

*“Success is liking yourself, liking what you do, and liking how you do it.”*

-Maya Angelou

## VALUES AND LIFE PURPOSE

Women have different definitions of success. Some lean more towards the quantitative- achieving wealth or climbing a career ladder. Some value more qualitative things- good health or a happy family. No matter which way you lean, there is a case to be made that, to be financially well, you need to tap into *both* to create a virtuous cycle of health *and* wealth.

Knowing your [values](#) can also help you fulfill your life's purpose. Research done by Harvard University<sup>1</sup> shows that connecting values, purpose, and strong relationships, offers the best way to maintain your physical health and emotional wellbeing. By answering, “what is most important to you?”, women can develop compass points to help them achieve their dreams. And good news - when it comes to money, women have a distinct advantage. Many tend to use a more values-based approach when it comes to saving and investing. Instead of starting with the “how”- *what* should I own? - they start with the “why.” What does this money do for me? This behavior can also reduce distraction with short term market conditions and keep them focused on longer term goals. And, with longer life spans,<sup>2</sup> women have even more time to enjoy the successes they achieve.

Where things often get tricky is the “how” stage- choosing which types of investments to achieve their goals. The investment industry tends to use a lot of jargon and complex visuals, which can often feel like a whole new language. Too few of us grew up in families that could teach strong money skills or even had access to personal finance classes in [school](#).<sup>3</sup> Often, we learn as we go. Fortunately, the language of money is just like learning any other language. By starting with the basics and some effort, plus a good [translator](#). (Exhibit A) you eventually become conversant. Financial literacy is a process- it takes time, practice and patience. Women who commit to this journey are in a better position to be good builders, as well as stewards, of their wealth. [Research](#) has also found that financial knowledge is a strong predictor of retirement planning behavior which can be especially important for women.<sup>4</sup> And the added reward for this effort? Many more women can achieve financial security and independence for themselves and their families.

### EXHIBIT A - EFFECTIVE FINANCIAL COMMUNICATION



# WOMEN AND MONEY

Women's longer life expectancy means, that at some point in time, many will have sole responsibility to manage their finances. According to [State Street](#),<sup>5</sup> women are responsible for US\$31.8 trillion in consumer spending and fast evolving into the largest controllers of wealth- adding \$5 trillion to the wealth pool globally every year – outpacing the growth of the wealth market overall. \$30 trillion is expected to shift into the hands of US women over the next three to five years. However, we still face headwinds. A recent article by the [Alliance for Lifetime Income](#) shared some of the disadvantages women face when it comes to their accumulation of money:<sup>6</sup>

- Women earn 84% of what men earn (**gender pay gap**)
- Women have **less to contribute** to retirement savings due to lower earnings
- Women are more likely to **interrupt their careers** for family responsibilities
- Women tend to **invest more conservatively** compared to men
- Women are 80% more likely than men to **be impoverished** when they're 65 or older
- Women's lower lifetime savings means less money to cover **long-term living expenses**

Their Protected Lifetime Income Study also found that only 40 percent of women between the ages 25 and 74 believe their retirement savings and sources of income will last their lifetime, compared to nearly 60 percent of men, leaving many women feeling unprepared for retirement. The study also found 28 percent of women don't have a plan compared to only 22 percent of men.<sup>7</sup>

Regarding this last point, having a plan can be even more important for women considering their health costs in retirement. According to [Milliman](#), a 45-year-old woman today who plans to retire at age 65 can expect to spend \$265,000 for out-of-pocket medical expenses in her retirement.<sup>8</sup> (Exhibit B)

## EXHIBIT B - WOMEN BY THE NUMBERS

### THE GOOD NEWS

- Women control **\$5 trillion** in global wealth
- **\$30 trillion** is expected to US women over the next three to five years
- Women are responsible for **\$31.8 trillion** in consumer spending

### THE BAD NEWS

- Women earn 82 cents for every dollar their white male peers earned
- Only 54% of women have money saved for retirement (average \$115,412)
- 70% of women's wealth is in cash

Source: †State Street Global Advisors. Closing the Gender Pay Gap (2020). <https://www.ssga.com/library-content/pdfs/etf/au/Closing-the-Gender-Gap-of-Advice-FINAL.pdf>  
‡ Jello, Christine, Norman, Suzanne, Renzi, Patricia. Women and retirement (January 2020). Milliman Financial Risk Management LLC. [https://us.milliman.com/-/media/milliman/pdfs/articles/milliman\\_women\\_and\\_retirement.ashx](https://us.milliman.com/-/media/milliman/pdfs/articles/milliman_women_and_retirement.ashx)

There are positives to consider, however, when we look at how women are engaged in their financial lives. (Exhibit C) According to [Fidelity Investments](#):<sup>9</sup>

- Women **performed better** than men when it comes to investing by 0.4%
- Women **saved more** than men - an annual average of 9.0% of their paychecks, vs and average of 8.6% by their male counterparts
- Women **added more** to their savings - an average of 12.4% to their account balance (IRA, brokerage) compared to 11.6% for men
- Women **traded less** than men - men are 35% more likely to make trades than women, and men who trade made an average of 55% more trades than women

## EXHIBIT C - WOMEN BY THE NUMBERS

### SAVING BEHAVIORS

- **Saved more** than men- an annual average of 9.0% of their paychecks, vs and average of 8.6% by their male counterparts
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### INVESTING BEHAVIORS

- **Better performance**- outperformed men by 1.80% (average annual return of 1.94% vs men's average return of 0.14%)
- **Traded less frequently** (nine times versus 13 times for men)
- Chose **less speculative** investments (more diversified funds versus stocks)

Source: † Fidelity. Women and Money Survey (2016). <https://newsroom.fidelity.com/press-releases/news-details/2017/Fidelity-Investments-Survey-Reveals-Only-Nine-Percent-of-Women-Think-They-Make-Better-Investors-than-Men-Despite-Growing-Evidence-to-the-Contrary/default.aspx> ‡ Neil Stewart. (June 28, 2018). Are Women Better Investors Than Men? Warwick School of Business, University of Warwick (June 2018). <https://www.wbs.ac.uk/news/are-women-better-investors-than-men/>

This research also correlates to a study conducted by [The Warwick Business School](#)<sup>10</sup> (UK) that found women outperformed men with their investments. Men in the study had an average return of 0.14% vs women's average return of 1.94%. The study identified three key contributors to this out performance:

- Women **traded less frequently** (nine times versus 13 times for men)
- Women **chose less speculative investments** (more diversified funds versus stocks)
- Women had a **longer-term perspective**

These both highlight the need to move away from false assumptions about women and money as well as dig into potential myths around the female investor. On a recent podcast by [The Yield](#),<sup>11</sup> Barbara Stewart, CFA, shared that her [Rich Thinking research](#) found only one out of ten women were actually risk averse. Nine out of ten described themselves as risk aware, risk seekers, or risk takers.

*“What I have found through my research is that as long as a woman is interested and an opportunity is aligned with her values, she will be motivated to take a risk. She might take more time to make an investment decision, but this is because most women are meticulous about doing their homework. Once they have delved into the details to their satisfaction, they will take calculated risks and invest. I did a global quantitative study in 2019 to test out the numbers on this and I gave women a broader selection of choices: Are you a risk seeker, are you a risk taker, are you risk aware, or are you risk averse? Fewer than 10% of the women said they were risk averse. So that means 90% were either risk aware, risk seekers, or risk takers!”*

Michael Finke, PhD, shares a similar perspective. He relates how lack of experience also plays a role in this myth:

*“This difference may not be so much an ingrained tendency, but rather related to women's lack of experience in the financial realm. An investor who has endured a number of bad markets, gains and losses is going to be a lot more comfortable with risk than someone who has not.”*

Experience connects to a key characteristic of investing - confidence. Women investors often self-report a lack of confidence, but there is a case to be made that they are underestimating their abilities, especially when compared to men. [FINRA's 2018 National Financial Capability Study](#)<sup>12</sup> found 71% of men assess themselves as having a high level of investment knowledge compared to only 54% of women. However, when you look at how many of the survey questions were answered correctly and incorrectly, the performance difference is marginal - women had 2.7 correct answers out of six, men had 3.3. Women had 1.3 incorrect answers, men had 1.4. What is notable - women answered “I don't know” almost twice as much as men. It is quite possible that this confidence deficit simply comes down to women underestimating their capabilities and men overestimating theirs.<sup>13</sup> (Exhibit D)

# EXHIBIT D - FINANCIAL LITERACY

## Findings from FINRA's† six question 2018 National Financial Capability Survey

Self reported <b>high level of investment knowledge:</b>		<b>Correct</b> answers (out of six)		<b>Incorrect</b> answers (out of six)		<b>"I don't know"</b> answers (out of six)	
54% of women	71% of men	2.7 for women	3.3 for men	1.3 for women	1.4 for men	2 for women	1.2 for men

This last data highlights another finding in research: men overestimate their competency † and women tend to underestimate theirs. ††

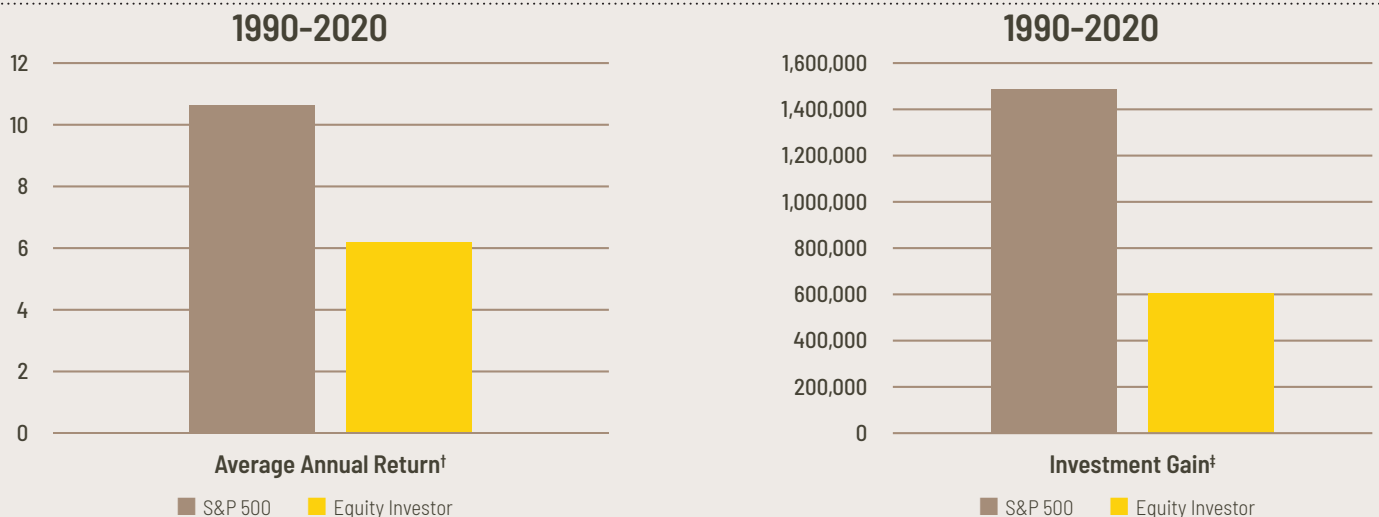
Source: † FINRA Investor Education Foundation. National Financial Capability Study (2018). [https://www.usfinancialcapability.org/downloads/NFCS\\_2018\\_Report\\_Nat\\_Findings.pdf](https://www.usfinancialcapability.org/downloads/NFCS_2018_Report_Nat_Findings.pdf) ‡ Brad Barber, Terrance Odean. Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment (November 12, 1998). [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=139415](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=139415) †† Fidelity. Women and Money Survey (2016). <https://newsroom.fidelity.com/press-releases/news-details/2017/Fidelity-Investments-Survey-Reveals-Only-Nine-Percent-of-Women-Think-They-Make-Better-Investors-than-Men-Despite-Growing-Evidence-to-the-Contrary/default.aspx>

Confidence can also be gained by adopting a helpful perspective. Women should know that investments are a lot like any other consumable product. Once you have a basic understanding of the product (mutual fund, ETF, annuity, etc.), what it does for you, and how much it costs, you are in a much better position to make an informed decision. The next step is determining how you put your goals into action.

## HOW TO GET YOUR WHY

There are two choices when it comes to managing money - do it yourself "DIY" or partnering with a financial professional. There is no hard rule on which path to take, however, knowing your values, goals, and your [investment personality](#)<sup>14</sup> are important first steps. The key question usually comes down to, who do you trust? Maybe you have achieved the skills necessary to independently manage your own money or, you may decide you need an experienced partner. If you chose the latter, an advantage a [financial planning professional](#) may offer, beyond their years of experience, is emotional support and coaching. Helping clients make better decisions - saving more, spending less, or staying the course - is part of what the best advisors do, especially when fear or greed tempt a client to abandon long term goals. [Carl Richards](#) refers to this as "the behavior gap." Some simple math shows how individuals often lag behind the market: over the last 30 years, equity investors achieved an average annual return of 6.24% while the S&P 500 achieved 10.70%.<sup>15</sup> The investor's underperformance was mostly attributed to poor trading activity (sell low, buy high). Of course, performance is personal (i.e. 6.24% might have been enough for you to reach your goals), but it helps to show the difference with dollars - assuming you started with an investment of \$100,000 30 years ago and [compounded](#) annually, 6.24% would equal **\$614,670** today, while 10.70% would equal **\$2,110,710**. That extra **\$1,496,040** shows what poor decisions can *really* cost. (Exhibit E)

## EXHIBIT E - THE BEHAVIOR GAP



Source: † 1990 -2020 average annual return for S&P 500 10.70%. Average annual return for an equity investor 6.24%. DALBAR, Inc. Quantitative Analysis of Investor Behavior (2021) [www.dalbarinc.com](http://www.dalbarinc.com). ‡ Assumes \$100,000 investment compounded annually for 30 years at 10.70% and 6.24%, respectively. U.S. Securities and Exchange Commission compound interest calculator. <https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>

To help you make good decisions with your money, here are some steps to get you thinking about ways to be smart with your money:

## FINANCIAL CHECKLIST - ALL AGES

- Commit to financial literacy<sup>16</sup> skill development at school, work, or through formal programs
- Create a three-tiered budget - income & expenses, needs & wants, assets & liabilities
- Follow 50/30/20 - 50% to needs, 30% to wants, 20% to long term savings/investing
- Create an emergency savings account - 6-12 months' worth of income
- Review your insurance coverage annually - health, auto, property, liability
- Check your credit score regularly and consider setting up an alert system
- Design an investment policy statement (IPS) to help guide your decisions
- Review your investments annually - avoid the temptation to look too frequently
- Have a family finance meeting at least annually with children, parents, and partners
- Plan for your legacy - beneficiaries, wills, trusts, charities, guardianship

### FINANCIAL CHECKLIST EXTRAS - TEENS TO 20s

- College - use other people's money first (grants, scholarships, savings, work/study) before loans
- Start saving in tax deferred accounts like 401k, 403b, 457, IRAs (Exhibit F)
- Get the match - meet the minimum savings rate to receive an employer's contribution

### FINANCIAL CHECKLIST EXTRAS - 30s TO 40s

- Disability insurance - insure your paycheck
- Guardianship planning for children
- Review your beneficiaries
- Retirement savings - are you maximizing your savings for retirement?
- Track your Social Security benefit statement and correct any errors

### FINANCIAL CHECKLIST EXTRAS - 50+

- Long-term care insurance - review your needs
- Enroll in Medicare at age 65
- Update your estate planning - wills, trusts, charities
- [Retirement income checkup](#) (Exhibit G)
- Explore if [guaranteed income](#) is right for you

## EXHIBIT F - FAST TRACK YOUR MONEY

Starting early can enable you to save less and accumulate more

Compounded savings over 40 years, saving \$500 per month.

Years of Saving		Account Value at Age 65
<b>10 years</b>	<b>no contributions</b>	<b>\$651,045</b>
<b>no contributions</b>	<b>30 years</b>	<b>\$584,726</b>
<b>40 years</b>		<b>\$1,235,771</b>
<b>Age 25</b>	<b>Age 35</b>	<b>Age 65</b>

*This chart is illustrative purposes only and it is not meant to represent the performance of any specific investment option. Assumes \$500 invested each month in a tax-deferred account and a 7% annual rate of return for a hypothetical investor from age 25 to age 65. The Account Value at age 65 is tax-deferred, and contributions and earnings are subject to taxes upon withdrawal. All investments involve risk, including possible loss of principal. Source: T. Rowe Price.*

## EXHIBIT G - RETIREMENT INCOME SECURITY EVALUATION (RISE) SCORE®

Will you have enough retirement income to cover your essential expenses and live the life you want?

The **RISE Score**® is a measure of income security that can help you determine any gaps between your expected retirement income and monthly expenses. It measures four key risks:

- Market Risk
- The Risk of Outliving Your Money
- Inflation
- Sequence of Returns Risk

By answering six simple questions at [protectedincome.org/rise-calculator](https://protectedincome.org/rise-calculator), you can easily see if your income needs are on track.

This last age group faces extra pressure to get the “how” right. By 2024 there will be more people over age 65 than ever before in the US and, by 2030, all Baby Boomers will be over the age of 65, with women making up the majority.<sup>17</sup> It is imperative for women to make sure their money lives at least as long as they do. Not surprisingly, guaranteed income appeals to many investors. The Alliance for Lifetime Income CANNEX’s 2021 [Protected Retirement Income and Planning Study](#) found that 91% of investors said it was important that their retirement income plan is designed to provide a guaranteed income payment or principal protection and, of the 66% investors who were already “protected” with either a pension or an annuity, 92% were confident they will have enough income to cover their retirement expenses.<sup>18</sup> Research also shows how annuitizing can boost retirement satisfaction by providing investors with a floor level of income that is buffered by market declines. Retirees with more annuitized income sustain higher levels of satisfaction than retirees with less or no annuitized income.<sup>19</sup> Women planning their retirement should explore how guaranteed income (pensions, social security, annuities) can play a role in helping them be more confident, satisfied, and secure. By answering some basic visioning questions – your “whys” – you can build a foundation to start making sure you *enjoy* all those extra years and choose the right path to lead to your success. (Exhibit H)

While women face unique financial challenges, they are more than capable to meet them when provided with education and the right resources. Financial wellness starts by recognizing you have the power to create financial security. Being clear on **your why** – values, life purpose – and being clear on **your how** – saving and investing early and often, learning the language of money – helps assure independence and choices throughout your life.

## EXHIBIT H - ENVISIONING YOUR RETIREMENT

- What do you want your retirement to look like?
- What are your goals and aspirations as you get older?
- How important is financial security to you? Why?
- How would you feel if you were financially secure?

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<sup>2</sup>Society of Actuaries. Age Wise Infographic Series (2019). Retrieved on August 26, 2021 from, <https://www.soa.org/research/age-wise/>

<sup>3</sup>Council for Economic Education. Survey of the States (2020). Retrieved on August 26, 2021 from, <https://www.councilforeconed.org/survey-of-the-states-2020/>

<sup>4</sup>Lusardi, Annamaria. Boosting financial literacy to improve retirement planning (2020). Retirement Income Institute (2020). Retrieved August 26, 2021 from, <https://www.protectedincome.org/wp-content/uploads/2021/03/RII-Insight-Boosting-Financial-Literacy-to-Improve-Retirement-Planning-Lusardi-2.pdf>

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<sup>7</sup>The Alliance for Lifetime Income’s 2019 Protected Lifetime Income Index Study.

<sup>8</sup>Jelinek, Sheila, Jennings, Janet, Norman, Suzanne. A very expensive sandwich- how multigenerational care affects women’s health costs (2020). Milliman Financial Risk Management. Retrieved on August 26, 2021 from, <https://us.milliman.com/en/insight/a-very-expensive-sandwich-how-multigenerational-care-affects-womens-health-costs>

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