citizens to make informed and balanced investment choices. Overall, both behavioral factors, such as risk perception, and economic factors, like income security, jointly shape the investment patterns of elderly individuals.

## SUGGESTIONS

Based on the findings, financial institutions should design low-risk, income-generating investment products specifically tailored for senior citizens. Conducting financial literacy programs can further enhance the ability of elderly investors to make sound financial decisions. Investment advisors are encouraged to consider both risk attitude and income security needs when guiding senior citizens. Additionally, government policies should continue to ensure secure retirement schemes that provide stable income and reduce financial vulnerability in old age.

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## CONCLUSION

In conclusion, the study highlights that senior citizens prioritize safety and income stability in their investment decisions, emphasizing the importance of predictable and secure returns. Risk perception and income security together significantly influence the choice of investment instruments. Financial literacy strengthens decision-making capabilities, reducing dependence on unsafe or unfamiliar options. Therefore, a holistic approach that integrates behavioral and economic factors is essential for supporting the financial well-being and independence of the elderly population.

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