

# A Case for Rapid Change:

White Paper on Women, Money and Careers



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[Michelle Brennan Hall](#)

**BRENNAN WEALTH ADVISORS**

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## White Paper on Women, Money and Careers

### The Crisis in Female Confidence

If the future is really female, how is it that she cannot afford it?

Women continue to be underserved in financial and money management arenas, which exacerbates the crisis in female confidence. Not to diminish advancements in the workplace and improved focus on financial planning as a gender but women have a long way to go to reach financial parity with men.

The handicap women face when it comes to financial decision-making and ownership is a century's old culture that perpetuates serious long-term affects not only on women's financial abilities but also on their confidence as a gender. Earning less, being promoted only for her gender, not owning assets, being "provided" an allowance and not being included in retirement planning decisions are all impediments many females still encounter today.

Now is the time to move the needle significantly to prevent women from being financially dependent throughout their adult lifetime.

According to findings in "*Women and Money*," a 2016 survey report produced by Brennan Wealth Advisors, key findings about women were identified:

- Female executives are overworked both in their career and home. Because of her leadership position many are isolated at the top and report being the "the only woman in the room" and therefore has little time for personal financial care.
- Stay at home mothers are one of the most financially vulnerable. Financial decisions are usually made for her and she typically only interacts with money by receiving a monthly allowance to run the house and take care of kids.
- Post-divorce women suffer long-term damage due to accepted gender roles. She finds herself earning less in her career, but she now has the added burden of being the primary family caregiver. She also is, many times, without money management skills because that was her husband's domain.
- Women tend not to prioritize their earning potential in the workplace. Thirty-seven percent (37%) of women select a job because it is her passion and 31% select jobs to be fulfilled; this leads to women under-representing their value at work. The result....not negotiating compensation, not asking for a raise or advancement.
- Women age 40-49 are most concerned about money.

- Only 5% of women are confident about money.

In order to fundamentally transform the trajectory of women's precarious financial condition, we must positively affect their attitude toward wealth activities.



### Women's Fears about Money

Most women share the same fear of becoming destitute and homeless. It's often referred to as the "[Bag Lady Syndrome](#)" and it's prevalent across all income and net worth levels. Forbes refers to the syndrome as the most documented fear women have around money<sup>1</sup>.

We posit there are 3 contributing factors to this fear: 1) ownership, 2) financial services for women and 3) societal expectations.

For centuries, women did not have power over their lives and it certainly was rare that she owned assets. Today, American women are just now flexing their financial muscle to gain better control of their destiny. Owning assets creates a mindset of accomplishment, control and responsibility; all of which can improve women's confidence. Without decades of experience, encouragement and education like their male counterparts, women still however, exhibit a fearful approach when it comes to long-term planning.

Financial advisors can be a great source of education and encouragement for investors but the financial industry has a long way to go toward improving services and attitudes toward women. Most financial planning models are still built around the male investor. In fact, most planning for couples only recognizes the husband's goals for retirement; leaving little priority on what is important to women financially.

Societal expectations are conceivably the most powerful factor in keeping women from financial success. In a 2018 study from the [Pew Research Center](#), men and women were asked why gender differences exist. On each subject (feelings, parenting, career, hobbies, interests etc.) men believe the difference is biological while women reported societal expectations are the reason for the differences<sup>2</sup>. Today, many women are still expected to abdicate financial control. Career moms must be the perfect mother and wife while furthering her career. She is not expected to be the major breadwinner; should avoid appearing ambitious; is considered not skilled enough to climb the corporate ladder; and should think twice about negotiating salary.

Consequently, money management is not a priority for women. Many brilliant, educated and accomplished women shrug off money management discussions because perceptively it's taboo for women to have these conversations. From women beginning their career after college, to stay at home moms, to women earning 6-figure salaries; financial planning does not top their priorities.

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<sup>1</sup> Six Financial Fears Resolved, Emma Johnson, 9/23/10. Available From:

<https://www.forbes.com/2010/09/22/money-fear-women-forbes-woman-net-worth-finance.html#406284b81f96>

<sup>2</sup> On Gender Differences, No Consensus on Nature vs. Nurture, Pew Research Center, 12/5/17. Available From:

<https://www.pewsocialtrends.org/>

## Risks Unique to Women – The Three D’s

### Dying last - Longevity

- Longevity could be the single biggest risk factor threatening the financial outcome of American women today. Female longevity certainly builds a case for ramping up their financial education, increasing allocations to equities in women’s investments and creates an imperative for her to own life insurance on her husband until his death.
- The USA [average life expectancy rate for women](#) is 81.48 and for men is 76.71<sup>3</sup>. Startling statistics from the U.S. Census Bureau population estimates tell us by the time a woman is age 85 she outnumbers men 2 to 1 and the majority (81%) of centenarians are female. Living a lifetime of deferring to her husband’s handling of finances or being shut out of decision-making puts her in a precarious situation. Being thrust into financial decision-making after her husband dies is daunting. Nearly 30% of non-married women age 65 or older are poor or near poor. This compares to 21% of men<sup>4</sup>.
- When females invest, they tend to do so more conservatively and she prefers saving over investing. These may be inappropriate for women’s longer life expectancies.
- Life insurance decisions for married couples is typically made by the husband without input from his wife. Life expectancy statistics make the clear case that most women will out-live their husbands. Life insurance on the husband is a simple solution to provide funds for the remainder of her life and is especially important when we recognize most medical costs are incurred the year before her spouse’s death.

### Divorce

- In 2018, the divorce rate was 42-45%. While the divorce rate in America has been declining since the 1980’s, the age at which couples are divorcing is getting younger with an average age of 30. In 5 out of 6 cases mothers are the custodial parent post-divorce<sup>5</sup>.
- Divorce thrusts women into financial decision-making, many for the first time.
- Depending on the metric you measure (industry, cities/states or race) females earn 76 - 82 cents for every dollar a male earns<sup>6</sup>. [Divorced women](#) on average experience a 41% reduction in household income which is double that of men<sup>7</sup>. Couple these factors with the responsibility of being the custodial parent and divorced women find themselves behind financially.

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<sup>3</sup> World Life Expectancy Love Longer Live Better, 3/12/19. Available From: <https://www.worldlifeexpectancy.com/>

<sup>4</sup> Women and Investing Statistics, Kimberly Alt, 4/7/17. Available From: <https://www.asecurelife.com/>

<sup>5</sup> 32 Shocking Divorce Statistics, McKinley Irvin Family Law. Available From:

<https://www.mckinleyirvin.com/family-law-blog/2012/october/32-shocking-divorce-statistics/>

<sup>6</sup> Bureau of Labor Statistics. Available From: <https://www.bls.gov/>

<sup>7</sup> 2012 U.S. Government Accountability Office. Available From: <https://www.gao.gov/products/GAO-12-342SP>

## Death of Spouse

- This is another time in life when women are forced to be the chief financial decision-maker when they may not have ever done so. I can report, after many years advising retirees that the death of a husband leaves the female feeling vulnerable because she many times abdicated the financial affairs to him. A strong team of holistic financial advisors with a specialty in caring for women investors is a welcomed partnership for widows.
- In assisted living women outnumber men by a ratio of 7 to 1 and it takes financial assets to pay for this care<sup>8</sup>.

## Mind the gap:

Comparisons to men and women's ability on the financial spectrum continue to separate the genders.

- Income Capacity - Men earn more than women despite equivalent education and experience. According to the Institute for [Women's Policy Research](#), it will take until 2058 for women to reach wage parity with men in the United States<sup>9</sup>
- Net Worth – Men outpace women in lifetime wealth accumulation. According to a BlackRock study in 2015, women have 68% of their portfolios in cash. Only 29% of women reported in a [PNC Investments](#) study that their parents taught them how to grow wealth at a young age.<sup>10</sup>
- Promotion/Earning potential - Women fear negotiating salaries and are leaving money on the table. “Assume you're making a salary of \$85,000 a year, and you have 40 years left to work ahead of you. Get the raise to the guy's level, and you'll earn an additional \$1 million,”<sup>11</sup> says [Sallie Krawcheck](#) of Ellevest. Research from the University of Illinois and Southern Methodist University backs this up and proves that women who negotiate salaries improve their lifetime compensation by \$1million.<sup>12</sup>
- Being an object of tokenism or sexual advances in the workplace where she is isolated in leadership or promoted for her gender. Many are without typical mentoring and upward mobility coaching afforded to male counterparts.

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<sup>8</sup> A Man's World? Not In Senior Living, Diane Franklin, 10/13/17. Available From: <https://www.ourparents.com/>

<sup>9</sup> Earnings and The Gender Wage Gap, IWPR 2014a. Available From: <https://statusofwomendata.org/>

<sup>10</sup> The Gender Wealth Gap Is Real. Here's How Women Can Start To Close It, Elaine Low, 7/16/2018. Available From: <https://www.investors.com/news/gender-gap-investing-women-wall-street-stocks-female-investors/>

<sup>11</sup> The Gender Gap That's Really Hurting Us, Sally Krawcheck. Available From: <https://www.ellevatenetwork.com/>

<sup>12</sup> Six Financial Fears Resolved, Emma Johnson, 9/23/10. Available From:

<https://www.forbes.com/2010/09/22/money-fear-women-forbes-woman-net-worth-finance.html#34a3a7ac1f96>

## The Future for Women

American societal, familial and religious expectations are low for women in the area of money matters. Women still feel this is not their place. Being marginalized early and throughout life by family, in the classroom and career situations stacks the dice against women decade after decade.



There is good news for women though. "Women & Money" reports that 9 in 10 women have money in savings. The report shows when women invest, many are good at it. They focus on the long game and trade less which makes them cost efficient investors returning in many cases a full percentage higher than their male cohorts. Further, financial confidence is on the rise for women. Almost 60% of women report being "usually confident about money."

What can be done to shorten the time it will take for women to achieve parity and improve confidence

with money issues?

Three areas could provide the highest benefit to women: 1) financial education in a community atmosphere promoting women's financial success, 2) improving financial planning attitudes toward women where longevity planning becomes the focal point and 3) societal expectations about women change to promote the uniqueness of women where they are valued for their perspectives and contributions.

Having tools to understand the power of investing early in life and confidence to take that first step are as important as having a community to which like-minded women can belong. In financial affairs, men and women want different data. Men seek out quantitative data like track records, expenses and risk profiles while women want qualitative information. They want to know how long money will last and how the investment or insurance will serve a certain objective over the long-term. In other words, men want the "what" and women want the "how". Understanding different perspectives each gender brings to money is important in their engagement and education.



Neither perspective is more important and both should be addressed when creating a family financial plan. These perspectives, when taken together, can dovetail for a well-rounded and educated perspective

to the financial path ahead for couples. Conversely, if only one spouse is heard, only half the family is being addressed. This can be damaging to a family's long-term viability.

The financial services industry has great influence in the lives of investors and should take a lead role in championing women's financial independence. Working to understand female investor's financial apprehension and important issues while being an example of integrity can truly inspire women to take care of themselves financially and improve confidence along the way. Companies like Ellevest by Sallie Krawcheck are advancing the savviness of women in a meaningful way.

Most men want their wives to be involved financially and look for ways they can wade into money conversations. Financial advisors with a holistic approach can serve a great purpose in helping women identify their financial purpose while bringing couples together. Having the patriarch and matriarch provide their unique vision to financial planning issues is a worthwhile exercise and can provide generations of financial strength.



Fathers with daughters can be another highly influential group in the financial success of women. Dads have a powerful opportunity with daughters to help shape an early interest in financial independence, yet many don't think she is interested. He can encourage and educate his daughter in the areas of money, investing, owning a home and being financially independent regardless of her marital status. This is an extremely important message for her. Today young women still don't think they need to be in a hurry to invest and can wait until they are married or after they have children. They also get the

sense that their husband's goals and career are the household priority. Fathers can and should encourage their daughters to be independent with their money affairs.

And finally, more must be done in the areas of respect for women; appreciation and support of her unique abilities; recognition of her strengths. An overall societal increase in valuing women and what they bring to families, relationships and work should take shape. Society must not enforce the status quo. Talking down to women, discounting their work or contribution, acting as if they are an inferior gender, treating them as sexual objects or creating an environment at work or in a marriage where she is financially dependent should no longer be acceptable in American modern society.

If the future is truly female, isn't it time we get her ready for it?