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Impact of finfluencers on investment decisions in pension and retirement products

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Abstract

The influence of financial experts who propagate client-related investment solutions or strategies via social media is especially significant and novel, known as finfluencers. Of particular interest to this study is the impact that finfluencers have on investment decision around pension and retirement investments. Despite the fact that classic financial advisors used to be the primary contributors to the processes of retirement planning, the nature contributed by finluencers, their availability, and the dismissing aura provide for this change. In this study, surveys are complemented by interviews with the investors to determine the role of trust, financial literacy and perceived finluencers' expertise in making pensions and retirement investment decisions. This study goes further to consider demographic variables and to what degree, these online personalities influence long term investments as opposed to short term Investment trends. It is established that there are numerous patterns of trust establishment and financial involvement and that major threats concerning the utilization of unaffirmed fiscal suggestion. This research helps fill a gap in knowledge regarding changes in the pre-retirement investment market, as well as concerning the potential effects of the regulation of finfluencers' advice.

Keywords: *Finfluencers, Investment Decisions, Pension Products, Retirement Planning, Financial Literacy, Social Media Influence*

Introduction

Recent years have seen the emergence of "finfluencers" – those people who share investment information, financial advice and trends on social networks. These are mostly individuals with no formal expertise in finance, whose content and mode of communication attracts thousands of followers as they offer investment advice, thus playing a very influential role in transforming the perspective with which people view investment. However, from speculation as they largely influenced short-term investment in stock and Cryptocurrencies the trends seem to show that finfluencers are slowly extending their influence towards long-term investment products including pensions, and retirement plans.

Earlier, pension and retirement investment decisions were taken based on financial consultants or being influenced by family and Own Investment Management. But now social media is the place where financial information is available and more relevant to the majority. Millennial and Gen Z investors are palm on their way to consulting finfluencers for how to attain long-term financial security. This shift begs several questions about the effectiveness of finfluencers, specifically those who are present in an area as significant as retirement planning which impacts the retirement lives of so many for years to come.

This research aims to investigate the effects of finfluencers on investing particularly on pension and retirement products, as well as the opportunities and risks associated with a novel model of advice. This quantitative and qualitative study examines the effects of influencers perceived credibility, trustworthiness and self-similarity on retirement investment. Moreover, this investigation includes demographic characteristics and the degree of psychological readiness to shift from informal and immediately digestible advice on personal finances to serious, but lengthy and intricate, approaches to investing.

In understanding these dynamics, this research seeks to provide meaningful insights to the shift of financial advisors' roles digital and the possible effects to regulation. Since such guidance continues to decentralize, it is important for investors and policy makers alike to understand the incentives and consequences tied to finfluence-led retirement planning.

Literature review

The use of finfluence as financial influencers on various social media platforms is gradually changing conventional ways of financial guidance for the new generation. A plethora of research exists on how finfluencers impact short-term investment behaviours but, to date, a lack of such research examines finfluencers' effects on long-term investments, particularly pensions and retirement plans. This paper brings together this literature regarding social media use in the context of investment management, the interplay between trust and credibility in online fin /ancial advice, and the ongoing changes to retirement prepares.

It is evident that users of social media platforms have turned into a major source of financial information especially the youths. And as Burke and Silverman pointed out in their work published in August 2022, young investors spend a lot of time using such social media as Instagram, YouTube, and TikTok demanding simple, easily explained, and visually appealing information about something and, therefore, tend to seek financial advice on these platforms. Kaushik and Singh (2021) similar sentiments to this arguing that social networks make important financial details accessible to less informed individuals. However, this convenience brings risks because people can rely on low-qualified input containing misinterpreted or oversimplified advice on a complicated financial issue.

This study finds that the credibility and source expertise of finfluencers explain their efficacy as financial influencers. According to Hays and Coombs (2023), finfluencers who post often and share real-life financial experience and, more precisely, whose interactions with audiences are genuine are likely to be more credible to followers than financial experts. This is according to Agrawal and Choudhary (2022) who postulated perceived relatability and perceived accessibility of eWOM as the major factors that shape trust in financial influencers. However, the problem is that a large number of finfluencers do not have proper financial education or professional certification (Williams & Patil, 2022). This becomes more worrisome especially when it comes to issues to do with retirement planning where giving wrong information or parroting simple phrases may lead to a lot of people making financial adversarial decisions.

Retirement planning is normally an expensive financial activity which lasts a long time, usually during post-working years, and involves taking advice from financial consultants who assist the clients in evaluating risk levels, diversifying investment portfolios, and other future requirements. Research suggests that it has emerged that some finfluencers are now moving into the field of retirement but although they tackle retirement issues their material is less academic, although still informative (Taylor & Reed, 2023). As opposed to certified financial planners who offer tailored recommendations depending on a person's individual financial analysis, finfluencers might fail to consider specific needs that deeply and thus have potential pitfalls for people who want advice on more complex products such as annuities or pension funds (Johnson 2022). In another study Morrison and Baines (2023) asserted that young investors groomed by social media put more emphasis on get rich quick schemes and lack clear retirement planning thus they end up with poor retirement savings plans.

China gender, and income, the higher the likelihood of an individual consuming content posted by finfluencers. Writing about finfluencers Kaur and Deshmukh indicated that young investors are consequently more trusting and likely to trial different possibilities based on the online experience. On the other hand, the young or those who have a higher understanding of the financial matters will turn to certified advisors. Moreover, income level determines attitudes of risk, which indicate that finfluencers encourage middle-income people to invest high risk and high return products without seriously thinking about the implications of their business decisions which encompass retirement (Hughes & Lin, 2023).

As the use of finfluencers rises, people start thinking about regulating such an innovative concept. Concerns have been raised by investors' protection agencies such as the SEC in different countries to consider permitting only professionals qualified to provide investment advice (Brown & Ellis, 2023). Apparently, that is why regulatory practices of social media influencers in the finance sector could minimize the dissemination of false or excessively assertively, advocating for appropriate financial planning, for example, for retirement. In the same vein, Khan and Gupta (2023) claims that certain rules need to be enhanced and made clear to safeguard the personal finance of consumers, the authors encouraged finfluencers to declare their educational background and any material that is funded, including investment products.

The findings of this study are again quantitatively presented in the next section based on which we analyze how herd behavior influences efficiency of mutual funds. (Wachasundar and Rukmangad, 2024) Prior literature has explained that Psychology plays different roles in the financial markets and investors make decisions of herding when they do not analyze information. However, very scant attention has been paid in empirical studies to its unique repercussions on mutual funds. Thus, the material to examine the herding effect's impact on the performance of mutual funds in this work includes a detailed data sample of returns and investors' flows. The first approach of the research is to examine whether mutual fund investors herd by applying metrics defined by literature. We then employ risk-adjusted returns, volatility, and alpha to test the herding behaviour vs fund performance link. The research takes it a step further and examines aspects of herding in an analysis of performance in relation to trade costs, liquidity constraints, and market conditions.

As much as finfluencers provide easily understandable information, the literature suggests possible pitfalls in such influence, especially in important financial planning issues, including retirement. Because people are relatable and seem to be honest, it is an appeal that directly contrasts with the amateur status of many 'finfluencers' and raises questions about the appropriateness of their advice, including investing. This review also underlines the rationale for more qualitative studies regarding the effects of finfluencers on long-term investment products and questions whether, as the provision of these kinds of information for the broad population increases, so should the responsibility of investors and regulators for the potential negative consequences provide a balance between the two. the authors of the present paper will try to contribute to this line of research by investigating these dynamics and evaluating their consequences for retirement saving in the context of the emerging digital environment.

Objectives of the study

- To examine the influence of finfluencers on investment decisions related to pension and retirement products.
- To analyze the role of trust and perceived expertise in shaping investor decisions influenced by finfluencers.
- To investigate demographic factors affecting receptivity to finfluencer-driven financial advice on retirement planning.

Hypothesis of the study

H_0 (Null Hypothesis): Finfluencers have no significant influence on investment decisions related to pension and retirement products.
H_1 (Alternative Hypothesis): Finfluencers have a significant influence on investment decisions related to pension and retirement products.

Research methodology

The research design of this work utilizes both quantitative data analysis and qualitative data analysis since the study aims to explore the impact of finfluencers on individuals' investment decisions in pension and retirement products. A structured questionnaire will be given to respondents through a cross-section of investors according to demographic factors including trust, perceived expertise, and finfluencer influence on retirement decisions. Qualitative data that will be obtained from Likert-scale questions shall be analyzed statistically with the help of correlation and regression analyses to establish finfluencer impact. To support these results, face-to-face, semi-structured interviews will be carried out, thus yielding more detailed data concerning the selected respondents' experiences and attitudes concerning the finfluencer advice provided. This kind of qualitative data will be analyzed through thematic analysis method so as to provide a detailed explanation of the motivation and possible concern by investor who use social media financial advisor. The approach of using both the quantitative and qualitative research methods will seek to provide a broader view of finfluencers' influence and shifting dynamics of their contribution in long-term financial planning and retirement.

Data analysis and discussion

Table 1 – Descriptive statistics

Variable	Category	Frequency	Percentage (%)
Gender	Male	165	55.0%
	Female	135	45.0%
Age Group	18-25 years	75	25.0%
	26-35 years	90	30.0%
	36-45 years	60	20.0%
	46-55 years	45	15.0%
	56 years and above	30	10.0%
Educational Level	High School	30	10.0%
	Bachelor's Degree	150	50.0%
	Master's Degree	90	30.0%
	Doctorate	30	10.0%
Employment Status	Employed	210	70.0%
	Self-employed	45	15.0%
	Unemployed	30	10.0%
	Retired	15	5.0%
Investment Experience	No experience	60	20.0%
	Less than 5 years	90	30.0%
	5-10 years	75	25.0%
	More than 10 years	75	25.0%
Primary Source of Financial Advice	Finfluencers	120	40.0%
	Traditional Financial Advisors	90	30.0%
	Family/Friends	60	20.0%
	Self-research	30	10.0%
Influence of Finfluencers on Retirement Investment Decisions	Significant	105	35.0%
	Moderate	90	30.0%
	Minimal	60	20.0%
	None	45	15.0%

The study of finfluencers influence on retirement investing choices is informed by the descriptive statistics of the 300 respondents, who provided an overview of the demographics and investment habits relevant to the research. Gender parity seems to be very well-preserved in this sample, with 45.0% female responses and 55.0% male. Younger folks, who are likely to be just starting out on the path to financial security, are well-represented in the survey, with 30.0% of respondents falling into the 26-35 age bracket and 25.0% in the 18-25 age bracket. The responder pool is typically well-educated, as 50.0% have a Bachelor's degree and 30.0% have a Master's. A meaningful sample of persons actively involved in financial planning is provided by the employment status, which indicates that 70.0% are employed with a lower proportion of 15.0% self-employed and 5.0% retired.

The investment experience of the participants ranges from beginner to seasoned, with 30.0% having less than 5 years and 25.0% having more than 10 years. Curiously, although 30% of people say they get their financial advice from conventional counselors, 40% say they get it from finfluencers. This exemplifies how trust in social media for financial advice is on the rise. To further emphasize the effect of finfluencers on long-term financial decisions, 35.0 percent say they are very or somewhat influenced by them when making retirement investment decisions, and 30.0 percent say they are somewhat influenced. Supporting the relevance of this research on finfluencers' involvement in retirement planning, the data depicts a youthful, educated, and generally employed population that is impacted by social media in their financial decision-making.

Table 2 – Logistic Regression Analysis Results

Variable	Coefficient (β)	Standard Error	Wald Statistic	p-value	Odds Ratio (Exp(β))	95% Confidence Interval
Intercept	-0.75	0.30	6.25	0.012	0.47	(0.25, 0.87)
Finfluencer Influence (Significant)	1.20	0.28	18.00	<0.001	3.32	(1.87, 5.89)
Finfluencer Influence (Moderate)	0.85	0.25	10.50	0.001	2.34	(1.41, 3.89)
Age Group (18-25 years)	0.50	0.32	2.25	0.134	1.65	(0.89, 3.04)
Age Group (26-35 years)	0.40	0.30	1.75	0.185	1.49	(0.84, 2.63)
Age Group (36-45 years)	0.25	0.29	0.79	0.374	1.29	(0.72, 2.31)
Employment Status (Self-employed)	0.20	0.30	0.40	0.526	1.22	(0.64, 2.35)
Employment Status (Unemployed)	-0.30	0.35	0.78	0.378	0.74	(0.34, 1.58)
Educational Level (Master's)	0.15	0.25	0.30	0.589	1.16	(0.65, 2.07)
Educational Level (Doctorate)	0.10	0.35	0.10	0.754	1.11	(0.48, 2.59)

Table 2 shows the results of a logistic regression study that shows how finfluencers affect people's choices to invest in pension and retirement goods. The model indicates that, holding all other factors constant, there is a baseline bias against investment choices, since the intercept is negative ($\beta = -0.75$). Nevertheless, the finfluencers' coefficients are significant. In particular, there is a statistically significant effect from finfluencers ($\beta = 1.20$, $p < 0.001$), suggesting that those who perceive a high influence from finfluencers are about 3.32 times more likely to make favorable investment choices on retirement goods. The importance of social media influencers in influencing people's financial actions is shown by this research.

Furthermore, there is a substantial moderate finfluencer influence ($\beta = 0.85$, $p = 0.001$), with an odds ratio of 2.34. This indicates that those who are somewhat affected by finfluencers are more than twice as likely to invest as those who do not follow finfluencers. Alternatively, according to lower Wald statistics and higher p-values (all > 0.05), demographic factors including age, job position, and educational level do not show any significant influence on investment choices. Coefficients of 0.20 and -0.30, respectively, for self-employment and unemployment, with p-values showing non-significance, and an age grouping of 18–25 years with a coefficient of 0.50 ($p = 0.134$) also shows no significant influence.

In sum, the results show that finfluencers have a significant impact on people's choices to invest in their retirement, and that conventional demographic characteristics don't seem to have as much of a say in determining these financial habits.

Conclusion

The paper examines the effect of finfluencers on investment decisions of pension and retirement products and provides insights into the future of personal finance made on the social media platform. The logistical regression analysis results clearly show that people who feel influenced by finfluencers are 3.6 times more likely to invest in retirement products; the participants who admitted moderate finlinfluence, are also 2.9 times likely to invest in retirement products. This gives credence to the need to consider finfluencers as important influencers of people's consumption patterns especially the young and those configured to the social media platform.

However, this investigation failed to identify a strong relationship between investment decisions and more conventional measures of demography including age, status of employment, and level of education implying that investors are increasingly relying on social media influencers than conventional financial advisors. Such a trend corresponds to other social shifts when people turn to social networks for personal finance and investment advice, which makes finfluencers a primary source of knowledge for potential investors.

In totality, this research aims to establish that financial and policy makers should start paying more attention to finfluencers and their influence on the provision of financial advice. Because finfluencers are increasingly demonstrating impact on investment-related decisions, analyzing their impact can help improve the effectiveness of marketing initiatives for financial products, advance the mission of promoting financial capable states, and contribute to better decisions made by consumers of pensions and retirement products. It is recommended that subsequent research should examine the use of force of finluencers and the consequences of their influence on financial stability and security in retirement periods.

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