

Exploring the Role of Emergency Funds, Insurance Ownership, and Retirement Planning in the Financial Well-Being of Indonesian Millennials

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ABSTRACT

This study investigates the influence of retirement planning, insurance ownership, and emergency funds on the financial well-being of millennials in Indonesia. Using a quantitative associative approach, data were collected via an online questionnaire from 159 Indonesian millennials aged 29–44. Emergency funds and insurance ownership significantly influenced financial well-being, while retirement planning showed no significant impact. The results show the importance of adopting comprehensive financial planning approaches to strengthen millennials' financial resilience and confidence. The study contributes empirically by combining the three variables into a single contextual framework within a developing country. Practical implications include the need to improve financial literacy, promote insurance awareness, and foster emergency saving behavior. Future studies are encouraged to investigate other potential determinants, such as social influences or the adoption of fintech services, and to consider employing qualitative or mixed-method approaches to obtain a more comprehensive understanding of millennial financial behavior.

Keywords: Financial well-being; retirement planning; insurance ownership; emergency fund; millennials; Indonesia.

INTRODUCTION

This study fills a research gap by integrating three key financial factors—retirement planning, insurance ownership, and emergency funds—into one model for Indonesian millennials. Previous studies examined these variables separately [14] [7] [30] [56]. This integrated perspective helps explain financial well-being within emerging economies.

Background

Financial well-being is one of the key factors in an individual's life. Poor financial well-being can affect physical, mental, and social health, which in turn may decrease work performance, focus, and productivity [37]. According to UNSGSA [52], financial well-being refers to the extent to which a person can manage financial obligations smoothly and feel confident about their financial future. Meanwhile, UNCDF [51] defines financial well-being as a condition where an individual can meet current needs, absorb financial shocks, and pursue financial goals. Financial well-being plays a vital role for individuals and has a positive impact on overall well-being. Financial well-being is generally viewed as a sense of security and satisfaction with one's financial situation, enabling a desirable lifestyle now and in the future, though no single universal

definition exists [41]. Financial well-being also contributes to national economic growth [32].

The millennial generation (born 1981-1996) faces financial challenges that differentiate their experience from previous generations. There are three economic pressures faced: rising inflation, job market uncertainties, and growing financial responsibilities [27]. Millennials have lived through three major eras: the digital era, the globalization era, and the era of crisis [11]. Millennials also entered the workforce during a time when job opportunities became scarcer, making them more economically vulnerable. Despite these challenges, 67% of millennials are "Power Planners," which are individuals who plan most or all their financial needs in a holistic manner, much higher than previous generations [23]. The main financial goal for millennials is to build wealth to ensure financial security.

Previous research has shown that retirement planning, insurance ownership, and having an emergency fund all have significant effects on financial well-being. Retirement planning significantly affects financial well-being in later life [30]. Those who plan for retirement early tend to have larger retirement savings and are better prepared for old age. In Indonesia, the pension literacy rate increased from 14.13% in 2021 to 30.46% in 2022, yet the inclusion rate dropped from 6.18% to 5.42% [35]. This discrepancy suggests significant structural

barriers to retirement preparedness. Health insurance coverage significantly improves multiple dimensions of financial well-being [13]. However, Indonesia's insurance penetration rate of 1.4% remains substantially below the global average of 6.7%, indicating a substantial protection gap [47]. The insurance sector's GDP contribution has consistently increased over the past decade [48], indicating its emerging economic importance. The research of [54] established that personal savings is the most influential determinant of financial well-being. Maintaining even modest liquid reserves can significantly mitigate the adverse effects of unexpected financial shocks [6]. However, their research also revealed that a substantial proportion of households still lack adequate emergency funds, leaving them vulnerable to economic uncertainties.

Previous research has extensively examined millennials' financial well-being, with notable studies, [27] and [45], establishing significant relationships between financial behaviors and well-being outcomes. In the Indonesian context, [8] and [19] had done similar studies, focusing on millennials in East Java. Although these studies have examined how financial behavior relates to financial well-being, there is still limited research that combines retirement planning, insurance ownership, and emergency funds into one integrated framework in the context of Indonesia's economy.

This study aims to fill in the research gap through an integrated framework that simultaneously examines three key financial factors—retirement planning, insurance ownership, and emergency funds—focusing on Indonesian millennials as a productive segment of the population. Specifically, the research seeks (1) to examine the impact of retirement planning on the financial well-being of millennials in Indonesia, (2) to examine the impact of insurance ownership on their financial well-being, and (3) to examine the impact of emergency funds on their financial well-being. By addressing these objectives within a single framework, this study offers fresh insights into how these factors interact to shape financial well-being. The comprehensive approach offers a better understanding than previous studies that analyzed these aspects in isolation. Furthermore, the research considers Indonesia's distinctive financial environment, characterized by its developing pension systems, low levels of insurance penetration, and strong tradition of informal savings, thereby contributing both theoretical and practical implications for financial well-being in emerging economies.

Prior research has rarely examined these three determinants collectively within one framework. This study's originality lies in synthesizing preventive

(insurance), protective (emergency funds), and future-oriented (retirement planning) financial behaviors as co-determinants of financial well-being.

Literature Review

Financial Well-Being: Concept and Significance

Financial well-being represents a multi-dimensional construct encompassing an individual's capacity to effectively manage financial responsibilities, withstand economic uncertainties, and pursue life aspirations while maintaining confidence about their monetary situation within their national context [33]. It is a positive financial condition that covers both objective resources, such as income and assets, and subjective evaluations, including emotional and cognitive perceptions of one's financial stability [10]. From a psychological perspective, financial well-being is characterized as a state of contentment with one's financial circumstances, coupled with positive expectations about fulfilling present and future financial needs [4]. In this sense, financial well-being extends beyond the possession of financial resources and includes the individual's perception, confidence, and preparedness in navigating financial challenges.

The significance of financial well-being goes far beyond economic measures. Research shows that individuals with higher levels of financial well-being tend to enjoy better physical and mental health, as well as an overall higher quality of life [12]. Conversely, financial stress can exacerbate risks of both physical illness and psychological disorders, such as anxiety and depression. Financial well-being not only enhances economic security but also serves as a critical determinant of mental health [18], [24]. Its impact is considered equivalent to the combined influence of other life domains, including job satisfaction, physical health, and social connections. Practically, financial well-being allows individuals to fulfill daily financial needs, build resilience against unexpected shocks through mechanisms such as emergency funds and insurance, and work toward long-term aspirations such as retirement planning [31]. Ultimately, it empowers individuals with a sense of control and freedom in financial decision-making, leading to greater stability and an improved overall quality of life.

Retirement Planning: Definition and Benefits

Retirement planning is defined as a goal-oriented behavior in which individuals actively prepare for life after their working years end [50]. It requires proactive efforts to balance spending and

savings, which are key to preserving both financial stability and quality of life in retirement. Effective retirement planning extends beyond financial management to include social readiness and psychological preparation, reflecting a comprehensive approach that incorporates financial resources, social connections, and personal fulfillment [7]. Thus, retirement planning is not merely about accumulating assets but also about fostering a secure, meaningful, and satisfying post-employment life.

Empirical studies widely recognize the benefits of retirement planning. Adequate planning is positively associated with stronger social activity, greater self-esteem, and improved mental well-being, all of which help older adults adapt more effectively to later life [21]. Its importance has grown as life expectancy continues to rise and populations age, making retirement a longer and more financially demanding phase of life [29]. Without proper preparation, individuals are exposed to higher risks of financial instability and dependency on government support, creating additional burdens on the wider economy. Comprehensive planning ensures that retirees can sustain a decent standard of living while also reducing social and financial vulnerabilities [7]. Furthermore, research indicates that successful retirement planning enhances social engagement, reinforces psychological resilience, and contributes to positive mental health outcomes [55]. Taken together, these findings highlight retirement planning as a critical determinant of long-term financial well-being by providing individuals with both protection and a sense of stability for the future.

Insurance Ownership: Definition and Benefits

Insurance ownership refers to an agreement between an insurance company and a policyholder, whereby the company receives premiums in exchange for providing compensation for losses, damages, incurred costs, or legal liabilities resulting from uncertain events, and/or for making payments related to the survival or death of the insured [36]. This definition highlights insurance as a mechanism of risk transfer, enabling individuals to protect themselves from unexpected financial burdens. Insurance is therefore more than a financial product; it represents a form of security that allows individuals to maintain stability in the face of uncertainty.

The benefits of insurance ownership extend to both personal and economic domains. Insurance protects assets used as collateral, which makes people more creditworthy, covers losses, and lowers their worries about possible risks [40]. At the

societal level, it serves as an investment vehicle supporting productive projects, promotes loss prevention through education and workplace safety programs, and contributes to overall economic stability and growth. In this way, insurance does not merely safeguard against risks but also enhances financial resilience by ensuring that individuals and families can sustain their living standards despite adverse events. Within the broader framework of financial well-being, ownership of insurance products ensures peace of mind and provides a vital foundation for long-term security. Research shows that health and life insurance, for instance, play significant roles in enhancing financial stability and protecting households from unexpected shocks [13], [34]. Thus, insurance ownership is a key determinant of financial well-being, reinforcing the importance of risk management in both individual and societal contexts.

Emergency Fund: Definition and Benefits

An emergency fund is defined as readily available cash set aside to anticipate situations where income ceases or unexpected expenses arise, ensuring that long-term savings or investments remain intact [25]. Such situations may include job loss, medical expenses, or urgent repairs. The essential features of an emergency fund are its accessibility, liquidity, and exclusivity of use for emergencies. By maintaining reserves equivalent to three to six months of living expenses, individuals can protect themselves from financial disruption [38]. Thus, emergency funds serve as a practical and immediate financial cushion against uncertainty.

Having an emergency fund is favorable for financial and mental health. Financially, an adequate emergency fund reduces dependency on high-interest debt during crises and safeguards long-term investments from premature liquidation [25], [38]. Psychologically, it provides peace of mind, a sense of control, and freedom to make better decisions, which together enhance overall financial confidence [22]. Research further emphasizes that individuals who consistently allocate money to emergency funds demonstrate higher levels of financial well-being and lower financial stress [53]. In this way, emergency funds not only mitigate the negative consequences of unexpected events but also strengthen resilience and stability in the long run. Within the broader framework of financial planning, the emergency fund complements insurance ownership and retirement planning, creating a comprehensive strategy that balances short-term liquidity with long-term financial security in the long run. Within the broader framework of financial

planning, the emergency fund complements insurance ownership and retirement planning, creating a comprehensive strategy that balances short-term liquidity with long-term financial security.

Table 1. Variable Indicators

Var	Indicators	Source
FWB	Objective	[33]
	Capability to fulfill daily financial needs	
	Resilience to unexpected financial shocks (savings, credit access, social support)	
	Ability to pursue financial aspirations (e.g., saving for the future)	
	Subjective	
	Confidence in meeting financial needs	
	Level of worry regarding daily finances	
	Perceived preparedness to face sudden financial situations	
	Optimism about achieving financial goals	
	Satisfaction and sense of security regarding current and future financial conditions	
RP	Financial Planning	[28]
	Possession of a dedicated retirement savings account	
	Investment strategies for retirement	
	Estimated cost of living after retirement	
	Participation in pension programs (corporate or private)	
	Payment of life/health insurance for retirement	
	Health Planning	
	Regular exercise	
	Healthy dietary patterns	
	Periodic preventive health screening	
	Avoidance of unhealthy habits	
	Social Life Planning	
	Planning hobbies/activities after retirement	
	Maintaining social relationships	
	Joining social communities	
	Planning social engagement after retirement	
	Psychological Planning	
Attending retirement preparation seminars/workshops		
Discussing post-retirement life with a partner/family		
Learning from retirees' experiences		
Planning activities to maintain mental health		
Practicing stress management or meditation		
Developing a positive mindset about retirement		
Creating a list of life goals after retirement		
IO	Number and types of insurance policies owned (life, health, vehicle, property, etc.)	[3]
	Suitability of insurance coverage with personal needs and risk profile	
EF	Amount of emergency fund (ideally 3–6 months of expenses)	[38], [25]
	Fund used only for emergencies such as job loss or urgent medical needs	
	Fund is easily accessible without administrative hurdles	
	Fund is stored in liquid instruments (savings, deposits, money market funds)	
	Fund is not used for non-essential consumption	

The Influence of Retirement Planning on Financial Well-Being

Financial well-being within the retirement planning framework describes the ongoing maintenance

of sound financial conditions after leaving the workforce through holistic preparation, which includes financial, health, and social aspects. This relationship emerges because retirement is a life stage where active income ceases while living expenses persist [50]. Individuals who engage in comprehensive retirement planning typically experience greater financial autonomy, peace of mind, and confidence in their financial future, which ultimately enhances their financial well-being. Pensions significantly influence individuals' financial security and health conditions, both of which are crucial dimensions of financial well-being in retirement [16]. This evidence supports the statement that retirement preparedness plays an important role in improving financial well-being among retirees. Similarly, [1] showed that individuals who begin retirement planning earlier tend to have higher financial stability and experience lower financial stress in retirement, [2] stated that retirement savings contribute significantly to individuals' long-term financial resilience, and [30] confirmed that retirement planning significantly influences financial well-being in later life.

The Influence of Insurance Ownership on Financial Well-Being

A sense of security is an important part of financial well-being. Insurance contributes to financial well-being by transferring sudden financial risks (such as medical expenses or accidents) to an insurance company, allowing individuals to maintain financial stability [40]. Therefore, having insurance provides peace of mind, which contributes positively to financial well-being. Research has found that individuals who have greater financial awareness have insurance coverage that matches their needs, thereby enhancing their financial stability and well-being [3]. Life insurance products (whole life or term insurance) play a vital role in risk management by protecting a family's financial well-being from the economic risk of the death of the main provider of the family [34]. Participation in public health insurance programs positively contributes to various aspects of financial well-being [13].

The Influence of Emergency Funds on Financial Well-Being

Retirement planning has multidimensional indicators to explain its non-significant effect—financial (savings, investments), health (preventive habits), social (community engagement), and psychological (stress management). Respondents tend to focus on social and psychological readiness

while neglecting the financial and health aspects, which reduces its overall effect [26] [60].

An individual's ability to manage financial risks, including maintaining an emergency fund, is a key component of achieving financial well-being. An emergency fund serves as a financial cushion prepared to manage unexpected situations such as job loss, urgent medical expenses, or other emergencies. Having adequate emergency funds reflects the "ability to absorb financial shocks" indicator within the financial well-being framework. Having an adequate emergency fund reduces dependency on debt during financial crises [22]; this further helps individuals maintain financial stability and improve financial well-being in the long term. Individuals who regularly allocate money for emergency funds exhibit higher levels of financial well-being and lower levels of financial stress [53].

Recent studies in the Indonesian context highlight how financial literacy, technology adoption, and behavioral factors shape millennials' financial well-being. [59] examined the growing popularity of pay later services among millennials using the Theory of Planned Behavior. They found that attitudes, subjective norms, and perceived behavioral control significantly influence millennials' intention to use pay later, reflecting the convenience of digital access and short-term liquidity needs. However, overreliance on such credit facilities may erode the ability to accumulate emergency funds and increase financial vulnerability. Their findings highlight the value of financial literacy and discipline in mitigating the adverse consequences of digital credit, linking short-term consumption choices to broader discussions on financial stability.

Similarly, [56] demonstrated that higher financial literacy levels are positively associated with the adoption of cashless payments such as e-wallets and mobile banking. While financially literate millennials perceive digital payments as efficient tools, the study also cautions that ease of access can trigger impulsive spending, threatening liquidity and long-term security. The research emphasizes that financial education must address not only technological adoption but also responsible financial behavior, highlighting the tension between convenience and financial resilience. This matter is particularly relevant to the current study, as the discipline required to maintain emergency savings or purchase insurance mirrors the behavioral challenges identified in cashless payment usage. The theoretical foundation of this study is based on the Theory of Planned Behavior (TPB) [4], which explains how attitudes, perceived behavioral control, and intentions shape financial decisions such as saving, insurance ownership, and retirement planning [50].

Aside from payment behavior, financial literacy also influences investment decision-making. [57] investigated the influence of stock market influences on millennial investors and found that literacy significantly reduces herding behavior. Literate investors make more rational, independent decisions, whereas low-literacy individuals are more susceptible to following influencer advice, often with detrimental financial consequences. These findings demonstrate that financial literacy strengthens financial independence and supports long-term goals such as retirement planning and risk management. By highlighting the role of literacy in resisting speculative tendencies, the study situates financial knowledge as a key determinant of sustainable financial well-being.

Extending this perspective, [58] identified financial literacy as a moderating factor between financial attitudes, self-efficacy, and credit decision-making. Their results indicate that literacy not only shapes knowledge but

borrowing by reinforcing positive attitudes and prudent decision-making. Conversely, low literacy increases the likelihood of poor credit management, undermining financial stability and constraining the ability to invest in insurance or prepare for retirement. The study highlights literacy as both a foundational and protective mechanism, essential for strengthening financial resilience among millennials.

Taken together, these studies converge on the argument that financial literacy plays a central role in shaping millennials' ability to balance short-term financial convenience with long-term security. Whether through managing digital credit, regulating cashless spending, resisting speculative investment behavior, or making informed credit decisions, literacy emerges as the underlying determinant of financial well-being. These insights provide a strong theoretical and empirical foundation for investigating how emergency funds, insurance ownership, and retirement planning interact to influence the financial well-being of Indonesian millennials.

Hypothesis Development

Financial well-being has been conceptualized as a multidimensional construct that reflects an individual's ability to manage financial obligations, withstand unexpected shocks, and pursue long-term aspirations with confidence [4], [10], [33]. It integrates both objective indicators (income, assets, and liquidity) and subjective perceptions (financial satisfaction, confidence, and resilience) [12], [18], [24], [31]. This dual perspective positions financial well-being as both an economic condition and a psychological state, influenced by key financial behaviors and resources.

Within this framework, retirement planning, insurance ownership, and emergency funds emerge as three central behavioral-financial constructs that directly shape financial well-being. Retirement planning provides security and preparedness for post-employment life, reducing financial stress and enhancing quality of life in later years [7], [21], [29], [50], [55]. Insurance ownership represents a risk-transfer mechanism, protecting individuals from adverse events while ensuring stability and continuity of resources [13], [34], [36], [40]. Emergency funds, meanwhile, act as a liquidity buffer, reducing reliance on debt and strengthening resilience against short-term shocks [22], [25], [38], [53]. These three constructs reflect both preventive (insurance, emergency savings) and future-oriented strategies (retirement planning), which together provide a holistic foundation for financial well-being.

To capture this dynamic, the present study employs an integrated theoretical framework that synthesizes perspectives from behavioral finance, risk management, and life-cycle theory. Behavioral finance explains how literacy and attitudes shape financial preparedness and self-control; risk management highlights the protective role of insurance and liquidity reserves, while life-cycle theory emphasizes the importance of retirement planning in achieving sustainable financial security over the life span. By combining these perspectives, the model proposes that financial well-being is not determined by isolated financial actions but by the synergistic interaction of retirement planning, insurance ownership, and emergency fund management. The target population includes Indonesian millennials aged 29–44 years with independent income sources. Probability random sampling was employed, and inclusion criteria are explicitly defined. The minimum sample size was calculated using the inverse square root method [31].

Grounded in this integrated framework, the study hypothesizes that:

- H₁: Retirement planning has a significant positive effect on the financial well-being of Indonesian millennials.
- H₂: Insurance ownership has a significant positive effect on the financial well-being of Indonesian millennials.
- H₃: Emergency funds have a significant positive effect on the financial well-being of Indonesian millennials.

These hypotheses come from the theoretical proposition that proactive financial planning (retirement), protective mechanisms (insurance), and liquidity management (emergency funds)

together constitute the core drivers of financial well-being. Thus, the study contributes to extending financial well-being literature by integrating three fundamental dimensions into a single explanatory model that is both conceptually grounded and empirically testable.

RESEARCH METHOD

This study adopts a quantitative research design to investigate the impact of retirement planning, insurance ownership, and emergency funds (exogenous variables) on the financial well-being of Indonesian millennials (endogenous variable). The researcher collected the data using a structured online questionnaire and measured the responses on a five-point Likert scale. The target population comprises Indonesian millennials (aged 29–44 years in 2025), estimated at 69.38 million individuals or 25.87% of the national population [5], [17]. The sample was selected through probability random sampling, ensuring representativeness and minimizing bias. Based on the inverse square root method [26], the minimum required sample size was 155 respondents.

There are three stages of data analysis in this research. First, descriptive statistics and cross-tabulations were employed to summarize demographic characteristics and response distributions, as well as to explore associations between categorical variables [14]. Second, the study applied Partial Least Squares Structural Equation Modeling (PLS-SEM) using Stata software to test the hypothesized relationships. This study chose PLS-SEM for its suitability in handling complex models and its dual capability of testing and prediction [20].

Retirement planning's multidimensional indicators—financial (savings, investments), health (preventive habits), social (community engagement), and psychological (stress management)—explain its non-significant effect. Respondents tend to focus on social and psychological readiness while neglecting financial and health aspects, which reduces its overall effect [26] [60].

This research evaluated the measurement model (outer model) for reliability and validity using outer loadings, Average Variance Extracted (AVE), Cronbach's alpha, composite reliability, and rho A. The researcher confirmed discriminant validity via the Fornell-Larcker criterion and the HTMT ratio [10], [20] and assessed common method bias through full collinearity tests, with all VIF values below the critical threshold of 3.0 [20].

The researcher assessed the structural model (inner model) using R^2 , Q^2 , path coefficients, and effect sizes (f^2), with bootstrapping employed to test statistical significance. This study also evaluated model fit with SRMR (< 0.08) [42] and NFI (> 0.90)

[44], confirming the robustness of the model. Hypothesis testing followed conventional decision rules, rejecting the null hypothesis if the t-statistics was 1.96 at $p \leq 0.05$.

Overall, this methodological approach ensures both rigor and predictive relevance, enabling the study to generate robust empirical evidence on how retirement planning, insurance ownership, and emergency funds jointly influence the financial well-being of Indonesian millennials.

Table 2. Operational Definition of Variables

Var	Definition	Indicators
FWB	An individual's perceived ability to manage financial obligations, absorb shocks, and pursue goals	1. Ability to meet monthly expenses 2. Resilience to financial emergencies 3. Progress toward savings goals 4. Financial satisfaction
RP	Proactive preparation for post-employment life across multiple dimensions	Financial: Retirement savings, investments Health: Regular check-ups, healthy habits Social: Community engagement plans Psychological: Stress management
IO	Ownership of formal risk protection products	1. Number of policies (life/health/property) 2. Coverage adequacy relative to needs
EF	Liquid reserves for unexpected financial needs	1. Months of expenses covered (3–6 months) 2. Accessibility (e.g., savings account) 3. Proper utilization (for emergencies only)

RESULTS AND DISCUSSION

The research employed a digital survey methodology, utilizing Google Forms as the primary data collection instrument. The researcher strategically disseminated the questionnaire across popular social networking platforms, including Instagram, WhatsApp, and Line, to specifically target and engage millennial participants residing in Indonesia. The study collected data from 168 Indonesian millennial respondents, with 159 meeting the inclusion criteria (born between 1981 and 1996).

Respondent Profile

This study involved 159 respondents aged between 29 and 44 years old. Most participants were 30 years old (15.72%), followed by those aged 35 (10.06%) and 44 (10.06%). In terms of gender, most respondents were female (66.04%), while male respondents accounted for 33.96%. Most of the people who took part in the questionnaire were married (69.81%), 28.30% were single, and 1.89%

Table 3. Respondent Profile

	Description	Quantity	%
Age	29	12	7,55%
	30	25	15,72%
	31	9	5,66%
	32	9	5,66%
	33	5	3,14%
	34	3	1,89%
	35	16	10,06%
	36	3	1,89%
	37	6	3,77%
	38	7	4,40%
	39	8	5,03%
	40	10	6,29%
	41	11	6,92%
	42	9	5,66%
Gender	Male	54	33,96%
	Female	105	66,04%
Marital Status	Single	45	28,30%
	Married	111	69,81%
	Divorced	3	1,89%
Number of Dependents	0	34	21,38%
	1	28	17,61%
	2	46	28,93%
	3	35	22,01%
	4 or more	16	10,06%
Income Sources	1	59	37,11%
	>1	100	62,89%
Educational Background	Highschool/equivalent	21	13,21%
	Diploma	6	3,77%
	Bachelor's Degree	116	72,96%
	Master's Degree	14	8,81%
	Doctoral Degree	2	1,26%
Monthly Income	Less than Rp1.000.000	6	3,77%
	Rp1.000.000 – Rp5.000.000	24	15,09%
	Rp5.000.001 – Rp10.000.000	47	29,56%
	Rp10.000.001 – Rp20.000.000	42	26,42%
	More than Rp20.000.000	40	25,16%

were divorced. In terms of dependents, most respondents had two dependents (28.93%), followed by three dependents (22.01%), one dependent (17.61%), and no dependents (21.38%). For income sources, 62.89% of respondents reported having more than one source of income, while 37.11% relied on a single source of income. As for educational

background, the majority held a bachelor’s degree (72.96%), followed by master’s degree holders (8.81%), high school or equivalent (13.21%), and diploma holders (3.77%). Regarding monthly income, most respondents earned IDR 5,000,001 to IDR 10,000,000 (29.56%), followed by those earning IDR 10,000,001 to IDR 20,000,000 (26.42%) and those earning more than IDR 20,000,000 (25.16%). About 15.09% had an income range of IDR 1,000,000 to IDR 5,000,000, while only 3.77% reported an income of less than IDR 1,000,000.

Descriptive Analysis of Research Variables

The descriptive analysis of the financial well-being variable indicated that, overall, Indonesian millennials were in a relatively decent state of financial well-being, with an average mean score of 3.91. The highest score was for FWB1, related to the household’s ability to pay all bills on time (mean = 4.11), followed by FWB2 on readiness to handle emergency expenses without borrowing (mean = 4.09). These findings suggested that Indonesian millennials generally manage their short-term finances well, demonstrating adequate payment discipline and emergency preparedness. This reflected a preference for liquidity and short-term financial security. Meanwhile, the aspect of readiness to face sudden income loss (FWB7) had the lowest mean score at 3.58, indicating lingering concerns about financial stability in unexpected situations. This mirrored millennials’ worry about income volatility, consistent with their tendency to prefer flexible work arrangements in the informal, freelance, or project-based sectors. The pursuit of balance between financial security, meaningful work, and overall well-being often shapes such preferences. Millennials prioritize learning, development, and work-life balance rather than solely climbing the corporate ladder, seeking careers that align with their personal values and support both financial and mental well-being [15].

The retirement planning variable showed an average mean of 3.92. These findings indicated that Indonesian millennials are increasingly paying attention to a combination of monetary and non-monetary retirement planning. The highest scores were for PP6, maintaining favorable social relationships with friends and family (mean = 4.13), followed by PP1, regarding having specific savings or investments for retirement (mean = 4.06), and PP8, which reflects mental preparedness for retirement (mean = 4.05). Conversely, PP4 on regular health check-ups had the lowest mean score (3.60). This trend indicated that while social and mental aspects of retirement planning were relatively strong, there was still a gap in physical health preparation, which may pose risks to well-

being in later life. This trend reflected the general pattern of Indonesians, who often do not prioritize preventive health measures as part of financial planning.

The descriptive analysis for insurance ownership showed an average mean of 3.75, which indicates that millennials in Indonesia had a moderate level of awareness regarding financial protection through insurance. Statement KA2, about selecting insurance products based on specific needs, had the highest score (meaning 3.97), suggesting attention to product relevance. However, KA1, owning more than one type of insurance policy, had the lowest score (mean = 3.60). These findings reflected that multiple policies were still not a common strategy among millennials for financial protection, likely due to perceptions that insurance is costly, hard to access, or complicated to understand.

The emergency fund variable had an average mean of 3.99, showing that most millennials were well-prepared for unexpected expenses. DD2, about consistently setting aside income for an emergency fund, scored highest (mean = 4.03), indicating proactive financial behavior. DD6, reflecting ease of access to the emergency fund, also showed a high score (mean = 4.03). However, DD3, regarding using the fund only for urgent needs, was slightly lower (mean = 3.98), indicating some challenge of misuse for non-priority spending. This highlighted the need for more financial education that emphasizes consistent habits and clear goals for emergency fund usage.

Partial Least Squares Analysis

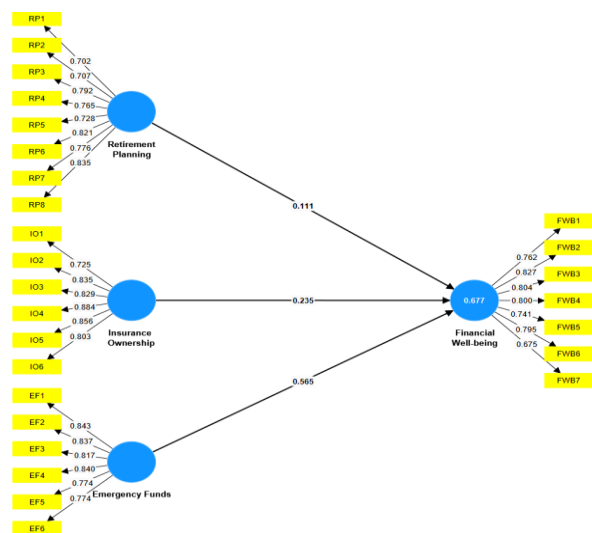


Figure 2. Research Model Output

Outer Model Evaluation

Convergent Validity

To evaluate convergent validity, all indicator loadings were examined and found to exceed the

threshold of 0.50, indicating that each item contributed sufficiently to its respective construct. Furthermore, the Average Variance Extracted (AVE) values for all variables were above 0.50, confirming that each construct explained a substantial proportion of variance in its indicators.

Discriminant Validity

The Fornell-Larcker criterion indicated a relatively strong correlation between emergency fund and financial well-being, which slightly violates the criterion. However, Table 4.10 shows that when evaluated using the more sensitive HTMT approach [20], all HTMT values remained below 0.90, which is still acceptable. This means, despite the high correlation, each construct remained statistically distinct without significant overlap.

Construct Reliability (Internal Consistency Reliability)

Cronbach’s Alpha and Composite Reliability values fell within the threshold of 0.80–0.90, with none exceeding 0.95. This indicated that the indicators demonstrate satisfactory internal consistency reliability.

Common Method Bias

Table 4. Full Collinearity VIF Test

Predictor Construct (towards FWB)	VIF
Emergency Funds	2.124
Insurance Ownership	2.197
Retirement Planning	2.799

This study evaluated potential CMB using the full collinearity VIF approach. The analysis revealed acceptable VIF values for all predictor constructs: Emergency Funds (2.124), Insurance Ownership (2.197), and Retirement Planning (2.799). Since these values fell below the critical threshold of 3, the results indicate no significant collinearity issues, suggesting minimal risk of CMB in the dataset.

The assessment extended to the outer model, where indicator-level VIF values were examined. Consistent with methodological standards, all indicators demonstrated VIF values within the acceptable range (1.689–3.170), further confirming the absence of problematic collinearity. Although one item (IO4) slightly exceeds the 3.0 threshold (VIF = 3.170), this value is still considered marginal and does not indicate serious collinearity concerns. Overall, the results suggested that multicollinearity at the indicator level was not a critical issue, and the outer model was deemed appropriate for further analysis.

Inner Model Evaluation

The adjusted R² was used due to the inclusion of more than two independent variables. The result indicated that retirement planning, insurance ownership, and emergency fund collectively explained 67.1% of the variance in financial well-being. This relatively high R² value indicated strong explanatory power for the model. The analysis also included an assessment of the model’s predictive capability through Q² values using the blindfolding procedure. The Q² value was calculated as: The non-significant effect of retirement planning can be explained by its multidimensional indicators—financial (savings, investments), health (preventive habits), social (community engagement), and psychological (stress management). Respondents tend to focus on social and psychological readiness while neglecting financial and health aspects, which reduces its overall effect [26] [60].

$$Q^2 = 1 - (1 - R^2) = 1 - (1 - 0.671) = 0.671$$

The analysis demonstrated strong predictive relevance regarding the financial well-being variable (Q² > 0), confirming the model’s ability to explain variations in financial well-being. Effect size analysis revealed Emergency Funds had substantial influence (f² = 0.465), while Insurance Ownership (f² = 0.078) and Retirement Planning (f² = 0.014) showed minimal effects. Model fit indices presented mixed results with good SRMR (0.066 < 0.08) but suboptimal NFI (0.769 < 0.90), indicating adequate yet improvable model specification. This study refined the recommendations to align strictly with discussion results, emphasizing the balance between short-term financial preparedness (emergency funds, insurance) and long-term security (retirement planning). No speculative new research recommendations were included.

Hypothesis Testing

This research used adjusted R² due to the inclusion of multiple independent variables.

Table 5. Path Coefficients

Pathway	Sample Mean	St. Dev	T Stat	P Values
EF → FWB	0.563	0.086	6.577	0.000
IO → FWB	0.240	0.087	2.693	0.007
RP → FWB	0.109	0.079	1.404	0.160

These results indicated that emergency fund and insurance ownership have significant effects on financial well-being (p < 0.05), while retirement planning does not show a statistically significant effect (p > 0.05).

Discussion

The Effect of Retirement Planning on Financial Well-being

The analysis indicated that retirement planning did not exert a statistically significant influence on the financial well-being of millennials in Indonesia. This conclusion is supported by a path coefficient of 0.111, a t-value of 1.404, and a p-value of 0.16, which is higher than the conventional significance level of 0.05. Based on the results of the t-test, the null hypothesis could not be rejected, as the t-statistics did not meet the minimum critical value of 1.96. This finding implied that, although some millennials engage in retirement planning, it is not yet strong enough to influence their perception of financial well-being. This result contrasts with studies by [30], [1], and [16], which found that retirement planning contributes positively to financial stability. However, in the context of Indonesian millennials, this insignificant result can be explained by the persistently low rate of pension fund participation, which declined from 6.18% to 5.42% even though literacy increased from 14.13% to 30.46% [35]. This finding indicates that greater knowledge does not yet translate into active participation in pension programs, possibly due to the continued dominance of short-term financial priorities among this age group.

In addition to low pension fund inclusion, this finding is also closely related to millennials' distinctive financial behavior. Millennials apply diverse approaches to managing their finances, which means not all prioritize long-term planning [43]. Young adults in Japan are less likely to plan for retirement due to limited trust in financial institutions, economic uncertainty, and a focus on short-term needs, despite rising financial literacy [46]. Similarly, European millennials, especially those in good health and satisfied with their careers, often deprioritize early retirement in favor of present life satisfaction [49]. These trends suggest that psychological, behavioral, and systemic factors may undermine the link between retirement planning and financial well-being, helping explain its non-significant effect among Indonesian millennials.

The Effect of Insurance Ownership on Financial Well-being

The analysis demonstrated that owning insurance significantly influenced financial well-being, as evidenced by a path coefficient of 0.235, a t-value of 2.693, and a p-value of 0.007, which is below the 0.05 significance level. Based on the t-test

criteria, since the t-value is ≥ 1.96 , the null hypothesis was rejected, indicating a significant effect between insurance ownership and financial well-being. This finding aligned with the studies of [13] and [40], which had emphasized that insurance provides a sense of security and financial stability by transferring unexpected financial risks. Although the insurance penetration rate in Indonesia remained low (1.4%), this research demonstrated that possessing insurance remains a beneficial factor in enhancing one's financial well-being.

The Effect of Emergency Funds on Financial Well-being

The research indicated that emergency savings had a strong and statistically significant influence on financial well-being, with a path coefficient of 0.565, a t-value of 6.577, and a statistically significant p-value of 0.000 ($p < 0.01$). According to the t-test threshold, the t-value exceeds 1.96 (null hypothesis rejected), showing a profound relationship between emergency funds and financial well-being. This finding was supported by [6] and [54], who had found that emergency funds act as a protection from debt when facing unexpected financial difficulties.

Vanguard Research (2025) underscored the critical role of emergency savings in preserving financial stability. This strong evidence confirms emergency funds as an essential element in enhancing financial well-being among Indonesian millennials. This makes it a foundation of good money management in emerging economies like Indonesia. Recommendations were refined to align strictly with discussion results, emphasizing the balance between short-term financial preparedness (emergency funds, insurance) and long-term security (retirement planning). No speculative new research recommendations were included. Recommendations were refined to align strictly with discussion results, emphasizing the balance between short-term financial preparedness (emergency funds, insurance) and long-term security (retirement planning). No speculative new research recommendations were included.

Interconnected Patterns of Financial Preparedness among Indonesian Millennials

The cross-tabulation results reveal a consistent and reinforcing relationship between the key variables of this study: financial well-being, emergency funds, insurance ownership, and retirement planning. Millennials who demonstrate high levels of financial well-being also show stronger

preparedness across short- and long-term dimensions. Notably, more than 92% of respondents with strong financial well-being reported adequate emergency savings, while over 84% also displayed sufficient insurance coverage and retirement planning. This finding illustrates that financial preparedness does not occur in isolation: the ability to meet short-term needs, such as maintaining emergency funds, is strongly associated with awareness of long-term security through insurance and retirement planning. Similarly, respondents with established retirement plans tend to hold adequate insurance, underscoring the mutually reinforcing nature of these behaviors. In short, improvement in one financial aspect often coincides with progress in others, suggesting that financial preparedness operates as an integrated system rather than as independent practices.

Beyond variable interrelations, patterns also emerged when analyzing financial preparedness across demographic profiles. Age plays a significant role, with respondents in the 31–36 age range showing higher financial well-being and stronger planning, while those over 40 often reported weaker emergency fund preparation—likely due to new financial pressures such as family obligations and loan repayments. Gender differences were also observed: women displayed stronger discipline in maintaining emergency funds and insurance ownership, whereas men demonstrated slightly stronger retirement planning, possibly linked to provider roles within families.

Marital status and dependents further shape financial preparedness. Married respondents generally performed better in retirement planning, while divorced respondents exhibited higher insurance and emergency savings, reflecting a heightened need for independent financial management. Interestingly, respondents with up to three dependents reported stronger outcomes across all variables, while those with more than three experienced declines, likely due to increased financial strain. Similarly, respondents with multiple income streams demonstrated consistently higher financial preparedness, highlighting the stabilizing effect of income diversification.

Education and income also reveal nuanced patterns. Higher educational attainment is generally associated with stronger preparedness, with diploma and master’s degree holders showing near-perfect levels across variables. Nonetheless, respondents with doctoral degrees showed lower well-being scores, possibly due to higher living costs and financial responsibilities, though the small sample warrants cautious interpretation. Income patterns show that respondents earning IDR 1–5 million and IDR 5–10 million displayed the

strongest preparedness, particularly in retirement planning and emergency funds. Interestingly, respondents with incomes above IDR 20 million reported lower levels of financial well-being in some aspects, which may reflect lifestyle inflation or heavier financial obligations.

Taken together, these findings emphasize that financial well-being among Indonesian millennials is shaped not only by individual behaviors such as saving, insurance ownership, and retirement planning but also by demographic and socioeconomic factors. The results highlight the importance of viewing financial preparedness as an interconnected construct, where behaviors and contextual factors interact to determine overall financial resilience.

Practical Implications

The earlier analysis concludes that retirement planning, insurance ownership, and emergency funds each influence financial well-being to varying degrees. Emergency funds have had the highest influence on financial well-being. These findings indicate that millennials tend to rely on short-term financial preparations as their main strategy for achieving financial well-being. However, we still need to strengthen long-term preparations like retirement and insurance. These findings suggest the following practical implications and policy recommendations:

Table 6. Implications

Stakeholder	Actionable Recommendations
Government	Expand micro-pension schemes through flexible, digital-based contributions targeting informal workers. Strengthen pension literacy and enrollment campaigns.
Educational Institutions/ Financial Educators	Emphasize the importance of balance between short-term savings and long-term protection in financial education. Include this education in formal curricula and workplace training.
Financial Institutions	Develop affordable microinsurance via digital platforms. Integrate automated features for emergency and retirement savings in digital financial apps.
Employers & Communities	Provide tailored benefits (pensions, insurance, financial workshops) based on employee demographics. Use community networks to promote financial literacy and behavior.

CONCLUSION

This research examined how retirement planning, insurance ownership, and emergency funds impact

the financial well-being of Indonesian millennials. Employing PLS-SEM, the findings demonstrated that emergency funds exerted the most substantial and statistically significant influence (coefficient = 0.565, t-statistic = 6.577, $p < 0.01$), followed by insurance ownership (coefficient = 0.235, t-statistic = 2.693, $p < 0.05$). In contrast, retirement planning showed no statistically significant effect (coefficient = 0.111, t-statistic = 1.404, $p = 0.16$). These findings show that millennials prioritize short-term financial planning and protection as their main strategy for achieving higher financial well-being.

This indicates that millennials tend to favor financial strategies that offer immediate security over long-term commitments like retirement planning. Such preferences may result from factors like unstable employment, economic uncertainty, and a greater need for liquidity. As a result, initiatives aimed at improving financial well-being should prioritize enhancing emergency fund preparedness and short-term risk protection while simultaneously raising awareness about the critical role of long-term financial planning.

Recommendations

For Millennials

Millennials should consistently allocate a portion of their income to build adequate emergency funds. Simple actions, such as setting up a dedicated budget category, can support the development of consistent saving habits. Although retirement planning did not show a statistically significant effect on financial well-being in this study, it remains a vital component of long-term financial security and well-being. The earlier someone begins retirement preparations, the lighter the financial burden will be in the future. Insurance ownership should also be a priority, since it also helps protect individuals from sudden and unexpected financial problems.

For Government and Regulators

The government should promote more flexible and accessible retirement programs, especially for informal sector workers (part-time workers, freelancers, etc.) who often lack access to formal pension systems. Digital-based micro-pension schemes with adjustable contributions would benefit the informal workers' segment, given their irregular income patterns. Financial literacy efforts need to be upgraded. Instead of just sharing facts, programs should meet millennials directly through interactive social media content, school workshops, or local community initiatives that make financial lessons relatable.

Governments can also apply behaviorally informed policy approaches, which encourage people to take positive financial actions through simple rewards. Tax incentives, savings bonuses, or small rewards for consistent retirement saving or insurance purchases could be implemented. Such strategies have proven effective, as many people understand the importance of saving but often delay action due to lack of motivation. Together, these strategies educate but also create systems that make good financial habits stick.

For Financial Institutions and the Insurance Industry

Banks and insurance providers should design simple and flexible financial products that are accessible via digital platforms. These may include automatic emergency savings accounts, low-cost microinsurance policies, or app-based retirement plans, tailored to millennial preferences for digital, convenient, and efficient solutions.

For Future Research

Researchers are encouraged to investigate other factors that shape millennials' financial well-being, including financial lifestyle patterns, social media pressure, financial anxiety, or the use of fintech. Longitudinal studies could also be conducted to monitor changes in millennials' financial behavior across life stages and economic conditions. It is also recommended to use a qualitative or mixed-methods approach to gain deeper insights. Future research may also further segment millennials based on risk profiles, employment type (formal vs. informal), or financial literacy levels, allowing for more targeted and actionable policy recommendations.

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