The bottlenecks in making sense of financial well-being

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Abstract

Purpose – Financial well-being has gained increased attention in research, policy and the financial sector. The authors contribute to this emerging field by drawing attention to the bottlenecks in financial well-being research and proposing ways for transforming and advancing it.

Design/methodology/approach – The authors conducted a semi-systematic review of the latest 120 financial well-being studies from both academic and grey literature and analyse the current issues in defining, conceptualising and measuring it.

Findings – The authors identify the need for a more human-centred approach across content and methodology, conceptualisation and operationalisation, research and practice, that focuses on how individuals experience, interpret and assess financial well-being. The authors highlight the lack of evidence-based interventions for improving financial well-being.

Practical implications – The authors propose applying design science approach for redefining the problems that individuals need help in solving and for developing and testing interventions that improve financial well-being and are in line with individuals' needs and aspirations. The authors also call for international qualitative research into the human perspective of financial well-being.

Social implications – Financial well-being has a significant role in mental health and well-being; therefore, it affects the lives of individuals and societies far beyond financial affairs. Change of perspective can lead to evidence-based interventions that better the lives of many, reduce inequality and develop more balanced communities.

Originality/value – The authors argue that the human dimension has been assumed in financial well-being research, practice and policy, rather than confirmed, based on flawed assumptions that what people experience is already known.

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Introduction

Financial well-being is an important part of our lives both today and in the future, no matter how much we like to engage with it or how enthusiastic we are about money matters (Barrafrem et al., 2020a), and the evidence suggests that its importance goes far beyond financial affairs. Research indicates that financial well-being influences mental health, relationship quality and life satisfaction (Brüggen et al., 2017; García-Mata and Zerón-Félix, 2022; Kaur et al., 2021). It may even play a bigger role in our overall well-being than components such as physical health, relationship quality and job satisfaction – combined (Netemeyer et al., 2018). And on a macro level, it has been said to be crucial for attaining several UN sustainable development goals (SDG-s) (Bashir and Qureshi, 2022). On the
individual level, it has been found that factors that influence financial behaviours also affect health behaviours (Hoffmann and Risse, 2020). Therefore, not only could effective interventions improve financial well-being and through it substantially improve subjective well-being, they also could bring along positive spillover effects that boost the effects on well-being even more.

Multiple financial well-being literature reviews have been published in recent years. Some of them aim to include all peer-reviewed financial well-being articles (Kaur et al., 2021; Nanda and Banerjee, 2021), whilst others focus on a certain segment, for example, emerging adults (Iannello et al., 2021), women (Gonçalves et al., 2021) or families (Wilmarth, 2021). Some approach financial well-being from the angle of another construct, such as financial socialisation (Rea et al., 2019) or financial capability (Anvari-Clark and Ansong, 2022), and some focus on the theoretical foundations (García-Mata and Zerón-Feliz, 2022), conceptualisation (Brüggen et al., 2017), scale development (Abrantes-Braga and Veludo-de-Oliveira, 2019) or future research agenda (Mahendru et al., 2022). Most of these largely neglect the increasing grey literature, whether published by financial institutions or policy organisations, and very few of the studies developed outside of academia have been later published as academic papers, even when academics are involved in the design process (Comerton-Forde et al., 2022; Riitsalu and van Raaij, 2022). This is allowing the development of two parallel worlds.

Despite increasing interest in both of these worlds, there is still surprisingly little known about what financial well-being represents for humans or how to measure and improve it, even though there has been an explosion in the number of academic studies published aiming to define, conceptualise and operationalise this phenomenon. As one of the many recently published literature reviews about financial well-being states, despite the groundswell of interest, “research on financial well-being is still at its nascent stage” (Kaur et al., 2021, p. 235).

Our aim is to contribute to that by drawing attention to the bottlenecks in financial well-being research and proposing ways for transforming and advancing it. For achieving that, we conducted an extensive semi-systematic literature review of the latest academic and grey literature. We start with explaining the method and approach of our review and continue with revealing the current interpretations of financial well-being in research, policy and financial sector. Next, we briefly summarise the definitions, conceptualisations, measures and drivers of financial well-being studied in these streams. We conclude by suggesting paths for further research and practical implications.

**Method**

We conducted an extensive semi-systematic review of the current financial well-being research published in academic and grey literature in years 2019–2022. We incorporated some highly cited articles and significant policy reports from earlier years when they provided substantial insights that were missing from or helped explain more recent research aspects.

We opted for a semi-systematic or narrative review approach as it “is designed for topics that have been conceptualized differently and studied by various groups of researchers within diverse disciplines” (Snyder, 2019, p. 335) and domains (in our case, academia and non-academic institutions). The narrative review approach allows for a more qualitative look at the state of knowledge based on the combination of “results from studies that may use very different methods and procedures and that address different questions” (Baumeister, 2013, p. 120) and have different goals. Therefore, we took a qualitative prism to the quantitative-heavy realm of financial well-being.

The number of academic articles on financial well-being has had an exponential growth in recent years, as evidenced in multiple recently published meta-analyses (Gonçalves
et al., 2021; Kaur et al., 2021; Nanda and Banerjee, 2021). These literature reviews, covering papers published in 1978–2020, provide sufficient information on past studies, and have been complemented by our new study, focusing on articles from 2019 and later. The criteria for inclusion were that these were published in high quality peer-reviewed journals, focused on financial well-being (as opposed to simply mentioning it somewhere in the text) and were available in English. We used various databases and platforms for searching for relevant publications, such as Scopus, Google Scholar, and ResearchGate, using keywords financial well-being, financial wellness, and financial health. We also contacted our broad network of researchers studying related topics and asked for their latest articles that had been accepted for publication in peer-reviewed journals. Cited publications were also considered.

Various non-academic institutions are focusing on financial well-being; including international development organisations, national and international non-governmental organisations (NGOs); national authorities/research centres and financial institutions. There is some recognition in the reports developed by such organisations that different terms are used to mean the same thing – particularly financial well-being and financial health. It is also noteworthy that there has been a shift in focus from financial literacy, capability or inclusion to financial well-being or financial health in some institutions over recent years (ANZ, 2021a, b; Money and Pensions Service, 2020; UNSGSA, 2021a; Garon et al., 2018). Consistent with the academic literature review, our grey literature review focuses on reports published in 2019 and later, plus a few earlier, but particularly unusual or influential reports. The criteria for inclusion were that these were published by bodies responsible for shaping financial policies or financial services, that they were focused on defining, measuring or improving financial well-being or financial health, and that they were available in English. We also sought grey literature in French but only identified one in-depth financial well-being study. The grey literature was identified through online searches using Google and Bing and search tools on government and provider websites, with key phrases financial well*, financial health, financial resilience. Cited documents were also considered. The list of sources used can be seen in Appendix.

For analysis, we tapped into the classic qualitative analysis toolset and applied thematic analysis to identify patterns within the selected literature (Braun and Clarke, 2006). To facilitate and ground the process in the available time, we used a systematic approach that identifies content relating to pre-defined themes (Hao et al., 2019) that we formulated after the initial round of reading. Ultimately, we analysed the 120+ publications across six themes: (1) definition of financial well-being; (2) components of it; (3) sample of the study; (4) measure used for assessing financial well-being; (5) factors found to have a significant effect on financial well-being; and (6) suggested interventions for improving financial well-being. This, first, resulted in a 64-page long table in the 8-point text that we are not adding here as, for a general review, this would be unnecessarily burdensome reading. Instead, we provide the synthesis of the findings to draw attention to the bottlenecks in financial well-being research and proposing ways for transforming and advancing it.

Interpretations of financial well-being in research, policy and practice

Based on our review we can state that the academic and grey literature are developing as two separate streams with limited integration or cross-learning. Financial sector seems to prefer to use the term financial health as a synonym for financial well-being. The common thread is that authors from both streams seem to approach financial well-being from within their own paradigm, top down, without putting themselves into the shoes of the individuals whose financial well-being they aim to study or improve. There are only a few exceptions to this rule, where authors have started by talking to people or re-analysing qualitative data collected for other purposes, and trying to understand what financial well-being actually means for them (CFPB, 2015; Rea et al., 2019; Salignac et al., 2020). Consequently, both research and policy are
typically talking in a language that is at odds with the language used and understood by individuals. Furthermore, different dialects develop within the financial sector. For example, in traditional banking financial freedom is interpreted mostly as having enough money and assets to avoid debt, difficulties and stress, while the FinTechs and start-up community see it more like the FIRE (Financial Independence Retire Early) (Taylor and Davies, 2021) movement does – earning sufficient passive income to avoid ever having to work for money again. In research, freedom is used as freedom of choice (CFPB, 2015). Furthermore, there is evidence that the interpretation of financial freedom can also differ across age groups (Riitsalu et al., 2023).

Both policy-makers and financial service providers have taken a rather normative approach, assuming that a certain formula is good for everyone and are neglecting the individuality of humans, and the contextual differences. Their financial well-being interventions are based on factors such as having a certain amount in rainy day savings, holding as many, and as diversified, assets as possible, and knowing a few financial facts. Especially in traditional banking and policy a rather old-fashioned approach seems to prevail that assumes everyone to aspire for a similar linear journey – acquire good education, build a career on that base, work hard full time for many years and slowly but certainly climb the career ladder, earn increasing income and grow one’s wealth thanks to that frugality, and in the end, reach high level of financial well-being. Yet the reality has changed, the gig economy (Constantino, 2018) and FIRE movement are good illustrations of that.

The prevailing assumption across both policy and practice has been that increased financial literacy (defined as a combination of financial knowledge, attitudes and behaviours) will lead to improved financial well-being (OECD, 2005), without much consideration of what the latter even means or how (or even if) the two are linked. There is plenty of evidence of the Financial Homo Ignorans (Barrafrem et al., 2020a) – humans preferring to ignore thinking about financial matters. Furthermore, there is ample evidence of individuals not taking sufficient action to secure their long term financial well-being (Barrafrem et al., 2020a; Choi et al., 2002; OECD, 2020) even if they have good knowledge of financial matters (Ariely and Kreisler, 2017; Riitsalu and Murakas, 2019), and of many being financially vulnerable in the event of losing their income, even in middle- and higher income groups (Money Advice Service, 2016; OECD, 2019; Merikull and Rööm, 2019). The latter is especially concerning in the light of the energy crisis, inflation and economic downturn (Burgess et al., 2021).

This implies that humans need more than financial information and access to services to take sufficient care of their financial well-being. There is evidence that financial education has little effect on financial behaviour (Fernandes et al., 2014; Kaiser et al., 2022), and that objective knowledge of finances does not correlate with financial well-being (Lind et al., 2020; Riitsalu and Murakas, 2019). There are only a few studies that propose tools that go far beyond financial literacy initiatives and financial services, such as mindfulness training for increasing financial well-being (Mahendru et al., 2022; Sinha et al., 2021; Willis, 2021).

The need to shift the focus from financial education to financial well-being (or financial health) both in policy-making and in the financial sector has been recently emphasised by several institutions (OECD, 2020; UNCDF, 2021; UNSGSA, 2021b). They highlight the importance of measuring financial well-being in locally relevant modules and engaging the private and public sector in the behaviourally informed initiatives and note the need for research into ways of measuring and increasing it. However, they tend to remain on a rather superficial level without providing actionable practical steps or tested tools.

**Definitions and conceptualisations of financial well-being**

There has been a shift from assessing objective financial situation to studying subjective or perceived financial well-being (Netemeyer et al., 2018; Warmath, 2021; Riitsalu and van Raaij, 2023).
but there is still no agreed-upon definition of financial well-being. Instead, there is a multitude of approaches, definitions, and conceptualisations. Most commonly used definitions in academic research appear to be the one developed by Bruggen et al. (2017): “financial well-being is the perception of being able to sustain current and anticipated desired living standards and financial freedom”, and, a longer definition developed by the US Consumer Financial Protection Bureau (CFPB, 2017): “financial well-being is a state of being wherein you have control over day-to-day, month-to-month finances; have the capacity to absorb a financial shock; are on track to meet your financial goals; and have the financial freedom to make the choices that allow you to enjoy life”. Yet there is no consensus on the definition and many authors suggest their own interpretations.

Additionally, confusion has been created (particularly in the grey literature) through the use of various synonyms such as financial health, and terms used interchangeably such as financial literacy, capability, behaviour and inclusion, as well as phrases that may touch on some elements of financial well-being such as financial or economic vulnerability, security, resilience, and freedom.

Some studies confuse financial behaviour and financial well-being. Although behaviour and well-being, as currently viewed in the more rigorous literature, have a significant relationship (Anvari-Clark and Ansong, 2022; de Bruijn and Antonides, 2020), it is clear that, both linguistically and statistically, they are different constructs. Sometimes financial well-being is treated as a synonym for wealth. We argue that counting someone’s assets is not sufficient for understanding their ability to keep or achieve their desired lifestyle. It could be, for example, that they compare themselves with peers in a way that leaves them feeling that their assets and income are insufficient, even when objectively they are financially well off. There is evidence that materialistic values lead to lower financial well-being (Garðarsdóttir and Dittmar, 2012).

There are also people who prioritise ecological sustainability and social responsibility over individualistic or materialistic goals. In this scenario, only using data on financial behaviours or assets for assessing financial well-being is misleading. A good illustration of lifestyle affecting financial behaviours is the FIRE movement:

FIRE finds freedom in abstinence and the maximisation of time rather than money. It potentially also expresses an environmental critique of consumerism. At the same time, it represents a novel adaptation of neoliberal subjectivity that diverts the entrepreneurial self away from consumerism, debt, and the labour market, and towards existential goals of autonomy and authenticity, built upon financial surpluses and rents. (Taylor and Davies, 2021, p. 706).

Without understanding these lifestyle choices, the prevailing normative approach would struggle to assess their financial well-being correctly.

Financial well-being is generally shown to have 1–3 components (max 5). For example, current money management stress and expected future financial security (Netemeyer et al., 2018; Riitsalu and van Raaij, 2022); financial anxiety and financial security (Barrafrem et al., 2020b; Strömöck et al., 2020). Salignac et al. (2020) distinguish three components: meeting expenses and having some money left over, being in control, and feeling financially secure. Other authors highlight that financial well-being has both an objective and subjective component, or a present and future component, or it incorporates both financial security and stress or anxiety. When discussing the concept of general subjective well-being, on a theoretical level, several researchers mention hedonic and eudaimonic approaches to well-being. Salignac et al. (2020, p. 1583) explains the latter two: “how happy people are with their current financial situation, and their ability to function economically”. This relates to the definition of subjective well-being: feeling good and functioning well (Ruggeri et al., 2020). Consistent with this approach, financial well-being could be interpreted as feeling good about one’s personal financial situation and being able to afford a desirable (or satisficing) lifestyle, in both the present and the future.
Feelings are often listed as an element of financial well-being, such as a sense of security (Barrafrem et al., 2021), positive and negative feeling about one’s financial condition (Castro-González et al., 2020), happiness and contentment (Chatterjee et al., 2019); or the absence of certain emotions, such as a lack of anxiety or worry or rumination caused by financial matters (Barrafrem et al., 2021; de Bruijn and Antonides, 2020; Lind et al., 2020). So rather than having (sufficient) financial well-being, it is about not having a financial illness in their view.

**Measurement of financial well-being**

The vast majority of research reported in both the academic and grey literature uses quantitative methods, mostly developed in English-speaking countries (Riitsalu and van Raaij, 2022), and tested in WEIRD (Henrich et al., 2010) countries, without questioning whether they are really measuring financial well-being or even if it can be universally and unidimensionally measured. Our literature review identified only four high quality academic papers using qualitative methods (Marchant and Harrison, 2020; Rea et al., 2019; Salignac et al., 2020; Sarofim et al., 2020). The quantitative data is mostly collected in online samples which are intended to be nationally representative and is measured with 1–25 (max 44) statements, typically 1–11 statements on 5-point or 10-point scales.

Often there is an evident mismatch between the concept discussed in the theoretical framework and the actual construct measured. Although the definitions name feeling financially secure (Salignac et al., 2020), achieving desired living standards and financial freedom (Brüggen et al., 2017), and being able to enjoy life (CFPB, 2017), the measurement focusses mostly on finances alone. For example, the current money management stress and expected future financial security scales developed by Netemeyer et al. (2018) and tested in many countries (e.g. Ponchio et al., 2019; Riitsalu and van Raaij, 2022; Warmath et al., 2021) name the words “money”, “finances” or “financial” in all ten statements. We argue that the design of financial well-being measures should start from taking the human perspective, what are the indicators of financial well-being from their view in their worlds. We assume their lives are more diverse and do not circle around money and finances alone.

The statements currently used that come closest to assessing achieving desired living standard are “Because of my money situation, I feel I will never have the things I want in life” (which may be interpreted more as inability to acquire possessions than reach desirable lifestyle) and “My finances control my life” (CFPB, 2017; Netemeyer et al., 2018). The enjoyment of life is assessed as part of a current money management stress measure: “I am unable to enjoy life because I obsess too much about money” (Netemeyer et al., 2018) or as of the unidimensional financial well-being score: “I can enjoy life because of the way I’m managing my money” (CFPB, 2017). We doubt that these are sufficiently reflecting enjoyment of life, especially as they are merely one element of a financial well-being score.

Even though many authors list various components of financial well-being in the conceptual part, they still measure a single score, without going into the nuances at all in their empirical analysis, despite evidence that these components are influenced by different things (Barrafrem et al., 2021; Netemeyer et al., 2018; Ponchio et al., 2019; Riitsalu and van Raaij, 2022). The vast majority use a single financial well-being score in their analysis, without looking into the relations and effects between the independent variables and the components of financial well-being. It is possible that someone has high money management stress/financial anxiety in the present but also perceives the future to be financially secure, perhaps due to anticipated returns from education or enterprise, or the likelihood of an inheritance, to list just a few of the possible explanations. In such a case, their sum (the financial well-being score) would be the same as for those who rate both constructs to be around the average. The interpretation of the findings would lack precision, and they would not be useful in the development of effective interventions. Looking at two or more components separately
makes it possible to analyse a greater variety of perceptions and antecedents of all parts of financial well-being.

Drivers of financial well-being

It is often assumed that lower income individuals or less developed countries have lower financial well-being. Yet a small body of evidence shows these are not such a black-and-white matters. Instead, individual differences and contextual influences (Fu, 2020; Riitsalu and van Raaij, 2022; Ruggeri et al., 2022) need to be understood to accurately diagnose financial well-being.

Individual and contextual factors are listed in several conceptual frameworks (Brüggen et al., 2017; Gonçalves et al., 2021; Nanda and Banerjee, 2021). Yet most of the studies to date focus on individual factors, such as socio-economic status, personality traits, financial literacy, financial situation and behaviours (Barrafrem et al., 2020b; Comolli et al., 2021; García-Mata et al., 2022; Lind et al., 2020). The contextual factors have gained substantially less attention.

On an individual level, income, subjective financial knowledge (the confidence in one’s financial knowledge) (Lind et al., 2020), financial socialisation (Marchant and Harrison, 2020; Rea et al., 2019) and personality traits (She et al., 2021) have been found to have substantial effects on financial well-being. Many of the personal factors are mediated by financial behaviours, but they also have significant direct effects on financial well-being. Researchers agree that financial literacy in its narrowest sense, as objective financial knowledge, does not have an effect on financial well-being (Lind et al., 2020; Riitsalu and Murakas, 2019).

Turning to the contextual factors, there is evidence that trust in government increases financial well-being (Barrafrem et al., 2021), and that universally accessible formal financial services (high financial inclusion) have a positive effect on financial well-being (Nandru et al., 2021). There is also an indication that culture and institutional setting (Riitsalu and van Raaij, 2022; Warmath et al., 2021), and religion (Sarofim et al., 2020) have an effect on financial well-being, but a lot more needs to be studied in that context before drawing firm conclusions.

The tools most often suggested for increasing financial well-being are financial education, financial counselling, financial socialisation, and transparent and personalised provision of financial services. Almost all papers mention financial education (with an emphasis on raising awareness, building confidence, developing attitudes) and many suggest developing apps for managing personal finances. Some highlight the need for changes across a wide range of policies (Willis, 2021). Many emphasise the need to identify individuals needs and characteristics, and targeting these accordingly. However, these are suggestions, not evidence-based tools and interventions. That is confirmed by one of the latest financial well-being literature reviews that highlights the lack of empirically tested interventions (Kaur et al., 2021).

The way forward

Banking is going through a transformation, the traditional banks need to redefine themselves in the world of open banking, digitalisation and FinTechs; and to find new ways to engage with consumers in the absence of face-to-face contact. Many of them (e.g. ING, ERSTE Group, Commbank) see becoming a financial health supporter as the way forward. Policy-makers have started to shift their attention from financial education to financial well-being (e.g. OECD, UN). But many institutions struggle to think about consumers from the human perspective and continue in the old way, in the language of incentivising customers to take on savings and investment products, rather than understanding the needs of individuals and adapting their provision accordingly. We believe that instead of reframing the initiatives and
applying little tweaks in the design of financial services or financial education programmes, a change of perspective is needed. Instead of translating the world of finances into human language, policy-makers, bankers and researchers could put themselves into the shoes of humans and translate their worlds to be able to advance financial well-being research and interventions.

Humans with their needs, wants, values, aspirations and worries should be put into the centre and from there, bottom up, the tools could be designed. No human thinks: “I wish I had higher financial literacy” but most of us do worry about being able to keep the current living standard and to keep or reach the desired lifestyle in the future. Hence it can be assumed, humans do aspire for increased (or at least secured) financial well-being, but they probably do not use this term nor these tools for it. It might be that the financial sector and policy is mixing symptoms (lack of financial literacy, low amount of savings) with the diagnosis (low financial well-being). It is like expecting a person to go to a doctor saying “I have too little of this vitamin in my blood” or “too much of that unhealthy ingredient in my liver”, instead of “I feel unwell”. Offering them support from their perspective, understanding their pains and discomforts, and developing services, education, advice etc. as tools for that (not the other way around – providing services with the hope these would lead to increased financial well-being), might lead to profound changes.

Suggestions for further research
We have highlighted the bottlenecks in financial well-being research that should provide inspiration for future research and enable the advancement of its theory and practice.

First, an agreement is needed on how to define financial well-being. To reach it, more communication is needed between academic and grey literature, i.e. between researchers, policy-makers and the financial sector. Instead of developing parallel worlds, joint efforts of the financial well-being ecosystem can lead to agreement on a common approach. A promising advancement is the launch of a financial health working group by the United Nations that aims to advance cooperation between public and private sector in this field (UNEPFI, 2021; UNSGSA, 2021a), in the future also academia could join such partnerships.

Second, advanced measures of financial well-being are needed that assess all components of financial well-being and take into account the diversity of humans, their experiences, needs, worries, and aspirations.

We evidenced a mismatch between conceptualisations and measures of financial well-being. Although many describe financial well-being to consist of multiple components, most still assess it as a single score. Furthermore, despite naming lifestyle and enjoyment of life in definitions, often the measures are strictly about finances. We suggest that instead of using quantitative finance-centred financial well-being scales and complicated econometrics for drawing out theoretical and practical implications, researchers could turn to humans and enquire what financial well-being actually means for them and what they see its antecedents and indicators to be. There is a need for in-depth qualitative studies into the meaning of financial well-being in various segments, communities and countries. This has been noted also in the latest literature reviews. Kaur et al. (2021, p. 235) call for “studies using qualitative approaches such as interviews to gain new perspectives on financial well-being”. Wilmarth (2021, p. 129) suggests that “researchers could take advantage of qualitative methods to understand more about the personal aspects and experiences of financial and economic well-being”.

While the current research tries to force financial well-being into a universal measure or an index, we argue that this might not be possible. Further, especially qualitative, research is
needed to see if people share enough common understandings, beliefs, and expectations of financial well-being to merit the search for a unified and universal score system. For example, this could be done by unveiling indigenous typologies of financial well-being from the continua and distinctions used by people themselves (Patton, 2015) in narratives of their lives.

To date, the few existing high quality qualitative studies into the deeper meaning and conceptualisation of financial well-being have been conducted in single English-speaking countries: the US (CFPB, 2017; Netemeyer et al., 2018; Rea et al., 2019) and Australia (Salignac et al., 2020). That may bias the conclusions based on the context of that country, and exclude diversity that could be found in repeat studies in different countries or studies with sample from multiple countries and cultures. Therefore, we believe international qualitative studies into the meaning of financial well-being could bring the needed advancement in its understanding and conceptualisation.

We suggest conducting in-depth qualitative research into the minds of humans across countries through phenomenology, ethnography and even simple in-depth interviewing of as many different people as possible to see commonalities and the particularities in the meaning of financial well-being to humans. The better we understand what people think, the better we can design interventions, nudge products, and services to help them achieve their desired financial well-being. For example, future research could focus on comparing the languages that humans, policy-makers, bankers and researchers use in the context of financial well-being. Do we all understand each other in the same way? To enrich the divergent understanding regards to the conceptualisation of financial well-being and its relation to people’s lives, studies could look into (e.g. via phenomenology) how different people make sense of financial well-being and share this understanding. Furthermore, narrative research into people’s life stories and ethnographies of people’s current lives could aid in pinpointing how life, events of life, internal (personal) and external (e.g. country) history and value systems relate to their financial well-being.

Third, better understanding of the drivers of financial well-being, both on individual and contextual level, is needed. The known unknowns that emerged from our review of academic and grey literature are the effects of lifestyle choices and preferences; needs and wants in the present; aspirations and expectations for the future; transitional or life-course events; values, culture, social norms and religion; and institutional setting on the components of financial well-being. Once better measures of financial well-being are developed, these relations should be investigated further.

The latest financial well-being literature reviews include long lists of suggestions for further research (Gonçalves et al., 2021; Kaur et al., 2021; Nanda and Banerjee, 2021), providing a substantial amount of ideas for future studies, therefore we do not elaborate on this more than we have. Yet we emphasise that before moving forward with these, the foundations and principal assumptions of financial well-being must be challenged.

Practical implications
Increasing attention to financial well-being in research, policy and practice could lead to securing and improving it around the world. As Warmath (2021, p. 506) states, “financial well-being represents an opportunity in the shared goal of improving financial lives through study and practice”. However, to date there are no evidence-based tools for improving it. Instead, it is assumed that certain financial behaviours or decisions lead to improved financial well-being without measuring it (Warmath, 2021), and that financial well-being is the ultimate outcome of financial education (CFPB, 2015).

Current interventions tend to approach humans top down, without questioning the methods. We highlight that the intended outcome should be designed to address actual preferences of humans, rather than rely on the assumptions of the provider. Therefore,
instead of designing financial education initiatives that translate the world of finances into human language, policy-makers and the financial sector should learn more about the lives of individuals and translate these into financial services, education and policy. For that, it would be advantageous to tap into design science research.

Design science is a problem-solving paradigm that through creation of innovative artifacts (constructs, models, methods and instantiations) (Hevner et al., 2004) to solve problems or improve situations creates new reality rather than explains the existing one (Iivari and Venable, 2009). This novel and participatory (involving all stakeholders in the design process) research and design methodology has been popularised in policy-makers’ and practitioners’ world as either design thinking or service design, where new products and services are co-created with the people who will be using them.

Deeper understanding of the differences in the meaning, components and antecedents of financial well-being across various groups probably not simply definable by socio-economic or macro-economic indicators sets ground for more tailored segmentation and targeting of initiatives and services. The development of open banking and digital (financial) services makes it possible to personalise based on lifestyle choices and behavioural patterns. The development of digital public services and use of big data allows to design and implement policies that target the individual needs and vulnerabilities. These technological advances pave the way for possible mass customisation, where the user is either co-producer, co-designer, co-constructor or co-configurator of the service (Pallant et al., 2020), and user initiated automation of finances to aid further enhancement of individual and collective financial well-being.

Furthermore, not only do individuals differ from each other in their needs, wants and perceptions of financial well-being, but their own perception can vary across time and roles. This requires the provision of financial well-being initiatives to move from traditional or behavioural segmentation to what Soman and Kwan call “segmentation reimagined” (2022). The latter cannot be achieved without a deeper understanding of what financial well-being means for humans and what in their worlds affects it, nor how to measure it.

Conclusion
Despite the groundswell of literature on financial well-being, we found evidence of several bottlenecks that hinder its advancement. First, there is no agreement on what the term financial well-being means. Instead, there are several interpretations and assumptions. Second, many conceptualisations argue that financial well-being consists of several components and offer detailed theoretical discussions of these components and their distinctions but then measure it as a unidimensional construct. Third, the measurement tends to rely on a few existing scales, mainly consisting of 1–11 statements, asking to rate some aspects of one’s finances on a scale, without mapping the human lives around it. This may explain the lack of novel insights into financial well-being, despite the exponential growth in studies conducted to do exactly that. It may be that we have simply been asking the wrong or incomplete questions that do not actually reflect what financial well-being means for humans, or more likely, that the human dimension has been assumed rather than confirmed based on flawed assumptions that we already know what people experience. Fourth, if this is true, there is no hope of developing effective interventions for increasing financial well-being based on existing evidence as we have a one-sided understanding and measurement of it. This points to a need for a paradigm shift in financial well-being research. We call for further research that starts from in-depth analysis of the human perspective to financial well-being in international data and develops measures and interventions from that perspective, bottom up. We also highlight the need for building a bridge between academic and grey financial well-being literature to enable its advancement.
References


Appendix

Academic literature included in the review.


Grey literature included in the review


Bottlenecks in making sense of financial well-being

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