FINANCIAL LITERACY AND INCLUSIVE INSURANCE AS STRATEGIES FOR ENHANCING THE FINANCIAL RESILIENCE OF GEN Z IN RETIREMENT

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ABSTRACT

This paper explores the intersection of financial literacy and inclusive insurance as key strategies for enhancing the long-term financial resilience of Generation Z (Gen Z), especially in the context of retirement planning. The goal of the research is to address the growing vulnerability of this digital-first generation, which faces structural economic challenges such as student debt, precarious employment, and limited access to employer-sponsored benefits. The study uses a conceptual and literature-based methodology to examine global trends, synthesize evidence on financial and insurance behavior, and assess the effectiveness of these strategies. Findings show that low levels of financial and insurance literacy hinder Gen Z's ability to plan for retirement, while their digital fluency offers an opportunity for targeted interventions through tech-enabled financial education and inclusive insurance products. The discussion emphasizes the urgency of early intervention, behavioral skill-building, and the development of modular, value-driven insurance options. The paper concludes that financial literacy and inclusive insurance, when integrated, can significantly improve retirement outcomes for Gen Z. The research has policy and practical implications for stakeholders aiming to design more inclusive and adaptive financial systems. Its impact lies in highlighting the need for coordinated efforts that combine education, protection, and empowerment to ensure financial security for future generations.

Keywords: Generation Z, financial resilience, financial literacy, insurance, retirement

INTRODUCTION

The main characteristic of the significant demographic shift occurring globally is the rise in the proportion of older people. On average, there were 31 people 65 and older for every 100 people of working age in all OECD countries in 2023 (OECD, 2023). In 30 years, this ratio is predicted to be 54 (Table 1). The challenges posed by the growing trends underscore the significance of guaranteeing long-term financial stability and sustainability for all generations, including those who are just starting their careers, like Gen Z. Gen Z, which was born approximately between the middle of the 1990s and the beginning of the 2010s, is adjusting to a very different world than their predecessors. This generation is becoming a consumer group whose financial behaviours and habits are influenced by a combination of changing social values, economic uncertainty, and digital nativity.

In contrast to earlier generations, Gen Z was raised in a completely digital world where social media, smartphones, and fintech apps are essential to day-to-day living. The desire for smooth, technologically advanced financial services is reflected in this generation's preference for mobile banking, peer-to-peer payment systems, and real-time financial tracking tools (OECD, 2020). Their digital fluency is apparent, but a far wider range of factors influence their financial decision-making. The path to long-term financial security, especially retirement, presents special challenges for digital natives who were raised in an era of economic uncertainty, the gig economy, and changing social safety nets. Improving financial literacy and expanding access to inclusive insurance are two interrelated strategies crucial to ensuring that this generation can create a resilient financial future.

Table 1: Demographic old-age to working-age ratio: Historical and projected values, 1952-2082.

	1952	1962	1992	2022	2052	2082		1952	1962	1992	2022	2052	2082
OECD members													
Australia	14.2	16.2	19.3	28.6	43.7	59.1	Mexico	7.0	7.2	9.1	14.2	34.0	63.1
Austria	18.1	21.8	24.4	32.5	59.0	66.0	Netherlands	14.7	17.6	20.9	34.7	51.0	63.0
Belgium	18.5	21.5	25.5	34.0	52.2	63.9	New Zealand	17.0	17.0	19.6	27.7	44.9	62.0
Canada	14.5	15.3	18.9	31.7	46.3	59.5	Norway	16.6	20.8	28.1	31.3	46.5	61.0
Chile	6.4	7.3	11.6	20.9	48.6	73.0	Poland	9.5	11.5	18.2	30.3	59.9	68.7
Colombia	7.5	7.7	8.0	14.5	37.7	64.2	Portugal	13.3	15.1	24.6	39.0	69.7	74.7
Costa Rica	6.9	7.4	9.9	17.5	43.7	74.8	Slovak R.	12.0	13.5	18.4	27.3	56.8	62.4
Czechia	14.1	17.2	21.9	35.3	49.0	46.3	Slovenia	13.5	14.0	18.3	35.3	65.7	66.9
Denmark	16.3	19.7	25.7	35.6	44.3	55.9	Spain	13.0	15.2	24.3	33.4	77.2	84.7
Estonia	18.4	17.9	20.7	35.6	57.9	64.7	Sweden	17.4	20.9	30.8	35.9	46.0	60.4
Finland	12.2	13.9	22.5	41.5	52.4	69.6	Switzerland	16.1	18.0	23.4	31.8	56.4	62.0
France	19.7	21.5	24.9	39.3	57.1	68.4	Türkiye	8.4	9.7	9.7	14.2	39.3	60.9
Germany	16.9	19.8	23.7	38.0	59.1	64.8	UK	18.3	20.7	26.9	33.2	49.1	63.8
Greece	12.9	14.9	24.1	39.3	70.7	79.4	USA	14.9	18.1	21.0	29.4	43.4	57.7
Hungary	13.6	16.3	23.3	33.2	51.8	57.5	OECD	13.8	15.7	20.4	31.3	53.8	66.1
Iceland	14.4	17.2	19.2	25.5	45.7	64.9							
Ireland	20.7	23.1	21.7	25.8	51.2	61.4	Argentina	7.6	9.9	17.3	20.8	34.4	57.4
Israel	7.8	10.9	19.3	23.1	31.1	40.9	Brazil	5.5	6.3	9.1	15.8	40.1	62.3
Italy	14.6	16.9	25.4	41.0	78.1	83.4	China	9.6	8.0	9.7	21.6	58.8	92.9

Japan	9.9	10.8	21.6	55.4	80.0	85.7	India	6.5	7.3	8.6	11.7	26.2	50.4
Korea	6.3	7.5	8.6	26.3	82.3	117.0	Indonesia	4.0	5.4	8.3	11.5	26.2	39.4
Latvia	17.9	17.7	21.2	38.0	56.4	60.8	Saudi Arabia	7.7	8.4	5.5	4.4	39.5	49.6
Lithuania	14.8	15.1	19.4	35.1	56.8	60.9	South Africa	8.3	7.6	8.0	10.3	19.7	29.6
Luxembourg	16.0	18.0	21.2	23.5	48.2	59.4	EU27	14.8	16.6	22.3	34.6	58.2	66.7
Non-OECD EU countries													
Bulgaria	11.8	13.2	25.1	38.0	63.4	69.7							
Croatia	13.5	13.4	20.6	38.1	60.7	74.4							
Cyprus	11.9	12.6	16.9	23.1	52.8	65.1							
Malta	14.1	15.6	18.6	30.1	59.2	84.5							
Romania	12.0	12.2	18.9	31.1	53.9	57.8							

Source: United Nations, Department of Economic and Social Affairs (2022). World Population Prospects 2022, Online Edition.

Social security systems and the health infrastructure are under more strain due to the growing proportion of elderly people and the anticipated length of life after leaving the labour market (Graph 1), highlighting the importance of promptly identifying risks associated with the third age of life. Compared to men, women spent 4.5 more years after leaving the labour market. This demonstrates a notable and enduring gender disparity, which is mostly caused by women's longer life expectancies and traditionally earlier effective retirement ages. In 2022, people (men and women combined) spent 4.5 more years after leaving the labour market than they did in 1980. This indicates that the length of the retirement period has increased significantly over the previous forty years. For Gen Z, which has unique financial needs that call for a reassessment of conventional social security systems, proactive savings and investment planning is essential.

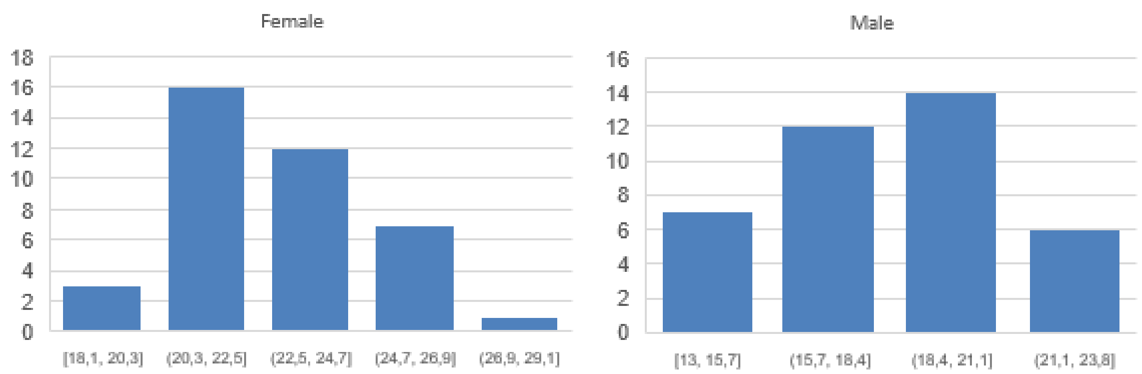

Figure 1. Expected years after labour market exit, average OECD countries, 2019-2022
Source: OECD (2023) Pensions at a glance

Unlike earlier generations who mainly depended on defined-benefit pensions and consistent, long-term employment, Gen Z is faced with a landscape characterised by the gig economy, economic volatility, student debt, increased longevity and information overload (Kurian, Bindu Madhavi, 2024; White, 2023; Heye, 2023). A large portion of Gen Z works as independent contractors, freelancers, or part-timers and frequently does not have access to traditional employer-sponsored retirement plans or benefits like health or disability insurance. Growing up after the 2008 financial crisis and going through the COVID-19 pandemic's economic shocks cultivated a sense of financial instability. Heavy student loan debt frequently postpones important financial goals, such as retirement savings. Increasing longevity due to significant progress in health, nutrition, and general living conditions is good. However, as people live longer, their retirement savings must also last longer, necessitating larger savings. Despite being tech-savvy, Gen Z finds it challenging to distinguish reliable advice due to the deluge of financial information, including false information, that they encounter online. All of these characteristics influence early proactive and well-informed financial planning. In order to navigate potential setbacks on the lengthy path to and through retirement, financial resilience, the capacity to tolerate and recover from financial shocks, becomes not only desirable but also necessary.

This paper adopts a conceptual and literature-based research design to explore the intersection of financial literacy and inclusive insurance as complementary strategies for improving Gen Z's retirement resilience. The authors conduct a comprehensive review of international literature, secondary data sources, and empirical findings from previous studies to identify patterns, theoretical links, and actionable insights. The paper is structured into several thematic sections including the characteristics of Gen Z, dimensions of financial literacy, inclusive insurance mechanisms, and the synergies between the two strategies.

The purpose of this paper is to explore the intersection of financial literacy and inclusive insurance as complementary strategies for improving the retirement resilience of Gen Z. Although financial literacy has been widely studied, research that integrates it with inclusive insurance and focuses specifically on younger generations remains scarce. This literature gap is particularly relevant given the changing socioeconomic landscape and the increasing personalization of financial products. This research contributes to the existing body of knowledge by: identifying the financial behaviors and vulnerabilities of Gen Z in the context of retirement planning, analyzing the role of inclusive insurance as a practical tool for long-term risk mitigation, and offering evidence-based recommendations for policymakers, industry actors, and educators.

By addressing this gap, the paper responds to a pressing need for innovative, youth-oriented approaches to retirement planning that combine education, protection, and empowerment.

FINANCIAL BEHAVIOR AND CHARACTERISTICS OF GEN Z

Gen Z, typically defined as individuals born between the mid-1990s and early 2010s, is emerging as a consumer group whose financial habits and behaviors are shaped by a convergence of digital nativity, economic uncertainty, and evolving social values. Unlike previous generations, Gen Z has grown up in a fully digitized environment, where smartphones, social media, and fintech applications are integral to daily life. This generation's preference for mobile banking, peer-to-peer payment platforms, and real-time financial tracking tools reflects an expectation for seamless, technology-driven financial services (OECD, 2020). However, while their digital fluency is evident, their financial decision-making processes are influenced by a much broader range of factors.

At the core of Gen Z's financial behavior lies financial literacy, which serves both as a foundational knowledge base and a motivational force for responsible financial decision-making. Numerous studies indicate a strong and positive correlation between financial literacy and sound financial behavior (Rodriguez et al., 2024), particularly in areas such as budgeting, saving, and investing (Atkinson et al., 2006; Barbić et al., 2018). Yet, knowledge alone is not sufficient. Financial behavior, defined as the strategies and actions individuals use to manage their resources effectively, is the mechanism that translates knowledge into tangible outcomes (Hilgert et al., 2003; Xiao, 2008). Responsible financial behaviors, such as maintaining a personal budget, building emergency savings, and setting financial goals, are essential for long-term well-being (Dew & Xiao, 2011; Lučić, Barbić, & Uzelac, 2023).

Interestingly, financial behavior has been found to be a stronger predictor of perceived financial well-being among Gen Z than digital literacy or financial skills alone (Susnaningsih et al., 2024). This underscores the importance of behavioral competencies alongside financial knowledge. Educational initiatives, therefore, must go beyond the theoretical to cultivate practical, experiential learning—particularly in areas such as self-control, financial self-efficacy, and contextualized decision-making (Purboningrum & Fathoni, 2023; Mawad et al., 2022; Anjani & Darto, 2023).

The digital environment offers both opportunities and challenges. On one hand, digital tools enhance access to information and facilitate better financial tracking. On the other, they expose young consumers to risks such as impulsive spending, financial overextension, and misinformation—particularly in speculative areas like cryptocurrency and NFTs (Alysa et al., 2023; Qamar et al., 2023; Hanfa, 2025). For example, many young investors in Croatia mistakenly assume that cryptocurrencies are regulated similarly to traditional financial products, revealing significant gaps in understanding (Hanfa, 2025).

Social and familial influences further complicate the picture, as financial behaviors are often shaped by early life experiences and value systems (Mireku et al., 2023). In the EU and OECD contexts, the residual impacts of the 2008 financial crisis and the COVID-19 pandemic have reinforced a cautious, pragmatic approach to money management. Surveys indicate that Gen Z is more conservative than Millennials, showing a greater aversion to debt and a stronger preference for saving—especially for emergencies and short-term goals (Milotay, 2020; Harris Poll, 2023).

Despite their tech-savviness, Gen Z does not always reject traditional methods. The resurgence of hybrid financial habits, such as the "cash stuffing" method—where individuals divide physical cash into envelopes for specific expenses—reflects a blend of old and new financial strategies. In Croatia, for instance, 61% of young adults still prefer saving in cash despite their use of digital tools (Hanfa, 2022). This hybridization of financial habits illustrates Gen Z's adaptability and search for control in uncertain economic climates.

Moreover, Gen Z is increasingly driven by value-oriented financial decision-making. Ethical consumption and socially responsible investing are becoming core components of their financial identity. This generation actively supports brands and financial products that align with their social and environmental values, further differentiating them from previous cohorts and highlighting a cultural shift in consumer finance (Harris Poll, 2023).

As Gen Z continues to shape financial markets, consumer behavior, and public policy across the EU and OECD, institutions must respond with informed and inclusive strategies. Strengthening financial education, promoting responsible digital finance, and understanding the nuanced relationship between financial literacy, behavior, and broader socioeconomic conditions will be key to enabling Gen Z to build resilient, financially secure futures.

FINANCIAL LITERACY: A FOUNDATION FOR RETIREMENT READINESS

Definition and dimensions of financial literacy

The OECD (2012) defines financial literacy as "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being."

Financial literacy involves the understanding and practical application of financial knowledge, including concepts, products, and services. It includes both the comprehension of financial principles and the ability to use financial tools and resources efficiently (Barbić, Palić & Bahovec, 2016).

Financial knowledge includes both a theoretical understanding and the practical application of financial concepts and instruments (Barbić, 2017). Individuals acquire this knowledge through formal education systems, non-formal learning settings, and informal life experiences (Pastuović, 2008). Numerous studies have emphasized the close link between financial knowledge and financial behavior, indicating that a solid grasp of financial principles greatly influences individuals' decision-making and financial actions.

This relationship is shaped by various sources of learning—ranging from structured educational programs to everyday financial interactions. Atkinson and Messy (2012) argue that individuals with higher levels of financial literacy are better positioned to make sound financial decisions, thereby supporting more efficient and stable financial markets. It is widely believed that enhancing financial knowledge leads to improved financial behaviors, a view substantiated by empirical research (Hilgert et al., 2003).

Insufficient understanding of money management and financial principles is often a key reason why individuals struggle with effective resource management and deviate from recommended financial behaviors. In their study, Hilgert et al. (2003) found that people with stronger financial knowledge scores were more likely to engage in responsible financial practices, such as timely bill payment, expense tracking, budgeting, creating emergency savings, and diversifying investments, resulting in better financial outcomes and increased household financial security. These findings underscore the predictive power of financial knowledge and skills in determining the quality of financial decisions.

Lusardi (2008) also demonstrated the importance of financial knowledge and competencies in shaping decision-making outcomes. A lack of familiarity with essential financial concepts can result in poor financial behavior and hinder long-term financial success. Individuals who possess higher levels of financial understanding are more likely to actively plan for their financial future.

Similarly, Lusardi and Mitchell (2014) showed that greater financial knowledge is positively associated with behaviors such as budgeting, saving, and investing—activities that collectively enhance financial well-being. Collins (2010) further affirmed the beneficial relationship between financial knowledge and effective financial behavior.

These conclusions are reinforced by a broad body of literature, including studies by Bernheim and Garrett (1996), Chen and Volpe (1998), Boyce and Danes (1998), Lusardi (2004), Mandell and Schmid Klein (2007), Stango and Zinman (2009), Gale and Levine (2011), Brown and Graf (2013), Barbić (2017), and Barbić, Lučić, and Chen (2018), all of which confirm the consistent positive association between financial literacy and a range of responsible financial behaviors.

Additionally, financial knowledge has been linked to specific actions such as retirement planning (Hung, Parker, & Yoong, 2009) and informed investment decisions (Fernandes, Lynch Jr., & Netemeyer, 2014). The evidence overwhelmingly suggests that individuals with greater financial literacy are more likely to engage in forward-thinking financial planning and informed decision-making, thereby contributing to their overall financial well-being and success.

Financial skills refer to a set of practical, cognitive, and numerical abilities that enable individuals to perform essential financial computations and interpret financial data effectively. These skills include the capacity to understand and apply concepts such as interest rates, inflation, loan repayment terms, and currency exchange rates in real-life financial decision-making (Lusardi & Mitchell, 2008; Barbić, 2017). More specifically, financial skills encompass the ability to calculate percentages, compare investment options, and forecast the financial implications of various choices. Unlike general numeracy, financial skills are domain-specific and closely tied to the management of personal finances, such as budgeting, saving, debt repayment, and investment planning (Lipkus et al., 2001). Empirical research confirms that individuals with stronger financial skills are more likely to exhibit sound financial behavior, avoid debt-related distress, and experience greater financial well-being (Banks et al., 2010; Gerardi et al., 2010). These skills have been shown to predict successful outcomes such as timely bill payments, maintaining emergency savings, and overall financial solvency (Hilgert et al., 2003). Importantly, the effect of financial skills on financial decision-making is not always straightforward and may be moderated by psychological factors such as behavioral control, which can either amplify or weaken the relationship between financial skills and financial outcomes (Barbić, 2017). Thus, financial skills represent a critical component of financial literacy and are indispensable for achieving financial security and independence in increasingly complex financial environments.

In psychological literature, attitudes are commonly understood as enduring mental predispositions that reflect how individuals evaluate particular objects, ideas, or behaviors, typically along a continuum of favor or disfavor. Eagly and Chaiken (1993) define an attitude as "a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor," a definition that has been widely adopted in behavioral research, including studies on financial behavior (Parrotta & Johnson, 1998). Building on this conceptual foundation, financial attitudes can be defined as an individual's psychological inclination to assess financial behaviors and management practices, such as saving, budgeting, borrowing, and investing, with varying levels of approval or disapproval. In other words, financial attitudes represent subjective evaluations that influence how individuals feel about and respond to recommended financial practices (Xiao, 2008). These attitudes, whether positive or negative, are shaped by personal experiences, socialization, cultural values, and financial education and play a significant role in shaping financial decision-making (Pankow, 2003). Research suggests that favorable financial attitudes are positively correlated with responsible financial behavior, such as regular saving and controlled spending, and can significantly contribute to financial well-being (Shim et al., 2009; Atkinson & Messy, 2012). As such, fostering constructive financial attitudes through education and early intervention is a key component of financial literacy development.

Finally, financial behavior refers to the observable actions and patterns through which individuals manage their financial resources, encompassing practices such as budgeting, saving, borrowing, investing, and spending. According to the OECD (2014), financial behavior represents "the application of financial knowledge, attitudes, and skills in daily life to make informed and effective decisions about financial resources." It is a key component of financial literacy, and directly influences financial outcomes and well-being. As highlighted by Barbić (2017), financial behavior can be assessed through indicators such as timely bill payment, expense monitoring, the establishment of savings plans, and investment diversification. While financial knowledge and skills provide the cognitive tools needed to understand financial matters, it is through financial behavior that these tools are put into action. Research has shown a positive relationship between financial knowledge and responsible financial behavior (Hilgert et al., 2003; Lusardi, 2008), although this relationship may be moderated by factors such as behavioral control or psychological predispositions (Barbić, 2017). Ultimately, consistent and responsible financial behaviors are essential for long-term financial stability and resilience, making the study and promotion of sound financial behavior a central goal in both financial education and public policy.

Current levels of financial literacy among Gen Z

According to the OECD/INFE 2023 International Survey of Adult Financial Literacy, which gathered data from 39 countries and economies, global financial literacy levels remain inadequate (OECD, 2023a).

The average financial literacy score across all participating countries was 60 out of 100, with OECD countries averaging 63. Alarmingly, only 34% of adults worldwide, and 39% across OECD countries, achieved the minimum target score of 70, the benchmark indicating basic financial competence (OECD, 2023a).

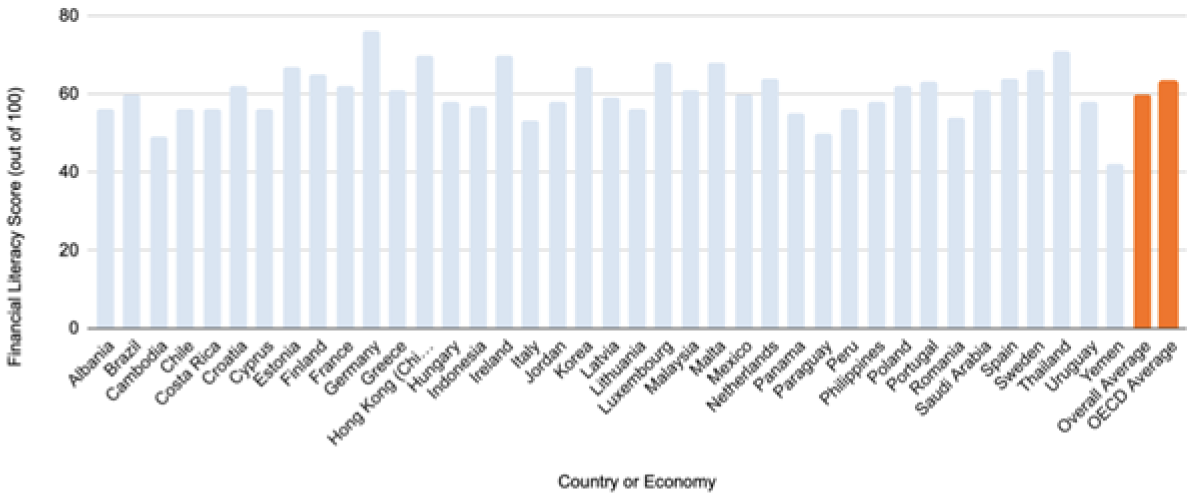

Figure 1: Total financial literacy in 2023
Source: OECD/INFE (2023)

In terms of financial knowledge, while 84% of adults correctly identified the concept of inflation, only 63% could apply the time value of money to savings, and just 42% answered correctly on compound interest. Even among those holding savings products, only 46% understood compound interest, indicating a critical disconnect between financial product usage and comprehension (OECD, 2023a).

Financial behaviours also showed room for improvement. Although 70% of adults reported assessing affordability before purchasing, merely 26% compared financial products and 24% consulted independent financial advice prior to making financial decisions (OECD, 2023a). Financial attitudes were similarly modest, with an average score of 56, reflecting a notable orientation toward short-term consumption over long-term planning (OECD, 2023a).

Young adults aged 18 to 29 were found to have slightly lower financial literacy levels than older age groups. On average, their scores trailed those of the 30–59 age cohort by approximately two points out of 100, underscoring a modest but consistent knowledge gap. This gap was especially pronounced in some OECD countries, including Finland, Luxembourg, and Sweden, where the difference in financial knowledge scores between young and middle-aged adults exceeded 10 points. However, this trend was not universal. In Latin American countries such as Brazil, Panama, and Paraguay, young adults demonstrated financial literacy levels that marginally exceeded those of their older counterparts (OECD, 2023a). These findings highlight the influence of regional and contextual factors on financial literacy outcomes among youth.

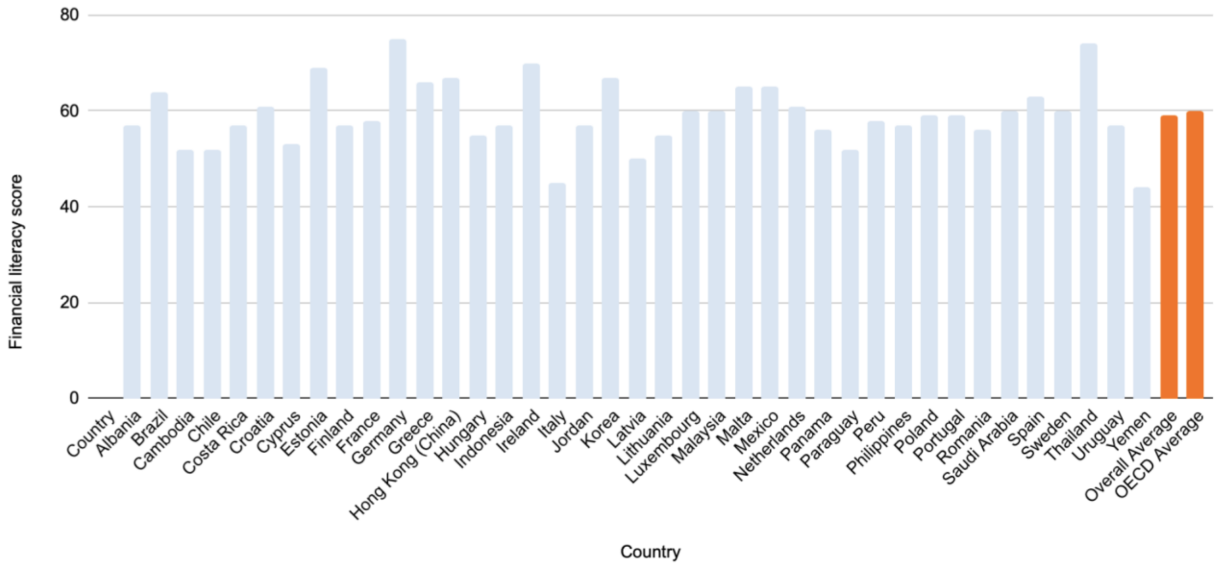

Figure 2: Overall Financial Literacy (Ages 18–29)
Source: OECD/INFE (2023)

Although young adults underperformed overall, their digital proficiency positions them advantageously in the context of evolving digital financial ecosystems. The report emphasized the need to enhance digital financial literacy—defined as the knowledge, behaviours, and attitudes required to safely and effectively use digital financial services (OECD, 2023a, p. 36). With the growing prevalence of digital banking, cryptocurrency, and online financial transactions, digital literacy has become a crucial component of overall financial capability, particularly for younger populations.

PISA study investigated financial literacy of young Gen Z representatives, aged 15 years. Across the 14 OECD countries evaluated, an average of 18% of students lack basic financial literacy skills. This indicates that they are unable to effectively apply financial knowledge to real-world situations and decision-making. Enhancing financial literacy is expected to not only improve students' money management in the short term but also support better financial decision-making as they transition into adulthood.

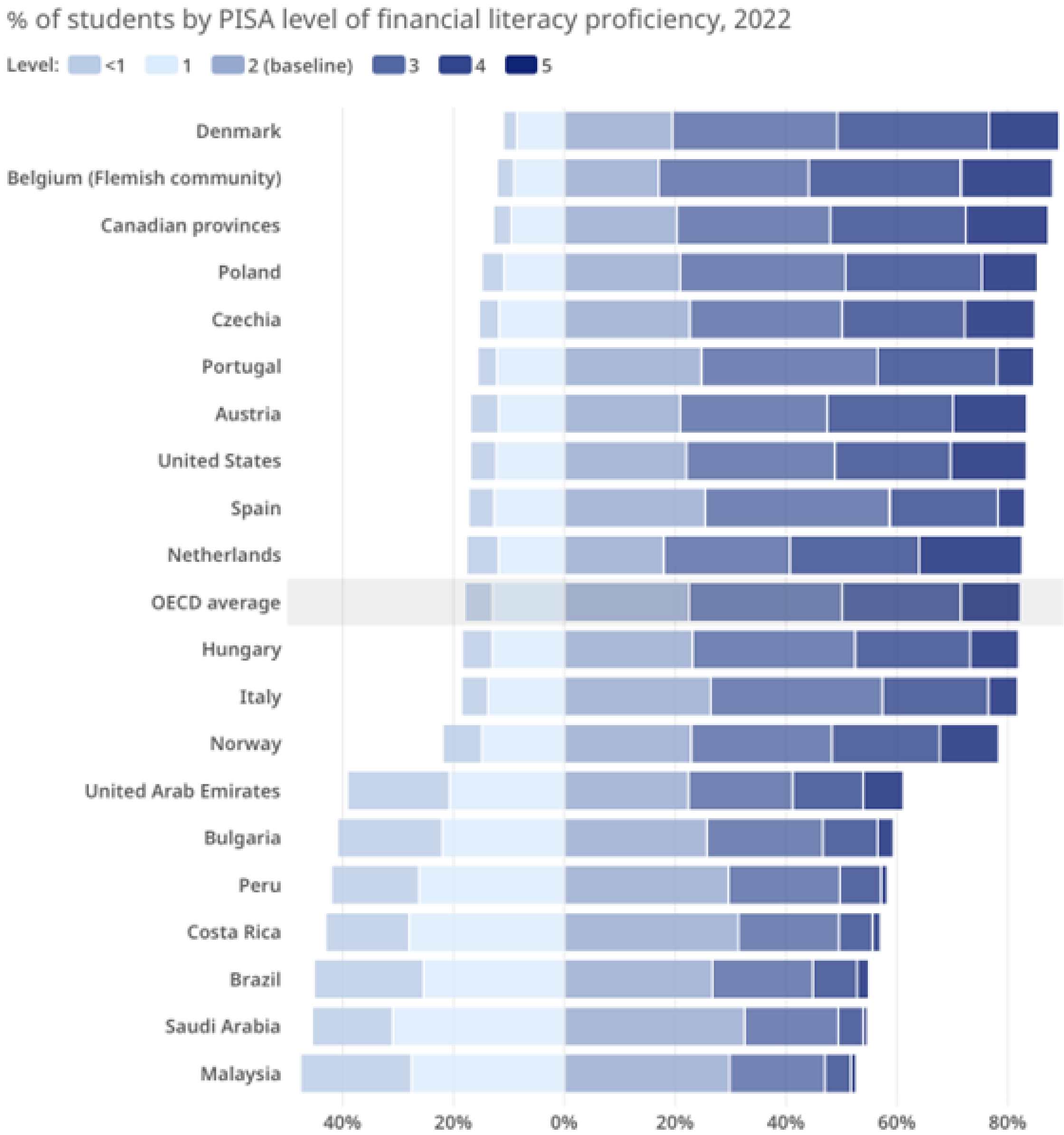

Figure 3: Financial literacy of 15-year-old students
Source: OECD (2024), PISA 2022

On average, around 60% of 15-year-old students possess a bank account and/or a payment or debit card, and over 85% have made an online purchase within the past year.

The findings reveal a clear connection between financial literacy and responsible financial behavior. Students with stronger financial literacy tend to demonstrate more responsible and proactive financial habits. Those who perform well in financial literacy are 72% more likely to save money and 50% more likely to compare prices across different stores before making a purchase, compared to their lower-performing peers (OECD, 2024).

According to the EUROBAROMETER Youth Survey 2024, social media represents the primary source of political and social information for 42% of respondents aged 16 to 30, while television ranks second with 39%. Notably, a significant majority—76% of young people—reported that they had encountered disinformation or fake news within the seven days preceding the survey. These findings underscore the dominant role of digital platforms in shaping youth perceptions and highlight the urgent need for improved media literacy, particularly among younger populations who are regularly exposed to potentially misleading content.

Consequences of low financial literacy

Low levels of financial literacy have been consistently linked to a range of adverse financial outcomes, including underinsurance, insufficient savings, and inadequate retirement planning. Individuals with limited financial knowledge often struggle to assess risk appropriately and are therefore less likely to purchase necessary insurance products, leaving them financially vulnerable in the event of unexpected events (Lusardi & Mitchell, 2007). Similarly, a lack of understanding about interest rates, inflation, and compound growth contributes to suboptimal saving behavior, with many individuals failing to accumulate sufficient emergency funds or long-term savings (OECD, 2016). This deficit in financial preparedness extends to retirement planning, where low financial literacy is associated with poor participation in pension schemes and limited investment in retirement accounts (Lusardi & Mitchell, 2011; van Rooij, Lusardi, & Alessie, 2012). Research further suggests that individuals with higher financial literacy are more likely to engage in retirement planning, start saving earlier, and diversify their portfolios, all of which significantly enhance financial security in later life (Boisclair, Lusardi, & Michaud, 2017). As such, enhancing financial literacy is not merely an educational objective but a critical component of public policy aimed at improving individual and societal financial resilience.

INCLUSIVE INSURANCE: REDEFINING PROTECTION FOR THE NEW WORKFORCE

Insurance is an essential tool for risk management that provides protection against unanticipated events such as disease, accidents, property damage, or the death of a primary provider. However, traditional insurance is still out of reach for a large percentage of the world's population, especially those living in developing economies or in vulnerable groups within developed countries. It may be too costly, too difficult to use, unavailable, or just not made to fit their unique requirements and situation. The idea of inclusive insurance has developed as a response to bridging the gap and providing risk protection benefits to those who were previously excluded. The term "inclusive insurance" refers to insurance products and services that are designed to reach people and groups that the mainstream insurance market has historically underserved or excluded. This idea goes beyond just focusing on low-income groups; it also includes filling in coverage gaps brought on by different socioeconomic or demographic factors. Inclusive insurance represents a comprehensive strategy aimed at giving underprivileged groups relevant, reasonably priced, and easily accessible insurance options. It is defined by key features: accessibility, affordability, relevance and appropriateness, client value and sustainability (International Actuarial Association, 2023). It is common knowledge that goods and services must be available to underserved and marginalised markets. This entails streamlining enrolment procedures and utilising suitable distribution channels (such as mobile platforms, community agents, aggregators, collaborations with retailers or microfinance organisations). The target clients' income levels and cash flow patterns, which are frequently erratic, must be taken into account when setting premiums and payment plans. Instead of high yearly premiums, this could entail smaller, more frequent payments. Products should address the particular risks that vulnerable populations prioritise and actually encounter, such as simple property damage, crop failure, funeral costs, livestock loss, and health shocks. Simple, easily comprehensible terms and conditions are essential for policies, even for people with little financial knowledge. Offering genuine protection is the ultimate objective. This implies that the insurance must provide observable advantages, as well as simple, equitable claims procedures that yield prompt payments in the event of a disaster. Low claim ratios can occasionally be a sign that the claims procedure is too challenging or that a product isn't satisfying customer needs. The models must be profitable for insurance companies and still valuable to customers in order for inclusive insurance to be scalable and long-lasting. To control expenses, this calls for effectiveness, creativity, and frequently collaborations. (Cheston, 2018).

As evidenced by informal burial societies and community-based mutual aid agreements worldwide, the concept of communities combining resources to manage risk is not new. Microinsurance emerged as a result of the formal idea of providing insurance to the underprivileged gaining considerable traction in the late 1990s and early 2000s alongside the microfinance movement. At first, the main focus of microinsurance was on offering low-premium, low-coverage, basic products to low-income people and households. Simple health or accident insurance, funeral insurance, and credit life insurance (often combined with microloans) were common early products. The emphasis was very product-centric and frequently motivated by NGOs or microfinance organisations looking to safeguard their customers (and loan portfolios). Despite being revolutionary, early microinsurance had drawbacks, including low value for customers at times, trouble scaling, high administrative expenses in comparison to low premiums, and concerns about long-term viability (Bhattamishra, Barrett, 2008). Over the past 10-15 years, microinsurance (typically defined by target income category) has evolved into inclusive insurance. This evolution was caused by numerous factors, such as wider target market, market development approach, technology, data availability, regulatory support and global development goals (AII, 2025; IAA, 2023).

The field of inclusive insurance is a dynamic and innovation is evident in areas such as parametric insurance, which simplifies claims by paying out based on predetermined triggers like rainfall levels or earthquake intensity; the integration of insurance with non-financial services like health advice and agricultural information through digital platforms; and an increasing emphasis on risks made worse by climate change. Startups in the insurtech sector are becoming more and more active, competing with established firms and coming up with innovative ways to cater to specialised markets. The evolution will continue due to more platform-based solutions that offer bundled services, even more personalisation through AI, and continuous efforts to establish credibility and prove value to underserved clients are probably in store for the future. Even though there are still issues, mainly with scale, sustainability, and guaranteeing actual client value, the transition from unofficial risk sharing to a widely accepted market development strategy emphasises how crucial it is to keep financial safety nets available to everyone. Creating a more resilient and equitable world requires inclusive insurance, which is no longer merely a niche concept.

According to Geneva Association research, clients have certain expectations towards insurance companies in order to increase the purchase of insurance products (Geneva Association, 2024). First of all, they emphasise the affordability of insurance, which is the first reason for not having risk protection. For Gen Z, one important factor is the lack of time for product research, and they require clearer and simpler explanations. Furthermore, the claims settlement process and the need for customised personalised products are also important to them. Accessibility, affordability, awareness, and suitability as fundamental characteristics of inclusive insurance are highly relevant to Gen Z's long-term financial stability and well-being (Geneva Association, 2024). In the context of inclusive insurance, accessibility refers to ensuring that products are simple to comprehend, buy, and file a claim against, frequently via practical channels like online platforms (Geneva Association, 2024). Accessible insurance options for the digitally native Gen Z would probably include mobile apps and user-friendly web interfaces (Garth, 2024). Another important consideration is affordability, especially for a generation that may be struggling with high living expenses and student loan debt. Gen Z insurance solutions must take into account their present financial limitations and provide products with affordable premiums, perhaps through microinsurance models or flexible payment plans (Froment, 2024). Product development and implementation of inclusive insurance products for Gen Z are faced with specific and significant challenges arising from the characteristics of the generation itself (Deloitte, 2024; McKinsey, 2024; EY, 2023), but also the features of pension and health insurance, and long-term care. Table 2. shows the key challenges with highlighted problems and potential solutions.

Table 2. Key challenges in the implementation of inclusive insurance for members of Gen Z

Challenge	Problem	Solution
Affordability & Financial Instability	Economic situation: Precarious or low-paying jobs, rising living expenses, and student loan debt. Variable and unstable incomes as a result of the "gig" economy make it challenging to plan for insurance premiums. Competing priorities for scarce resources.	Development of personalized products and distribution through appropriate (digital) channels.
Product Design & Relevance	Need for adjustment since traditional insurance plans are designed for steady, linear careers. Relevance of coverage: In addition to conventional risks, products need to address cyberthreats and mental health issues that are relevant to this generation. Value integration: They anticipate social responsibility and ESG in goods and services.	Modular, flexible products are required for Gen Z to adapt to changes in their jobs, incomes, and lifestyles. Integration of ESG (Environmental, Social, Governance) principles valued by Gen Z.
Trust & Skepticism	Institutional mistrust: This generation may be suspicious of traditional financial institutions due to financial crises and corporate intransparency. Concerns about data privacy: Gen Zers are tech-savvy and privacy-aware. Sharing personal information for customised Insurtech solutions, such as lifestyle tracking for health insurance, may become challenging as a result. Integrity and transparency: They demand openness in pricing and truthful communication. Confusing insurance terms often lead to mistrust.	Building trust through transparency, ethics and clear communication. Using digital tools, gamification and social networks in a responsible way. Data protection and privacy.
Financial Literacy & Product Complexity	Financial Literacy: Although their literacy varies, they might comprehend financial matters. Interest rates, insurance, investments, and complicated financial products are all unfamiliar to many people. Traditional product complexity: A generation that prioritises speed, ease of use, and intuition finds insurance products' complex systems and technical jargon annoying.	Design of innovative and accessible educational materials and tools.

Regulatory framework	Regulation, although necessary, can hinder innovation, which slows down the development of new, customized solutions	Adaptation of existing laws and regulations to support innovative models (e.g. insurance for workers in the gig economy)

Source: authors according to World bank, ILO, OECD, Microinsurance Network, Deloitte, McKinsey, EY reports

Traditional insurance relies on traditional distribution channels, which are necessary for certain types of insurance. However, Gen Z is a digital generation that expects to be able to buy insurance products online. As he pointed out in the research of the Geneva Association, affordability and accessibility are important characteristics that inclusive insurance should unite in order to make the products more understandable when concluding contracts, as well as when reporting claims. A factor that must be considered when developing an inclusive insurance product is student loans and the ability to save for the third age (TIAA, 2024). In this case, insurance products could potentially be linked to a loan repayment plan. Employees in the "gig" economy should have the option of continuing payments and transferring rights regardless of changes in the employer, or pausing payments in case of temporary unemployment. The insurance product should be combined with other financial products related to pension payments or long-term care.

According to data from the Microinsurance Network (2024), 344 million people in 37 countries are covered by inclusive or micro insurance, which makes it as expansive and diverse as the risks to which individuals are exposed. Inclusive insurance products cover four basic risks, health, life, agriculture, and property and income. Table 3 shows examples of inclusive insurance in selected countries with regard to the covered risk.

Table 3. Examples of inclusive insurance in selected countries

Type of insurance	Name of the program	Country
Health insurance	Ayushman Bharat - Pradhan Mantri Jan Arogya Yojan (A government health insurance program that provides free secondary and tertiary hospital treatment)	India
	M-TIBA	Kenya
	CARD MRI Microinsurance	Philipines
Agricultural insurance	ACRE Africa (parametric (index) insurance for small farmers)	Kenija, Ruanda, Tanzanija i ostale
	Pradhan Mantri Fasal Bima Yojana (PMFBY) - The government's subsidized crop insurance program	India
Life and accident insurance/funeral expenses	BIMA Mobile	Several countries in Asia, Africa and Latin America
	MiVida	Meksiko

Disaster insurance (parametric)	Pacific Catastrophe Risk Insurance Company (PCRIC)	Pacific Island States

Source: Microinsurance Network, World bank, WHO, Acreafrica

In the examples given, it can be seen that the countries of Asia, Africa, and the Pacific mostly have inclusive insurance, which would be excluded from insurance and exposed to a large number of risks if there was no integration of technological solutions, partnerships with telecoms and retailers, and government subsidies. The first products of inclusive insurance can be traced back to 1996, and their number has been constantly increasing since then, and to the greatest extent they relate to risks associated with non-life insurance.

SYNERGIES BETWEEN FINANCIAL LITERACY AND INCLUSIVE INSURANCE

The intersection between financial literacy and inclusive insurance is increasingly recognized as a critical area for fostering financial resilience among vulnerable populations. Financial literacy plays a pivotal role in the uptake and appropriate use of insurance products. Research has shown that individuals with low levels of financial literacy are significantly less likely to hold insurance policies, particularly among low-income groups, who stand to benefit the most from risk protection mechanisms (Lusardi & Mitchell, 2011; Cole et al., 2013).

Inclusive insurance refers to insurance access that is affordable, relevant, and appropriately designed for underserved markets, such as informal sector workers, rural households, and youth (Churchill & Matul, 2012). The uptake of such insurance products is often hindered by a lack of understanding of insurance concepts such as risk pooling, premiums, and policy conditions. Financial literacy serves as a foundational enabler for inclusive insurance, supporting not only access but also the effective use of insurance products. Thus, the synergy between financial literacy and inclusive insurance is crucial for promoting financial inclusion and reducing vulnerability to economic shocks.

Financial education as a support for informed decision-making on insurance

Financial education initiatives have a proven capacity to support more informed decision-making related to insurance. By increasing individuals' understanding of key insurance concepts, such as risk transfer, deductibles, and coverage limits, financial education empowers consumers to evaluate and select products that align with their needs and risk profiles (OECD, 2021). Without this foundational knowledge, individuals are more likely to be underinsured, be misled by marketing, or avoid insurance altogether due to distrust or perceived complexity.

Empirical evidence confirms that individuals who have received financial education are more likely to make rational and cost-effective insurance choices (Finke, Huston & Waller, 2009). In developing economies, where microinsurance is emerging as a key tool for financial protection, financial education programs have been linked to increased enrollment rates and improved claims behavior (Giné, Townsend & Vickery, 2008). These findings suggest that integrating insurance education within broader financial literacy strategies enhances consumers' capacity to make long-term, risk-conscious financial decisions.

The role of insurance literacy within broader financial literacy

Insurance literacy, a subset of financial literacy, refers to the knowledge and skills required to understand, evaluate, and utilize insurance products effectively. While often overlooked in traditional financial literacy frameworks, insurance literacy is essential for comprehensive financial competence. The OECD/INFE (2017) framework recognizes insurance as a key domain within financial literacy, alongside budgeting, saving, borrowing, and investing.

Given the increasing complexity of financial markets and the prevalence of risk in everyday life, insurance literacy helps individuals and households safeguard against adverse events and avoid catastrophic financial losses. Research indicates that improved understanding of insurance mechanisms contributes to better financial planning and greater resilience (Tennyson, 2011). Notably, financial literacy does not necessarily translate into insurance literacy, which requires targeted and specialized education to develop (Weedige et al., 2019).

A study conducted in Sri Lanka revealed that only 35.51% of the labor force had active life insurance policies, and among middle-class consumers, 66.89% lacked any personal insurance coverage (Weedige et al., 2019). Moreover, just 28.2% had received formal education related to insurance, personal finance, or risk management. These findings underscore the widespread lack of insurance literacy even among financially active segments of society.

International comparisons highlight a similar concern: in Australia, personal insurance only covers 61% of basic needs, 37% of income replacement, 13% of total and permanent disability, and 16% of income protection needs, exposing families to financial vulnerability in the event of adverse life events. This underinsurance phenomenon is often driven by misconceptions, behavioral inertia, and lack of awareness (Warner, 2016).

.Weedige et al. (2019) further demonstrate that insurance literacy directly and indirectly influences consumers' behavioral intention to purchase personal insurance, primarily through mediators such as trust, perceived benefits, and favorable attitudes. Their model confirmed that individuals with higher insurance literacy not only exhibit greater willingness to insure but also develop stronger trust in insurers and perceive more value in insurance products.

Including insurance literacy in financial education can also help mitigate behavioral biases such as optimism, overconfidence, and inertia, which frequently inhibit proactive insurance behavior, particularly in underserved or skeptical communities (Weedige et al., 2019). The study of Weedife et al. (2019) confirmed that individuals tend to overinsure against high-frequency, low-impact risks (like vehicle damage) while neglecting low-frequency, high-impact risks (like critical illness or disability), largely due to risk misperception and trust issues. As such, enhancing insurance literacy should be a central aim of financial education policies aimed at promoting financial resilience and well-being.

Integrating insurance into financial education programs for youth

Educating youth about insurance from an early age is vital for building long-term financial resilience and establishing positive financial behaviors. However, insurance topics are often underrepresented in school-based financial education curricula (OECD, 2020). Integrating insurance concepts, such as risk management, the purpose of insurance, and how different types of coverage work, into youth programs can help demystify these products and foster greater financial preparedness.

Youth-focused financial education should include real-life scenarios and interactive tools to make insurance relevant and understandable. Programs such as "Money Matters" and OECD's PISA Financial Literacy Framework have demonstrated that even young learners can grasp insurance basics when content is appropriately contextualized (OECD, 2017). Early education also helps to counteract the widespread misconceptions and low engagement with insurance observed among young adults. As insurance markets continue to evolve, particularly with digital microinsurance and app-based platforms, equipping youth with the skills to critically assess these offerings becomes increasingly important.

POLICY AND INDUSTRY RECOMMENDATIONS

Enhancing Gen Z's retirement resilience requires a multi-faceted approach which includes educational institutions, the financial industry, policymakers, employers and Gen Z individuals. From secondary to tertiary education, educational institutions should integrate financial literacy curricula that focus on real-world applications for Gen Z. The financial industry should support portable benefit plans, use digital platforms, and produce affordable products. Companies should provide financial wellness resources, policymakers should look into inclusive insurance markets, and members of Gen Z should increase their financial literacy. In a context of inclusive insurance products, there are few practical suggestions for insurance providers, policymakers, and other stakeholders (such as educational institutions and advocacy groups) in order to successfully improve Gen Z's financial security. Insurance companies could create a variety of flexible and reasonably priced insurance plans that are especially made to meet the particular financial needs of Gen Z. These plans should take into account factors like student loan debt, the erratic nature of gig economy income, and the possibility of changing careers. Also, they could give top priority to the use of digital platforms and technology to establish smooth, intuitive processes for information access, quote generation, policy purchases, account management, and claim submission. Using gamification, social media, and personalized digital content as part of creative communication strategies they could better engage Gen Z, educate them about the value of long-term financial planning, and enhance their comprehension of insurance products. Building trust with Gen Z requires openness, moral behaviour, and a clear dedication to their financial security; this may be accomplished by collaborating with reputable influencers or local authorities. They could also increase reach and provide integrated financial solutions, look into partnerships with fintech firms and other groups that have a high level of engagement with Gen Z. Policymakers are advised to create a regulatory framework that promotes and facilitates the creation and application of inclusive insurance products suited to the requirements of younger generations, possibly with incentives for accessibility and innovation. They should consider encouraging young adults to be financially literate and aware of insurance through educational programs that are accessible online and incorporated into school curricula. Legislative actions like tax breaks or matching contributions can promote or incentivise the use of long-term financial security measures, like inclusive insurance. To address the particular challenges gig economy workers face in obtaining traditional benefits and social safety nets, policymakers could consider alternative social insurance models or portable benefits plans. Recommendations for other stakeholders, like academic institutions and advocacy organisations, refer to the inclusion of financial literacy instruction in courses at all educational levels to equip Gen Z with the information and tools required to make wise financial choices. Also, they could utilise targeted campaigns and readily available materials to inform youth about the need of long-term financial planning and the essential function of insurance in safeguarding their future welfare. Their contribution could be significant in supporting laws and programs improving Gen Z's financial stability, as well as the creation and marketing of inclusive insurance options.

RESULTS AND DISCUSSION

This paper has shown that financial literacy and inclusive insurance are synergistic tools essential for enabling Gen Z to achieve long-term financial resilience, especially in the context of retirement planning. Key findings confirm that Gen Z faces significant barriers, including low insurance literacy, fragmented work patterns, high student debt, and limited access to employer-based benefits. Despite these challenges, their digital competencies offer a unique opportunity to reach them through technology-enabled, personalized financial products and educational interventions. Early intervention is critical. Financial behaviors and attitudes formed during young adulthood often persist into later life and determine long-term outcomes. The evidence suggests that improving financial literacy and including insurance education into youth programs can foster responsible behavior, increase risk awareness, and support better decision-making about saving and retirement planning. Similarly, inclusive insurance models, characterized by affordability, accessibility, and relevance, can offer vital protection to those at risk of exclusion from traditional insurance markets. However, no single actor can address these complex challenges alone. A coordinated, multi-stakeholder approach is essential. Policymakers, financial institutions, educational systems, and civil society must work together to develop targeted strategies that integrate financial literacy with practical protection mechanisms. This includes adapting regulatory frameworks, promoting digital inclusion, supporting school-based education programs, and fostering trust in insurance products through transparency and relevance.

Limitations of this paper include its predominantly conceptual and literature-based approach, which, while providing a comprehensive synthesis of current knowledge, does not include original empirical data. Additionally, generational generalizations may overlook intra-cohort diversity based on socioeconomic status, geography, or cultural context. The analysis focuses largely on OECD and selected developing economies, which may limit generalizability to other regions. Future research should prioritize longitudinal and empirical studies that examine how financial literacy and access to inclusive insurance products concretely impact financial resilience over time. Investigating the effectiveness of integrated educational and insurance interventions in different national contexts, particularly among marginalized or digitally excluded subgroups within Gen Z, would further enhance policy relevance. Moreover, the evolving role of digital financial tools, AI, and fintech in shaping youth financial behavior and insurance engagement warrants in-depth exploration. The future financial wellbeing of Gen Z depends on actions taken today. By investing in their financial education and ensuring access to inclusive insurance, stakeholders can help create a generation that is not only more financially savvy but also protected, empowered, and prepared for a secure retirement in an unpredictable world.

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