Beyond Money

Exploring Financial Well-Being through a Human Lens

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Print
Gerin Druck GmbH,
Wolkersdorf, Weinviertel

ISBN
978-3-902673-19-0

Published
2025

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Foreword

Boris Marte

CEO of ERSTE Foundation

Three years ago, ERSTE Foundation, Erste Group and the University of Tartu decided to try out something new: changing perspective to explore financial well-being through a human lens. At ERSTE Foundation, we aim to understand what prosperity means to individuals and our societies and how our activities can help foster it. Back then, there were so many things we did not comprehend about how people define their financial well-being, what influences it, how they make financial decisions and experience shifts in their levels of financial well-being.

We could have done yet another survey, but instead, we decided to go well beyond the surface of quick answers by exploring new ways to fill in the knowledge gaps. In order to achieve that, ERSTE Foundation brought together academic professionals in this field with Erste Group's banking experts. We gathered tons of data and considered a variety of suitable research designs, as we quickly came to realise that there simply is no single rational, linear path leading to answers when it comes to personal decisions. After all, as humans, we are complex and emotional beings, influenced by society and social fabric as well as our personal history. Our decisions and behaviour are not always dictated by logical reasoning.

All these intrinsically human qualities needed to be considered, which is why ERSTE Foundation made a commitment to conduct transdisciplinary academic research in a mixed-methods approach and based on real-world banking data as well as qualitative interviews over the course of several years. The result is a ground-breaking study that puts human beings at the very centre.

Educating people on financial issues is great, but understanding where they are coming from and how they themselves define what kind of support they need is even better. ERSTE Foundation and Erste Group are proud to have mustered the energy to give this change of perspective and huge effort the time it needed in order to lead to robust scientific insights. This study will completely change the way we think about financial literacy and act to promote it.

The fundamental research explored in this study is also one of the starting points for the Open Future Lab, a collaborative lab working on entirely new ways to improve people's financial well-being. Fresh ideas are about to blossom—as they do wherever we provide the necessary space, time and freedom for creativity and interdisciplinary collaboration.

> **"There is only one direct path that leads from point A to point B, but there are an infinite number of detours. Culture is about finding and establishing, describing and recommending, enhancing and rewarding these detours."**

Hans Blumenberg, philosopher

Foreword

Tomáš Salomon

CEO of Česká spořitelna

Financial literacy and the financial well-being of individuals and communities are essential conditions for social cohesion and harmony in any society that strives to uphold the values of democracy and freedom. This was well understood by the founders of the first savings banks at the beginning of the 19th century, in a Europe disrupted by the Napoleonic wars and the onset of the Industrial Revolution. And we are acutely aware of it today as well, in a Europe once again facing major socio-economic upheavals and challenges.

When we talk about financial literacy, there's often a simplified notion that it merely involves knowing a few terms and definitions or understanding the difference between simple and compound interest. Yes, understanding compound interest is undoubtedly one of the key investment skills – but financial literacy is, above all, a mindset. A mindset that allows us to perceive our future – and the future of our society – as something worth investing in. Not only through strengthening our own financial resilience but also through lifelong learning and the acceptance of responsibility for our lives and the lives of those around us.

In today's world – where the level of instant connectivity is as intense as the depth of ideological divides that separate us – supporting the financial health and well-being of individuals and communities is a vital opportunity for cooperation among the financial sector, government, academia and civil society.

It is precisely this synergistic and at the same time deeply comprehensive approach to financial health in today's world that I consider to be a unique quality of the publication you are holding in your hands. I believe it will become not only a valuable tool for shaping concrete business and policy strategies but also a foundation for building a stronger future for the next generations.

Part 1

A word from the team

Once upon a time—in August 2021 to be exact, but that of course sounds far less poetic—Boris Marte (CEO of ERSTE Foundation) and Leonore Riitsalu (Research Fellow in Behavioural Policy at the University of Tartu) had an impassioned debate about financial well-being at the European Forum Alpbach in beautiful Tyrol.

By that time, Leonore had already come to the realisation that there were many unknowns in financial well-being research. In her previous work for the Think Forward Initiative, she had reviewed the latest studies on the meaning, measurement and improvement of financial well-being and conducted the first comparison of financial well-being levels across 16 countries in Europe, the US and Australia*. However, that had raised more questions than it had answered as no clear patterns seemed to emerge from the comparison of the sample countries.

Banks had been struggling with the same issues, i.e., the gaps in understanding the essence of financial well-being (or financial health) and what influences it. This conversation between Leonore and Boris about the lack of understanding when it comes to financial well-being led to the launch of an ambitious and bold partnership between ERSTE Foundation and the University of Tartu. Three years and many stages of research later we are presenting you with the key findings and conclusions from this endeavour.

* Riitsalu, L. & van Raaij, W.F. (2022). Current and future financial well-being in sixteen countries. Journal of International Marketing, 30(3), 35–56. https://doi.org/10.1177/1069031X221095076

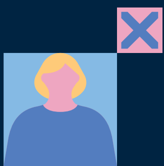
Our proposal to ERSTE Foundation in 2021

As ERSTE Foundation has been at the forefront of changes, we propose taking on a new challenge and transforming the way the financial well-being of individuals and societies has been addressed so far.

It could focus on helping individuals to diagnose their financial well-being issues, raising awareness, building motivation and nudging them towards making conscious choices to improve or secure it, using a broader set of tools and not necessarily only financial services and education.

This project has been a story of threes: in a three-year period, the trio of researchers developed the triad of financial well-being. You'll read a lot about the triad in this publication. But first, let us introduce ourselves.

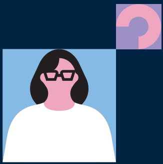
We are a team of researchers who are passionate about finding ways to make a difference in the lives of people and societies in both Europe and beyond. Coming from different fields and having all built careers spanning academia, policy and the private sector, we bring very different perspectives to the question of what financial well-being is and how it can be improved.



Leonore Riitsalu is a fervent explorer of behavioural insights and financial well-being. She has been studying these topics in several teams and countries. Before becoming an academic, she was *the* promoter of financial education in Estonia. Now Leonore advises policymakers and banks in Europe on financial literacy and behavioural finance issues. She is also a proud member of the advisory boards of FLiP, Open Future Lab and Nadace České spořitelny.

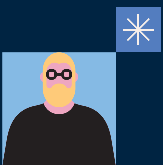
As she had worked with Adele Atkinson before in a number of very different countries—Azerbaijan, Saudi Arabia, Canada, on top of Europe and the OECD—Adele was the obvious first choice for a partner in this unusual project.

The third crucial part of this trio is Rauno Pello. A few years ago, he was helping Leonore organise financial well-being sessions at an international financial education conference.



Adele Atkinson is a Professor of Practice in financial literacy and wellbeing at CHASM, University of Birmingham, UK. In addition to work on financial literacy and well-being, her recent research includes projects looking at the experience of people who do not have access to essential financial products and services as well as the financial circumstances of people in precarious employment. With 25 years of experience, she has worked in academia and consultancy, undertaking novel research and addressing policy challenges relating to both personal finance and education.

Prior to joining CHASM, she led the OECD's International Network on Financial Education, contributing to G20 publications and collaborating with over 120 countries. In addition to her academic role, Adele continues to work closely with international organisations, recently developing and implementing a survey on digital and financial literacy with the UN Capital Development Fund.



Rauno Pello is a designer through and through. Drawing on two decades of multifaceted design experience in various roles at agencies like TBWA and Brand Manual—along with ongoing PhD work and an extensive background in lecturing on research design, qualitative methods, design thinking and creative problem-solving—Pello explores financial life through creative, transdisciplinary research.

He now serves as Managing Director of Open Future Lab, a dedicated research and design unit initiated by ERSTE Foundation that emerged from this research project. Through the Lab, Pello seeks opportunities to understand people's lives and develop artefacts, frameworks and concepts that foster long-term thinking and widespread financial well-being.

On the next pages, you will find an overview of the main ideas, concepts and findings that we worked on during the past three years. Although this may sound like a long time, it has not nearly been enough to solve all the issues in the complex world of financial well-being. Academic research is all about providing the facts as opposed to stating absolute truths. And although it aims to build on existing knowledge about the world and human lives, it will never be able to solve all the problems and make everyone live happily ever after.

Yet we have written this publication to inspire you to think differently about financial well-being, its dimensions and what influences it, and to find inspiration to do something in your work that helps to improve the financial well-being of people and societies.

Let's use the reliable findings from our research to make the world a better place together!

A mission accomplished by many minds

During the trio's 3-year journey, many experts helped us in our research. We are especially grateful to Boris Marte for intiating this project and Marianne Schlögl for accompanying and working with us for the entire journey.

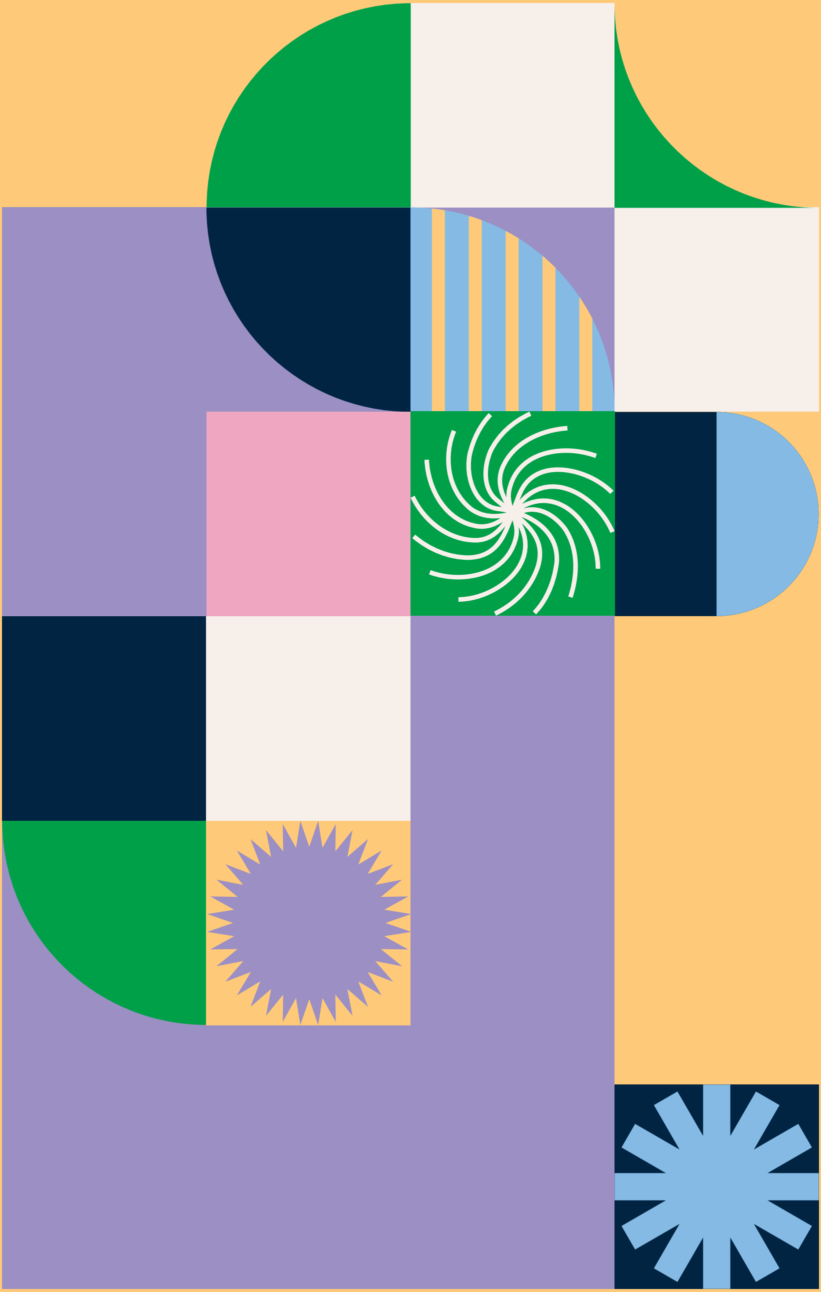
Thank you, supporters and experts from Erste Group and ERSTE Foundation: Peter Bosek, Tomáš Salomon, Monika Hrubá, Václav Pulec, Karolína Poláková, Philip List, Dana Brandenburg and many others.

Thank you, researchers Giulia Sesini (Università Cattolica del Sacro Cuore), Ivo Vlaev (University of Warwick), Marcel Lukas (St Andrews University) and colleagues from the University of Tartu: Kristjan Pulk, Ene Tubelt, Kerli Ilves, Taavi Unt, Annegrete Molloka, Andres Võrk, Rein Urmas Murakas, Rein Murakas, Uku Vainik, Kristiina Vain, Mihkel Solvak, Kristiina Tõnnisson, and others.

Thank you, Gabriele Peiskammer and Fritz Alexander from KANTAR Austria, for organising and running a massive data collection across the countries.

Thank you to all the experts from Erste Bank der oesterreichischen Sparkassen, Erste Bank Hungary, Slovenská sporiteľňa, Erste & Steiermärkische Bank, Erste Bank a.d. Novi Sad and Banca Comercială Română.

Thank you, Kevin Crepin (DUX) and his team for designing the self-assessment tool and this publication.



Part 2

Prologue

A short history of financial well-being

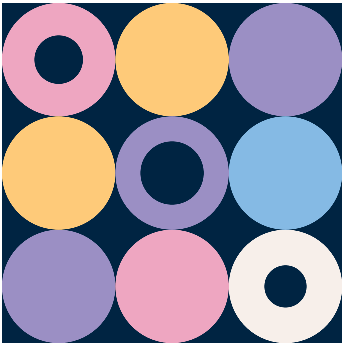
When—if ever—was the first time you came across the concept of "financial well-being"? Was it during your studies or when you first started to work, and you realised the world had more to offer than just money? Perhaps you have seen it used by a pension provider or bank, or heard it dropped into a sentence by an influencer on social media?

Maybe this is the first time you have heard the term, but for your educated mind, it will hardly be a challenge to analyse and understand its meaning. It's about having control over, or at least an understanding of, your present and future finances, isn't it? About not having to worry about the next instalment of rent or loan; about having financial freedom. All of this and more, right?

You're not wrong—not in the slightest bit—but similar to an iceberg, which is largely submerged and hidden from view, financial well-being is a subject with a great deal of hidden depth.

Even though financial well-being has been the subject of research, analysis and publication for some time, it is fair to say that we've only seen the tip of the iceberg. Practical implications have been given little thought so far, and suggestions tend to be based on abstract ideas rather than tested interventions. And though the importance of individual experience has been recognised, it has been dwarfed by the emphasis on financial constructs, tools and services.

This has led to the habit of translating the world of finances to people and then teaching them how to navigate these complex



topics. But what if we did it the other way round and translated people's needs to bankers?

To gain a better understanding of what financial well-being actually means, we need to apply a more human-centric approach. Every single person assesses their financial well-being differently, coming from different backgrounds, having had different life experiences and looking towards different goals, dreams and aspirations. Our first big challenge is thus to (re)define financial well-being, taking into account the individuality of each person. The second challenge is to create a way to measure a person's financial well-being. Last, but certainly not least and in contrast to previous research, we look into applicable interventions that could improve people's financial well-being.

However, all of these challenges serve an additional purpose, which is to prompt people to reflect on their own financial well-being, helping them come to the understanding that it isn't a simple equation of money = happiness. In a nutshell, we want to encourage a new way of thinking.

So far, the story of financial well-being has been largely reduced to numbers. It has lacked the nuance and complexity that can only be introduced by those most peculiar of all beings: humans.

We are writing the next chapter in that story.

“ Financial well-being is quite important to me …

… I really want to believe that some day, I'll get to this point where I don't have to worry anymore, where I'll have peace of mind. "

Why does it matter

Welfare & stability—or why it matters to society as a whole

Policymakers and civil society organisations should prioritise people's financial well-being because it directly influences economic stability, social cohesion and overall quality of life. Financial well-being encompasses so much more than just having sufficient money or avoiding poverty. When people's basic needs are met, they experience greater security, leading to enhanced trust in societal institutions. Consequently, individuals become more engaged, positively contributing to their communities and fulfilling their roles as good citizens.

Poor financial well-being, in contrast, can increase the need for government assistance programmes, healthcare, and social services. A growing need for such services can, in turn, create division between people and increase a feeling of inequality.

When people are not just surviving but thriving as well, society as a whole benefits, leading to lower poverty rates, healthier populations and stronger economic systems. That's why financial well-being isn't just a personal matter; it's something that society as a whole should strive for.

Whether you're a policymaker, a financial advisor, a mental health professional, an academic researcher, someone working in law enforcement or just a regular, curious person who wants to find out more about their own financial well-being, one thing is certain: the field of financial well-being is increasingly coming to the fore, especially thanks to research and studies like this one.

“Once money makes money, that becomes problematic for me because there is no real value behind it.

The dependency is getting bigger and bigger and the banks have lost their original function, namely to be there for the saver.”

Opportunity—or why it matters to the financial sector

The financial sector has a vested interest in helping people to improve their financial well-being. Promoting financial well-being aligns with ethical banking practices and can improve public trust; it may also increase customer loyalty.

During our study it became clear that while people trust financial institutions to keep their money safe, they lack the same level of trust when it comes to the banks’ commitment to helping with financial well-being. There is a general belief that their focus is on money-making—through consumer credit and investments—and selling different products or services.

By focusing on the financial well-being of clients, the financial industry can create a customer base made up of people who are motivated to take steps to increase their peace of mind, perhaps by saving or investing in a financially secure future.

This would also be good for the economy and society in general, complementing various social policies such as those aimed at reducing poverty and vulnerability, supporting entrepreneurship and decent work conditions, ensuring sufficient income in old age and promoting public health.

Peace of mind—or why it matters to people

Financial well-being is nuanced and complex, but there is one simple way to describe what it actually means for people—it's having peace of mind. It's not worrying about the next big expense, whether in the near or far future. It's knowing that you can afford a new fridge if your old one breaks down. **It is being able to enjoy life today and in the future.**

The benefits of a higher level of financial well-being include better mental health, improved relationship quality and higher life satisfaction, to name but a few. People with better financial well-being are more likely to be able to cope with life's twists and turns, weather financial shocks and adjust to changing circumstances as well as enjoy the freedom to choose when to work, where to go on holidays or what to consume.

Power in numbers—or why it matters to academics

Although the amount of financial well-being research findings being published has rapidly increased, there is still no consensus on what financial well-being really is and how it should be defined. Even more questions arise as to how it should be measured or improved.

So far, studies have mostly treated financial well-being as a unidimensional score, using measures developed in English-speaking countries, and measured it in one country at a time. Sometimes financial well-being was even mixed up with other concepts like wealth, prudent financial behaviour or lack of financial stress.

We highlight that the assessment should be constructed in a multi-dimensional way, it should be assessed repeatedly over time in multiple countries and include a broader range of nonfinancial indicators in the analysis. For a long time, there have been assumptions of what might be good for financial well-being, but nearly no evidence of effective interventions.

We want to inspire other academics to conduct further research and to design and analyse experiments in various sectors to develop evidence-based solutions for improving financial well-being.

We were the first to conduct a detailed analysis of the relationship between general and financial well-being in several countries across Europe. We have studied the relationship between subjective financial well-being and objective financial behaviour based on people's bank data in great detail. On top of this we developed a new conceptualisation and operationalisation of financial well-being and provide a validated measure for assessing it. Last but not least, we conducted rigorous experiments and can now present the first evidence-based suggestions for improving financial well-being.

Now, as we continue our research, we reach out to our fellow academics to join us on this journey—because together we can achieve so much more.

INSIGHT • VALUABLE •

Literature analysis

There are a lot of different approaches, and many literature reviews highlight the gaps in knowledge. At the beginning of our research, we started out with a review of the existing literature, and the detailed analysis was published in an academic journal*.

You can read the full text at https://tinyurl.com/39b998hs, but if you can't access it for free, just drop us an email (leonore.riitsalu@ut.ee) and we'll send you the file.

* Riitsalu, L., Atkinson, A., & Pello, R. (2023). The bottlenecks in making sense of financial well-being. International Journal of Social Economics, 50(10), 1402–1422. https://doi.org/10.1108/IJSE-11-2022-0741

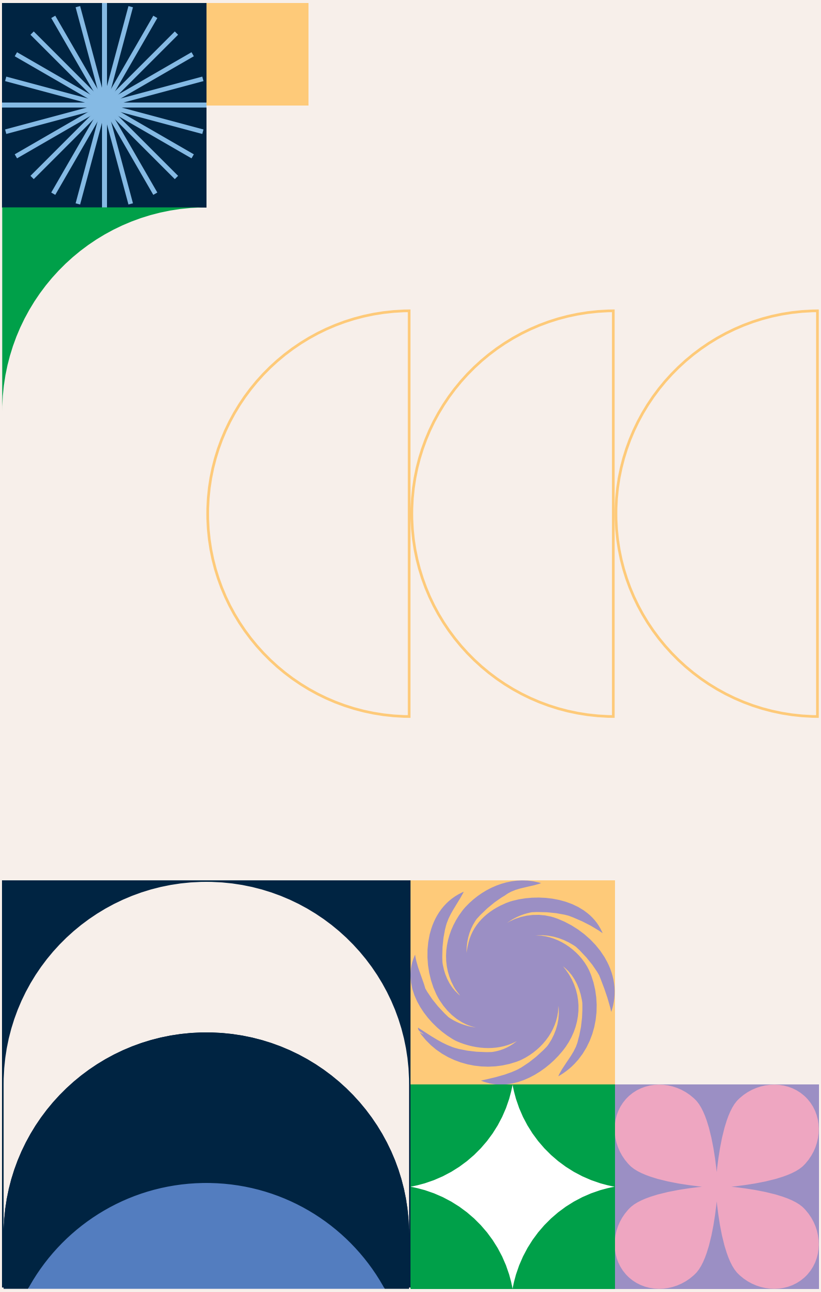
What needed doing

Background

This publication offers valuable insights from our 3-year academic research project, conducted in collaboration between the Johan Skytte Institute of Political Studies at the University of Tartu (Estonia) and ERSTE Foundation (Austria). As ERSTE Foundation is the core shareholder of Erste Group, this partnership brought together experts from academia, the foundation and the banks active in Central, Eastern and South-Eastern Europe.

Everything began when we realised there were still too many unknowns when it came to financial well-being. First, we set out to gain a deeper understanding of what financial well-being means for humans and which factors affect it in the broadest sense, and then we started to develop and test evidence-based tools for increasing financial well-being.

This meant looking beyond the instruments and institutions promoting financial well-being, and into the lifestyle, behaviour, needs, wants and desires of people, shifting the focus to helping individuals diagnose their own well-being issues, raising awareness, building motivation and encouraging them to make conscious choices to improve or secure it.



Phases

The three-year journey of academic research conducted in this unusual partnership comprised three main phases. The process was, however, anything but linear; we went back to the data collected in previous stages to refine the design of the following stages and interpret the findings we had made. It was an iterative process from start to finish.

1. Understanding

At the beginning, we conducted an extensive analysis of the latest relevant literature to get an in-depth understanding of what is currently known about financial well-being and where potential gaps are located. For that, we not only looked into academic papers, as is usually done in literature reviews, but also analysed study reports published by banks and policymakers. We then used this as the basis for designing a qualitative study to explore the deeper meaning of financial well-being from a people-centred perspective.

This involved interviewing 630 people in seven countries, a process undertaken by specialist agency KANTAR Austria and funded by the Erste Group banks. Many months were spent reading, coding and analysing the interview data. We also analysed the context of the interviews by comparing various economic, social and other indicators of the countries and by asking the individual Erste banks to tell us about the key topics and concerns discussed in local media and by the people in their countries.

These analyses and conversations allowed us to gain a deeper understanding of the context of the interviewees' lives and to make sure we didn't misinterpret the findings. All this prompted us to develop a new way of conceptualising financial well-being that is human-centric, multi-dimensional and applicable across Europe.

2. Assessing

In the second phase, our main attention turned to assessing financial well-being. We created a new, multi-dimensional financial well-being scale to be able to measure the dimensions and tested it in multiple rounds and languages. The validated scale can be used by institutions aiming at improving financial well-being to provide a reliable assessment of the current situation and to measure whether their interventions are having an effect on any of the dimensions of financial well-being. The scale has already been used for studying the relationship between subjective financial well-being and people's objective financial situation and behaviours in a large sample from a bank in Czechia as well as for analysing how someone's personality affects their financial well-being assessment in Estonia; look out for findings from these analyses throughout this publication.

Scales are great for numeric assessments, but sometimes, a more nuanced evaluation is more appropriate. We looked at the existing tools and most of them provide a normative diagnosis or a single score that is of very little use to people. Because of our findings from the interviews and our new approach to defining and measuring financial well-being, we saw the need for a more nuanced tool—a digital self-assessment tool that people can use to reflect on their situation and choices. You can read more about it in chapter 5.1.

3. Influencing

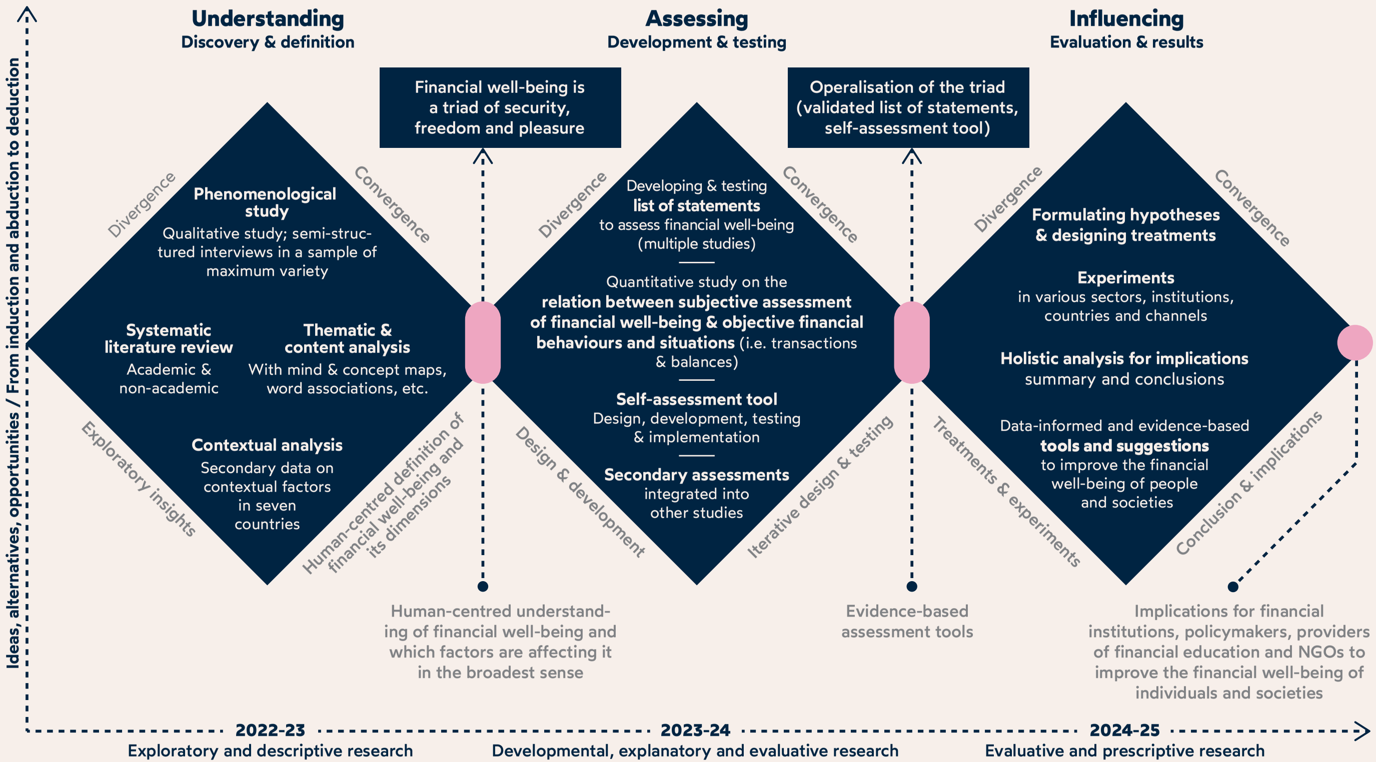
Our literature analysis confirmed a lack of evidence-based strategies for improving financial well-being; recommendations rely almost entirely on assumptions. Even well-known approaches such as financial education are rarely tested to validate whether they actually improve financial well-being, despite this being their stated end goal.

Recently, one of the best-known financial well-being researchers, Richard G. Netemeyer from the United States, stated that there was hope for financial education to have an effect on financial well-being*, but that a lot more research was needed to actually confirm this hypothesis.

We want to contribute to bridging the gap in knowledge by developing evidence-based tools and suggestions for improving the financial well-being of individuals and societies that can be applied across various sectors, institutions, countries and channels. So instead of hoping and assuming that the activities for improving financial well-being will turn out to be useful, we promote relentless testing.

* Netemeyer, R. G., Lynch, J. G., Lichtenstein, D. R., & Dobolyi, D. (2024). Financial Education Effects on Financial Behavior and Well-Being: The Mediating Roles of Improved Objective and Subjective Financial Knowledge and Parallels in Physical Health. Journal of Public Policy & Marketing. https://doi.org/10.1177/07439156241228197

3-year mixed-method research: from relativism & phenomenology to pragmatism & internal realism

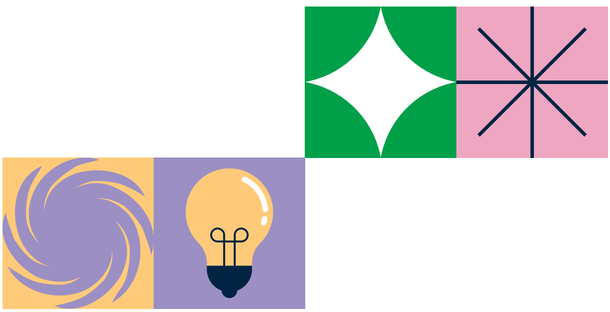


Methodologies

All the findings shared in this publication are the result of rigorous, transdisciplinary, multi-stage and mixed-methods academic research. It is important to highlight that this is *academic research* rather than an applied project aiming at developing a particular product or service.

Moving forward, it is important to emphasise that this publication does not engage in assumptions; every conclusion made is based on verified data collection and analysis. We'll spare you the details, but if you are interested in seeing how we have come to know what we claim in this publication, a brief summary is provided on the next page.

We analysed the data from these studies using a multitude of methods. For qualitative data, we utilised thematic, content and conversation analysis. For quantitative data, we used principal component analysis, factor analysis, structural equation modelling, regression analysis, various algorithms and models (random forest, LASSO, GAM), and LightGBM (a gradient-boosting framework that uses tree-based learning algorithms). All experiments (randomised controlled trials or RCTs) were pre-registered and research ethics committee approvals were received.



Deeper dive into the methods

In order to base our findings on evidence and to triangulate them, we designed and conducted multiple quantitative and qualitative studies over the course of three years. Below is the outline:

Qualitative studies

- Review of existing literature (academic and popular)
- Interviews with 630 people (90 individuals from seven different countries: Austria, Czechia, Croatia, Slovakia, Hungary, Serbia and Romania)
- Qualitative testing of the newly established financial well-being scale in Latvia
- Qualitative testing of the digital self-assessment tool in Estonia and at the European Forum Alpbach
- Additional literature review for suggestions on how to improve financial well-being
- Evaluation of user experience with the digital self-assessment tool

Quantitative studies

- Testing the new financial well-being scale online (on the platform Prolific) in English and in a representative sample in Czechia in a Czech translation
- Conducting a longitudinal financial well-being survey among the customer base of Česká spořitelna, data collected twice over a six-month period using the new validated scale
- Analysing 14 months of data on transactions and balances of the Česká spořitelna study participants
- Conducting a financial well-being and personality study in Estonia in a representative panel that analysed how the Big Five personality traits affect the three financial well-being dimensions
- Conducting three online experiments (randomised controlled trials or RCT for short) for improving financial well-being, all including multiple rounds of data collection and analysis of the changes over time. The subjects in these experiments used the mental health app Headspace and the personal finance app MyFinancier, watched TedTalks on mindfulness and financial planning, and engaged in storytelling and budgeting.

Why we feel this research matters

The primary purpose of the project has been to conduct comprehensive academic research into financial well-being, approaching it from a human perspective and using rigorous methods to collect data and analyse the findings. This does not mean that by the time you reach the end and turn the last page, the topic of financial well-being will have reached a conclusive and final resolution.

On the contrary, this research proposes to contribute to the bigger scope of how human-centric research can bring new insights into how the financial well-being of individuals and societies can be improved. This requires a change in the status quo of how financial well-being interventions are created and a shift in people’s minds as to what constitutes being financially well. Also, more research across a wider range of demographics and domains will be needed in the future.

We want to better understand the role financial well-being plays in people’s lives, how we can assess it and help people improve it while respecting their life choices and preserving diversity. Continuing the research and applying its findings to policymaking will take time and money from various stakeholders, but in the end it will lead to a world of greater social justice. A world where not only people will get a better understanding of how finances interplay with other aspects in their lives, but also where stakeholders can actually help people find peace of mind.

Part 3

People first

3.1 Humans at the centre

3.2 Human identity and belonging

3.3 Understanding how people interpret financial terms

Humans at the centre

Approaches to understanding financial well-being have primarily been focused on the financial aspects, such as financial knowledge, the amount of wealth or a lack of debt. These are obvious suspects when thinking top-down, for example from the perspective of an institution providing financial education or financial services.

The human-centric approach, however, is still a relative newcomer in the world of academic research related to economics and finance. Combine this novel direction with the fact that financial institutions are a bit like ocean liners—massive and steadily moving forward, but difficult to turn around quickly when new information is presented—and it is easy to see that change needs a considerable amount of time and a lot of buy-in to be implemented. Change also comes with potential unforeseen factors, which often makes it a daunting leap to take. Similarly, implementing new policies is rarely, if ever, done overnight and this process has the additional complexity of potential opposition. These are some of the reasons why it's imperative that a people-first approach gets championed as soon as possible so it serves as a basis for the entire process surrounding it.

We strongly feel that it seems almost impossible to speak about any kind of well-being without approaching it from a human point of view. The topic of well-being in itself consists of a mosaic of subtle emotions and interconnections. Adding financial well-being to the mix expands the mosaic exponentially, but those emotions and interconnections remain in place, making it impossible to properly understand how it's all intertwined without a human perspective.

VALUABLE • INSIGHT •

Communicating from person to person

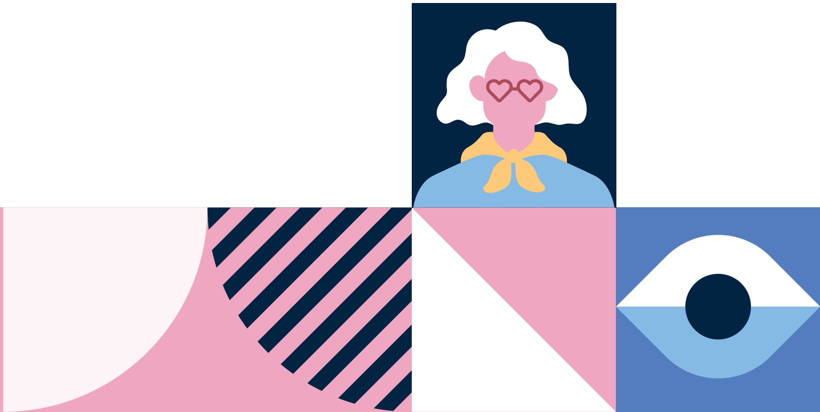
The communication strategies of financial service providers are often shaped by legal requirements and driven by expert analysis, data, performance metrics or profitability analyses, prioritising numerical precision over a clear, understandable message. If those terms made you do a double take, well, you're not alone. This distinct perspective can create a gap in understanding and leave customers scratching their heads. In order to make the language more easily understood, a people-focused vocabulary can support a shared understanding and stronger connections, building trust and improving customer outcomes.

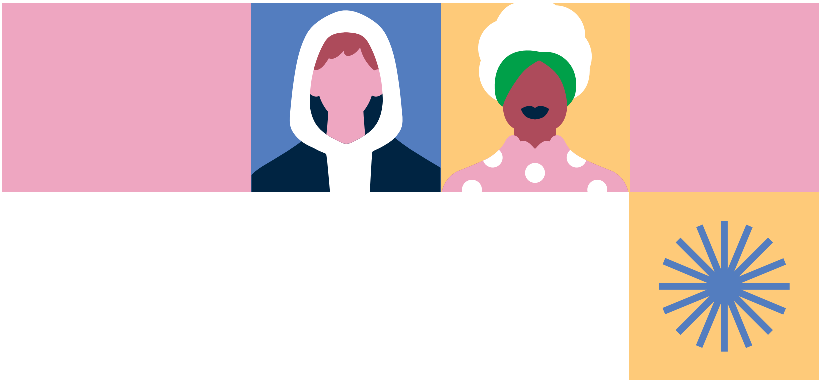
This is not just about simplifying sentences or removing equations but comes right down to the choice of words, some of which have a very different meaning in everyday language from that used in the financial world. The findings on how people interpret some of the more common financial terms can be found in chapter 3.3.

Human identity and belonging

Humankind is a colourful and intricately woven tapestry. Each person comes with a lot of baggage, both good (the type you can easily throw in the overhead compartment) and also not so good (the type the ground crew struggles with lifting). This metaphorical baggage can refer to both private life events and socio-political, economic as well as geographical factors, to name but a few.

All of these elements contribute to the development of someone's personality, how it shapes their reality and how they perceive and experience the world around them. And all of this matters when we talk about a person's financial well-being. Therefore, we want to give a glimpse into their role, but by no means are we aiming for a comprehensive analysis—that alone could easily be turned into an entire separate book.





Macro factors

Broad, external influences shape people's identities on a societal level. Culture, history, religion, socio-economic status and political structures all play a role in how individuals see themselves within a larger community.

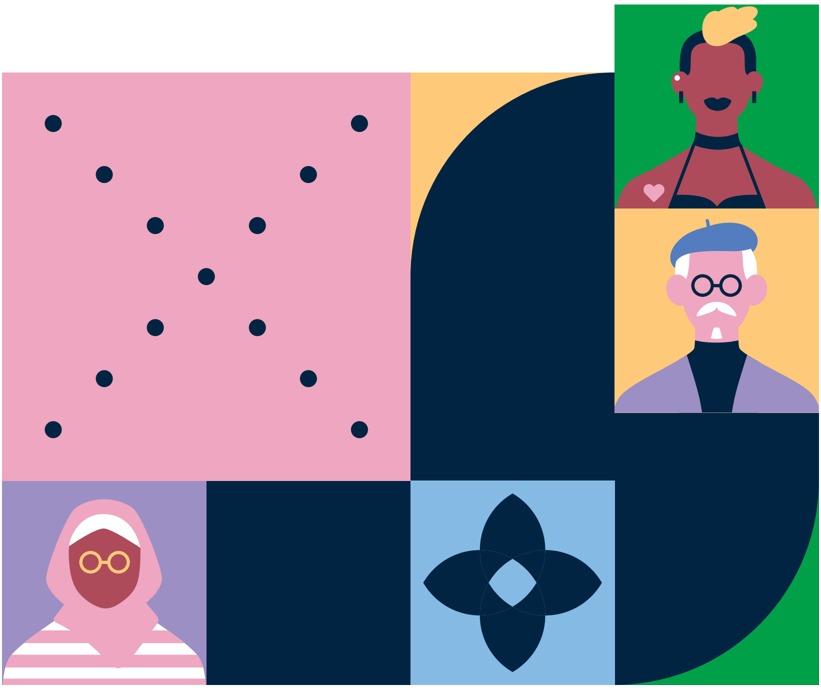
More recently, the media—readily available at the press of a button anytime and anywhere—have made massive strides in getting a seat at this influencers' table as well. The rise of global consumer culture, which promotes immediate gratification, is taking a toll on securing one's financial future. Add to that the role of social media—feeding people's need to compare their lives to others' that, just to be clear, are heavily curated projections of "Good Vibes Only" and not indicative of what people actually experience. The algorithms in place offer a sense of escapism, where echo chambers create a safe space and addictive doom scrolling is normalised. This relatively new impact of (social) media cannot be overstated.

Another factor with a potentially huge effect is perceived insecurity in the future, caused by turmoil in the present such as security, economic stability, politics or climate change issues. On a more traditional side, things like pensions and social security systems in the individual countries matter on their own merit.

Micro factors

Human identity is shaped by many things; from personal experiences and life-changing events, through family, upbringing, education and relationships, to psychological traits. Factors like personal values, memories, experiences, and self-perception—developed through interactions with close social circles and personal life events—all make a difference in how people experience the world. And all of this contributes to their unique and nuanced financial well-being needs and preferences.

Therefore, even though people may have a strong sense of belonging to their country or region, these geographical factors play a smaller role when explaining differences in financial well-being.



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Gender & minority status

Gender plays a not-to-be-underestimated part in how financial well-being is perceived and assessed and needs to be separately considered in order to address the issue properly. It is shaped by cultural norms, historical contexts, religious beliefs, legal systems, media representation and societal expectations. However, it is also individually experienced and deeply personal.

Differences are not only observed by gender. People are often subject to an 'otherness' that puts them at a disadvantage within a society. This minoritised status is a fluid construct that can encompass a wide range of dimensions and can be shaped by factors such as ethnicity, religion, gender, sexual orientation, disability or socio-economic background, among others.

Individuals and groups can be minoritised in some specific circumstances, or at a certain point in their lives. Sometimes early minority status can have a long-term impact, even after personal circumstances or societal perspectives have changed. Some people sit at the intersection of multiple forms of otherness, which increases the likelihood of them being disadvantaged and makes it challenging to identify where problems lie, yet it is important not to lose sight of them.

Understanding how people interpret financial terms

As we mentioned before, instead of trying to translate the financial world to people, a more promising approach might lie in translating how people think for those who shape it, like policymakers or financial institutions. With that in mind we designed a study in which 630 people from seven countries (Austria, Czechia, Croatia, Slovakia, Hungary, Serbia and Romania) talked about their lives, well-being, money matters and financial well-being. As part of those interviews, we asked them to say the first things that come to mind when they hear certain financial terms.

Not surprisingly, how people interpret financial terms depends on their personal perspective, shaped by socio-cultural factors, and how institutions contextualise these terms. Age—though we want to point out that life experience seems to be the more accurate scale—is the biggest differentiator, with gender, income level, being part of a minority and whether one lives in an urban or a rural area having rather insignificant effects on how the terms are perceived in this word cloud overview.

Money

The key role that money plays in a person's life is broadly recognised across all countries as a necessity nobody can disregard. It is considered important, and its role is especially clear in terms of the ability to buy goods and achieve freedom. Furthermore, people tend to use positive language, suggesting a favourable perception.

> "For me, financial well-being is having a certain amount of money... I don't have to slave away, I don't sell my soul, I don't lose sleep, and I don't get stressed out."

Money

12-17 years old

18-39 years old

40-64 years old

65+ years old

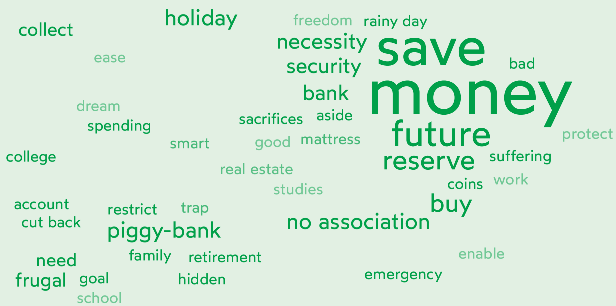
Savings

Savings are associated mainly with providing a sense of security; most respondents consider them a good thing to have as a reserve for the future. Perceived as a positive word, savings offer a way to feel safe and protected, a vision shared across all different countries.

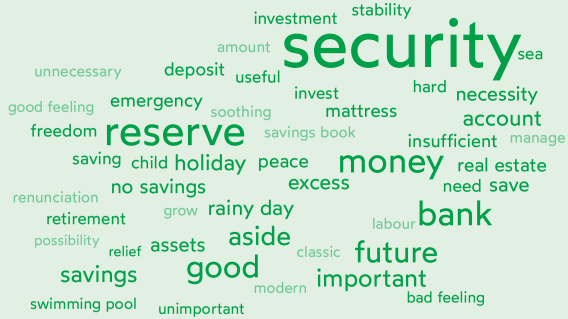
“I have enough money in my account in case something happens. I have some financial reserve to tide me over if or when something happens. And I can even afford to treat myself from time to time.”

Savings

12-17 years old



18-39 years old



40-64 years old

65+ years old

Debt

Debt is generally seen as a profoundly negative concept: an obligation to repay something. It is something problematic, a burden and a source of negative feelings. The perception is that one should try to avoid debts; a feeling that is shared across borders and social groups.

> **"I want to be rid of these instalments, it's very dangerous to have instalments right now."**

Debt

12-17 years old

18-39 years old

40-64 years old

65+ years old

Assets

Assets evoke rather universal connotations across all age groups: for all four age groups analysed in this study, the word is synonymous with real estate. Beyond that, this term also seems to be a catch-all for anything materialistic, like cars, furniture, jewellery and all sorts of devices and appliances.

People rarely think about “financial assets” such as investment products when they hear the word assets.

“I don’t need a car, I don’t need a house, I need someone I can easily talk to without them creating any drama.”

Assets

12-17 years old

18-39 years old

40-64 years old

65+ years old

Wealth

Young people associate wealth with money and happiness, something good to have, having power, real estate and family, a life without worries. For older groups it has a more ambivalent meaning. In addition to wealth being a good thing to have, some feel it does not bring happiness, making it something of a double-edged sword and not a necessity.

"For me, a person who has millions is not wealthy. For me, a wealthy person is someone who has read 1,000 books and has [wealth] in their head, and not just in their hands."

Investments

The term investments conjure up the most diverse connotations. While the youngest group of respondents associated the term with a source of security, the more mature groups also considered the risks that investments bring with them. The oldest group named family, health and education as investments one should have.

> **“I don’t like investments, I invest in holidays; those stocks and funds, these are all the things I didn’t believe in; maybe I am wrong, maybe I could have been wealthier, but I don’t believe in investing.”**

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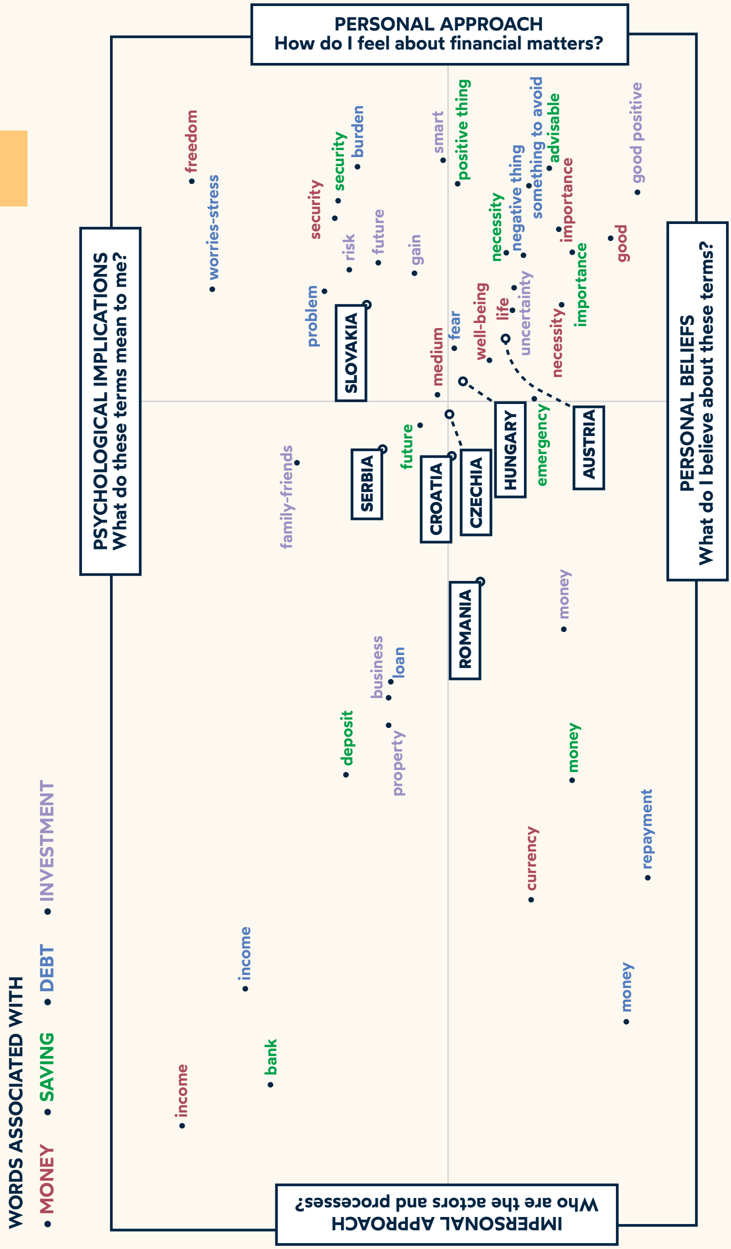
Regional diversity

While we previously noted that the country of origin is not the most important driver of difference, it is interesting to see country variations in how people interpret financial terms.

For example, Austrians focus more on the ambivalence between the importance of saving/money and the potential threats posed by debt/investment.

People in Romania, on the other hand, are oriented towards a more impersonal view of financial terms, which is consistent with the population's collective traits. Romania can be considered as a collectivist country, less focused on the individual and more on the community.

Slovakians prefer looking at the emotional and symbolic side of the financial world over holding a pragmatic view.


WORDS ASSOCIATED WITH
• MONEY • SAVING • DEBT • INVESTMENT
PERSONAL APPROACH
How do I feel about financial matters?
PSYCHOLOGICAL IMPLICATIONS
What do these terms mean to me?
PERSONAL BELIEFS
What do I believe about these terms?
IMPERSONAL APPROACH
Who are the actors and processes?
SLOVAKIA
SERBIA
CROATIA
CZECHIA
HUNGARY
AUSTRIA
ROMANIA
freedom
worries-stress
security
security
burden
problem
risk
future
gain
smart
positive thing
medium
fear
well-being
life
uncertainty
necessity
negative thing
something to avoid
advisable
importance
necessity
importance
good
good positive
family-friends
future
emergency
money
business
loan
deposit
property
money
currency
repayment
income
bank
income
money

Part 4

Beyond money

What *is* financial well-being?

Let's start by busting some of the myths and stereotypes about what people need and want from their finances and what part money plays in their lives. Our research clearly shows that, by and large:

- People want to live a stress-free and simple life. Nothing more and nothing less.
- Not everyone wants their financial well-being to be improved. Many are fine with their current financial well-being and do not need anyone trying to intervene.
- People generally do not dream of becoming millionaires. Most see having that kind of wealth more as a burden than a gift.
- Going after money for the sake of money is frowned upon.
- People deal with their finances not out of choice but out of necessity.
- For many people, a good job with a good salary is vital to being satisfied with one's finances.
- There is no universal understanding of what a good income is. It all depends on context and people's subjective views.
- Even when people can identify "financial role models" in their social circle, they would not and could not just emulate them. Different situations, different strokes. What works for one person does not necessarily work for another.

That being said, naturally there were some respondents among the 630 interviewees who wanted to achieve fame and fortune. As we all know, humankind is made up of a myriad of highly individual souls. But despite all the stories we often hear, people on average are very different from these statistical outliers.

From the conversations we had, we understand that financial well-being has a duality embedded in it. On the one hand, it is something practical and habitual; on the other hand, it is something utterly emotional. It is about being able to pay the bills, now and in the future, and at the same time feeling less anxious about what is to come—aspiring to an absence of stress— and being able to enjoy life.

Our research confirms that the basis for financial well-being is having enough money. Once a person's basic needs are met, having enough money allows people to start looking more inwards and it opens the playing field to personal, social and contextual considerations: being able to enjoy and share life experiences with family and friends, going on dates, visiting museums, having kids or growing old together.

The triad

Ultimately, when defining what financial well-being means to people, our analysis reveals **a triad of security, freedom and pleasure.** This pattern emerges from the interviews with a very diverse group of people from seven different countries. Therefore, we daresay it is a universal, human-centric way of interpreting financial well-being. None of the existing approaches to defining financial well-being have explicitly addressed pleasure so far.

It's also a temporal concept, which means that throughout different stages of their life, people think about it differently. It's influenced by life and experiences of life—past, present and future. It is preceded by survival (i.e., it is impossible to consider financial well-being if one lacks shelter, warmth and food) and contributes to and is influenced by overall well-being.

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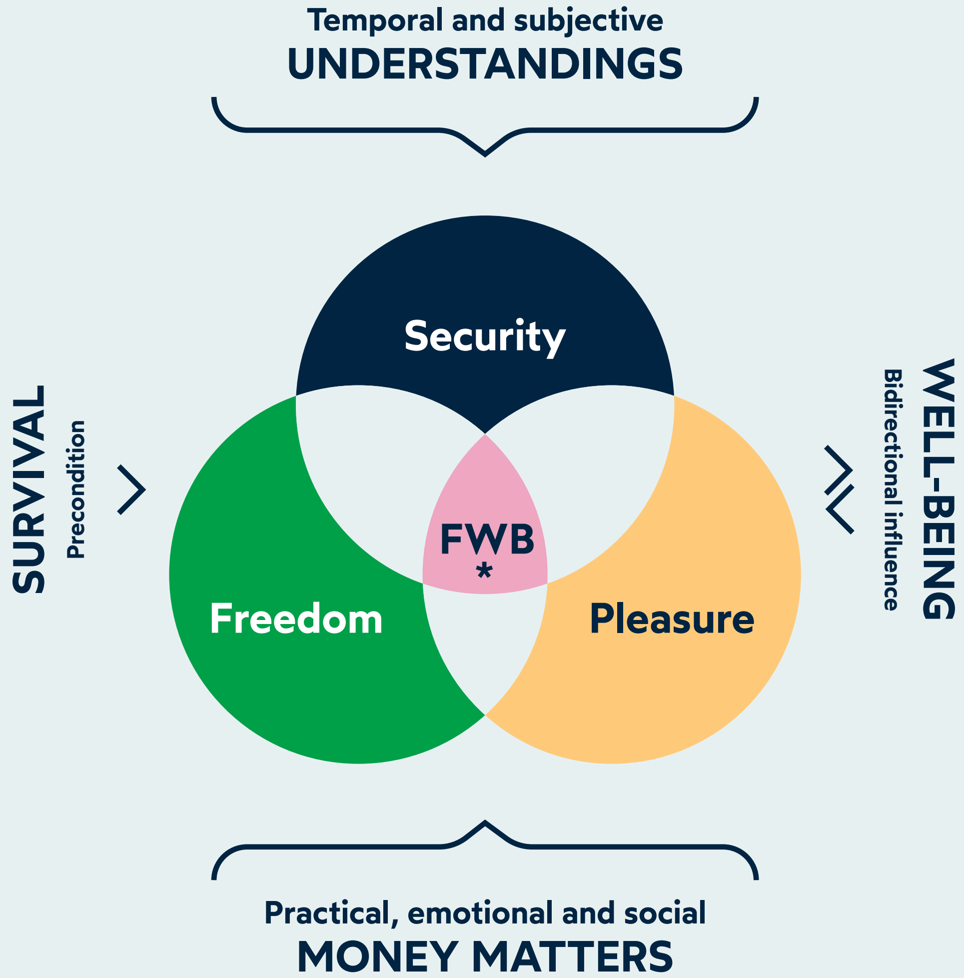
Security is a vital element—one cannot have a high level of freedom or pleasure without having average or higher security. The relationship between freedom and pleasure is more nuanced.

It is important to highlight that the differences in understanding and assessing financial well-being dimensions are not country-specific. As we said above, the understanding of the financial well-being dimensions is universal in our sample. However, there is great variety in terms of preferences, values, life choices, experiences and stages. So it is about humans, not about nations. It's about people's preferences for how they balance and proportion security, freedom and pleasure in their lives. There is no one formula that fits all.



* Financial well-being

Having said that, in order to evaluate people's financial well-being, it is necessary to consider and assess the three dimensions separately, so instead of facing one big abstract concept we can break it down into more digestible chunks. Through an analysis of existing measures and interviews and following quantitative reliability and validity testing, three statements per dimension were defined, and it's through these statements that the abstract nature of financial well-being has become a lot more tangible and therefore understandable.

In our studies, people were asked to read the statements and mark down how much they agree or disagree with each of these statements on a scale from 5 (strongly agree) to 1 (strongly disagree). We want to emphasise that the responses to these statements should never be aggregated into a single score. Instead, they must be treated as three separate dimensions, ideally as latent variables in structural equation models. That's a mouthful (trust us, we know), but if econometrics are not your cup of tea then just know it's a method for analysing quantitative data. Alternatively, we can analyse the responses to each of the nine statements separately. In any case, it is vital to preserve diversity and analyse the proportions and balances of the three dimensions of financial well-being, and not treat it as a single number or a universal score.

Now, let's look more closely into the meaning of the three dimensions of financial well-being and our newly developed statements for measuring them.

Security

This is about feeling secure now and in the future. It's about being able to pay the bills, afford food, have enough set aside for unexpected costs and still have money left. This metric is the easiest to grasp since it's the one that leans most heavily on how financial well-being has been perceived in the past.

Statements to assess security:

> *I always have enough money to pay for essentials such as food, utilities or transport.*

> *If I needed to, I could afford to buy a new fridge this week without borrowing the money or paying in instalments.*

> *I feel confident about my financial future.*

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The amount of money one has plays a key role in how a person ranks their security.

Freedom

This refers to dealing with everything related to individuality, freedom of choice and independence in decision-making. In one way or another, people expect to lead self-determined lives and not let money or the lack thereof dictate their choices. In short, this is about being able to choose what to eat, how to live and generally what to do.

Statements to assess freedom:

> *I have enough money to do the things I want.*

> *My life choices are not dictated by money.*

> *I can change direction in life without worrying about money.*

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Consider that, more than in the other triad dimensions, the age of a person is a defining factor when assessing their freedom.

Pleasure

This is about being able to treat yourself and others. It's accounting for spontaneity in and enjoyment of life—from small things like chocolate and visiting the opera to bigger things like travelling to see a friend or taking time off work.

Statements to assess pleasure:

> *I can spend some money on myself from time to time.*

> *I can afford to do the things I enjoy, such as going to a concert or a sporting event or taking friends to dinner.*

> *Money does not stop me from having fun.*

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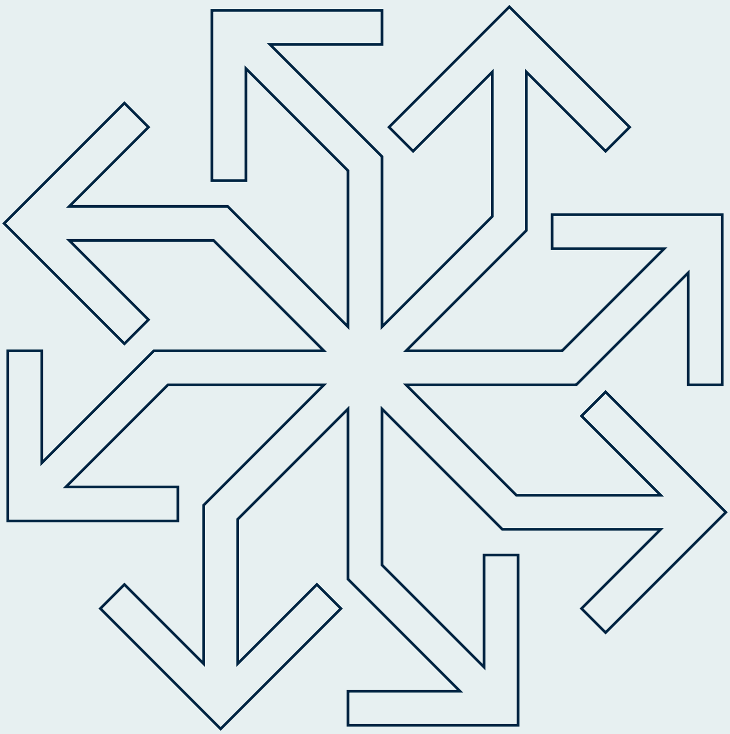
Spending, for example on outings and 'nice-to-haves', is a vital factor when it comes to achieving pleasure.

Take a moment to reflect...

How would you respond to these statements?



I always have enough money to pay for essentials such as food, utilities or transport.

If I needed to, I could afford to buy a new fridge this week without borrowing the money or paying in instalments.

I feel confident about my financial future.

I have enough money to do the things I want.

My life choices are not dictated by money.

I can change direction in life without worrying about money.

I can spend some money on myself from time to time.

I can afford to do the things I enjoy, such as going to a concert or a sporting event or taking friends to dinner.

Money does not stop me from having fun.

The relevance of subjective well-being

Financial well-being and general (subjective) well-being are intertwined in so many ways that one cannot be spoken about without the other. And our research shows there are many overlapping themes between subjective well-being and the dimensions of financial well-being.

In the following, we would like to share some indicative quotes to illustrate the key findings from our interviews. We drew some inspiration from the categorisation of well-being domains in the Global Flourishing Study*, which integrates various dimensions of well-being, recognising the interconnectedness of emotional, functional and financial aspects in shaping individuals' overall flourishing.

* https://globalflourishingstudy.com/

“A person can be both happy and poor. I just feel that the richest people are not completely happy.”

Happiness and life satisfaction

How satisfied are people with their lives on the whole? Encompassing both emotional reactions and cognitive judgements, this domain overlaps significantly with ‘freedom’ and ‘pleasure’.

Many people believe wealth is not a necessary prerequisite for happiness. Rather, it’s the basic needs and simple pleasures that are essential to achieving contentment. A good life might involve pursuing what you love, freedom and meaningful experiences. Feeling happy is an emotion most people would not trade for money.

Mental and physical health

Health—both physical and mental—is considered to be one of the most, if not the most, important matter that shapes subjective well-being. As well as personal health, the health of family and friends plays a significant role. Health is also closely connected to financial well-being: poor health, for example, can make it harder to earn a reliable income and some conditions create additional costs.

Those with higher levels of financial security are more likely to be able to take the time they need to recover from illness, pay for private care or make the necessary adjustments to their life in the event of disability. As these challenges are widely acknowledged, poor health is often identified as a potential threat to financial well-being.

> “Losing your apartment, house, money or car – those are all minor obstacles. You can have millions, but your health will always be more important.”

> **"It's definitely some sort of freedom. I don't want to be an extremely wealthy person, but I'd like to have that freedom to decide that today, I'm going to do this, tomorrow, I'm going to do that."**

Meaning and purpose

In studying subjective well-being, we also look at the extent to which people see their activities and goals as significant and whether they believe their lives have a clear sense of purpose. This mainly overlaps with the freedom element of the financial well-being triad, although it also touches on the other two metrics. Financial security and independence are crucial contributors to this dimension.

> "If I ever came into a large sum of money, the first thing I would think about is how I could use it to help others."

Character and virtue

Another aspect of subjective well-being examines traits like honesty, kindness, resilience and other qualities that are considered instrumental in leading a good life and contributing positively to society.

Generosity and altruism keep coming up as virtues in the context of financial well-being; when people consider what they might do with a large amount of money won or received unexpectedly, it is very common for them to talk about how they would give some of it away.

Close social relationships

This topic of 'close social relationships' is centred on the quality and depth of an individual's personal relationships, including those with family, friends, and other close associations. For most people, social connections are seen as a basic need and while they are not the most important—health is taking that crown—they are considered to be vastly more important than money.

"No matter how much money you can have on this planet, I think that it's pointless if you don't get along well with your family."

Financial and material stability

This domain explores whether individuals have adequate financial resources to meet their needs and how financial stability contributes to their overall life satisfaction.

Financial well-being is necessary to cover basic needs, like food, gas, housing, electricity, water, etc. Most people don't need a luxurious lifestyle, but they do want enough money to be able to live comfortably.

> "There is this saying that the rich also cry, they also have problems and issues. Basically, one need not be rich—a certain amount of money is enough for a person to function normally."

> "Last year I missed my father's 82nd birthday because I couldn't get away from work. I was able to celebrate with him at a later time, but it made me realise that the values in my life were misaligned."

Work

The importance of work can extend beyond mere financial necessity and, if that is the case, it becomes integral to someone's personal identity. Work and careers can provide a sense of achievement and pride and engaging in meaningful work that aligns with someone's values is fundamental to job satisfaction.

Although a healthy work-life balance is vital to maintain, professional commitments can sometimes overshadow one's personal life, prompting a re-evaluation of what is more important.

What influences financial well-being?

It is clear that there are many factors that affect a person's financial well-being: external and internal, objective and subjective influences. Through our research, many interesting factors have surfaced that provide a better understanding of why people perceive their financial well-being as they do.

Gender matters

There is no significant difference in how women and men interpret financial well-being as a concept; the triad of security, freedom and pleasure applies irrespective of gender. However, it has become clear that there is definitely a difference in how women and men perceive their own financial well-being, with women consistently assessing it to be lower than men do.

The interviews confirmed that, frustratingly, age-old gender differences persist on a socio-cultural level, and the gender pay gap continues to be a pressing concern in modern Europe. Many people in the interviews, both men and women, highlighted that men tend to be more successful at climbing the career ladder, but also that they continue to earn higher incomes than women even in equivalent roles. These existing inequalities continue to have a knock-on effect on women's financial well-being.

Women are also still expected to shoulder the bulk of family responsibilities. Factors such as maternity leave and the assumption that women will leave their jobs after giving birth are considered obstacles to women's career progression and financial success. Parenting in general is still often perceived as a woman's responsibility and more often than not, women carry the largest financial burden of child-rearing.

While some people might argue that gender is no longer a determinant in achieving financial success, perceived and evidenced differences remain. It is time to promote further inclusion and break down the stubborn barriers that prevent the creation of a more equitable society.

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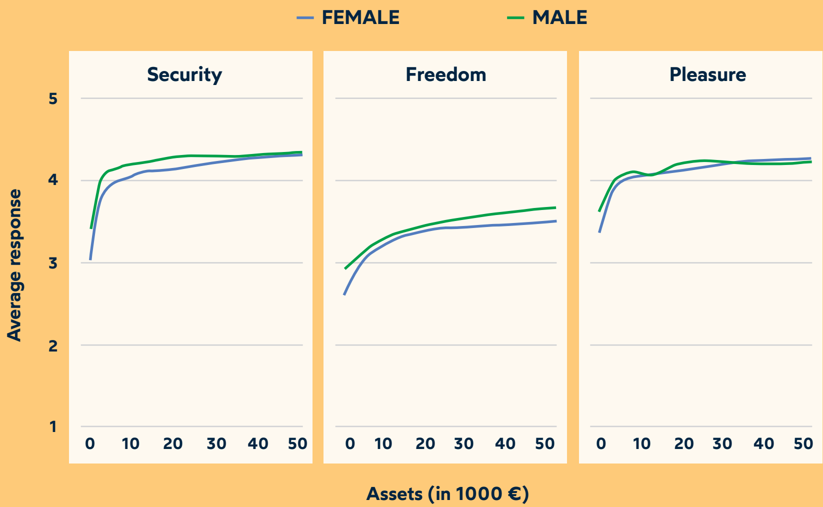
Our research has shown that even if men and women have the same amount of money and assets, women will perceive their financial well-being as lower based on the nine statements introduced earlier. This is a clear indication of inequality, but also of differences in response styles. It has been witnessed in financial literacy research that women are less confident in financial matters than men.



1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

Moments in life matter

Our level of financial well-being is defined less by how young or old we are, and more by our life stages and experiences; it's the moments that define us.

Adolescence

Adolescents are much more down to earth and responsible when it comes to money matters than we might give them credit for. At the very least, they are aware of most of the basic financial concepts and tools, such as spending, saving, budgeting and loans. **Most of them value freedom and pleasure over security.** After all, they generally don't have too many responsibilities yet.

Their first allowance, romantic relationships and jobs are important milestones in adolescents' lives that are strongly connected to financial well-being.

Adults

Although the lived experience of adolescents and adults might be very different, this is not clearly reflected in their financial well-being. **The predominant difference is that adults are starting to feel the importance of security.** They are much more concerned than their younger counterparts with their everyday financial life and managing their money.

Important moments that define people during adulthood include those related to their careers, their relationships and family status, and opportunities to make bigger investments; for example buying a house or car, or starting a business.

Seniors

Having gone through several stages of life at this point, seniors have varying outlooks. What unites them is a propensity for looking back on their lives and reflecting on their choices, behaviours, etc. **If people do not experience hardships in life, they are content with their current situation and have usually shifted their focus away from security back to freedom and pleasure.**

Generally speaking, older people tend to have the highest level of financial well-being and the lowest level of financial stress in the country where we measured this specific parameter (Czechia).

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Unfortunately, many seniors who experienced hardships in the course of their lifetime are still lacking for financial security in old age. However, with age usually comes the wisdom to emphasise the social aspects of financial well-being and to recognise the importance of health.

Retirement, changes in accommodation, changes in family dynamics, planning for very old age and making end-of-life arrangements are important moments that define seniors' lives.

Minority status matters

Minority status is often perceived and encountered as an impediment to achieving enhanced financial stability and success. Minorities frequently prioritise security over pleasure and freedom. Furthermore, discrimination, political climate and societal development all impact access to the job market and thus financial security, as members of minorities often have a hard time relying on a regular income.

People with a non-heteronormative sexual orientation and those from minoritised ethnic groups often encounter difficulties that can impact their financial well-being, including prejudice, biases and misunderstandings.

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Some respondents mentioned concealing their identities in professional, social and public contexts, and others spoke of the discrimination they had witnessed in their communities.

Cultural idiosyncrasies, social status and historical circumstances can hinder integration into various societies, and minority groups can feel excluded from the legal systems of these societies, complicating their pursuit of financial well-being.

Personality matters

People's personalities come in all shapes and sizes, and the Big Five personality system can help us better understand the underlying patterns. As the name says, this matrix consists of five dimensions. In our study, we drew on this matrix to see how the five character traits affect our three financial well-being dimensions.

It turns out that neuroticism has a negative effect on financial well-being, which is not a surprise, really. Yet what is surprising is that contrary to previous studies, **we do not see conscientiousness having any effect on financial well-being**. It has been previously assumed that more conscientious individuals plan and manage their finances more prudently, which should lead to higher financial well-being. We find that assumption not to be true.

For the remaining personality dimensions, we observed openness to have a positive effect on security and freedom, but it is almost insignificant in terms of pleasure. Unlike in previous research, extraversion had no impact on financial well-being in our study.

We also wanted to see if these effects hold true for men and women. We see that for women, neuroticism has an effect on security and pleasure but not on freedom. Overall, women tend to exhibit higher levels of neuroticism than men—this raises the question whether the men with higher levels of neuroticism are bigger outliers and potentially more vulnerable to lower financial well-being.

The Big Five Personality System

Neuroticism
Characterised by contrasting emotional stability and anxiousness.

Extraversion
Characterised by an energetic approach, sociability and positive emotionality.

Conscientiousness
Characterised by impulse control and goal orientation.

Openness
Characterised by breadth and complexity of mental life.

Agreeableness
Characterised by altruism, trust and modesty.

Money matters

So far we have spoken about all sorts of themes, topics and subjects that affect financial well-being, and that's important because past studies have often looked exclusively at financial themes. However, now it's time for us to take a deep dive and look at the relation between objective financial data and subjective financial well-being.

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Collecting data from a bank

We conducted a one-of-a-kind study in which a bank, a foundation and a university partnered to analyse how the subjective assessment of one's financial well-being relates to a person's actual financial situation and behaviour.

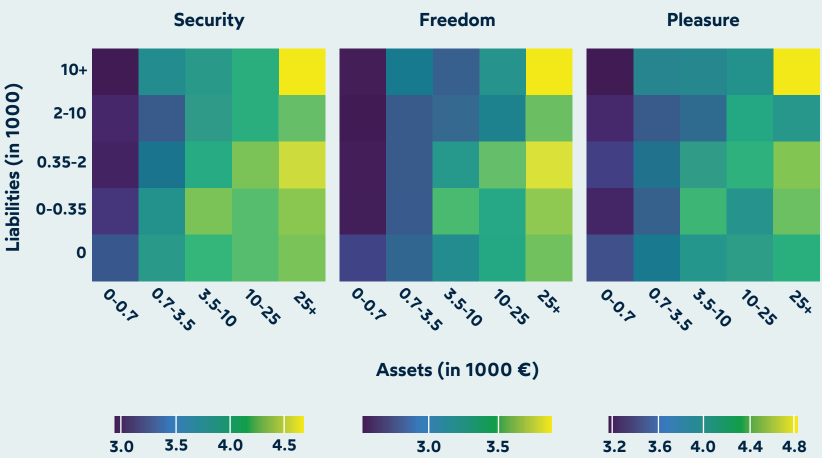
For that, customers of Česká spořitelna received an e-mail inviting them to participate in the study and explaining all the details. Those who agreed to participate then responded to our financial well-being survey. The bank created a pseudonym for each of the participants that no amount of research could ever decode—privacy first! —and this pseudonym was used for linking their responses to their bank data.

This gave us extraordinarily rich data which we'll have a closer look at right now.

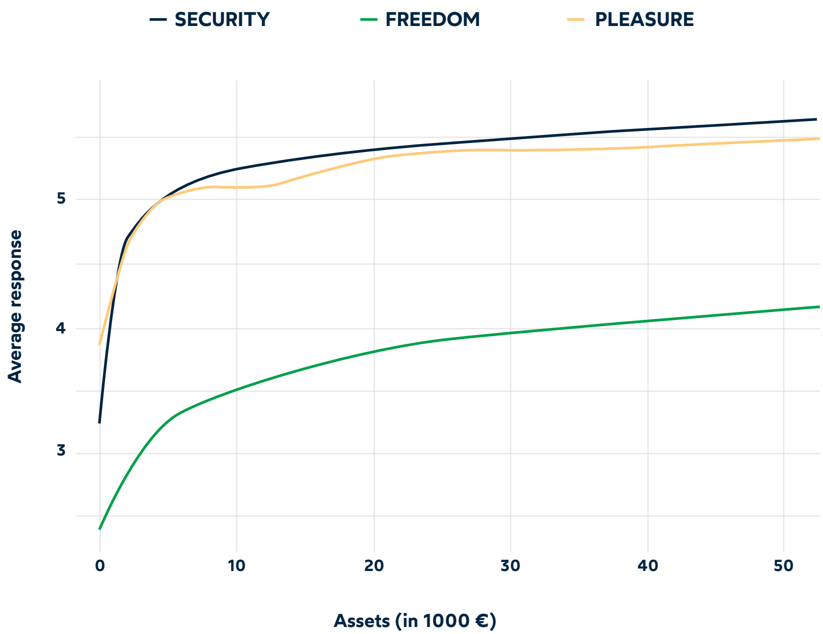
Money in the bank

Assets are better suited to explain different levels of financial well-being than liabilities, suggesting that people's perception of their financial well-being is shaped more by the money they hold than by the money they owe.

In order to gain a high(er) level of financial well-being, assets are key. The role of liabilities, however, is more nuanced. It would be natural to assume that people holding the largest assets and fewer liabilities score highest in terms of the financial well-being dimensions (at least for security and freedom), but we do not find any evidence to prove that. Instead, it is the respondents with both the largest assets and liabilities who score best.



It is noteworthy that across all three dimensions and asset categories, the relationship is not linear. There is a significant rise in financial well-being that comes with the increase of assets from none to some, but from there on, the effect flattens. **A person needs some assets to achieve a good level of financial well-being, but a high amount of assets does not automatically lead to a very high degree of financial well-being.**

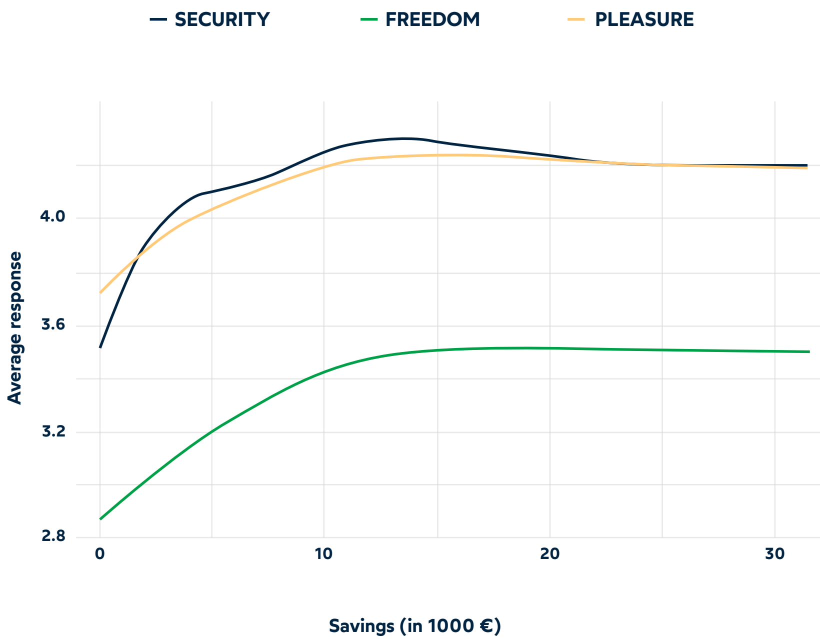


1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

Interestingly, at a certain point, usually when people's **liabilities** significantly grow, the gender gap between men's and women's perception of their financial well-being flips, so that, at comparably high levels of liabilities, women report having higher financial well-being than men. Of course, this could also result from the fact that there are only very few people with such high amounts of liabilities, which might have skewed the results.

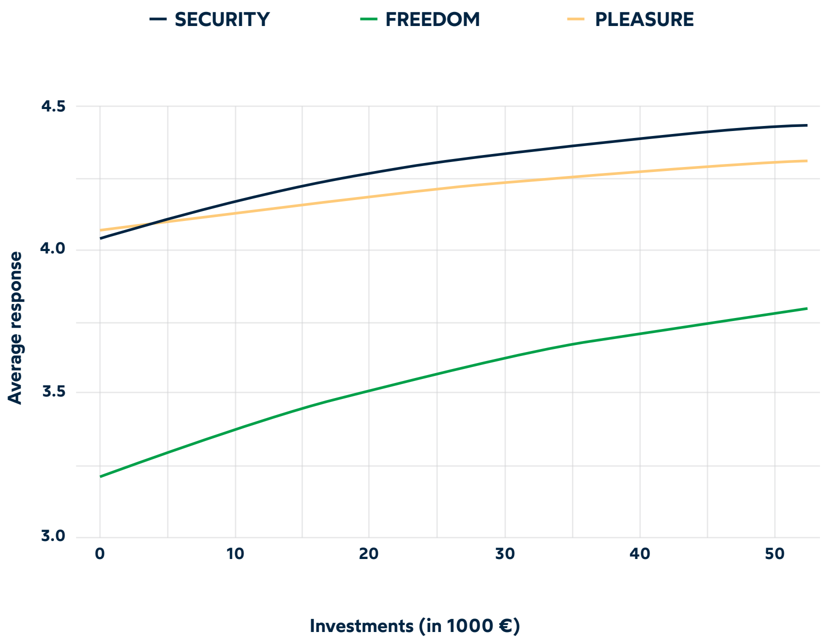
1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

It might also come as a surprise that financial well-being does not constantly increase with **savings**. A plateau is reached around a threshold—undoubtedly dependent on contextual factors. It's even noticeable that at the very high end of savings, the feeling of security slightly decreases.



1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

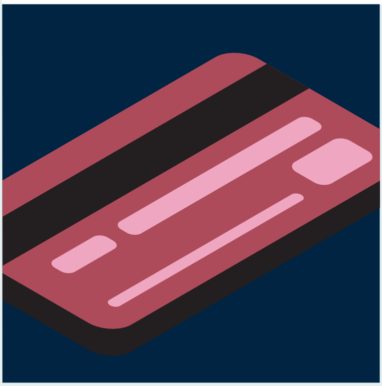
Investments seem to be a sure way of having high degrees of financial well-being; owning stocks and bonds positively affect all three dimensions. The higher the balance of the investment account, the higher the level of financial well-being.



1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

Credit Cards

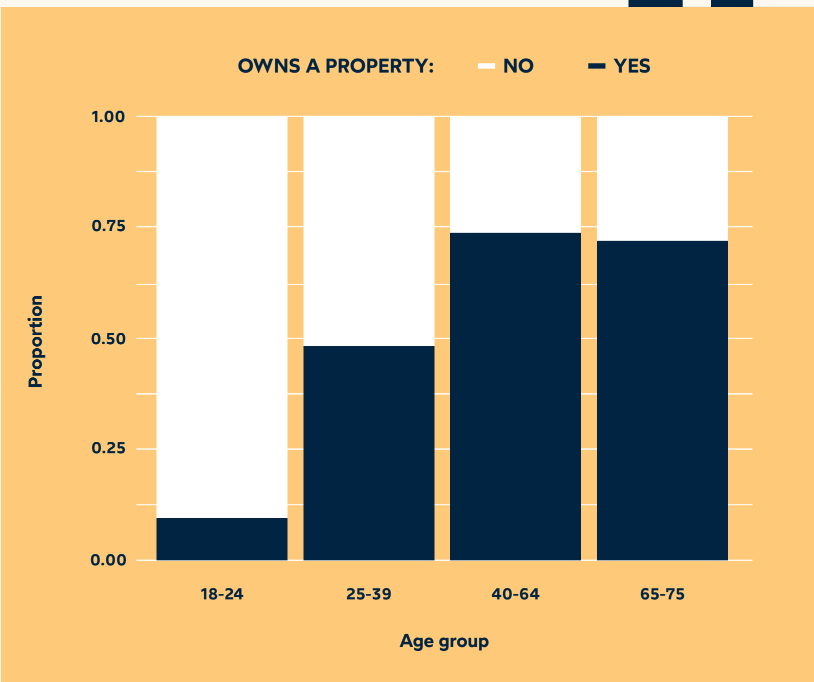
The relationship between credit card usage and financial well-being depends on usage behaviour. Individuals who use credit cards consciously, occasionally utilising credit or even making advance payments to access benefits such as online shopping options and discounts, have a higher financial well-being score than those whose credit balances remain consistently high from month to month or who took on credit in the last months of the year, likely for Christmas gift purchases.

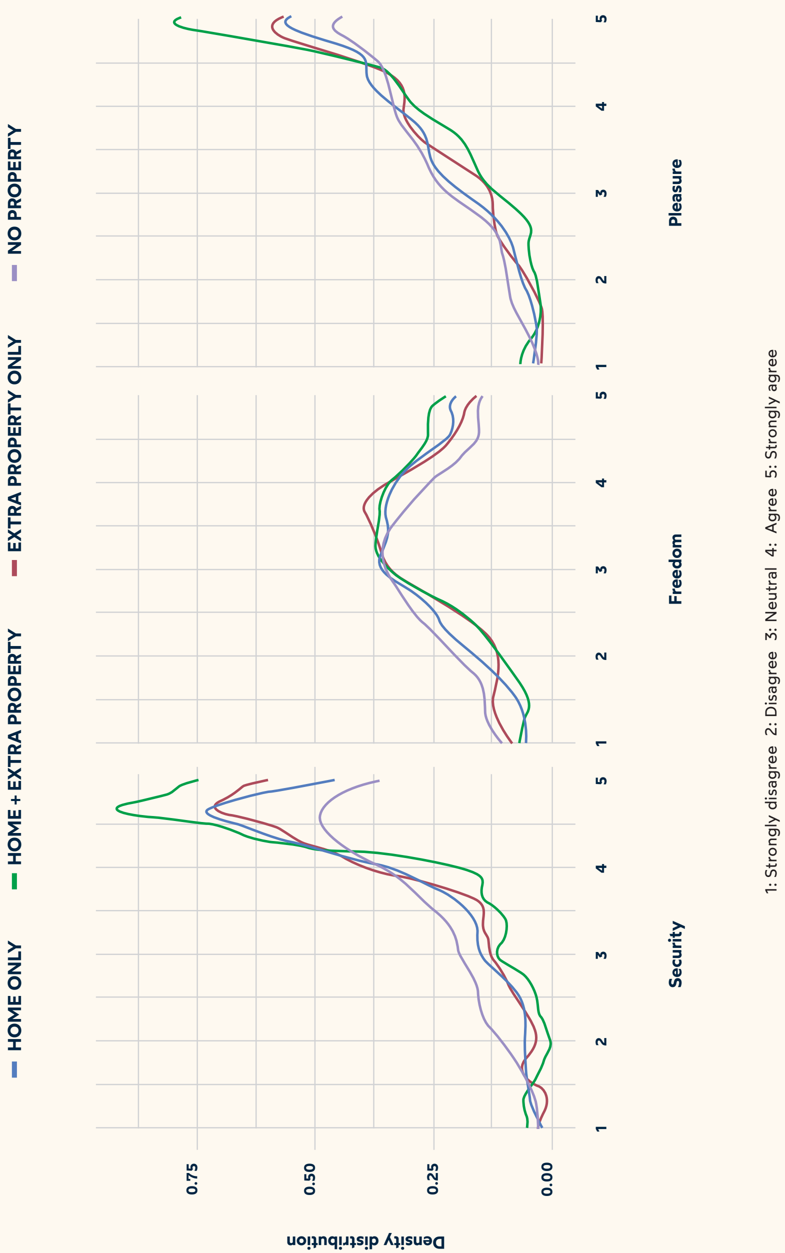


Gold in the ground

When looking at the role of property, we see that those who own their home and/or other real estate have higher levels of security, freedom and pleasure than those with no property.

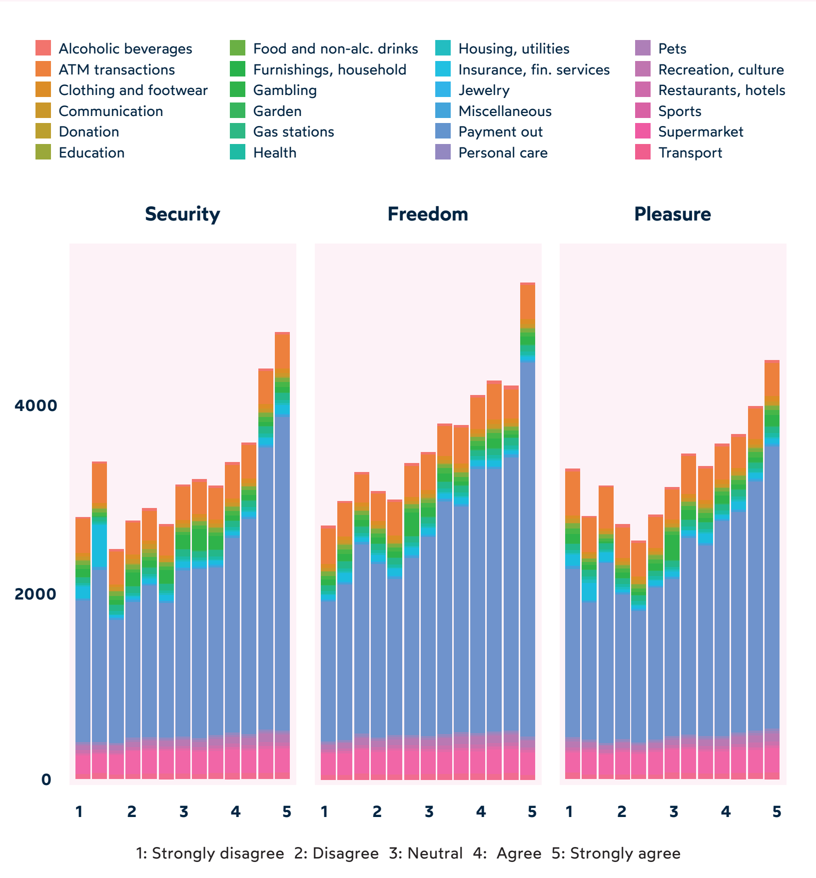
We can clearly see that the respondents who own property tend to be older, as is expected. This also explains why we see the highest financial well-being scores among older age groups. However, this relationship could be specific to Czechia and the sample.




HOME ONLY
HOME + EXTRA PROPERTY
EXTRA PROPERTY ONLY
NO PROPERTY
Density distribution
0.75
0.50
0.25
0.00
1
2
3
4
5
Security
Freedom
Pleasure
1: Strongly disagree 2: Disagree 3: Neutral 4: Agree 5: Strongly agree

Spending behaviour

As part of the data collection we were able to interpret a large amount of transactional data—14 months' worth, to be exact. Categorising all the transactions from the entire sample in a very short time was an incredible challenge though, and there are still several unknown factors relating to the data: cash payments, transfers into and out of the accounts, income and housing costs, spending in supermarkets and gas stations, and purchases made via electronic payment services such as Google Pay.



Therefore, it is impossible to draw strong conclusions about the correlation between spending behaviour and the dimensions of the financial well-being triad. However, we can shed at least some light on the relationship between spending behaviour and financial well-being.

Interestingly, we see that the assumption that "with great increase in the dimensions of financial well-being comes great increase in spending" does not hold true. People with the highest triad assessment do spend a lot more than people with the lowest, but in the middle of the spectrum, the spending is not increasing in a linear way.

Unfortunately, there is one spending category—payments out of the account other than card payments—which does not give us any more details about what it was that people spent money on. Considering how much room it takes up in the graphs, you can probably understand this is currently a major blind spot which limits us from drawing concrete conclusions.

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It appears that people with lower financial well-being overall spend proportionally more on expenses related to communicating (e.g. phone and internet). Furthermore, people with relatively low financial security spend more money on lottery tickets and gambling.

As anticipated, those who rate their pleasure to be higher than their security and freedom spend more on things other than the mere necessities.

Changes over time

As part of our research, we have been able to shed some light on whether the assessment of financial well-being changes over time, as we asked the same group of customers of a bank to respond to our financial well-being statements twice.

We saw that after a period of six months, there were changes in some cases, though not many, and in general the assessment remained the same. In those cases where a change was visible, we did see some patterns surfacing; increases in savings and current account balances contribute to an increased level of financial well-being, whereas consumption categories have little effect.

Our research shows that:

- People's personal assessment of changes in their financial situation is a good guide of current financial well-being and changes over time.
- Financial planning and spending on furniture correlate positively with security, whereas spending on food and in gas stations correlates negatively with it.
- Owning your home, having a higher income, a higher account balance, higher savings and the ability to donate all influence people's perceived freedom positively. Spending on clothes, having low income and spending a large proportion on transport have a negative correlate.
- In terms of pleasure, spending in restaurants and on recreational activities have positive correlates.

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Those who have loans have the lowest score in all three dimensions of financial well-being. Repaying them or being close to having them repaid increases financial well-being. Even when people still have to make some mortgage repayments, their assessment of their financial well-being improves already.

Therefore, a person's subjective financial well-being assessment can shift earlier or later than objective changes in finances occur, and being in debt really does reduce a person's financial well-being.

Financial well-being profiles

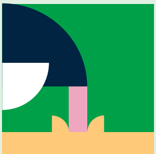
In the course of analysing the rich data we collected (interviews + transactional data + balances + clustering of groups using the average scores of the three dimensions) we have revealed patterns leading to the development of six personas. These personas can help us get a better insight into how different groups of people have varying levels of financial well-being based on their objective financial behaviour.

Stable anchors

This group is characterised by consistent financial behaviour. They have high savings, low debt and minimal account fluctuations.

Disciplined future security seekers

People in this group contribute regularly to savings and investments and demonstrate a commitment to long-term financial growth. They're cautious with their spending and maintain a low debt level.



Debt-heavy ostriches

Saddled with high debt, which significantly influences their financial activities. People who belong to this group continue their spending with limited or no savings at their disposal, ignoring the downward spiral and increased debt they are taking on.

Speculative spenders
These individuals take financial risks by investing in high-stakes activities like gambling or cryptocurrency investments.

Disengaged minimalists
This group of people focuses only on essential spending and otherwise has very low engagement with the broader financial system.

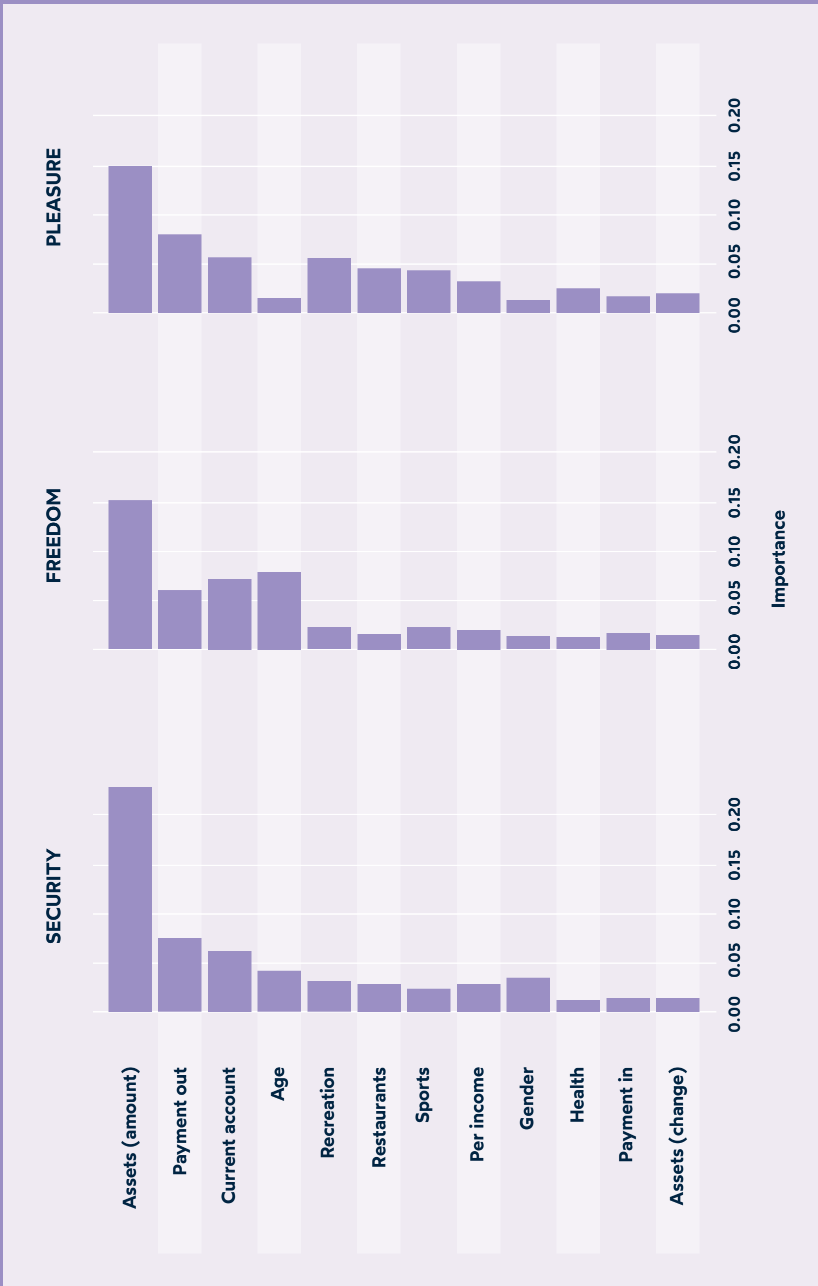
Revenue jugglers
Characterised by having multiple sources of income, these people engage in a diverse range of financial activities and don't rely on a single source of income.

It all matters, but some things matter more

If everything matters, then does it all matter equally? Or is there still a way for us to rank the financial and socio-economic indicators to see which has the biggest influence on the dimensions of financial well-being? *Spoiler alert*: there most definitely is, and not surprisingly, we can see that for all three dimensions, the most important factor is the amount of assets in the bank.

However, from there on, the picture gets more intricate. We can see that for security and pleasure, the second place is taken by that bothersome blind spot in our spending data– payments out of the account other than card transactions. When looking at freedom, it becomes apparent that age and the amount of money on the current account are important indicators. In terms of pleasure, spending on recreation, culture and in restaurants is also pretty important, while gender has a bigger influence on security.

This shows the variety in important financial and socio-economic indicators and how their impact on the three dimensions of financial well-being differs.



SECURITY
FREEDOM
PLEASURE
Assets (amount)
Payment out
Current account
Age
Recreation
Restaurants
Sports
Per income
Gender
Health
Payment in
Assets (change)
0.00
0.05
0.10
0.15
0.20
Importance

Part 5

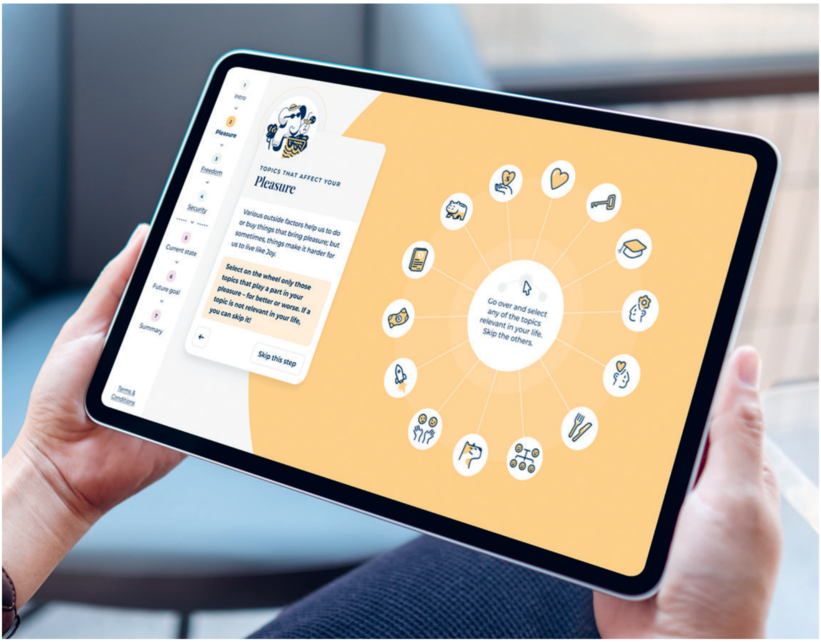
Taking action

5.1 Assessing your own financial well-being

5.2 Improving the financial well-being of others

Assessing your own financial well-being

Although the aim of the project was to conduct academic research into the meaning and influencing factors of financial well-being, we still wanted to give people something useful. Therefore, we created an easily accessible tool that helps them to think about their own financial well-being. For that we had to consider, firstly, the subjective and complex nature of financial well-being, as highlighted by our findings, and, secondly, how to present the outcome of the assessment so that it makes sense and actually helps people.



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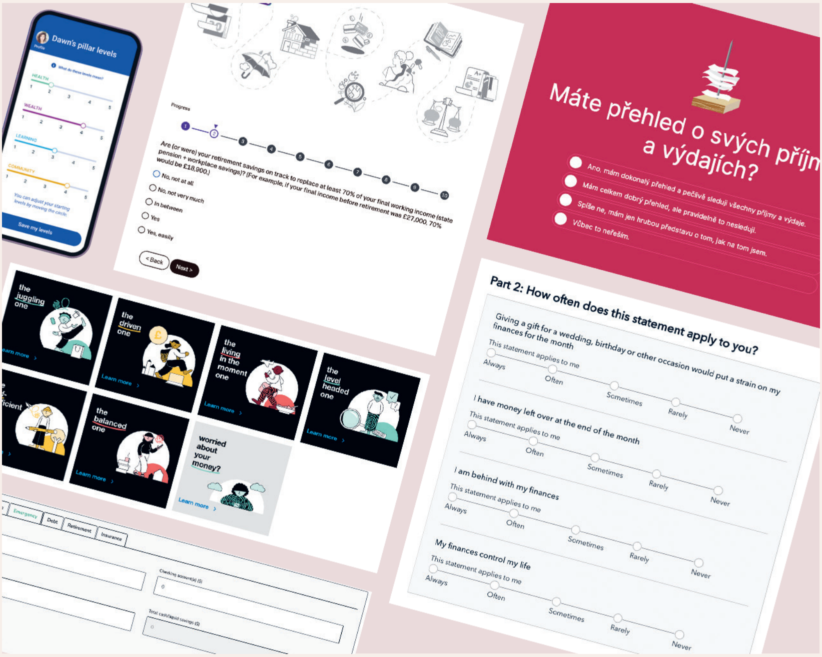
Designing our tool, we started out with a comprehensive review of 18 existing financial well-being assessment solutions. This analysis revealed that most tools place an emphasis on budgeting, planning, saving and borrowing—factors primarily associated with security. Other dimensions, such as freedom and pleasure, receive minimal attention, highlighting a significant gap in the current landscape of self-assessment tools.



Furthermore, many tools use static survey methods that are not engaging and do not offer actionable insights. The few tools that do attempt to innovate lack sufficient depth or applicability to diverse user experiences. Our review underscored the need for a holistic, user-centred tool that integrates all three dimensions of financial well-being while encouraging engagement and reflection, instead of giving a normative verdict.


Topics that affect your
Pleasure
Health
Family
Friends & community
Pets
Income
Loans
Topics that affect your
Freedom
Pets
Work
Income
Getting around
You didn't select any topics that affect your security.
If there are any topics that you want to add – that affect your future security – you can choose them when setting a future goal.
Your financial well-being
Part 3 – Pleasure
First let us introduce Joy.
Joy seeks experiences that bring pleasure, satisfaction and happiness, and knows how to be content with whatever life offers.
Joy's finances don't prevent pleasure in daily life. Do yours?
Assess your Pleasure
Topics that affect your
Security
Loans
Education
Leisure & free time
Submit & go to summary
Current state
Future goal
Summary
Terms & Conditions
Pleasure
Hobbies & Leisure
How do your physical and mental health conditions overall influence your financial pleasure?
Very positively
Cancel
Set your future goal
Your future financial well-being
Want your financial well-being to look different in the future? Sounds good, you are in control. Why not make a new graph showing how you would like your financial well-being to look? If you're happy with the result you can set this as a future goal.
Current
Rather negative
Future
Set your future financial well-being by adding topics to or removing them from the 3 parts below
Intro
Pleasure
Freedom
Security
Current state
Future goal
Summary
Terms & Conditions
Save your future financial well-being
Restart assessment

The primary objective of our tool is to help people evaluate their financial well-being across all dimensions: security, freedom and pleasure. It assesses how satisfied people are in all these dimensions and helps them consider what they'd like to change in the future. The tool accounts for the subjectivity of people's financial experiences and preferences while also functioning as a metric to evaluate the impact of potential interventions.

The tool provides tailored advice based on a unique evaluation at the end of the self-assessment journey, aiming to provide useful help for respondents in understanding their financial well-being and to suggest steps to improve it.

The novelty of the self-assessment tool lies in the fact that, contrary to existing tools, it not only focuses on the financial aspect but creates a wider and more nuanced picture. It offers an engaging and educational experience to the user, applying innovative interaction models that go beyond a simple and boring questionnaire, which most participants immediately forget about after completing it. Our tool is designed in a way to make sure the results linger in peoples' heads, prompting them to think about their financial well-being also after they finished the assessment.

Visit https://fwb.skytte.ut.ee and give it a try!

Improving the financial well-being of others

We can all contribute to improving the financial well-being of our communities. While some of us need to focus on themselves first and foremost, many of us have an opportunity to help those in our communities or people we work with to find new ways of adjusting their triad of security, freedom and pleasure to be better aligned with their preferences.

In order to make a difference for others, the key is to think about who you come into contact with, and the likely challenges they face that are preventing them from achieving the level of financial well-being to which they are aspiring.

The next section provides a range of possible approaches that may lead to improved financial well-being. The decision which one to go for will be made by the people being supported as well as the provider, and they need to be based on the available resources.

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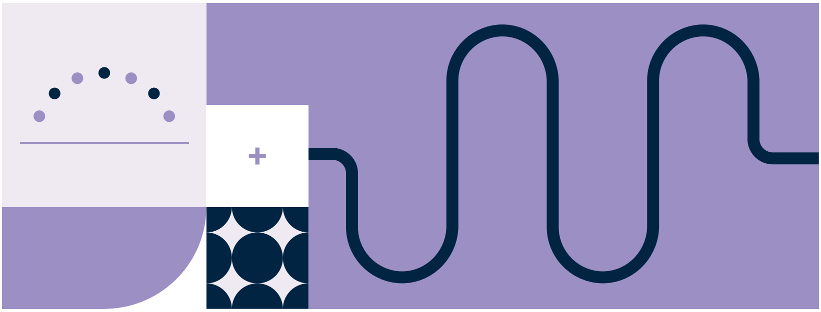
Developing evidence-based tools and suggestions is a time-consuming and iterative process, but it is a vital part of addressing the need to improve the financial well-being of people and societies.

During the length of the study, the research team had the opportunity to develop three experiments aimed at improving financial well-being, but we strongly emphasise the need for developing additional experiments in order to test and validate the effectiveness of interventions before scaling up and applying them to an entire population.



Interventions in terms of life events

Life experiences and transitions influence a person's financial well-being. Some of these transitions have long-term effects, while others impact financial well-being for only a brief period. For example, imagine how someone's financial well-being might change in the following positive or negative circumstances:

Marriage

Research indicates that pooling money within a relationship is good for the relationship and people's overall financial well-being.

Suggestion: *Promoting healthy intra-household money management may be beneficial.*

Moving / buying a home

For most people, purchasing their own home means taking out a mortgage—a significant financial decision and one of the most frightening, exciting and future-oriented ones they could make.

Suggestion: *Educating people on what they can and can't afford and not underselling the long-term commitment, e.g. "What if you* *lose your job—will you have enough saved to pay back your loan until you find a new source of income?"*

Income and expenditure shocks

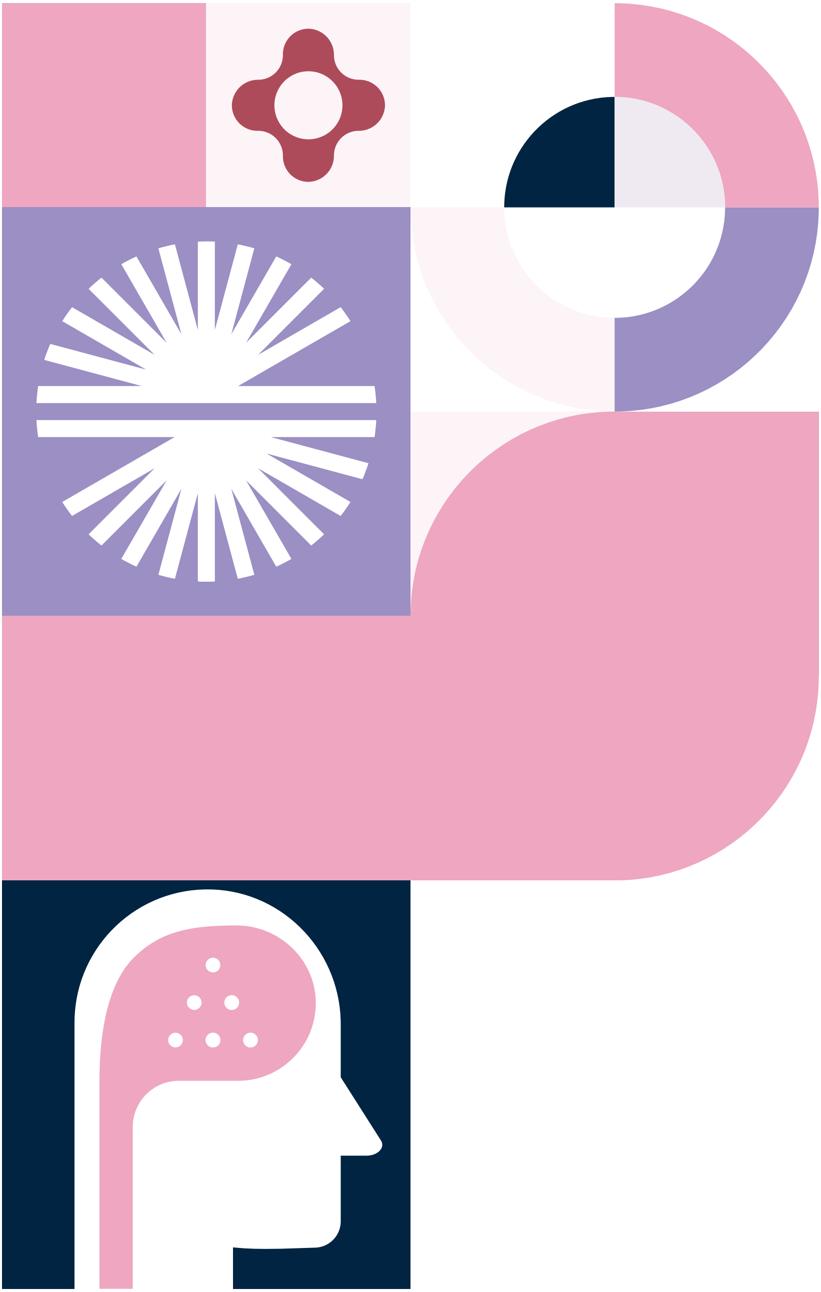
People struggle more with income shocks than expenditure shocks, and large income shocks can increase people's willingness to save for the future. There are many costs that tend to get overlooked in people's budgets and financial plans, like health-related expenses and travel costs.

Suggestion: *A self-affirming intervention can help increase people's self-perception and their confidence in the ability to handle future shocks. Having access to savings is the most desirable way to deal with financial shocks, but if this isn't an option, employers could offer short-term, low-interest loans to employees that can be repaid through automatic payroll deductions.*

Falling for a scam

Falling victim to scams and fraud can create a significant financial shock. The increased occurrence and credibility of online scams make it especially urgent to frequently remind people of the dangers they present.

Suggestion: *Helping people spot fraudulent communication by making them aware of clear indicators can increase their cognizance and caution.*



Supporting people's mental health

Since a lot of people associate financial well-being with peace of mind, stress becomes an important factor to address, which is typically not top of mind for most policymakers. There can be various ways people seek to manage or overcome stress, some of which could have a place in interventions. The people that we spoke to for this research found solace in:

- **Relaxation and therapeutic activities,** like using meditation and breathing techniques, having a massage, taking time for themselves, being in nature, praying.
- **Social support,** like talking to family members, time with friends (not talking about problems), taking part in group activities and various team games.
- **Physical activities,** such as walking, cycling, fishing, travelling, gardening, crafting.
- **Distraction,** for example listening to music, watching TV, reading, playing an instrument, writing, playing games.
- **Enjoying food & drink,** whether at home or out, in a social setting with family or friends or alone.
- **Avoiding stressors**
- **Pets,** the emotional connection, taking care of them, going on walks.

There are a lot of financial apps and tools out there claiming to help with people's financial well-being, but it pays to broaden the scope and see what other types of tools are out there that could positively affect a person's financial well-being.

Mental health apps have been shown to have a positive effect on both subjective well-being and financial well-being. This doesn't mean that every app will have this effect or that it is the only approach to try, but the link between mental health and financial well-being is definitely worth keeping in mind when developing initiatives.

The following are examples of approaches or interventions designed to reduce barriers created by psychological factors and unhelpful behaviours.

- Self-affirmation: Guilt and shame are common emotions for people dealing with debt, so overcoming these negative emotions by recognising and appreciating their own core beliefs and seeing themselves as valuable and worthy can improve people's financial well-being.

- Reducing problematic gambling.

- Addressing harmful money-related behaviours like excessive impulsive spending.

By conducting three rigorous experiments, it became clear that not only financial planners but also mental health apps have a positive effect on financial well-being. However, apps are not the only thing that works, since similar positive effects were recorded when people were watching finance-related or mindfulness-related TED Talks.

Informing, educating and advising

We know from previous research that interventions that seek to increase financial literacy as a route to improving financial well-being should do much more than just teach the basic financial facts but address also financial behaviour consistent with financial security, experiential learning, and money attitudes as well as build confidence.

Interventions to improve financial literacy can come in many forms, for example:

- financial education,
- peer workshops on financial literacy,
- encouraging timely credit repayments,
- teaching new skills, such as loud budgeting, which celebrates mindful spending.

Tackling debt problems is particularly hard. In many countries, specialist charities provide vital support when people become overindebted. But, ideally interventions would prevent people from getting into that situation in the first place.

Financial coaching experiments have achieved some success in encouraging people to repay their loans on time and reduce some of their debt. One study found that people with good money management skills were less likely to face overindebtedness. So, there is hope that interventions with a clearer focus on improving financial well-being could be helpful for some people facing a heavy debt burden. Even so, we know that only so much can be done if a person’s income is too low to make ends meet.

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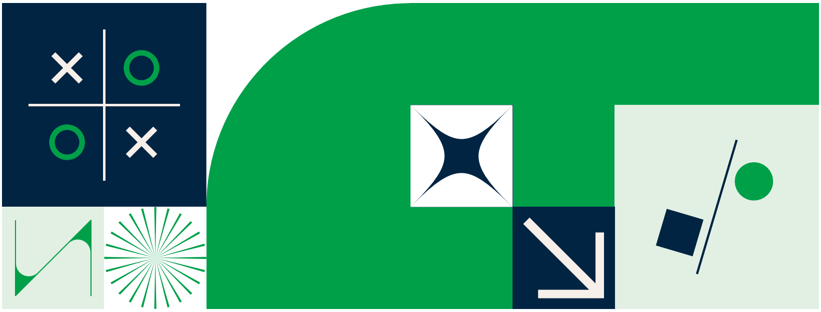
The analysis of the relationship between personality and financial well-being conducted in the course of this research revealed that conscientiousness does not correlate with financial well-being, despite it having been found to predict prudent financial behaviours in previous literature.

Therefore, initiatives focusing exclusively on prudent financial planning and decision-making may not be the key to improving financial well-being.



Digital tools

Digital financial planners can be useful. From the collected bank data, we have gathered that people who use digital tools for planning their money matters have higher scores of security, freedom and pleasure.

Therefore, it would be useful to design digital financial roadmaps that allow people to think of their own life stories and the role money and financial choices have played at each step and stage.

This digital roadmap could be highly personalised—without coming across as patronising—and could be simultaneously used as a decision aid, as a source of advice and as a tracker. During certain life stages, participants could self-assess their financial well-being and place an emphasis on past and future changes and what kind of balance they want to achieve, i.e., *where am I now and where do I want to go?*

Such a tool would not only offer guidance but also provide feedback, summaries, reminders and information about past decisions. People could plan their lives in a highly personalised way, with relevant advice given when it matters.

The best time to pick up such a tool would be in one of those life-changing moments, which could be big or small, and it should be supported by someone giving advice on the specific subject matter of that life stage transition. Ideally, it would be best to have it provided by a bank because then all the financial data could already be included and connected.

For policymakers

Poor health, precarious work and low income are all associated with low levels of financial well-being. Interventions can focus on increasing the reliability and level of people's income and consider which safety nets should be put into place in order to support people.

Additional topics to focus on could be:

Careers guidance

Income is not the only important factor influencing financial well-being; job satisfaction and job security are as well. We are currently seeing a shift in the division of labour between humans and machines, and people who are ill-prepared for these changes may suffer a decline in their financial well-being.

Suggestion: *The significance of reskilling and upskilling will continue to grow and for employers to address the skills gap caused by automation and digitalisation will require support from policymakers.*

Supporting people with health issues, disabilities or mobility challenges

Work is strongly associated with health and mobility, and finding and maintaining meaningful work can be more complicated for people with health issues. Also, the implications on income and financial well-being may be negative.

Suggestion: *Make workplaces accessible, adapt responsibilities and workspace policies, allow for flexible scheduling and provide assistive technologies. Help people to develop their self-advocacy skills and provide natural support systems (methods of inclusion and assistance).*

Supporting marginalised groups

Our research indicated that some people have a very low level of financial well-being, as they live in constant survival mode, struggling with basics such as decent housing.

Suggestion: *Interventions need to address multiple challenges—substance abuse, homelessness, criminal background—simultaneously and provide long-term support.*

Support for entrepreneurs

Supporting entrepreneurs can lead to several benefits. On the one hand, helping people realise their dreams can improve their levels of pleasure and freedom. On the other hand, when these entrepreneurs hire staff, they will be partly responsible for other people's financial well-being as well. This is why it matters how well-adapted they are to their situation, making sure that their employees also benefit from their success.

Suggestion: *Learning centres that guide new entrepreneurs in navigating business bureaucracy and solutions to support them in understanding and operating within the existing bureaucracy and business environment could improve financial well-being.*

Benefits and unearned income streams

Some incomes might be insufficient for people to increase their financial well-being or even to move out of survival mode, so topping them up with benefits or additional income streams can turn out to be beneficial.

Suggestion: *People might not always be aware of benefits they're entitled to, feeling lost in the sea of bureaucracy. Raising awareness of this issue on top of temporary income-increasing initiatives can result in a higher level of financial well-being.*

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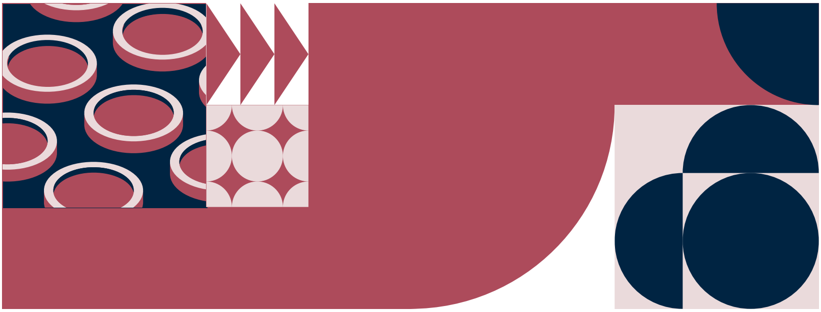
In many countries there's a wide-spread expectation that people will save for their own retirement to top up any payments from the state. However, many people have no interest in their future retirement and would rather rely on passive saving.

It could be worth exploring auto-enrolment to help people overcome their inertia and improve their future security.



For financial service and product providers

Providers with a mission to put financial well-being first can consider the following suggestions:

- Making sure all forms and digital touchpoints are fully inclusive and being aware of the potentially sensitive nature of the data people are asked to provide.
- Making wait times reasonable and enjoyable, reducing the significant negative impact on happiness.
- Maintaining physical support alternatives for people who are digitally excluded.
- Treating everyone fairly and with respect, irrespective of their background, legal status or characteristics.
- Offering customers with health challenges and disabilities the physical and mental support they need.
- Being responsive and flexible in reacting to the customers' needs, for example by providing flexible credit payments.
- Monitoring and supporting the clients' financial well-being.

We know how important savings are. They can provide liquidity to people facing an unexpected expense or reduction in income, helping them to avoid borrowing or falling behind with their bills. Yet, far too many people fail to put money aside to increase their financial security and improve their freedom and pleasure.

Initiatives to encourage saving could include the following:

Automatic account opening, automated savings and opt-out

Research has shown that people can be motivated to save directly from their pay before receiving it in their account. Whilst a small number of people can be encouraged to save through an option to opt in to automatic savings, the most successful schemes take advantage of the participants' inertia by providing everyone with an account unless they opt out.

Rule of thumb

Automatic savings align well with the rule of thumb also known as 'pay yourself first'. This is a simple reminder to prioritise saving before discretionary spending. Such rules of thumb can be helpful when it comes to supporting people in budgeting and making ends meet.

Prize incentives

Prize-linked savings pool the interest earned on individual deposits into a prize fund. This can be used as an incentive to encourage saving based on the possibility of a future win, and it has proved successful in the past.

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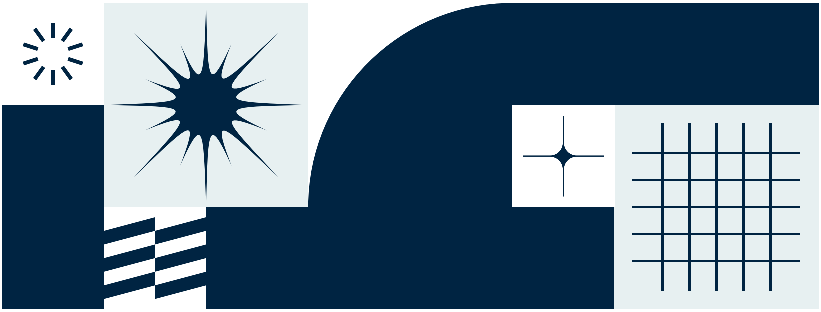
Cashback rewards

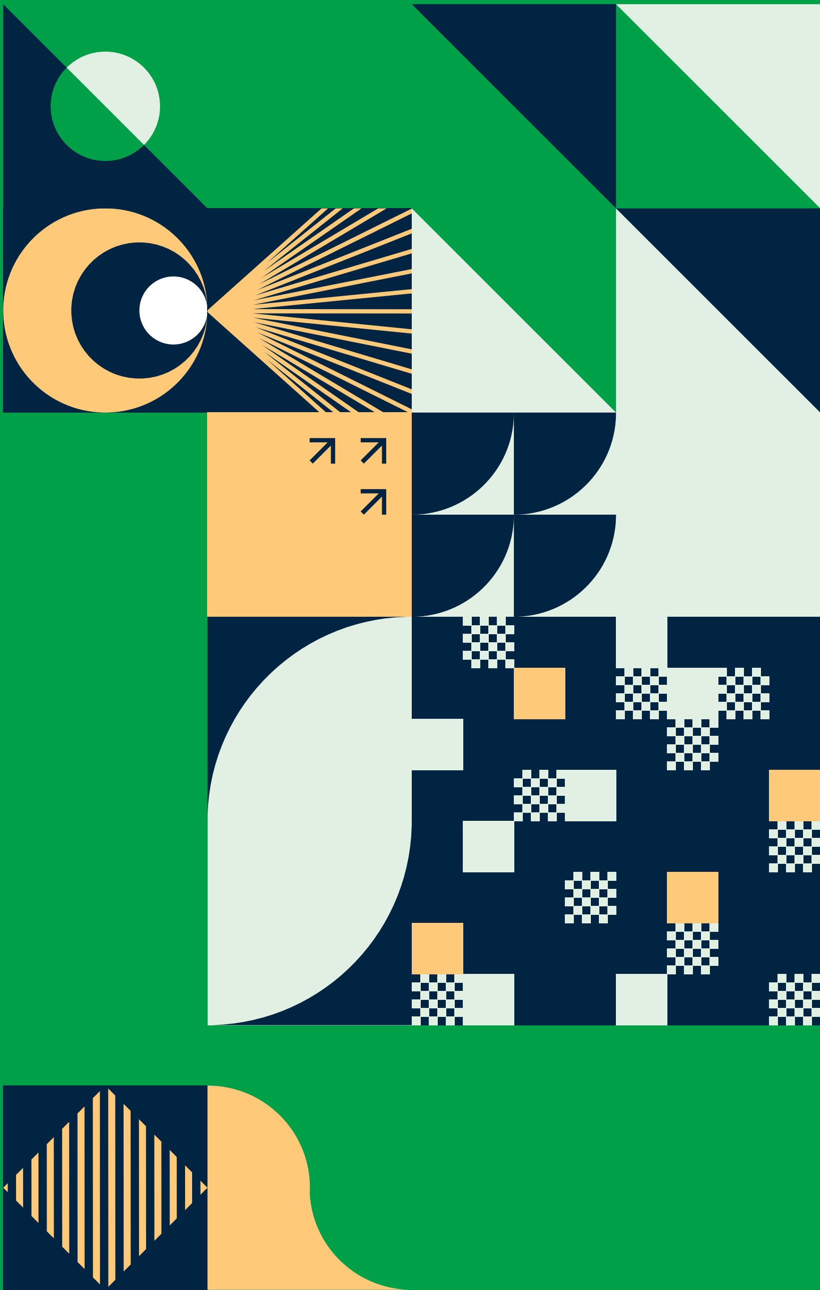
In contrast to prize incentives, linking savings to expenditure through cashback rewards appears to be an unsuccessful approach to encourage saving. Instead it has been found to lead to an increase in spending and immediate gratification.



The role of law enforcement

For some people, a debt problem can be exacerbated because they have borrowed from illegal lenders facing excessive interest rates and aggression or manipulation. Initiatives to tackle illegal lenders are an important component of any approach to improve financial well-being. Similarly, more effort to fight scams and fraud could significantly improve security.

The topic of crime is not one that can be overlooked, but more research needs to be conducted in order to generate more insights. It is clear, however, that when dealing with the topic of finances, there will always be some parts of society that will try to take advantage of others. The myriad of methods that can be employed by criminals makes the fight a challenging but necessary task in order to make sure people's financial well-being doesn't take a hit.



Part 6

Moving forward

This is only the beginning

All findings discussed in this publication are based on a multi-stage, mixed-methods transdisciplinary research project conducted in a partnership between the Austrian ERSTE Foundation, the Estonian University of Tartu and Erste Group.

Never before have academia, philanthropy and banks collaborated in such a large academic study into financial well-being, its meaning, assessment and improvement for individuals and societies. In the course of the three years during which this research was completed, many new findings emerged, but this has been only the beginning of a journey that should continue without a doubt.

The key contributions of the research

It’s a new way of looking at financial well-being.

Financial well-being as a people-first concept—not only recognising the relevance of security and freedom but explicitly addressing pleasure, the enjoyment of life, unlike any of the previous studies.

It’s a new way for people to assess their own financial well-being, without numbers.

A human-centric digital tool that helps people assess their current level of financial well-being while taking into account a broad variety of aspects of their lives and respecting the diversity of lifestyle choices. Instead of prescribing normative rules, this tool allows them to reflect on their choices and set goals for their future financial well-being.

It introduces a set of questions to measure the dimensions of financial well-being.

The development and testing of a new scale that measures the three dimensions of financial well-being—security, freedom and pleasure—without combining them into a single score. This scale is stable and reliable across languages, time and personality types.

There is evidence that there are different paths to the three dimensions of financial well-being.

We analysed the factors that could have an influence on financial well-being based on data from several populations. All of these show that there are things that affect all three dimensions of financial well-being, but there are others that matter for only one or two dimensions. Therefore, financial well-being must be treated and measured multi-dimensionally, not as a sum or a single score, and interventions need to target the three dimensions separately.

Security is essential, but the lowest score is in freedom.

Our data shows that one cannot have high levels of freedom and pleasure without a sufficiently high security score, but the financial well-being dimension that turned out to be most underserved is freedom—people feel that their life choices are somewhat dictated by money.

Finances explain only a quarter of the financial well-being assessment.

The data from our unique study into the relationship between subjective financial well-being and objective financial situation and behaviour, shows that the socio-demographic characteristics and bank data explain roughly a quarter of the differences in the financial well-being dimensions. Therefore, the majority of the antecedents of financial well-being must be found outside the sphere of financial indicators and require further investigation.

We assess financial well-being across personality types.

Our analysis of the relationship between personality traits and the financial well-being dimensions confirms that neuroticism negatively impacts the assessment/score. However, contrary to previous beliefs, we show that conscientiousness does not correlate with financial well-being and openness affects the assessments of security and freedom but not of pleasure.

There are gender differences in the assessment of financial well-being.

We see that when women and men are in a similar financial situation—holding the same amount of assets or liabilities—women rank their financial well-being lower than men.

Financial well-being appears to be rather stable over time.

The same people were asked to respond to our newly developed financial well-being questions twice within six months, and we can see that the changes are small. However, those who responded for the second time tended to be those who were doing well already in the first round, so more research into the stability of financial well-being across the entire population is needed.

It’s the first evidence for improving financial well-being.

While previously there were assumptions about what might improve financial well-being, there was no evidence that anything actually worked. We conducted rigorous experiments which show that not only financial planners but also mental health apps and TED Talks have a positive effect on financial well-being. So far the consensus was that financial well-being has an effect on mental health, but we show that this direction can be flipped—mental health tools can also improve financial well-being. Therefore, the interventions to improve financial well-being go beyond money and financial services.

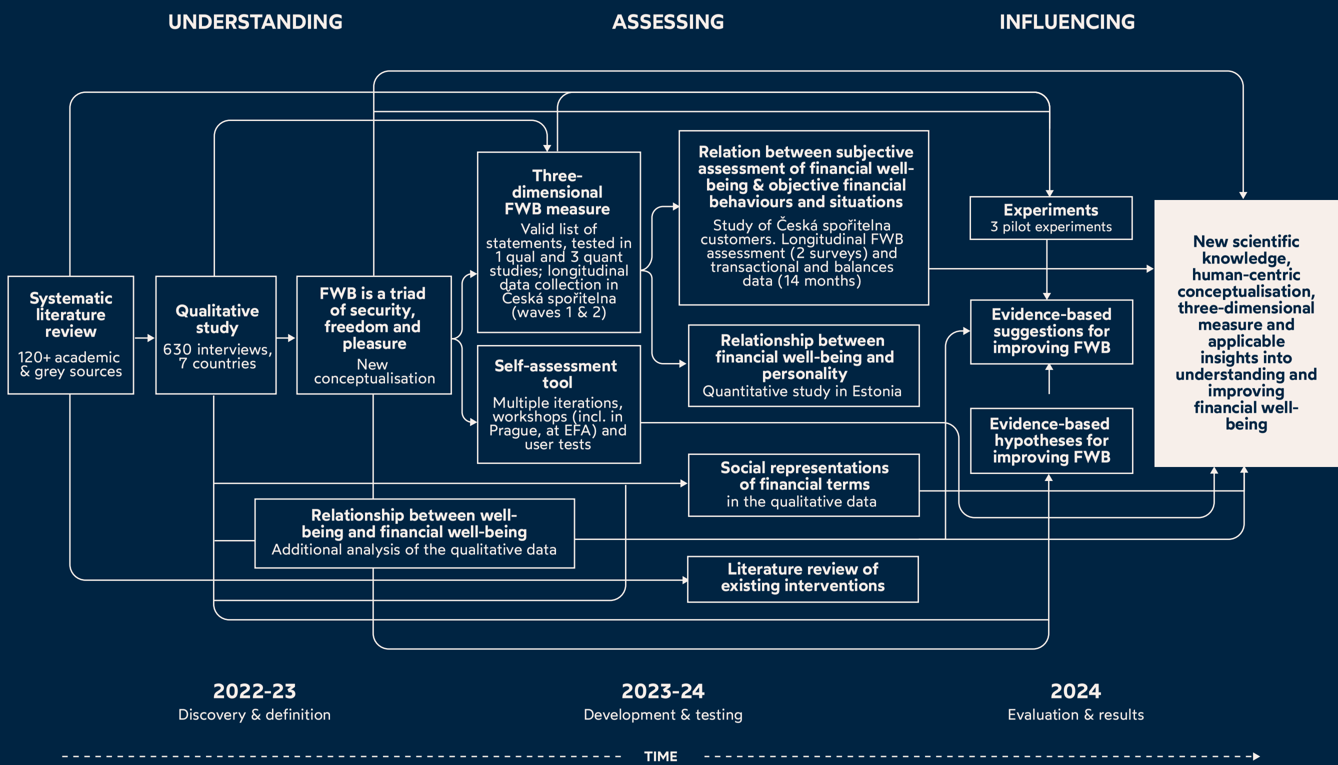
We need to challenge the relationship between general and financial well-being.

Our interviews revealed evidence indicating that general and financial well-being are intertwined, instead of the latter being a subdomain of the former—a previously held belief. You can’t talk about one without mentioning the other. This insight is of special importance for well-being policies.

There is no one-size-fits-all solution for improving financial well-being.

People’s individual emphasis on the different dimensions of the financial well-being triad, lifestyle preferences, life stages, personality and many more factors need to be taken into account.

3-year mixed-method research process: 2 literature reviews, 1 qualitative and 7 quantitative studies



Impressive as these achievements may be, they are not comprehensive enough to confidently solve all the issues that revolve around understanding, assessing and improving financial well-being. More time and more research is needed, in particular to understand which types of interventions turn out to be useful in improving financial well-being, and especially when considering long-term, recurring assessments.

What is more, this research took place across European countries (Austria, Croatia, Czechia, Hungary, Romania, Slovakia, Serbia and Estonia), which means it represents the views and contexts of only one part of the world. In other geographical areas, the meaning of financial well-being might vary, with different cultural and contextual factors affecting it.

Suggestion for launching new longitudinal, multi-dimensional cross-European financial well-being research

We need to find out more about how financial well-being changes over time for each individual, and what causes these changes. So far there have been no (real) longitudinal, multi-dimensional financial well-being studies carried out regularly across Europe. There was one that asked the respondents of the European Social Survey financial well-being questions twice*, but that is not enough to assess and explain changes. Not by a long shot. However, one thing it did do was confirm that such studies need to use a multi-dimensional financial well-being measure.

We have developed such a tried-and-tested three-dimensional financial well-being measure, and we have already taken the first step towards longitudinal research by asking people in Czechia to answer the financial well-being questions twice* with six months of time in between. This confirmed that our nine statements are a good point of departure for longitudinal research and could now be used for assessing changes across many countries in Europe.

Measuring changes across the life course of individuals can provide a wealth of data around how financial well-being evolves with age or life stages, how it is impacted by external events and whether people have a base level that they return to after sudden shocks. Such a study would also make it possible to map general trends and project future trajectories of financial well-being across a population, feeding into policy and practice. This level of insight would make it easier to tailor products, interventions and support to the people concerned. Over time this could allow for a more

* Riitsalu, L., Gasiorowska, A., van Raaij, W. F., & Ruggeri, K. (2025). Longitudinal Assessment of Financial Well-Being Across Europe Confirms the Multidimensionality of the Construct. *Social Indicators Research.* https://doi.org/10.1007/s11205-025-03587-w

strategic approach to financial well-being, maximising the possibility of supporting everyone to achieve their preferred combination of security, freedom and pleasure.

A longitudinal study across Europe could provide five to ten indicators that can be compared over time, within and between countries. In addition to assessing the three dimensions of financial well-being, the survey would include indicators of stress, life satisfaction, psychological well-being, future outlook and background characteristics of the respondents.

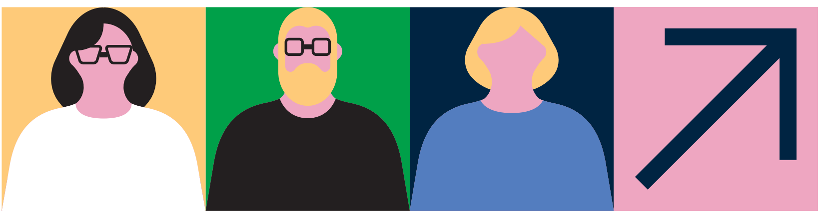
It would make sense to start by piloting such an approach in one or two countries before expanding across Europe or even beyond. Such a longitudinal study would include innovative and rigorous methods of data collection, evolving over time to benefit from emerging technologies and novel approaches.

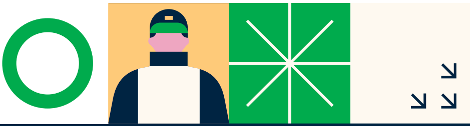
One more thing

Having reached the end, you have discovered (hopefully!) some new insights into the meaning of financial well-being, or maybe some of your previous assumptions have been confirmed or debunked.

Through our findings, we have shared with you the three dimensions of financial well-being, i.e., security, freedom and pleasure, and explained how to measure them. We have presented an analysis of the many factors influencing the different dimensions. And we have shared some inspiration for application in various domains. As of this moment, you have the starter pack necessary to consider what your contribution can be, whether you're a policy-maker, a financial advisor, a mental health professional, an academic researcher, someone working in law enforcement or a regular, curious person who wants to find out more about their own financial well-being.

In keeping with the iceberg metaphor from the introduction, this report has shed some light on the vastness of the subject, most of it invisible when glanced at only superficially. But now you have the opportunity to dive below the surface—equipped with the right tools and knowledge—and further explore the fascinating world that is financial well-being.





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