



## ANALYSIS OF THE INFLUENCE OF PSYCHOLOGICAL, SOCIODEMOGRAPHIC, AND FINANCIAL LITERACY FACTORS ON CHILDREN EDUCATION FUND PLANNING FOR INDONESIAN MILLENIAL PARENTS

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### Abstract

Education is very important for children's future. It is the basic capital for preparing human quality. That is why setting up a children's education fund is one of the most important tasks for parents. However, this is a challenge for millennial parents because of the high cost of education in Indonesia. The purpose of this study is to analyze psychological and sociodemographic factors related to planning children's education funds. This study examined 415 Indonesian millennial parents who were selected by accidental sampling technique and tested using the PLS SEM statistical analysis method. This study uses a 95% confidence level,  $\alpha = 5\%$ . The results of the research on psychological factors namely future time perspective and financial risk tolerance have a positive and significant effect on children education funds planning. Sociodemographic factors namely education has a negative and significant effect on children education funds planning. While sociodemographic factors namely income has a positive but not significant effect on children education funds planning. Future time perspective has a positive and significant impact on financial literacy. Education has a negative and insignificant effect on financial literacy, while income has a positive and not significant effect. Financial literacy has succeeded in mediating the effect of future time perspective on children education funds planning, while financial literacy has not succeeded in mediating the effect of education and income on children education funds planning. While sociodemographic factors namely income has a positive but not significant effect on children education funds planning. Future time perspective has a positive and significant impact on financial literacy. Financial literacy has succeeded in mediating the effect of future time perspective on children education financial planning, while financial literacy has not succeeded in mediating the effect of education and income on children's education financial planning. While income has a positive and not significant effect. Financial literacy has succeeded in mediating the effect of future time perspective on children education funds planning, while financial literacy has not succeeded in mediating the effect of education and income on children education financial planning.

Keywords: *Future Time Perspective, Financial Risk Tolerance, Financial Literacy, Children Education Financial Planning, Indonesian Millennials*

### 1. INTRODUCTION

According to the 2018 survey, Indonesia is included in the top 15 countries with the most expensive education fees. (Detik.com, 2019). With an average tuition fee from elementary to undergraduate of US\$ 18,422, or the equivalent of Rp. 257,908,000 (at an exchange rate of Rp. 14,000), Indonesia is ranked 13th in the survey. Whereas education for children is very important for their future. Education is even referred to as the basic capital to prepare quality human beings. That is why setting up a child's education fund is one of the important tasks of parents. Meanwhile, according to BPS on Data Indonesia (2022) shows that in 2022 there was an increase in the dropout rate in Indonesia at all levels of education. At the senior high school level the dropout rate is 1.38%. This means that 13 out of every 1,000 people drop out of school at the high school level.

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This percentage has increased by 0.26% points compared to the previous year's total which reached 1.12%. The junior high school dropout rate was reported at 1.06%, up 0.16% point from 0.90% in the previous year. The primary school dropout rate was 0.13% for the year, an increase of 0.01% compared to 2021 (0.12%). Setting up an education fund is in fact not an easy task. Children's education will be threatened if parents are unable to prepare adequately for their education finances. According to the Minister of Women's Empowerment and Child Protection, the main reason for children aged 7-17 years in urban and rural areas dropping out of school is due to financial difficulties (mediaindonesia.com, 2016). Setting up an education fund for millennial parents can be challenging. This is because the characteristics of this generation are called more wasteful than other generations (Kompas.com, 2019). The trend of FOMO (Fear of Missing Out) and YOLO (You Only Live Once) which occurs a lot on social media, is cited as the cause of this behavior (Republika.co.id, 2022). Not to mention that many of this generation are also the sandwich generation that not only bear the costs for their immediate family but also their parents. This problem is a serious financial problem for millennials (Idxchannel, 2021).

Apart from relying on calculations, a person makes financial decisions also based on psychological factors. These factors often make financial decisions sometimes irrational (Kartini & Nahda, 2021). In Indonesia, research (Latief and Niu, 2020) found that psychological factors have a significant positive influence on investment decision making. Future time perspectives and financial risk tolerance are psychological factors that are often associated with financial planning (Larisa, et al., 2021). Future time perspective is a key personality trait and how one can visualize the future (Tomar, et al., 2021). The more a person can visualize his future, the stronger his desire to prepare well for his future, including from a financial perspective. This is consistent with research (Hajam, 2020) which found that future orientation has a significant effect on retirement financial planning. Meanwhile research (Larisa, et al., 2021) shows that future time perspectives do not have a direct effect on retirement financial planning.

Financial risk tolerance refers to the amount of risk a person is willing to take when making financial decisions (Dickason & Ferreira, 2018). The higher one's financial risk tolerance is expected to have a significant effect on one's financial planning. One of these things can be seen in research (Raza and Siddiqui, 2021) which found that financial risk tolerance has a positive and significant influence on saving behavior for retirement funds. While other findings (Tomar, et al., 2021) found that there is no significant effect of financial risk tolerance on planning retirement funds. In financial planning, sociodemographic factors need to be considered. Differences in sociodemography can lead to different views on financial planning. In Indonesia, research (Widityani, et al., 2020) found that sociodemographic factors have a significant relationship with Islamic financial literacy in college students.

One of the sociodemographic factors that need to be considered in planning education funds is education. The higher the education, it is expected to have a significant effect on the financial planning. This is because education increases individual analytical abilities to process information received from any source (Feyissa and Gebbisa, 2021). This is in line with research (Fachrudin, et al., 2022) which found that education has a positive and significant effect on financial well-being. In addition, education was also found to have a significant effect on saving decisions in Agarfa District, Ethiopia (Feyissa and Gebbisa, 2021). Contrary to research (Tarisha, et al., 2021) which shows that education has no significant effect on MSME saving behavior.

One's income is often also associated with education. This is because higher education usually provides opportunities for higher income. The higher the income, it is hoped that the necessities of life will be more easily met. So it is more likely for families who have high incomes to set aside education funds. This is in line with research which shows that income has a significant effect on financial well-being (Fachrudin, et al., 2022). In addition, income was also found to have a significant effect on saving decisions in Agarfa District, Ethiopia (Feyissa and Gebbisa, 2021).



Meanwhile, research (Tarisha, et al., 2021) found that income did not have a significant effect on MSME saving behavior.

Many studies have shown that financial literacy has a positive relationship to financial behavior such as retirement planning (Niu, et al., 2020; Larisa, et al., 2021) and saving behavior (Mpaata, et al., 2021). Therefore the same effect is also expected on education funding planning. Research (Larisa, et al., 2021) also found that financial literacy was successful in mediating the effect of education and income planning retirement funds. Therefore, the same effect is expected to occur between sociodemographic factors and education funding planning. Furthermore, financial literacy is also expected to be able to mediate the influence of future time perspectives on the financial planning of education funds. Given that high financial literacy will lead to better decisions taken in finance. Research (Larisa, et al., 2021) also found that financial literacy was successful in mediating the effect of future time perspectives on retirement planning.

## 2. LITERATURE REVIEW

### 2.1. Education Fund Planning

Education funds can be interpreted as funds that have been allocated separately which will be used to meet the educational needs of children in the future (Habsari, 2008). It is important to prepare education funds considering that inflation in education costs reaches 10 to 15 percent every year (Republika.co.id, 2021). By setting up an education fund, the opportunity to get a better education is wide open.

### 2.2. Psychological Factors

Apart from relying on someone's calculations, making financial decisions is also based on psychological factors. Psychological factors are things that can influence the actions of the individual. The environment in which a person lives and lives in the present and past as well as his anticipation in the future will have an influence in shaping this factor. In this study, the psychological factors studied were limited to future time perspectives and financial risk tolerance. Future time perspectives is a key personality trait and how one can visualize the future (Tomar, et al., 2021). In visualizing the future, people need to understand their needs in the future and then relate them to the present. The farther one's view of the future, the more goals and plans one wants to achieve. Financial risk tolerance refers to the amount of risk a person is willing to take when making financial decisions (Dickason and Ferreira, 2018). This plays an important role in shaping the decision on the optimal portfolio. Basically, people make financial decisions based on their tolerance for risk that they can accept.

### 2.4 Sociodemographic Factors

Many researchers attribute sociodemographic factors to financial behavior. Different sociodemographic factors are considered to form different views. That is why sociodemographic factors can also influence a person's financial behavior. In this study, sociodemographic factors were limited to education and income. Education is a conscious, planned and structured effort in realizing the process. Many researchers attribute sociodemographic factors to financial behavior. Different sociodemographic factors are considered to form different views. That is why sociodemographic factors can also influence a person's financial behavior. Income is a result obtained by individuals or households from trying or working (Dwiyanti, 2020). The income referred to here is the overall household income, both formal and informal. Formal income is income both in the form of money and goods obtained often as remuneration. Meanwhile, informal income is income whose income is in the form of money or goods from what is obtained from additional work besides the main job (Mufidah, 2020).

**2.5 Financial Literacy**

Financial literacy is a broad concept, so there has been a lot of research on analyzing the results of financial literacy, influencing factors, assessing the level of financial literacy in various population groups, and the impact of financial education on increasing financial literacy (Goyal and Kumar, 2021). The US Financial Literacy and Education Commission (2007) in Huston (2010) defines financial literacy as the ability to use knowledge and skills in managing financial resources effectively in order to achieve lifelong financial well-being. The better a person uses his knowledge and skills, the better the financial decisions he will make.

**3. RESEARCH METHOD**

This research is an associative research with quantitative method which aims to determine the influence or relationship between two or more variables. The population in this study are parents who are Indonesian millennials, namely Indonesian residents born in 1981-1996. According to the 2020 population census, the number of Indonesia's millennial population is 35,394,641 men and 34,305,331 women (Central Statistics Agency, n.d.). So that the total millennial population is 69,699,972 people. While the percentage of married millennials is 54.45 percent (Ministry of PPPA, 2018). So that the total population of Indonesian millennial parents is:

$$N = 54.5 \% \times 69,699,972 \text{ people} = 37,951,635 \text{ people}$$

Sampling was carried out by accidental nonprobability sampling. In determining the number of samples from this population, the Yamane formula is used in this study (Sugiyono, 2019) with the calculation:

$$n = \frac{N}{1 + \left(\frac{N(e)}{N}\right)^2} = \frac{37,951,635}{1 + \left(\frac{37,951,635 \times 0.05}{37,951,635}\right)^2} \approx 400 \text{ people}$$

**4. RESULTS AND DISCUSSION**

The results of collecting questionnaire data in this study were 415 millennial parent respondents. To describe the characteristics of the respondents, the researcher divided them into several characteristics. Table 1 shows these characteristics consisting of gender,

**Table 1 Characteristics of Research Respondents**

characteristics	Criteria	Frequency	Percentage
<b>Gender</b>	Man	156	37,59
	Woman	259	62,41
	<b>Total</b>	<b>415</b>	<b>100.00</b>
<b>Number of children</b>	1	204	49,16
	2	155	37.35
	3	50	12.05
	4	5	1.20
	5	0	0.00
	More than 5	1	0.24
	<b>Total</b>	<b>415</b>	<b>100.00</b>
<b>Residential Area</b>	Sumatra	156	37,59
	Java	229	55,18
	Borneo	17	4,10
	Sulawesi, Bali and Nusa Tenggara	13	3,13
	Papuan	0	0.00



characteristics	Criteria	Frequency	Percentage
	<b>Total</b>	<b>415</b>	<b>100.00</b>
<b>Investment Experience</b>	Never had an investment in the form of mutual funds, stocks, or bonds	201	48,43
	Have or currently have investments in mutual funds, stocks, or bonds	214	51,57
	<b>Total</b>	<b>415</b>	<b>100.00</b>

Source: Data processed by researchers, 2023

Table 2 shows that the sex of the most respondents was female, namely 62.41%. The highest number of children who have 1 child is 49.16%. The largest area of residence is in Java, namely 55.18%. And finally, the most investment experience have had or are currently investing in mutual funds, stocks or bonds, namely 51.57%. The descriptive statistical results can be seen in the tables below. For the distribution of respondents' answers to future time perspectives (FTP), Item FTP4 has the highest mean value, namely 4.43. The lowest mean value is FTP8 which is 3.74.

**Table 2 Distribution of Respondents' Answers to FTP**

Items	SS		S		KS		TS		STS		Means	St. Dev
	F	%	F	%	f	%	F	%	F	%		
<b>FTP1</b>	198	47,71	136	32,77	65	15,66	10	2,41	6	1,45	4,23	0,90
<b>FTP2</b>	165	39,76	140	33,73	82	19,76	20	4,82	8	1,93	4,05	0,98
<b>FTP3</b>	159	38,31	128	30,84	91	21,93	27	6,51	10	2,41	3,96	1,04
<b>FTP4</b>	227	54,70	150	36,14	30	7,23	5	1,20	3	0,72	4,43	0,74
<b>FTP5</b>	123	29,64	155	37,35	89	21,45	32	7,71	16	3,86	3,81	1,06
<b>FTP6</b>	152	36,63	155	37,35	79	19,04	20	4,82	9	2,17	4,01	0,97
<b>FTP7</b>	88	21,20	120	28,92	136	32,77	44	10,60	27	6,51	3,48	1,13
<b>FTP8</b>	110	26,51	160	38,55	91	21,93	34	8,19	20	4,82	3,74	1,09

Source: processed by researchers, 2023

**Table 3 Respondents Education Level**

Level of education	Frequency	Percentage
<b>Elementary</b>	7	1.69
<b>Junior High School</b>	7	1.69
<b>Senior High School</b>	55	13.25
<b>Diploma</b>	41	9.88
<b>Bachelor Degree</b>	259	62,41
<b>Master Degree</b>	45	10.84
<b>Doctoral Degree</b>	1	0.24
<b>Total</b>	<b>415</b>	<b>100.00</b>

Source: data processed by researchers, 2023

Table 3 shows the education level of the respondents. The level of education consists of elementary, junior high, senior high, diploma, bachelor's, master's, and doctoral degrees. From this data it can be seen that respondents with an undergraduate education are the most respondents,

reaching 62.41%.

**Table 4 Respondents' Income Level**

Income	Frequency	Percentage
Less than 5 million	96	23,13
5-10 million	129	31.08
> 10 to 20 million	118	28,43
> 20 to 30 million	55	13.25
> 30 to 40 million	11	2.65
> 40 to 50 million	5	1.20
Greater than 50 million	1	0.24
Total	415	100.00

Source: data processed by researchers, 2023

Furthermore, Table 4 shows the income level of the respondents. The income level consists of 7 criteria ranging from less than 5 million to greater to 50 million. From these data it can be concluded that respondents who have an income of 5 to 10 million are at the highest percentage, which is more than 30%.

**Table 5 Level of Respondents' Financial Risk Tolerance**

tolerance level	Score	f	Percentage
<b>Low</b>	13-17	10	2,41
<b>Below average</b>	18-21	70	16,87
<b>Average</b>	22-27	195	46.99
<b>Above average</b>	28-31	90	21.69
<b>Tall</b>	32-47	50	12.05
<b>Total</b>		<b>415</b>	<b>100</b>

source: data processed by researchers, 2023

Table 5 shows the level of financial risk tolerance of the respondents. This calculation uses the Grabble-Lytton scale with a score between 13-47. From these data it can be concluded that the highest percentage is the respondent with an average financial risk tolerance, which is close to almost 47%.

**Table 6 Level of Respondents' Financial Literacy**

Sub Variable	Financial Literacy Level Category				Total
	No Literate 0-24% (person)	Less Literate 25-49% (person)	Sufficient Literate 50-74% (person)	Well literate 75-100% (person)	
Financial Knowledge	2	4	45	364	415
Financial Behavior	8	13	77	317	415
Financial Attitude	36	0	70	309	415
Financial Literacy	4	9	54	348	415
<b>Percentage</b>	<b>0,96</b>	<b>2,17</b>	<b>13,01</b>	<b>83,86</b>	<b>100</b>

Source: processed data, 2023

Table 6 shows the level of financial literacy of the respondents. Respondents in the no literate financial literacy category were 4 people or 0.96%. Respondents in the less literate category were 9 people or 2.17% while respondents who were sufficiently literate were 54 people or 13.01%. The most numerous were respondents with a well literate level of financial literacy, namely 348 people or as much as 83.86%. Table 7 shows the distribution of respondents' answers to Education Fund Planning which consists of 6 items, namely EFP1, EFP2, EFP3, EFP4, EFP5, and EFP6. The lowest mean was obtained by EFP6, namely 3.17. While the highest mean was obtained by EFP4, namely 4.13.

**Table 7 Distribution of Respondents' Answers to EFP**

Items	SS		S		KS		TS		STS		Means	St. Dev
	f	%	f	%	F	%	F	%	f	%		
EFP1	88	21,20	110	26,51	138	33,25	64	15,42	15	3,61	3,46	1,10
EFP2	89	21,45	105	25,30	94	22,65	85	20,48	42	10,12	3,27	1,28
EFP3	143	34,46	161	38,80	77	18,55	25	6,02	9	2,17	3,97	0,98
EFP4	202	48,67	124	29,88	47	11,33	25	6,02	17	4,10	4,13	1,09
EFP5	119	28,67	137	33,01	98	23,61	43	10,36	18	4,34	3,71	1,12
EFP6	88	21,20	74	17,83	123	29,64	82	19,76	48	11,57	3,17	1,29

Source: data processed by researchers, 2023

**Table 8 Path Coefficients**

Hypothesis	Path	original samples(O)	T Statistics ( O/STDEV )	P Values	Results
H1	FTP -> EFP	0.400	8,642	0.000	Accepted
H2	EDU -> EFP	-0.092	2,279	0.023	Rejected
H3	INC -> EFP	0.032	0,743	0.458	Rejected
H4	FRT -> EFP	0.120	3,230	0.001	Accepted
H5	FTP -> FL	0.494	10,316	0.000	Accepted
H6	EDU -> FL	-0.072	1,688	0.092	Rejected

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Hypothesis	Path	original samples(O)	T Statistics ( O/STDEV )	P Values	Results
H7	INC -> FL	0.055	1,248	0.213	Rejected
H8	FL -> EFP	0.338	7,354	0.000	Accepted
H9	FTP -> FL -> EFP	0.167	6,386	0.000	Accepted
H10	EDU -> FL -> EFP	-0.024	1,560	0.119	Rejected
H11	INC -> FL -> EFP	0.018	1.165	0.245	Rejected

Source: research results, 2023

Table 8 shows that H1 the effect of FTP on EFP is accepted. While H2 EDU influence on EFP was rejected and H3 INC influence on EFP was rejected. Then H4 the effect of FRT on EFP is accepted and H5 the effect of FTP on FL is accepted. For H6 the influence of EDU on FL is rejected, while for H7 the influence of INC on FL is rejected. Then, H8 the influence of FL on EFP is accepted. H9 the effect of FTP on EFP through FL is accepted. While H10 the influence of EDU on EFP through FL and H11 the influence of INC on EFP through FL is rejected.

**DISCUSSION**

From the results of the hypothesis test, it was obtained that the PValues which form the influence of Future time perspectives (FTP) on Education Fund Planning (EFP) is 0.00 with an original sample value of 0.400. This means that Hypothesis 1 is accepted so that it can be stated that FTP significantly affects EFP. This means that every increase in the future time perspectives will significantly increase the planning of children's education funds. From the results of the hypothesis test, it was obtained that the PValues that formed the influence of Education (EDU) on Education Fund Planning (EFP) was 0.023 with an original sample value of -0.092. This means that Hypothesis 2 is rejected and it can be stated that EDU has a negative and significant effect on EFP. This means that every increase in the level of education will reduce the financial planning of children's education funds. Based on the results of the hypothesis test, it was obtained that the PValues that formed the influence of Income (INC) on Education Fund Planning (EFP) was 0.458 with an original sample value of 0.032. This means that Hypothesis 3 is rejected because the PValues are greater than 0.05. So, it can be stated that INC has a positive but not significant effect on EFP. This means that an increase in income does not necessarily make millennial parents prepare education funds for their children.

Based on the results of the hypothesis test, it was found that the PValues that form the influence of Financial Risk Tolerance (FRT) on Education Fund Planning (EFP) is 0.001 with an original sample value of 0.120. This means that Hypothesis 4 is accepted so that it can be stated that FRT has a positive and significant effect on EFP. This means that any increase in financial risk tolerance will significantly increase the planning of children's education funds. Based on the results of the hypothesis test, it was obtained that the PValues that formed the influence of Future time perspectives (FTP) on Financial Literacy (FL) was 0.000 with an original sample value of 0.494. This means that Hypothesis 5 is accepted so that it can be stated that FTP has a significant positive effect on FL. This means that any increase in future time perspectives will significantly increase financial literacy. Based on the results of the hypothesis test, it was found that the PValues that formed the influence of Education (EDU) on Financial Literacy (FL) was 0.092 with an original sample value of -0.072. The value of PValues > 0.05 means that it is not significant and the direction of the relationship is negative, which means it is contrary to the hypothesis. Therefore Hypothesis 6 is rejected and it can be stated that EDU has a negative and insignificant effect on FL.





Based on the results of the hypothesis test, it was obtained that the PValues that formed the influence of Income (INC) on Financial Literacy (FL) was 0.213 with an original sample value of 0.055. The value of PValues  $> 0.05$  means that it is not significant and the direction of the relationship is in accordance with the hypothesis. Therefore Hypothesis 7 is rejected and it can be stated that INC has a positive but not significant effect on FL. This result means that higher parental income does not necessarily increase financial literacy. Based on the results of the hypothesis test, it was obtained that the PValues that formed the influence of Financial Literacy (FL) on Education Fund Planning (EFP) was 0.000 with an original sample value of 0.338. The value of PValues  $< 0.05$  means it is significant and the direction of the relationship is in accordance with the hypothesis. Therefore Hypothesis 8 is accepted and it can be stated that FL significantly affects EFP. This result means that higher financial literacy will improve the planning of children's education funds. These results are in accordance with the theory which states that literacy has an effect on financial planning. Based on the results of the hypothesis test, it was obtained that the PValues that form the role of Financial Literacy (FL) mediate the effect of Future time perspectives (FTP) on Education Fund Planning is 0.000 with an original sample value of 0.167. The value of PValues  $< 0.05$  means it is significant and the direction of the relationship is in accordance with the hypothesis. Then Hypothesis 9 is accepted and it can be stated that FIs succeed in mediating the effect of FTP on EFP.

In accordance with the results of the hypothesis testing, it was found that the PValues that formed the role of FI in mediating the effect of EDU on EFP was 0.119 with an original sample value of -0.024. The value of PValues  $> 0.05$  means that it is not significant and the direction of the relationship is opposite to the hypothesis. Therefore Hypothesis 10 is rejected. So it can be stated that FIs failed to mediate the influence of EDU on EFP. Based on the results of the hypothesis test, it was obtained that the PValues that form the role of Financial Literacy (FL) mediate the influence of Income (INC) on Education Fund Planning (EFP) of 0.245 with an original sample value of 0.018. The value of PValues  $< 0.05$  means it is significant and the direction of the relationship is in accordance with the hypothesis. Therefore Hypothesis 11 is rejected and it can be stated that FIs are not successful in mediating the effect of INC on EFP.

## 5. CONCLUSION

Based on the results of the research above, it can be concluded that the future time perspective has a positive and significant effect on the financial planning of children education funds. Education has a negative and significant effect on the financial planning of children education funds. Income has a positive and insignificant effect on the financial planning of children education funds. Financial risk tolerance has a positive and significant effect on the financial planning of children education funds. Future time perspectives have a positive and significant effect on the financial literacy. Education has a negative and insignificant effect on the financial literacy. Income has a positive and insignificant effect on the financial literacy. Financial literacy has a positive and significant effect on the financial planning of children education funds. Financial literacy mediates the influence of future time perspectives on the financial planning of children education funds. Financial literacy does not significantly mediate the effect of education on the financial planning of children education funds. Financial literacy does not significantly mediate the effect of income on the financial planning of Indonesian millennial family children's education funds. Financial literacy has a positive and significant effect on the financial planning of children education funds. Financial literacy mediates the influence of future time perspectives on the financial planning of children education funds. Financial literacy does not significantly mediate the effect of education on the financial planning of children education funds. Financial literacy does not significantly mediate the effect of income on the financial planning of Indonesian millennial family children's education funds. Financial literacy has a positive and significant effect on the financial planning of children education funds. Financial literacy mediates the influence of future time perspectives on the financial planning of children education funds. Financial literacy does not

significantly mediate the effect of education on the financial planning of children education funds. Financial literacy does not significantly mediate the effect of income on the financial planning of Indonesian millennial family children's education funds.

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