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Research Article

The Impact of Financial Planning on Financial Well-Being with a mediating role of Tax Planning among salaried employees: An empirical study

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Abstract:

In this study, the author explores how financial planning and tax planning impact individuals' financial well-being, while also examining the relationship between these two factors with the mediating role of tax planning. The research focuses on 274 salaried employees, gathering data using questionnaires distributed to salaried employees in Chennai City. In order to test the suggested correlations, the respondents' data was examined using the 'Partial Least Square Structural Equation Modeling (PLS-SEM)' technique. The analysis reveals that financial planning significantly influences individuals' financial well-being. Additionally, tax planning is found to play a crucial and positive mediating role in these relationships. The paper emphasizes the importance of tax planning in enhancing financial well-being. Key findings indicate strong positive correlations between proactive financial planning and improved financial well-being, with tax planning acting as a key mediator. The research shows that individuals who practice systematic financial planning and effective tax management enjoy greater financial stability, lower financial stress, and better long-term wealth accumulation. This study offers evidence-based insights for creating more comprehensive financial planning frameworks that include tax optimization strategies. By connecting conceptual model with practical applications, the study serves as a guide for individuals, financial professionals, and policymakers aiming to improve financial well-being through strategic planning and tax optimization. The key implications suggest that organizations and financial educators should focus on holistic financial literacy programs that cover both broad financial planning strategies and specific tax optimization techniques.

1. Introduction

The financial well-being of salaried employees plays a crucial role in maintaining overall economic stability, particularly in fast growing economies like India. Well-being is a key concern for both individuals and organizations, as a happier person is more likely to experience greater success and productivity [1]. Financial well-being is about creating a balanced relationship with money, one that allows to meet the current needs while building toward the future dreams. It encompasses acquiring knowledge, skills and habits necessary to make informed decisions regarding spending, saving, investing and safeguarding financial resources. 'Financial well-being can be achieved when a person has sufficient resources to meet both present and future needs as well as the ability to handle unpredicted shocks and emergencies' [2]. In today's complex economic environment, financial well-being has become a vital concern, as individual are confronted with increasingly difficult financial decisions and challenges [3]. Understanding and working to enhance financial health is crucial for both individuals and families [4]. Over the past decade, the landscape of personal finance in India has undergone a significant transformation. Unlike previous generations, who largely depended on fixed deposits, gold, and real estate, today's Indians now navigate a varied financial ecosystem that includes mutual funds, cryptocurrencies, and unified payment interfaces [5]. Nonetheless, research shows that about 70% of Indian households still struggle with basic financial security, underscoring the critical need for better financial planning and financial literacy.

Financial planning provides a comprehensive framework, from budgeting and investments to preparing for retirement and risk management strategies, to reach immediate and future money goals [6]. Although financial planning is crucial a lot of people still handle their money without a plan, which can compromise their financial stability and make it more difficult to reach their financial objectives [7]. Young adults should prioritize financial planning because it improves their financial learning, creates strong foundation, encourages healthy financial habits, prepares them for significant life events, helps them manage their debt and credit, promotes early retirement planning, and gives them the skills they need to deal with uncertain economic times [8]. Young people who start financial planning early not only set themselves up for success in the future, but they also acquire discipline and a sense of responsibility that will help them in every aspect of their lives as adults [9].

Individuals are making effective investments with their personal income and assets to secure their financial stability while during and after their working years [10] to have a secured future. According to billingsley [11] financial planning that is well-executed can deliver multiple benefits, it promotes smarter spending habits, facilitates wealth accumulation, accounts for financial volatility, and enables agile responses to changing circumstances through pre-established contingency measures.

Individuals' financial stability was affected as a result of numerous layoffs, decreased income, and shut down of businesses. This emphasized the importance of financial preparation, money management, and emergency readiness [12]. Impulsive people often struggle to establish and maintain financial goals and budgets. Their inability to prioritize long-term planning over immediate desires can create financial uncertainty and diminish overall financial satisfaction [13] which emphasize the importance of financial planning. Individuals with a strong understanding of finance are more likely to prioritize financial planning in order to prevent the negative effects of making poor financial decisions [14]. It was discovered that the returns from household investments are greatly impacted by financial planning skills and that having strong financial planning skills typically results in a higher investment gain [15]. A family that prioritizes their financial well-being through careful planning demonstrates a thoughtful, contemporary approach to improving their quality of life [16].

Tax planning is a crucial element of financial management that enables individuals to effectively and legally manage their tax responsibilities. In today's complex economic landscape, understanding and applying sound tax planning strategies is vital for maintaining financial stability. The imposition of income tax helps narrows the gap between the rich and the poor, as India follows a progressive tax rate system. This reduction in inequality promotes a more equitable distribution of wealth and contributes to the country's overall development. Since paying taxes directly affects the taxpayer's remaining income, it is usually a challenging process [17]. Many nations have been obliged to implement stringent tax compliance policies by raising taxes and cutting spending as a result of the global financial crisis of 2008 [18].

While existing literature has extensively examined various determinants of financial well-being, including financial literacy, behavior, management, and self-efficacy, [19] there remains a significant gap in understanding the complex interrelationship between financial planning and financial well-being, particularly when mediated through tax planning. Previous studies have focused primarily on direct relationships between individual financial factors and well-being, overlooking the potential mediating role of tax planning strategies in enhancing the effectiveness of financial planning initiatives. There are limited research has investigated how integrated financial and tax planning approaches lead to individuals well-being, yet its extension to comprehensive financial planning, particularly when incorporating tax considerations, remains understudied. Therefore, the present paper attempts to fill the gaps in the literature by developing more effective financial planning frameworks that consider tax optimization as a key mediating factor in achieving financial well-being.

Financial planning plays a crucial role in maximizing policy impacts, securing individual financial health, and supporting broader economic stability and development [20]. Integrating tax planning with financial planning greatly improves financial well-being by providing a holistic strategy for managing money and building wealth. Thoughtful tax planning aligns with broader financial goals, fostering better savings, more efficient wealth growth, and, ultimately, greater financial security and peace of mind.

2. Literature Review and Hypothesis Development

2.1 Financial Well-Being

Financial well-being refers to how satisfied people feel with their financial circumstances. It encompasses their ability to maintain desired living standards, meet their needs comfortably, and feel secure about their monetary situation. This satisfaction extends beyond just monthly income to include both tangible resources and intangible aspects of financial security [21]. The Consumer Financial Protection Bureau CFPB has described "Financial well-being a condition wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life." According to Joo (2008) [22], financial well-being occurs when a person views their financial situation positively, feeling free from money-related stress while maintaining a healthy and content state of mind. Financial well-being refers to the ability to meet all needs promptly and with satisfaction, while also having the financial flexibility to maintain this ability in the future [23]. Major world events like the 2008 'Global Financial Crisis', the COVID-19 epidemic, and the current conflict between Russia and Ukraine have made the need of financial well-being more apparent. Individuals' financial well-being is susceptible to systemic economic shocks, as demonstrated by the 'Global Financial Crisis', which started in 2008. The importance of financial literacy, responsible money management, and fostering community and individual resilience was emphasized [24]. On the other hand, poor financial well-being among individuals with multiple health conditions is not always due to a lack of effort to improve their situation but can be managed through savings and investment. As a result, impatient compulsive behavior often leads to financial difficulties for those who exhibit it, which can have a detrimental effect on their overall financial well-being [25]. Therefore, the need to understand financial well-being has become increasingly important.

2.2 Financial Planning

Financial planning involves establishing objectives for long-term financial stability. Long-term savings are particularly crucial for the financial wellbeing of those with fixed salaries, such as employees who receive regular wages [26]. Financial planning is a systematic approach to managing financial resources and preparing for future expenses and challenges. It serves as a strategic framework for achieving financial objectives through effective allocation and management of money. Furthermore, financial planning covers a wide range of financial areas, including investments, taxes, savings, retirement, estate planning, insurance, and others [27]. Good financial planning helps families prevent potential problems while avoiding unnecessary debt and expenses [28]. Thus, personal financial planning helps families become financially ready for their future. Moreover, financial planning and preparation can protect households from unexpected economic challenges, helping them maintain stability and peace of mind [29]. Similarly, individuals with well-defined financial planning goals make informed decisions based on strong financial planning and control [30]. Therefore, financial planning is indeed essential for both individuals and households to achieve financial security and wellbeing, both in the present and future.

2.3 Tax Planning

Tax planning is an essential part of our financial planning. Efficient tax planning enables us to reduce our tax liability to the minimum. Income tax is mandatory for individuals, corporates, businesses, and entities generating income. The Income Tax Act, 1961 governs tax collection, recovery, and administration in India. This taxation mechanism enables government revenue generation, ultimately supporting national development. Tax planning helps individuals save money by promoting investments in government securities. Taxpayers should be aware of various tax-saving schemes and strategies to legally reduce their tax liabilities. However, many are unaware of the tax planning options available to them. Salaried taxpayers, in particular, can significantly lower their tax burden through effective tax planning. Slemrod (2004) [31] suggests that the complexity of tax laws may result in ambiguous interpretations, potentially leading to significant, unforeseen tax benefits. Tax planning, on the other hand, involves the strategic application of legal methods to minimize tax obligations. Although tax planning is legal, it often operates on the borderline of legality, raising concerns about its potential to enable tax avoidance [32]. The structure and nature of the economy, tax administration, revenue systems, political evolution, tax classification, tax policy, public attitudes toward taxes and government, tax culture and morale, and the tax framework all have a big impact on tax compliance. Dey & Varma, (2023) [33] examined the tax planning practices typically followed by residents of the Twin Cities of Odisha, along with their level of awareness. They concluded that only 23% of the participants demonstrated a strong understanding of taxes and were capable of managing their own tax planning. Furthermore, well-executed tax planning helps maintain a balanced relationship between taxpayers and tax authorities, promoting economic growth while supporting both individual prosperity and national development goals.

2.4 Financial Planning and Tax Planning

Financial planning and tax planning are deeply interconnected aspects of overall wealth management. Financial planning involves set clear goals, create budgets, manage investments, and plan for major life events while tax planning focuses on legally optimizing tax obligations to preserve more of one's hard-earned money. The relationship between these two aspects is synergistic, effective financial planning must consider tax implications of various decisions, while tax planning strategies should align with broader financial goals. In this analysis, the most popular tax-saving tool is the life insurance policy, which came in first. Provident Funds rank second in terms of popularity, with Tax Saving Fixed Deposits coming in third. Additional tax-saving choices include 'equity linked savings schemes, unit linked insurance plans, health insurance plans, national savings certificates, and home/education loans', in that order. Infrastructure Bonds are the least popular tax-saving option; according to this analysis, they came in eighth [34]. Majority of the individuals are aware of savings through investments, insurance, and mutual funds, but were less aware of stocks, tax planning [35]. Uplifting tax planning awareness, by promoting regular utilization of financial management tools, leads to achieving financial goals [36]. Financial planning not only helps you save money, but tax-saving strategies also play a crucial role in enhancing your financial stability and offering peace of mind. For a financial plan to be truly effective, a solid investment strategy focused on tax savings is essential [37]. Therefore, Financial planning and tax planning contribute significantly to an individual's overall well-being by providing crucial financial stability, peace of mind, and strategic life management.

Hypothesis 1 (H1) – There is a significant influence of financial planning on tax planning of individuals.

2.5 Tax Planning and Financial well-being

Tax planning has a significant influence on the lives of individuals. People with high tax knowledge will either be facilitators, monitors, or restrictors of tax knowledge [38]. Individuals with effective tax planning will have ample knowledge of how much they can save after paying taxes [39]. Tax saving is a part of the broad category of financial planning. The lack of formal tax education has reflected the downturn in the ability of individuals to manage their taxes. This suggests an important relationship between tax literacy, effective tax planning, and ultimate financial outcomes [40]. Financial planning and financial well-being reflect an imperative gap in tax planning due to a lack of awareness and implementation of tax-saving investments. Individuals are prone to be affected by different sectors and income brackets. Success in financial planning requires proper investment strategies that incorporate tax savings, suggesting that tax planning is essential for overall financial well-being [41]. Effective tax planning not only allows for greater cash flow but also enables better financial forecasting, helping to allocate resources efficiently and meet long-term goals. Moreover, proactive tax planning minimizes the risk of unexpected tax burdens, helping to avoid penalties and interest on underpayments, thus contributing to a more stable financial future and overall financial well-being.

Hypothesis 2 (H2) – There is a significant influence of Tax planning on financial well-being of individuals.

2.6 Financial Planning and Financial Well-being

Financial planning goes beyond basic money management - it helps young people make smart choices, develop good financial habits, and set themselves up for long-term financial well-being [42]. Financial well-being was found to be a positive predictor of the level of comprehensive financial planning when the model's impacts of socioeconomic variables and the financial planning process were taken into consideration. This suggests that individuals with higher financial well-being are more likely to engage in comprehensive financial planning compared to those who engage in less extensive planning [43]. Financial planning and goal-setting are strongly linked to overall financial well-being [44]. Mitchell (2011) [45] evaluated if a person's financial literacy influences their retirement planning and, consequently, their financial well-being using basic mathematical finance concepts. Therefore, those who are financially stable and confident in their capacity to pay their bills are more likely to feel more financially well-off in these situations. Research shows that income alone may have limited impact on financial well-being. Studies increasingly demonstrate that how people manage their money significantly affects their financial satisfaction. Research has found that financial stress from poor money management directly impacts overall well-being. People who save and invest for their future consistently report greater life satisfaction than those with similar incomes who save less [46]. Financial planning and preparation for retirement contributes significantly to how people perceive their financial health. Research demonstrates that individuals who actively plan their finances, establish future financial goals, and

maintain retirement savings report higher levels of financial well-being [47].
Hypothesis 3 (H3) – There is a significant influence of financial planning on financial well-being of individuals.
Hypothesis 4 (H4) – There is an indirect effect of financial planning on financial well-being of an individuals.

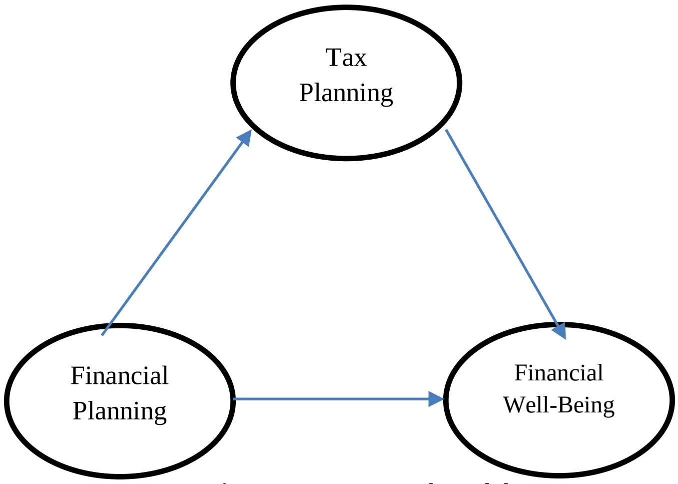

Figure 1. *Conceptual Model*

3. Methodology

3.1 Research Design

The study employs quantitative methods to examine relationships between variables. Through quantitative analysis, we can determine how changes in one variable affect others [48]. Data collection was conducted via an online Google Form questionnaire as well as printed questionnaire from working employees. The questionnaire has been split into two parts. The first section gathered demographic information about the respondents, while the second section assessed their level of financial planning, Tax planning and the factors that influence it, using a five-point Likert scale. Both dependent and independent variables were measured using an interval scale, where participants responded to statements using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

3.2 Population, Sample selection

The study population comprised working employees from the public sector, private sector, and government sector in Chennai city. The selection of salaried employees as the study population was strategic due to their stable and accessible demographic with regular, predictable income streams, making them ideal for analyzing patterns in financial behavior and decision-making. This population also typically has consistent access to financial services, employee benefits, and formal banking systems, allowing for comprehensive assessment of financial management practices. Survey participation was completely voluntary, and participants were assured of complete confidentiality of their answers. Out of the 356 questionnaires that were given out during 2024, 293 were returned. After screening, the analysis was conducted using 274 valid responses. According to Table 1. The sample for the study consist of 152 males (55.5%) and 122 males (44.5%). The majority of the respondents are aged above 36 years old. In terms of education, 43.8% of respondents held a bachelor's degree. Most participants (60.2%) were married, and over half (54%) were employed in the private sector. Regarding income distribution, the largest group (35%) reported annual earnings below 4 lakhs. Figure 1 is the conceptual model.

3.3 Data Analysis

The researchers analyzed the data using variance-based partial least squares structural equation modeling (PLS-SEM), implemented through SmartPLS 4.1.0.9 software. Partial least squares (PLS), one of the statistical techniques utilized in structural equation modeling (SEM), seek to determine whether a link exists between constructs in order to examine the predictive relationship between the construct [49]. ‘PLS-SEM, or partial least squares structural equation modeling, has emerged as a common method for examining intricate interactions between latent and observable variables’ [50]. More complex models with several variables, indicator constructs, and structural routes can also be evaluated by researchers using PLS-SEM. The analysis was conducted in two stages: first, the measurement model was analyzed, and then the structural model.
The measurement model was evaluated using several criteria. We checked internal consistency using Cronbach's alpha (threshold > 0.7) and assessed construct reliability using composite reliability (CR > 0.7). For convergent validity, we required three conditions: CR above 0.7, average variance extracted (AVE) exceeding 0.5, and AVE lower than its corresponding CR. To verify discriminant validity, we applied two methods. First, using the Fornell-Larcker criterion, we confirmed that each construct's AVE square root exceeded its correlations with other constructs. Second, we examined the Heterotrait-Monotrait ratio (HTMT) matrix, ensuring all values remained below 0.85. Finally, we evaluated the structural model and tested our hypotheses using bootstrapping with 5,000 replications [51].

4. Result and Discussions

To ensure strong reliability, it is necessary for the output results of both Cronbach's alpha (CA) and composite reliability (CR) for each variable to exceed a value of 0.7. Based on this criterion, we can confidently conclude that the data is reliable. This is further supported by the fact that the three latent variables, financial Planning, Tax planning, and financial well-being each have Cronbach's alpha and composite reliability values greater than 0.7, indicating that all these variables possess a high level of reliability. Tests of validity and reliability were performed on the constructs to see if they were appropriate for the structural model analysis. When reliability is evaluated, consistency is evaluated. outcomes obtained by the use of a study instrument [52]. The average variance extracted (AVE) for each item linked to a particular reflectively measured

Table 1. *Socio Demographic Profile of the respondents*

S.No.	Demographic Characteristics		Frequency	Percentage
1.	Age	Below 26	54	19.7%
		26-30	50	18.2%
		31-35	63	23%
		36 and above	107	39.1%
2.	Gender	Male	152	55.5%
		Female	122	44.5%
3.	Educational Qualification	Higher Secondary	4	1.5%
		Graduation	120	43.8%
		Post-Graduation	119	43.4%
		Others	31	11.3%
4.	Marital Status	Single	95	34.7%
		Married	165	60.2%
		Divorced	5	1.8%
		Widow	9	3.3%
5.	Occupation	Government Service	104	38%
		Private Sector	148	54%
		Public Sector	22	8%
6.	Annual Income	Below 4 lakhs	96	35%
		400001 to 600000	48	17.5%
		600001 to 800000	45	16.4%
		800000 to 1200000	50	18.2%
		Above 12 lakhs	35	12.8%
7.	Family Type	Nuclear	199	72.6%
		Joint	75	27.4%

Source: Authors result (2025)

Table 2. *Measurement Model Assessment*

Constructs	Indicators	Outer Loading	Cronbach's alpha (α)	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Planning	FP1	0.733	0.861	0.875	0.895	0.589
	FP2	0.845				
	FP3	0.779				
	FP4	0.807				
	FP5	0.723				
	FP6	0.710				
Tax Planning	TP1	0.866	0.817	0.828	0.916	0.845
	TP2	0.876				
	TP3	0.837				
	TP4	0.895				
Financial Well-Being	FWB1	0.930	0.891	0.894	0.925	0.754
	FWB2	0.908				

Source: Authors result (2025)

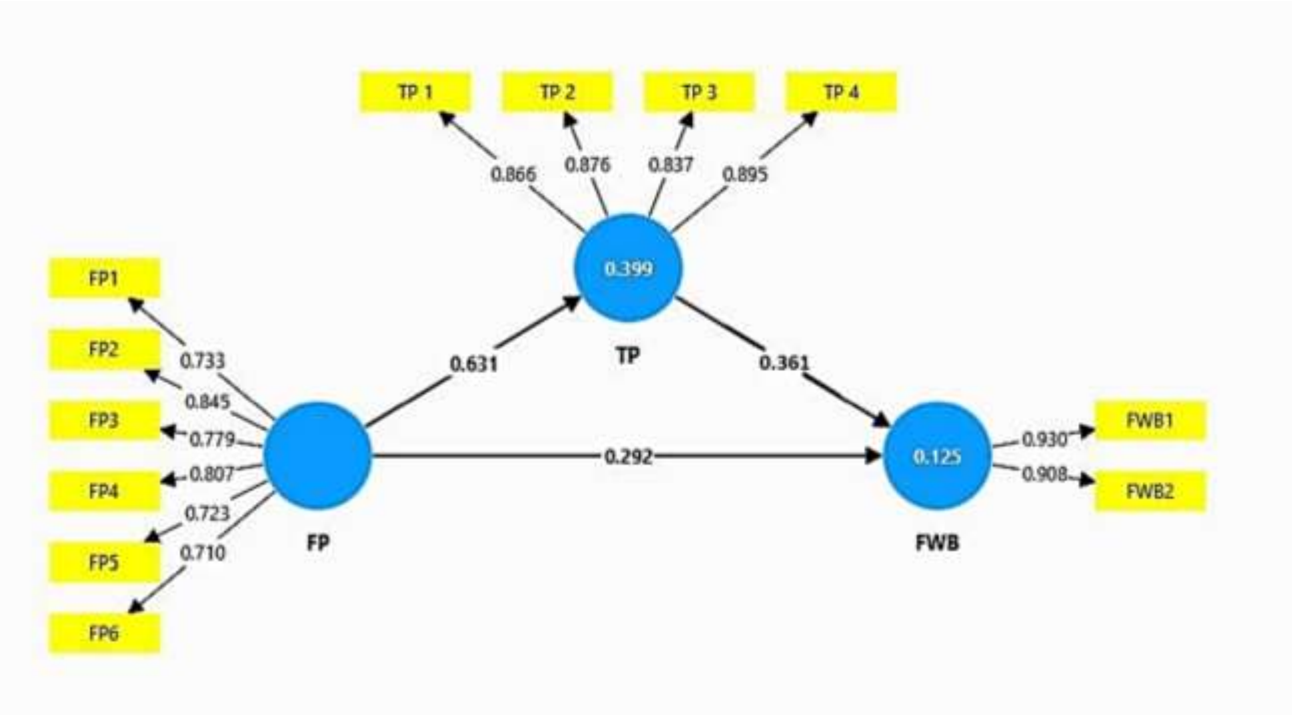

Figure 2. *Result of Measurement Model*

concept is used to calculate the measure of convergent validity. The mean of the squared loadings of each indicator associated with a construct is used to calculate the AVE. A threshold value of 0.50 or higher is acceptable for AVE. Table 2 confirms that the validity criteria have been met because the Average Variance Extracted (AVE) value for each of the three variables, financial planning, Tax planning, and financial well-being exceeds the necessary threshold of 0.5. Figure 2 is the result of Measurement Model.The convergent validity is considered satisfactory when the outer loading indicator exceeds 0.5. Specifically, values between 0.5 and 0.6 meet the minimum threshold for acceptable convergent validity, while values above 0.6 indicate good convergent validity. During validity testing, any indicators with outer loading values below 0.5 should be removed from the analysis as they lack statistical significance [53]. Discriminant validity assessment is the final phase, measuring how well indicators uniquely represent their construct versus others. PLS-SEM evaluates this through the Heterotrait-Monotrait (HTMT) ratio - the mean of indicator correlations across constructs divided by the geometric mean of within-construct correlations. HTMT values below 0.90 indicate acceptable discriminant validity. Finally, Table 3 shows that all HTMT matrix values were smaller than 0.85, proving the discriminant validity of every construct. Table 3 depicits Discriminant Validity Heterotrait-Monotrait Ratio (HTMT) Values and Table 4 states the Discriminant Validity – Fornell Larcker Criterion. Discriminant validity measures how empirically distinct a construct is from others. The Fornell-Larcker criterion (Table 4) examines indicator-level cross loadings to confirm they align with their intended constructs [54]. However,

Table 3. *Discriminant Validity - Heterotrait-Monotrait Ratio (HTMT) Values*

	Financial Planning	**Financial Well-Being**	**Tax Planning**
Financial Planning			
Financial Well-Being	0.406		
Tax Planning	0.703	0.311	

Table 4. *Discriminant Validity – Fornell Larcker Criterion*

	Financial Planning	**Financial Well-Being**	**Tax Planning**
Financial Planning	0.768		
Financial Well-Being	0.347	0.919	
Tax Planning	0.631	0.270	0.868

Henseler et al. (2015) [55] recommend using the Heterotrait-Monotrait ratio (HTMT) for correlation analysis, as it performs better than cross loadings. According to the Fornell-Larcker Criterion, each construct's square root of the average variance extracted (AVE) must be higher than its correlations with the other constructs in the model. Regarding discriminant validity, Table 5 reveals that all constructs are within threshold. This indicates adequate discriminant validity. The PLS calculation model confirms satisfactory construct efficiency and integrity overall.

In regression analysis, the variance inflation factor (VIF) quantifies multicollinearity, the correlation between independent variables—by measuring how much a regression coefficient's variance increases due to this interdependence. High VIF values indicate that multicollinearity may distort regression model results. Table 5 depicts Collinearity Statistics (VIF) - Outer model. The assessment of common method bias (CMB) revealed that all items have Variance Inflation Factor (VIF) values below the 3.3 threshold recommended by Hair et al. (2021) [50], The findings indicate that all items have VIF values below 3.3, suggesting that the model is free from CMB.

4.1 Structural Model Assessment

Structural model assessment is the process of evaluating the relationships between variables in a model. Once the measurement model is validated, researchers test the structural model's hypotheses. This involves checking for construct collinearity before analyzing path coefficients, which show the strength and significance of relationships between constructs. The analysis uses bootstrapping to calculate t-values and p-values for determining statistical significance. The path coefficient in the SmartPLS output's t-statistic between the independent and dependent variables can be used to determine the predictive model's significance in evaluating the structural model (table 6).

Table 5 *Collinearity Statistics (VIF) – Outer model*

Items	VIF
FP1	1.782
FP2	2.271
FP3	1.814
FP4	1.985
FP5	1.676
FP6	1.622
FWB1	1.912
FWB2	1.912
TP 1	2.698
TP 2	2.693
TP 3	2.121
TP 4	2.791

4.2 Financial Planning effect on Tax Planning

The path coefficients analysis reveals that financial planning positively influences Tax Planning. With a path coefficient of 0.631, a p-value of 0.000 (< 0.05), and a t-statistic of 14.566 (> 1.96), the data confirms a statistically significant and favorable impact of financial planning on Tax Planning. The result shows that there is a high impact of Financial Planning on Tax Planning.

4.3 Tax Planning effects on Financial well-being

The path coefficient of 0.361 suggests a positive impact on financial well-being. With t-statistics of 2.990 and p-values of 0.000, the tax planning variable significantly and positively influences financial well-being. The result indicates that tax planning has an impact on financial well-being.

4.4 Financial Planning effects of Financial Well-being

The statistical analysis reveals a positive route coefficient of 0.292 for financial planning's impact

Table 6. *Hypothesis test*

		Original Sample (O)	Sample Mean (M)	Standard deviation (STDEV)	T statistics	P values
H1	Financial Planning → Tax Planning	0.631	0.634	0.043	14.566	0.000
H2	Tax Planning → Financial well-being	0.361	0.364	0.034	2.990	0.000
H3	Financial Planning → Financial Well-Being	0.292	0.294	0.082	3.568	0.000
H4	Financial Planning → Financial Well-Being mediated by Tax Planning	0.254	0.256	0.056	3.698	0.000

on financial well-being. This indicates a favorable relationship. The high t-statistic of 3.568, which exceeds the critical value of 1.96, and a p-value below 0.05, confirms the statistical significance of this effect. The findings support the conclusion that financial planning significantly and positively influences financial well-being, thus validating the hypothesis. The findings and data analysis results demonstrate that financial planning affects financial well-being.

4.5 Tax Planning mediates the impact of Financial Planning on Financial well-being

The statistical analysis reveals an indirect relationship between financial variables and financial well-being, mediated through Tax Planning. The positive route coefficient of 0.254 suggests a favorable impact on financial well-being. Statistical significance is confirmed by the t-statistics value of 3.698, which exceeds the critical threshold of 1.96. Furthermore, the p-value of 0.000 (less than 0.05) provides strong evidence supporting the hypothesis that financial planning influences financial well-being via Tax Planning. This finding underscores the important intermediary role of Tax Planning in enhancing overall financial wellness.

5. Conclusion

The relationship between financial planning and financial well-being is significantly enhanced through the mediating role of tax planning. Financial planning serves as the foundation for achieving financial well-being by providing structured approaches to managing income, investments, and future security. When individuals engage in proper financial planning, they establish a clear pathway toward better financial outcomes and enhanced well-being. Tax planning plays a crucial mediating role in this relationship by optimizing the benefits of financial planning. It acts as a bridge that strengthens the impact of financial planning on overall financial well-being. Financial planning directly influences financial well-being by providing strategic approaches to wealth management and future security. This relationship is fundamental to achieving long-term financial stability.

This research demonstrates that individuals who incorporate both financial planning and tax planning strategies achieve higher levels of financial well-being compared to those who focus on financial planning alone. The synergistic effect of these three components - financial planning, tax planning, and financial well-being - creates a more robust framework for achieving and maintaining long-term financial security. The evidence suggests that while financial planning is essential for financial well-being, the addition of tax planning as a mediating factor significantly enhances this relationship, leading to more secured financial futures for individuals who adopt this comprehensive approach. By bridging theoretical understanding and practical application, this study provides a roadmap for individuals, financial professionals, and policymakers to enhance financial well-being through strategic planning and tax optimization. This study offers valuable insights for financial professionals, highlighting the need for comprehensive financial strategies that incorporate tax planning into advisory services. It encourages a more holistic approach to managing client finances. For financial advisors, the research emphasizes the importance of tax planning in promoting financial well-being, helping them refine their advisory services with advanced tax optimization techniques and create more detailed financial planning frameworks.

Additionally, the study provides policymakers with evidence-based insights into financial literacy and planning, supporting national education programs and tax policy development. It highlights the crucial role of tax planning in improving financial outcomes and offers a framework for financial well-being. Key recommendations include targeted financial education, integrated financial and tax planning, and promoting proactive financial well-being. Highlights the potential macroeconomic benefits of promoting financial literacy, strategic planning, and tax-efficient financial management at individual and systemic levels.

6. Limitation and Future Direction

The limitations of this research mainly arise from its geographical and sample constraints, as it is limited to Chennai City with 274 respondents. This may hinder the ability to generalize the findings across various socio-economic contexts. Additionally, the cross-sectional research design restricts the capacity to establish clear causal relationships between financial planning, tax planning, and financial well-being. The reliance on self-reported data could also lead to response bias and subjective interpretations of financial well-being.

Future research should aim to broaden the geographical scope to include multiple cities or states, which would allow for a more thorough understanding of the relationships among financial planning variables. Longitudinal studies could be useful in tracking changes in financial well-being over time and in establishing stronger causal inferences. Researchers might also explore the inclusion of additional mediating or moderating variables, such as financial literacy, income levels, or demographic factors, to provide a more detailed analysis of financial planning dynamics. Furthermore, qualitative research methods, like in-depth interviews, could enhance the quantitative approach by offering deeper insights into the psychological and behavioral aspects of financial planning among salaried employees. Financial Well-Being is reported in the literature [56,57].

Author Statements:

- **Ethical approval:** This study was approved by Institutional Ethics Committee for Human Studies, approval number VIT/IECH/2024/15 IECH/ 05 June 2024/44 on 05th June 2024.
- **Conflict of interest:** The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper
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- **Data availability statement:** The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

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