SECOND EDITION

Rewriting the Rules

TELLING TRUTHS ABOUT WOMEN AND MONEY

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THE HUMPHREYS GROUP

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Introduction

At The Humphreys Group, it's no secret we applaud and encourage the many ways in which women today continue to break through gender stereotypes. Since our firm's founding, we have championed women of all ages and backgrounds as they've scaled the learning curve of personal finance and investing. Even now, we are fascinated by the stereotypes that *still* permeate discussions about women and money. These phrases probably still sound familiar:

- "Women aren't interested in investing."
- "They lack confidence about their financial decisions."
- "When women do invest, they're too risk averse."

The financial services industry continues to experience an overdue wake-up call when it comes to women and money. Back in 2018, the focus was on the #TimesUp and #MeToo social movements. Since then, we've experienced a change in US Presidents, a global pandemic, and the overturning of Roe vs. Wade, all of which have impacted women's lives in significant ways.

The global pandemic has recently created seismic shifts in many aspects of our personal and public lives. Some changes will endure, while others will settle into a "new normal" eventually. In the workforce, 30% of women have been negatively impacted in employment, compared to 24% of men. Black women have been particularly hurt, with 39% negatively impacted. Women who lost their jobs during the pandemic continue to feel the brunt, compounding the challenges women already face, given their history of choosing or being forced to leave the workforce. However, in recent decades, women have also been awakening to the "power of the purse" — specifically, their own. These statistics help paint the picture:

- Women are the primary breadwinners in 40% of U.S. households.
- 50% of women say they are more interested in investing since the start of the pandemic.
- 67% of women are investing outside of retirement.
- Women control $10 trillion in financial assets and that number is expected to rise significantly.

Women are an increasingly powerful group, and the younger generations have different expectations. Many large financial services firms continue to target women in their ad campaigns and marketing strategies. In the many research reports they are publishing on the subject, these firms ask, "What do women want?" or "How do women want to be served?" or "What are women's experiences of the industry?" That's great for us because we, too, are very interested in women's unique strengths, characteristics, perspectives, and needs when it comes to their personal and financial lives. In reviewing the latest research reports and other publications, what quickly becomes clear is that while things are improving for women, all kinds of myths about women and money continue to set the narrative. Let's take a closer look and by doing so, turn these myths into reality in the process.

01 MYTH: Men Are Better Investors Than Women

Myth 01

Men Are Better Investors Than Women

We'll start by unpacking a big myth that has permeated the financial services industry for decades: Men are better investors than women.

When you search the word "investor" in Google Images, you are instantly bombarded by photos of men in suits and ties, peering seriously at stock charts, pointing at computer screens together, and even holding stacks of money. To the extent women are included in these images, they are usually standing behind their male counterparts, appearing to gently offer emotional support. The message these images convey is loud and clear: The world generally considers men to be the more skilled and knowledgeable gender when it comes to investing.

But it turns out this assumption is simply not valid. According to a 2021 Fidelity study, on average, women outperformed their male counterparts by 0.4% annually. The study was based on account performance from 2011 to 2020 and analyzed over 5 million customer accounts.[1] This doesn't seem like much, but it accumulates to a significant financial difference over time. For example, a man and a woman each invest $100,000; assuming a 4.6% average annual return for the man and a 5.0% average annual return for the woman, her investment will have grown to $432,200 after 30 years, while his will be valued at only $385,400. That's nearly a $50,000 difference, half of the original investment!

What factors are at play here? First, men tend to buy and sell their investments more often. The earlier 2016 Fidelity study found that men made an average of 55% more trades in 2016 than their female counterparts.[2] This can be financially injurious because the more an investor trades, the more he risks making an investment right before it decreases in value or selling the investment right before it gains momentum. Because women are more likely to hold on to their investments throughout market fluctuations, they capture more growth over time.

Digging deeper, why do women hold on to their investments longer? There are many reasons.

[1] "Women and Investing Study" Fidelity, 2021
[2] "Who's the Better Investor: Men or Women?" Fidelity, May 2017

As women, we usually conduct more research before investing and maintain a long-term perspective more often. We tend to view investing less as a game to be won and more a means to accomplish our goals. Regardless of the psychology, women's success in the investment world is good news. Chances are high that we will have sole responsibility over our finances at some point in our lives. In fact, a study on women and financial wellness, published in 2022, found that 94% of women believe they will be personally responsible for their finances at some point in their adult life.[3]

Since its founding 35 years ago, The Humphreys Group has focused on working with women investors. Time and again we have seen what's possible. Whether they gained financial responsibility over night or over time, we have stood arm in arm with women as they faced the steep end of their own personal learning curves. We know women's behavioral tendencies, combined with a willingness to learn, make for great results. Many women surprise themselves by just how good they are at "money stuff."

[3] Bank of America Study Women and Financial Wellness June 2022

In Our Experience:

- **Women view investing as a way to accomplish a goal, rather than as a game.** In doing so, women sidestep the temptation to accrue bragging rights.
- **Women are *already* money smart.** They often serve as the de facto chief financial officer (CFO) of their families, have budding or demanding careers, or gain valuable experience through volunteer work. This is a great starting point for learning more about finance, and in doing so, building confidence and independence.
- **Women are multi-taskers.** Juggling a long list of duties can leave little time for women to build the knowledge base they need to feel confident about financial decisions. The good news is that women are also natural delegators and collaborators. Call it a squad, a posse, or a personal board of directors, we are skilled at gathering support and providing it to others.
- **The world of investing is filled with jargon and unnecessary complexity.** This is by design: for decades, the financial services industry has used complexity as a sales tool by framing investments as challenging instruments and positioning themselves as the gatekeepers. Don't be enticed by unnecessary complexity. By keeping it simple and manageable, we can stop procrastinating, make real progress, and achieve strong investment results.

Our Advice to You:

- **Think about what type of financial advice you need —** What tasks should you delegate, and what should you keep in-house? Find and work with advisors who support and respect you, and most importantly, listen to you with genuine interest and positive regard. The Financial Planning Association (FPA) and the National Association of Personal Financial Advisors (NAPFA) offer online resources that can help you navigate the search process.

  FPA: **http://www.plannersearch.org/**
  NAPFA: **https://www.napfa.org/find-an-advisor#tab=filters**

- **By focusing on a short list of time-tested principles, you can achieve excellent investment results.** Curate your investment resources and don't get distracted by dazzle and jargon. Vanguard, a mutual fund company that has long advocated for individual investors, is a great place to start: **https://investor.vanguard.com/investor-resources-education/how-to-invest** If you like to learn with the help of a good book, we highly recommend Smart Women Love Money by Alice Finn (Regan Arts). In her book, Alice walks through 5 simple life-changing rules of investing. It is jargon-free and user friendly. Not only that, it has the best book title ever!
- **Your mom was right —** there is no such thing as a stupid question, especially when it comes to finance and investing. Don't be afraid to ask a question that many others are afraid to pose, but probably have themselves.

02

MYTH:

Emotions and Personal Values Should be Kept Separate From Money and Investing

Myth 02

Emotion and Personal Values Should be Kept Separate From Money and Investing

Most financial advisors say that you should keep emotions and investing isolated from one another. Emotions cloud your judgment, they say. Emotions provoke irrational behavior and have no place among the pie charts and financial metrics reflected in your financial plan. It's best to compartmentalize your feelings and save them for your therapy appointments.

We may surprise many of our industry peers when we say this, but here it goes: *The idea that your emotions should remain separate from money and investing is a myth.*

This myth is partially derived from the conventional wisdom that thinking and feeling are two separate processes guided by different regions of the brain. It shouldn't be difficult to detach yourself from your emotions if you just turn off that part of your mind for a few minutes, right? In fact, modern neuroscience research has shown that those areas of our brains are actually highly interconnected by neurons that translate both cognitive and emotional messages.[1] For this reason, it's nearly impossible to completely disentangle our thoughts and feelings, try as we might. One pair of researchers highlighted a common experience that emphasizes this point: You may justify a car purchase by claiming you got a good deal, when the true, determining factor may have been that you liked how the car made you feel.[2]

Now, does that mean we endorse making panicked decisions every time the market swings? Of course not. Even when the market has our stomachs in knots, we've surely provided much-needed objective reasoning to our clients. In fact, regardless of the market environment, nearly every big choice in our clients' lives involves plenty of dialogue, analysis, and projections to estimate how it would impact their financial future. But it's important to acknowledge that intuition and emotion play equally important roles in this process. A person's history, their current situation, and their future ambitions influence every money decision they make; disregarding this is doing a disservice to their lived experience.

[1] "Emotion, cognition, and mental state representation in amygdala and prefrontal cortex," CD Salzman and S Fusi, 2010
[2] "Emotion and cognition," Michael de la Maza and David Benz, May 2015

Perhaps nobody illustrates this point more eloquently than Jonathan Haidt, an American social psychologist. In his book, *The Happiness Hypothesis*, Haidt asks us to imagine an elephant, which represents our emotional side, and its rider, which represents our rational side. The rider, perched atop the elephant, holds the reins, and seems to be in control. She excels at long-term thinking beyond the moment. However, this control is precarious because the rider is so physically small, relative to the elephant. Anytime they disagree about which direction to take, the rider will lose because she is completely overmatched by the sheer power of the elephant. This happens every time the elephant chooses instant gratification over the rider's long-term goals. In real life, we overspend, sleep in, risk too much, and procrastinate.

But the elephant's essential strength is that it provides us with much-needed motivation. Emotions like love, compassion, sympathy, and loyalty prompt us to take action on behalf of ourselves or others. Even further, when the rider is left to her own devices, she'll go nowhere without the resolve of her elephant. This happens when we find ourselves consumed by analysis paralysis, overthinking, or just lacking the enthusiasm or courage to take the next step.

Here's the deal — you need both. "Our rider" provides the planning and direction, and "our elephant" provides the energy. Both are crucial and necessary. A reluctant elephant and a rider who lives in her own head can ensure that nothing changes. But when the elephant and the rider move together, change can come easily. So many investors — especially female investors — are told to ignore their elephants. We love this analogy because it demonstrates how focusing on emotion can be such a powerful tool for positive change.

It's helpful to identify with both our rider and our elephant in nearly every financial conversation, but especially when we talk about investing. Why? Because investments are so much more than just figures and statistics. They represent our security, independence, values, and legacy. Some clients may view their investments as validation that they worked hard in life; others use them to support causes they believe in and give back to their communities. Some investors see their investments purely as assurance that their loved ones will remember them and live well after they're gone. While most advisors would prefer to focus on the analytics of the investments, it takes a special advisor to acknowledge the values behind the numbers.

So, what can we do to overturn this notion that investments and emotions are divorced from one another? For us, the answer is obvious: Let's talk more about our feelings in the context of money.

In Our Experience:

- **As advisors, we believe that expertise and empathy both play a role in money matters.** Anyone who focuses on one at the expense of the other is presenting a false choice.
- **We have seen that self-reflection leads to self-knowledge, which leads to self- confidence.** In turn, self-confidence leads to better decisions and timely implementation.
- **It's not just about feeling good;** that's important, of course, and we want as much of that for ourselves and our clients as possible. But we've also seen that embracing our emotional side and having those pivotal (and sometimes difficult) conversations can open up the possibilities to better financial outcomes.

Our Advice to You:

- **Whether you're setting personal or financial goals, consider the power dynamic between your elephant and your rider.** Do you need to unleash the power of your elephant? Or is it time for your rider to pull back on the reins a bit?
- **Consider working with a financial advisor who shares this approach and is willing to tackle these issues with you.** There are a range of "discovery" methods and tools that advisors use to frame the process and the discussion. We are big fans of Money Quotient, an organization that offers financial advisors tools and training to help and inspire clients to look inward to maximize resources and live purposeful lives. You can find an advisor who adopts this approach and mindset here: https://www.moneyquotient.org/advisor-search/
- **Join us! We regularly host Conversation Circles for women** who are interested in straightforward and authentic discussions focused on the important, non-numerical aspects of personal finance. This is a chance to connect with other women about what matters most, to discover ways to apply our unique strengths to our finances, and to share our stories, experiences, and collective wisdom. Our circles are structured and facilitated, and include time for personal reflection and community-building. We explore, discover, and share, and also have exercises that lead to concrete actions steps, too. You can learn more here and let us know if you'd like to join: https://humphreysgroup.com/our-services/connect/

03

MYTH: Women Are More Risk-Averse Than Men

Myth 03

Women Are More Risk-Averse Than Men

It probably comes as no surprise to learn that women are less likely than men to take physical risks. We participate in fewer extreme sports like skydiving and rock climbing. We engage in illicit drug use less often. And when we're behind the wheel of a car, we're less likely to speed, tailgate, or drive while drunk, and we're more inclined to wear a seat belt. So, it's easy to assume that as women, we take fewer financial risks as well. The financial services industry has long labeled women as more "risk-averse" than men; some commentators even have the audacity (and possibly, lack of scientific knowledge) to attribute this to our hormonal or biological compositions!

On a broader level, a recent study published in Psychology of Women Quarterly[1] finds that in their working lives, women are no more risk averse than men, they just face steeper consequences when they do take risks. The study found no evidence for gender differences in risk-taking at work. What it did find was that women face a double bind: When women take risks to move up the corporate ladder, they can be penalized for not behaving as women are expected to behave. If they don't take those risks, they are seen as lacking leadership potential. Consider this myth busted. The truth is, *women are not as risk-averse as the general public may think*.

In 2015, Merrill Lynch asked 5,000 women about their investing beliefs and behavior. When asked if they believed risk was worth the chance of reaping higher returns, the answer was a resounding "yes" — 85% said they agreed that risk-taking is beneficial, and 81% said they could adapt to changing markets and investment outcomes. The study also found that men and women who share the same level of financial knowledge exhibit the same risk behavior.[2]

Even more interesting is a 2012 meta-analysis of over 25 economic studies regarding risk tolerance differences between men and women. The researchers found that the difference between genders was negligible and even concluded this perception of women as cautious investors "appears to be rooted more in confirmation bias than in reality."[3]

[1] 'The Gendered Consequences of Risk-Taking at Work: Are Women Averse to Risk or to Poor Consequences?" T. Morgenroth, M.K. Ryan & C. Fine, Psychology of Women Quarterly, April 18, 2022.
[2] "Women and Investing: A Behavioral Finance Perspective," Michael Liersch, Fall 2015
[3] "Are Women Really More Risk-Averse than Men?" Julie Nelson, University of Massachusetts, Boston, September 2012

In other words, our assumption that women are risk-averse may be skewing our perception of what is really going on.

All of these findings would seem to imply women have a healthy appetite for investment risk — and a lot of the time, that's true. But unlike men, women are more mindful about what the dangers are before diving in. We take the time to evaluate whether the reward justifies the risk. As it turns out, it also matters who is in the room. In Merrill Lynch's 2020 study "Seeing the Unseen" women reported higher levels of risk tolerance when working with a female advisor, as compared to a male advisor. Not only that, they reported higher levels of risk tolerance than men reported, whether working with a male or female advisor.[4]

Sallie Krawcheck, former Wall Street executive and founder and CEO of Ellevest, explains this by differentiating between "risk aversion" and "risk awareness." It's true that women are often more aware of risk. We are more likely to be invested in an age-based allocation that diversifies across asset classes, for example, and are less likely to be fully invested in equities than men.[5] A 2020 Harvard study on social entrepreneurship and impact investing led researchers to believe that whether women take on risks depends on the context. In some circumstances, women may be more likely to accept what is called "social risk."[6] Fortunately, these behaviors clearly put women at an advantage: We prioritize diversification over trendy or unsustainable investments, which is a successful long-term strategy. And as you know from the first myth we busted, our skills as investors pay off over the long-term!

But there's a bigger story happening here: As our incomes increase, so does our tolerance for risk. Fifty-four percent of women who earn more than $200,000 are willing to take "a significant investment risk" to earn higher returns, compared to 32% of the broader population of investors. High-earning women are also more likely than low-earning women to own more volatile investments like commodities, hedge funds, and venture capital.[7] This makes sense, considering those with higher incomes have more resources and the higher margin of error that often comes with them.

Unfortunately, most women do not earn six-figure incomes, and further still, many of us are undercompensated relative to our male peers. Therein lies the best explanation for our risk-averse reputation: When we start off with less, we won't allow ourselves to jeopardize what we've already saved — we have less risk "capacity." The issue is not that women are wary of taking on risk; it's that they don't have as much to risk in the first place. Men, on the other hand, have reported taking on financial risk because they — quite correctly — feel they could easily make up for investment losses with their earnings.[8] This is not a luxury that most women have.

[4] "Seeing the Unseen" Merrill Lynch 2023
[5] "Who's the Better Investor: Men or Women?" Fidelity, May 2017
[6] "How the Gender Balance of Investment Teams Shapes the Risks They Take", L Alemany, M Scarlata & A Zacharakis, Harvard Business Review, Published online December 2020
[7] "High Income Women Investors," Spectrem Group, January 2015
[8] Shortchanged: Why Women Have Less Wealth and What Can Be Done About It, Mariko Chang, 2010

In Our Experience:

- **Education is always a good place to start,** and women already excel at doing their homework and the research needed to get smarter on any topic. What's most important is to take risk that's appropriate for your situation.
- **Be risk-smart —** think about your risk capacity (how much risk you are able to take on, given your resources, expertise, and overall plan) versus your risk tolerance (how emotionally comfortable you are with taking investment risk).
- **Diversification is your friend —** you can reduce risk by diversifying across types of investments, investing consistently over time, and maintaining a long-term investment horizon.

Our Advice to You:

- **The trade-off between risk and reward is the holy grail of investing.** Spend some time educating yourself about how diversification works and how investments react differently to economic, market, and geopolitical news. There's no need to read *The Economist* cover to cover, but you may want to start with a classic piece of investment literature, such as *A Random Walk Down Wall Street* by Burton Malkiel.
- **Consider that risk and reward go hand in hand.** Work with an advisor to develop a clear sense of the level of investment risk needed to accomplish your goals. If that level is too high for your risk tolerance, you may need to refine your goals, make other changes, or consider possible tradeoffs.
- **Don't apologize if you have a low tolerance for risk.** We all have different prerequisites for sleeping well at night. Taking on too much risk can backfire if you make a rash investment decision in a moment of panic or stress.

04

MYTH:

Women Lack Confidence When It Comes to Money

Myth 04

Women Lack Confidence When It Comes to Money

In recent years, plenty of ink has been spilled over women and their lack of confidence. Female executives have written books with several chapters dedicated to the topic. In 2014, one of *The Atlantic*'s most popular cover stories popularized the term, "the confidence gap," and examined the empirical research on the issue. Even beauty magazines now have subtitles like, "Eight Qualities of Highly Confident Women," and "Your Guide to Killer Confidence," framing confidence as a supposedly easy character trait to adopt while you're waiting in line at the grocery store.

Despite being hackneyed, there is good reason for the discourse around this topic. An overwhelming amount of evidence has shown that the confidence gap has been a problem historically. In the world of finance, this concept has manifested itself by depicting women as timid, indecisive investors, insecure about their financial knowledge and the decisions they make with money. But there are signs that the tides are changing — so much so, in fact, that *we would argue it's a myth that women lack financial confidence.*

One reason women are perceived as being unsure of themselves is because they often make decisions differently than men do. We live in a culture that applauds people who speak and act authoritatively, don't hesitate or mince words, and make decisions quickly (for better or worse). While there are certainly women who embody these characteristics, there are many more who tend to think things through before they contribute to a conversation or prefer to gather more information before making a decision. This quality can be easily misinterpreted as a mark of indecisiveness and insecurity when, in fact, the woman who embodies it is simply taking time to reach a well-informed decision.

Research has shown that when complex situations present themselves, women are more likely to evaluate the nuances in the details, while men tend to focus on fewer pieces of data.[1] As you can imagine, this often decreases the quality of the man's decision-making process and boosts the quality of the woman's.

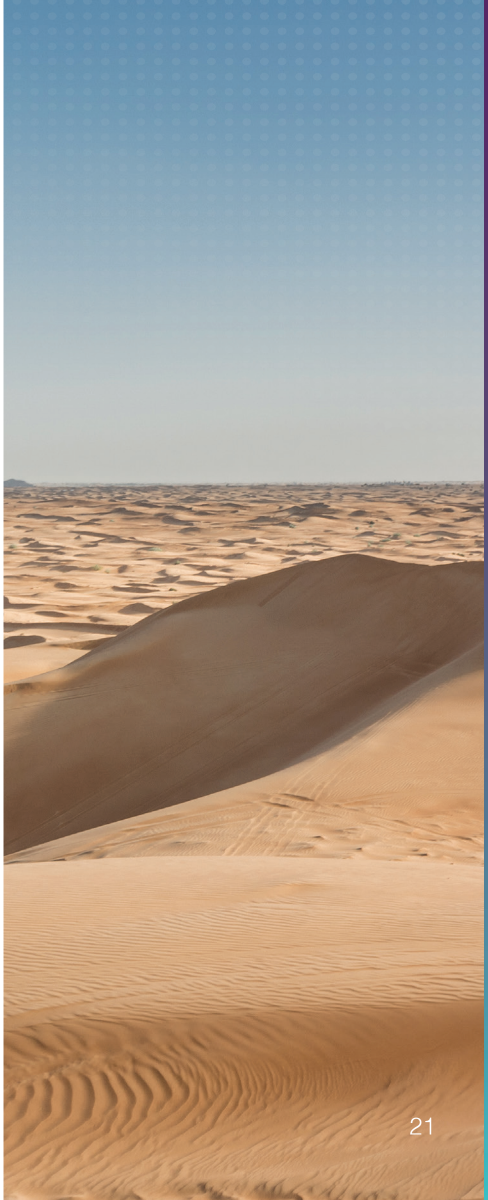
[1] "Gender differences in "optimistic" information processing in uncertain decisions" Uma R. Karmarkar, Cognitive, Affective, & Behavioral Neuroscience, February 23, 2023

Making decisions about money is complex and nuanced, something women are good at — so where is the disconnect? Women simply want to know more before making an important financial decision. According to a 2021 study by Fidelity, only 33% of women see themselves as investors.[2] Many of our clients have walked into our office believing they were not adept at handling their finances when, in actuality, they just needed to have their questions answered in a straightforward and transparent way. Before too long, these women realize they hadn't been giving themselves enough credit for the financial knowledge they already had. In the "Seeing the Unseen" study cited in Myth #3, it was reported that, again, working with a female advisor makes a big difference. Women working with a female advisor reported higher levels of comfort in making financial decisions compared to men, whether those men worked with male or female advisors.[3]

The even better news is there are early indications that societal changes are improving women's "confidence" around money, particularly in the younger generation, because they are gaining more and earlier access to information. Millennial women have become more engaged since the start of the pandemic: 71% are investing outside retirement, 63% have become more interested in investing and 54% report having more money to invest. The data shows that younger women investors are also actively seeking to educate themselves on financial matters. It's paying off – the youngest cohort in the study (under age 35) scored better than their male counterparts on financial literacy questions.[4] A US Bank Women and Wealth study conducted in 2021 found that women across generations reported feeling more confident in their ability to manage their family's finances, with 71% of Gen Z and millennial women expressing confidence. A factor driving younger women's' confidence is the exposure to financial education with 51% of Gen Z and millennial women learning about finances in their 20s, compared to 27% of Gen X women and only 18% of Boomer women.[5]

So, how can we ride this new wave of financial confidence?

[2] "2021 Women and Investing Study" Fidelity Investments, 2021
[3] "Seeing the Unseen" Merrill Lynch, 2023
[4] Ibid.
[5] "US Bank Women and Wealth Insights Study," conducted Aug-Sept 2021

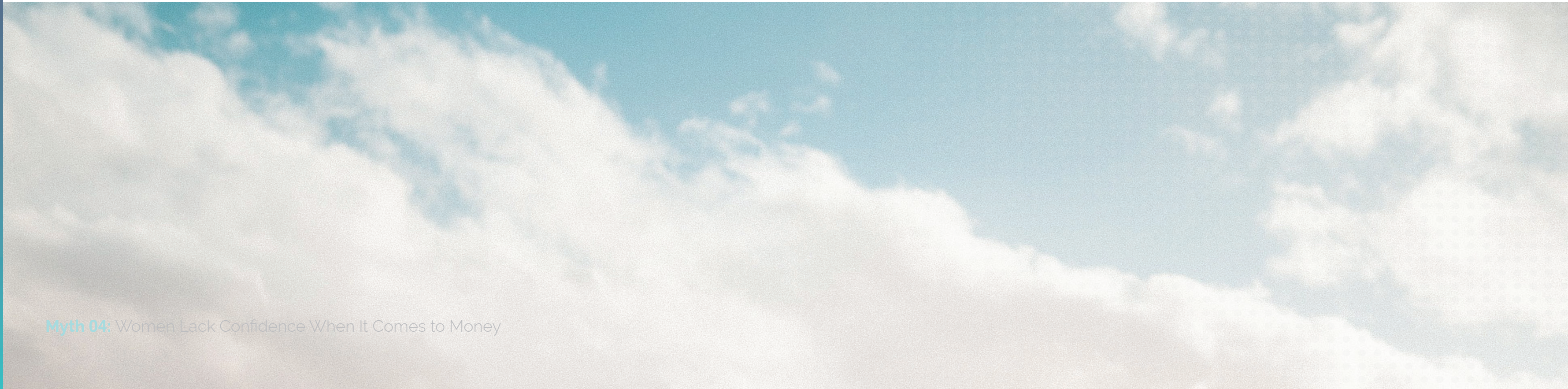


In Our Experience:

- **Women discount their financial savviness without considering areas of their lives in which they are already smart about money —** family budgeting, volunteer work involving financial management, managing medical issues, and advocating for family members and loved ones.
- **Women are adept at picking up financial concepts if they are explained without unnecessary jargon or obscure concepts.**
- **If women are clear about their goals and values, they'll find making decisions can be simple and straightforward.** Once our clients have defined what matters most, decisions fall into place more easily. Aligning our financial resources with our highest priorities and values can provide relief and a sense of certainty.

Our Advice to You:

- **Women generally prefer to learn in group settings,** which are much more supportive and collaborative. We learn from each other as we share our hard-won wisdom. Whether the subject is personal finance or meditation, group learning may be just the ticket.
- **We believe that self-reflection leads to self-knowledge and is a natural precursor to building confidence.** Spend some time — structured or otherwise — reflecting on what you care about most. If you're feeling stuck, we can provide some helpful exercises.
- **Persist.** When your questions are answered with spin, insist on clarity, transparency, and an absence of condescension.
- **We regularly host Conversation Circles for women who are interested in straightforward and authentic discussions** focusing on the non-numerical aspects of personal finance. We talk to each other about what matters, discover ways to apply our unique strengths to our finances, and share our stories, experiences, and collective wisdom about money. *Everyone is welcome — let us know if you'd like to be included in our next Circle!*



05

MYTH:

Women Are Less Interested in Investing

Myth 05

Women Are Less Interested in Investing

A few years ago, a nonprofit organization conducted a series of workshops designed to educate women in the Washington, D.C., area on the basics of investing. They focused on nurses at a local hospital, assuming that because the nurses were well-educated, they would also be interested in investments. However, the organizers were dismayed when only one or two nurses chose to attend. When the time came to plan the workshops again, the organizers decided to keep the content the same, but made one small adjustment—they changed the name. Rather than using the word, "investing," the workshops were framed around "financial security." This time, the room filled up with attendees.[1]

This case would seem to suggest women are ambivalent about or uninterested in investments, right? On the contrary — we believe this story proves that women are interested in investing. Rather, they may see the concept in a different light or associate it with a different name.

That's right: *The idea that women aren't interested in investing is a myth!*

Like several other myths we're busting, this one is rooted in stereotypes. Traditional gender roles suggest that women prefer "simple" financial tasks, like paying bills or grocery shopping, and defer more "important" matters, like earning a high income and investing, to the men in their lives. Perhaps that has been true historically, but a different reality is taking shape. Female entrepreneurship is on the rise: in 2021 almost half of start-ups were formed by women, a rise from 28% in 2019 with a 'pandemic related opportunity' cited as the biggest reason for the recent rise.[2] The same is true for female breadwinners: In 2019, more than 41% moms were sole or primary breadwinners, up dramatically.[3] Moreover, by 2030, American women are expected to control much of the $30 trillion in financial assets that baby boomers will possess—a potential wealth transfer of such magnitude that it approaches the annual GDP of the United States.[4] Women are reaping the economic benefits of their professional success and still have plenty of room to grow.

[1] "The best investment news for women now," Elizabeth MacBride, CNBC, February 2016
[2] "New Business Owner Survey" Gusto, May 2022
[3] "Breadwinning Mothers are Increasingly the U.S. Norm," Sara Jane Glynn, Center for American Progress, May 2019
[4] "Women as the next wave of growth in US Wealth Management" Mckinsey & Co, July 2020

However, women have attained this financial power despite the fact that the world of finance has overlooked them for decades. Sallie Krawcheck, Wall Street veteran and CEO of Ellevest, likes to remind us that the investing industry was created "by men, for men," and therefore defaulted to their preferences and characteristics. She points out how the industry places special importance on trading to beat a market index, rather than doing so to accomplish a specific goal, and is overrun by the financial media, which closely resembles sports networks. Until recently, most firms seemed to focus primarily on male clientele and often relied on financial jargon that men seem to have a higher tolerance for. And then there's the industry symbol of a bull — a figure that is literally masculine by definition.[5] Given all this, it makes sense that women haven't been particularly enthralled with what most investment firms are offering.

The investment world isn't the only industry that's designed this way, of course. Design, business, media, and technology have also historically omitted the female perspective. Some female entrepreneurs argue that as a result, men move through the world unaware that it's been designed for their comfort, while women move through the world encountering small, daily points of friction or discomfort.[6] The pain points they encounter in the investment world are especially detrimental, however, because their financial wellbeing impacts their livelihood.

Fortunately, now that women's economic influence is growing, it appears investing is the next hurdle they are ready to jump. In 2020, a U.S. Bank survey found that 71% of Gen Z/ millennial women, 53% of Gen X and 46% of boomer said they were confident in their ability to manage their finances.[7] And when Fidelity asked what women would most like to learn with 60 minutes of professional advice, the first choice listed by women in every age group was, "learning more about how to invest my money." It's clear that women are more ready than ever to carve out their place in the world of investing. This is underscored in the study from Merrill Lynch, Seeing the Unseen. Women working with a female advisor reported higher levels of knowledge about financial products and higher comfort levels with discussing financial topics, as compared to those working with a male advisor.[8]

Like the nurses who attended the educational workshops referenced earlier, we've also found that women become especially engaged in financial planning when they realize investments can serve as a vehicle to care for their families, reflect their values, and give them peace of mind. Call it what you will — investing, financial security, asset management — but when women make this connection, chances are they'll enjoy it more than they ever expected.

So, how do we continue to foster women's financial power and talk about investing in a context that really matters?

[5] "How Do You 'Invest Like a Woman'? Sallie Krawcheck Shows You With Ellevest's First Ad," Angela Natividad, Adweek, January 2017
[6] "The Silent Rise of the Female-Driven Economy," Danielle Kayembe and Bourree Lam, Refinery 29, December 2017
[7] "U.S. Bank Women and Wealth Insights Study" 2020
[8] "Seeing the Unseen", Merrill Lynch, 2023

In Our Experience:

- ***Since our firm's founding in 1983, women have traditionally represented about 70% of our client base —*** so we've seen a lot of women navigate the investment world through good times and bad. We know from experience that there are plenty of women asking the tough investment questions, those who are eager to drill down into the data. On the flip side, we've worked with an equal number of men who are happy to hear the "36,000-foot" version of our investment report and call it a day.
- **We've seen that women are most concerned with making decisions which help them manage their resources in the best-possible way. They strive to be thoughtful and responsible stewards of their resources.**
- **Women want solid investment results that meet their goals —** and they are less likely than men to be concerned with bragging rights or the allure of investing in the latest hot stock.

Our Advice to You:

- **Understand that if you get overwhelmed and deterred by convoluted financial jargon, you're not alone.** Many people (of all genders) are a bit daunted by technical investment concepts, even though they don't always want to admit it. Many advisors present themselves as gatekeepers of complicated information and use this framework to build their client base. In reality, investing isn't as mystifying as it sounds, and it's possible to talk about it in a straightforward and transparent way.
- **The investment industry has finally realized they need to cater to female clients, and it is now in a frenzy to do so.** Use this to your advantage and make sure to find an advisor who makes you feel confident that you belong at the table and who wants to hear your thoughts and perspective.
- **Connect your investments to your values.** Your investments are so much more than numbers and pie charts; they represent your agency, security, independence, legacy, and much more. We talked all about this in Myth 02 — check it out if you missed it!

06

MYTH:

Women Are Less Knowledgeable About Math and Investing

Myth 06

Women Are Less Knowledgeable About Math and Investing

Back in 2005, Larry Summers — then president of Harvard University — was asked to speak about the underrepresentation of women in science and engineering. In his remarks, he suggested that women have difficulty finding success in these fields because of innate gender differences in our mathematical abilities — he called it our "intrinsic aptitude." This prompted a massive outcry, in and outside the world of academia. Even after issuing an apology, the comments led to his resignation the following year. Summers likely didn't know it at the time, but he was echoing one of the oldest gender stereotypes in the book. And although we have decades of research disproving it, time and again, popular culture provides a steady stream of examples to keep this stereotype alive and well.

We are officially adding our voices to the chorus: *The idea that women are inherently bad at math — and anything it involves — is a myth!*

Of all the myths we've chosen to bust, this is probably the one you're most familiar with. For generations, women have been told they aren't as skilled at math as their male peers, and as a result, they've been steered toward pursuing careers in the humanities rather than science, technology, engineering, and finance. People who echo Summers's claim say research is on their side, but since the 1980s, a litany of studies continue to debunk this notion. One well-known meta-analysis found that female students have consistently earned slightly higher grades than their male counterparts in all fields of study since 1914.[1] Yes, you read that correctly — for more than a century! And when you look at a combined high school grade point average for math and science specifically, girls have been outperforming boys for at least 25 years.[2] Although the gender differences are generally small, one team of researchers stated the sheer consistency of female achievement suggests their findings "should not be ignored."[3] Looking at graduate school, in 2019-2020, women earned 61% and males earned 39% of all masters degrees conferred. Although men earned two-thirds of the degrees in computer science, MBA's were handed out 50-50.

[1] "Gender Differences in Scholastic Achievement: A Meta-Analysis," Daniel and Susan Voyer, April 2014
[2] "Why So Few? Women in Science, Technology, Engineering, and Mathematics," AAUW, February 2010
[3] "Gender Differences in Scholastic Achievement: A Meta-Analysis," Daniel and Susan Voyer, April 2014

To be clear, although we earn better grades, boys still do receive higher math scores on standardized tests like the SAT, ACT and advanced placement exams. But the gap has shrunk over time — in the early 1980s, there were 13 boys for every girl who scored above 700 on the SAT math exam. That ratio is now about three to one.[4] Clearly, it won't be long before this gap is closed entirely.

The bad news is that despite their impressive gains in test scores, girls are still internalizing the message that they aren't as smart as the boys around them. In a study published by Frontiers in Psychology, researchers describe "stereotype threat" as a possible reason for the difficulties that girls and women face when it comes to STEM fields, The data shows that experiencing this threat can cause heightened worry during performance situations. Researchers at Dartmouth College and Northwestern University found that reminding women of gender stereotypes before an exam not only heightened their anxiety but also caused them to underutilize the regions of the brain associated with mathematical learning.[5] Even the mere acknowledgement of gender can hamper girls' achievement — when female students were asked to identify their gender before taking an AP calculus exam, they performed worse than the female students who were asked to identify it after the exam. This little box is estimated to keep nearly 5,000 female students a year from earning advanced calculus credit![6] A more recent study conducted by Stricker and Ward furthers the argument, finding that asking about a student's gender after finishing a test would reduce stereotype threat and increase the attainment of women students in the process.[7]

Unfortunately, the consequences of these stereotypes endure long into adulthood. When those female students become adults and start to face questions about personal finance and investing, they often assume those topics require high-level mathematical expertise and doubt their ability to handle it. A 2016 survey found that when tested on financial literacy and diversification, women were much more likely than men to choose the answer, "do not know." But when researchers removed this option as a potential answer, the chances of women choosing the correct response increased significantly.

So, how do we make sure this myth stays in the past, where it belongs?

[4] "Why So Few?omen in Science, Technology, Engineering, and Mathematics," AAUW, February 2010
[5] "The Negative Consequences of Threat," Anne Krendl, Jennifer Richeson, William Kelley and Todd Heatherton, February 2008
[6] "Stereotype in Applied Settings Re-Examined," Kelly Danaher and Christian Crandall, University of Kansas, June 2008
[7] "Women, confidence, and financial literacy," Tabea Bucher-Koenen, Rob Alessie, Annamaria Lusardi and Maarten van Rooij, Netspar, February 2016

In Our Experience:

- **Mathematical expertise is not an innate characteristic;** it's a skill set that improves with effort and practice. Even if you still have nightmares about your high school algebra class, you are capable of learning about the fundamentals of investing. Like most things in life, all it takes is a little practice!
- **That said, you don't have to know it all.** The financial media is full of superfluous terminology and analysis, which can give a lot of women the false impression that they don't have the capacity to understand the field. In truth, there are only a few key principles you need to understand to be a good investor.
- **On a personal note, Diane Bourdo, President of The Humphreys Group, was an English major as an undergrad** and refined the art of avoiding math and science during her tenure at the University of Wisconsin. Fast forward to a few years later, and she discovered the absolute joy and certainty of calculus! The precision of math came as a relief after so many years of free-form essay exams.

Our Advice to You:

- **Recognize when you work against yourself.** We all have inner critics who seem to echo words of discouragement from our pasts, which are rooted in our insecurities and stereotypes — not in reality. Instead, industry thought leader Tara Mohr suggests an alternative that we love: Spend time connecting more strongly with your "inner mentor," which is your older, wiser self.

- **Don't be afraid to ask for more clarity.** It's entirely possible that math has never been, and never will be, a strength of yours — and that is totally fine. If this is the case, you still deserve to be informed, so don't hesitate to ask your financial advisor or CPA questions until it all clicks for you. It's their job to communicate the necessary information in a way that speaks to your learning style.

07 MYTH: Women Need Extra Help Understanding Their Finances

Myth 07

Women Need Extra Help Understanding Their Finances

For 20 years, Annamaria Lusardi, an Italian-born economist and researcher, has been testing people all over the world on their financial knowledge. She has become especially well-known for constructing a financial literacy test composed of three basic questions on inflation, diversification, and compound interest. Unfortunately, only about 30% of Americans could answer all of them correctly. Even more alarming, however, is a sizeable gender gap: While 38% of men provided the correct answer to all three questions, only 22% of women did the same.[1]

Research like this has fueled a newfound crusade within the financial services industry to educate women on their finances. Though it began with good intentions, it has quickly become more condescending than helpful. Corporate firms now talk about working with female clients as if it's a mystery they must solve, and books with cringeworthy titles like *Does This Make My Assets Look Fat?* have appeared on recommended reading lists. While we submit that the gender gap in financial literacy exists, let us be clear: *The idea that women need extra help understanding their finances is a myth.* This may seem counterintuitive, but to truly understand this myth, it helps to take a closer look at the data. A key reason women performed worse than men on Lusardi's financial literacy test is they disproportionately answered the test questions with "do not know." To determine if this was truly the result of a lack of understanding, Lusardi and her research team decided to remove "do not know" as an answer option. When they did, women's correct responses increased significantly. In fact, Lusardi estimates that *half of the gap* was the result of women underestimating their own knowledge![2]

While this simple change sheds light on how often women underestimate themselves, it did not eliminate the gender gap entirely – which means that yes, men still do appear to have more financial knowledge than women. But it's not because women are less capable of understanding financial concepts; it's because they're rarely given the opportunity to learn about them in the first place. Across the world, those with the most financial knowledge are also the most wealthy — and it turns out men are *significantly* wealthier than women.[3] As a result, a college-educated man is 45% more likely to understand diversification than a low-income woman with less than a high school education.[4]

[1] "How Financially Literate are Women? An Overview and New Insights," Tabea Bucher-Koenen, Annamaria Lusardi, Rob J.M. Alessie and Maarten C.J. van Rooij, Global Financial Literacy Excellence Center, February 2016
[2] "Women, Confidence, and Financial Literacy," Tabea Bucher- Koenen, Rob Alessie, Annamaria Lusardi and Maarten van Rooij, Netspar, February 2016
[3] "2013 Survey on Consumer Finances," The Federal Reserve Bulletin, October 2014
[4] "Financial Literacy among the Young," Annamaria Lusardi, Olivia Mitchel, Vilsa Curto, The Journal of Consumer Affairs, 2010

The financial services industry views this disparity as an opportunity to "swoop in and rescue" women from the unfortunate situation in which they find themselves. Advisors cite less financial education, a longer life span, and lower salaries as evidence that women need help understanding and managing their money, and proudly present themselves as the solution. Large firms, eager to build their clientele, now offer internal workshops on how to deliver "female-friendly" financial advice, complete with patronizing sales pitches. And a new flock of financial gurus have now made a living by selling books that are unhelpful at best, and sexist at worst. Fortunately, women already know they need to learn more about money and are taking it upon themselves to fix it. There's good news on the horizon. A 2021 Fidelity study shows that since the start of the pandemic, Millennial women have become more engaged and 63% have become more interested in investing. A further 90% of women plan to take steps within the next 12 months to help their money work harder and grow. Their highest stated goals are to increase their understanding of financial planning and investing (62%) and to create a financial plan to help them reach their goals (52%).[5] Many instructors have also observed that women's willingness to seek out financial education makes them easy to teach compared to men, who are usually less likely to admit what they don't understand. And we're already seeing the gap closing across generations: A 2022 TIAA Institute Study shows that the literacy gender gap is the smallest among Gen Z.[6] Women are taking initiative, proving they do not need to be coddled and cajoled into understanding their finances — they're doing it all on their own, thank you very much.

We've referenced the 2020 Merrill Lynch study, Seeing the Unseen[7], and reported some of its findings in Myths 03, 04, and 05. The report set out to find out if the narrative described above was still true, after all these years. That is, do women still universally experience negative stereotypes when it comes to the financial services industry? As women's financial power has grown and begun to outpace men's, have we seen any change? The answer? It's complicated. Women are generally positive about their advisors. But women also reported higher levels of negative gender-related experiences than men did. Here's where it gets interesting. Women often report encountering negative gender assumptions, but frankly, expected and planned around such encounters. Women expected they would have to work hard to be heard. They expected that they would have to be more prepared before meetings. So, although they are generally satisfied, they are grading on a curve.

[5] "2021 Women and Investing Study" Fidelity Investments, 2021
[6] "Financial Literacy among U.S. women," TIAA Institute, 2022
[7] "Seeing the Unseen" Merrill Lynch, 2023

In Our Experience:

- **We see women underestimate their abilities all the time.** Even successful female business owners and executives can fall victim to self-doubt that is completely unjustified. We think it's about time women stop discounting their skills and knowledge.
- **That said, the fact that women are aware of their lack of knowledge makes them ideal financial decision-makers.** Being overconfident about money can be a recipe for disaster. Luckily, if you've read about Myth 04, busted above, you know women often take the time to ask for more information and fill in the gaps where their knowledge is lacking before coming to a conclusion — and we're all better for it!
- **Women earn less, live longer, and are more likely to be caregivers, which means their needs are different.** They don't necessarily need more help, but rather, they need assistance in areas that men do not.

Our Advice to You:

- **The next time the words, "I don't know," come out of your mouth, ask yourself if that's really the case** or if you're not giving yourself enough credit. What would you say if "I don't know" wasn't an option? Similarly, call it out when you hear other women discounting themselves — awareness is curative.
- **Recognize that wanting more information is not equivalent to not knowing.** Acknowledge that you probably already know more than the average person, and then gather all the information you need to feed your appetite for knowledge!
- **Accept that there is an endless amount of data out there, and you don't need to know it all.** Eat this elephant one bite at a time — start with the basics and focus on what interests you most.
- **If you are a book learner, we recommend picking up a copy of *On Your Own Two Feet* by Manisha Thakor** — it's a very user- friendly guide for women who want to get smarter at personal financial planning topics.
- **If you like to watch videos, check out Khan Academy: https://www.khanacademy.org/economics-finance-domain/core-finance**
- **If you like to explore websites, check out MyMoney.gov: https://www.mymoney. gov/Pages/default.aspx**

08

MYTH:

Women Can't Save Because They Spend Money Irresponsibly

Myth 08

Women Can't Save Because They Spend Money Irresponsibly

You've seen it before: The husband who jokes that his job is to make money and his wife's job is to spend it. The famous financial gurus who shame their readers about "latte-ing away" their life savings. Maybe you've even worked with a financial advisor who playfully wagged a finger at you for your shopping habits. Men have smugly dismissed women as overindulgent spendthrifts for ages, and it has led most advisors to accept what financial journalist Helaine Olen calls the "*Sex and the City* approach to female finance." The underlying message? Those silly girls run into financial trouble because they buy Jimmy Choo shoes when they should be giving money to Chuck Schwab instead.[1] In 2023, this is derided and dismissed as "girl math" in social media memes.

We're sorry we even have to address this stereotype, but it's so pervasive we'd be remiss not to: *The idea that women spend their money irresponsibly is a myth!*

Why do women have such an undeserved reputation for being shopaholics? It's likely because women do tend to shop more than men — in fact, they're responsible for 85% of overall consumer spending.[2] But consider the context: Women are almost always the primary caregivers for their loved ones. That means they end up not just buying for themselves but for their kids, spouses, relatives, friends, colleagues, their neighbors, their mailman, their babysitter … you get the picture.

"If somebody, somewhere needs a gift, chances are there's a woman thinking about it — tracking it down, wrapping it, making sure it's accompanied by a personal message, and then delivered on the appointed day," says Bridget Brennan, a leading researcher on female consumers. "I sometimes think entire industries would collapse overnight if women stopped being so thoughtful. Since the pandemic, the shopping gap has only widened. Research shows that of more than 410 million aggregated purchases, women ages 26-35 now shop 59% more often than men. Interestingly, the research also shows a substantial drop off in purchase frequency among women ages 18-25 along with a move away from consumerism.[3]

[1] Pound Foolish: Exposing the Dark Side of the Personal Finance Industry, Helaine Olen, Penguin Random House, 2012
[2] Yankelovich Monitor & Greenfield Online
[3] Shopping habits amongst men and women study, Voyado

When women do shop for themselves, they spend more on categories you'd expect, specifically clothing and personal care. Men, on the other hand, splurge more on alcohol, electronics, and car purchases.[4] In fact, men spend more overall: A 2011 Gallup poll found that on average, men spend $11 more per day than women.[5] Men are also less likely to comparison shop, are quicker to click the "check out" button while online shopping,[6] and spend significantly more on impulse purchases such as electronics.[7] This spending behavior applies to large purchases as well as small. Men spend nearly twice as much as women on vehicle purchases and more on average for lunch. In the study cited above, the data showed that men spend on average 47% more on purchases.

Even in 2023, we see cultural references to overspending wives or exasperation about women who are "clothes horses." But American men spend $10 more than women on clothing and accessories each month, according to a new survey from the Boutique @ Ogilvy, a fashion public-relations firm. The company's poll of 1,232 men aged 18 and up found that they spent an average of $85 per month, compared to the average woman's $75. This discrepancy, which defies conventional wisdom that pegs women as clothes-obsessed shopaholics, isn't a new development: In 2012, men were outspending women in online shopping by 20 to 30 percent.[8]

According to Experian,[9] men carry more debt in every category than women — credit card, personal loans, auto loans and mortgage debt. Yet somehow, men don't seem to encounter much criticism about their spending habits — no smirks, no snide comments, no finger-wagging, no latte-shaming.

And yet, men still think women are careless about money. A national survey of 1,000 married adults found that 43% of men think their spouse is more likely to make frivolous purchases and only 34% of women say the same.[10] This stereotype seems to stick no matter how much data refutes it, so what more do women have to do to be recognized as the responsible consumers they are?

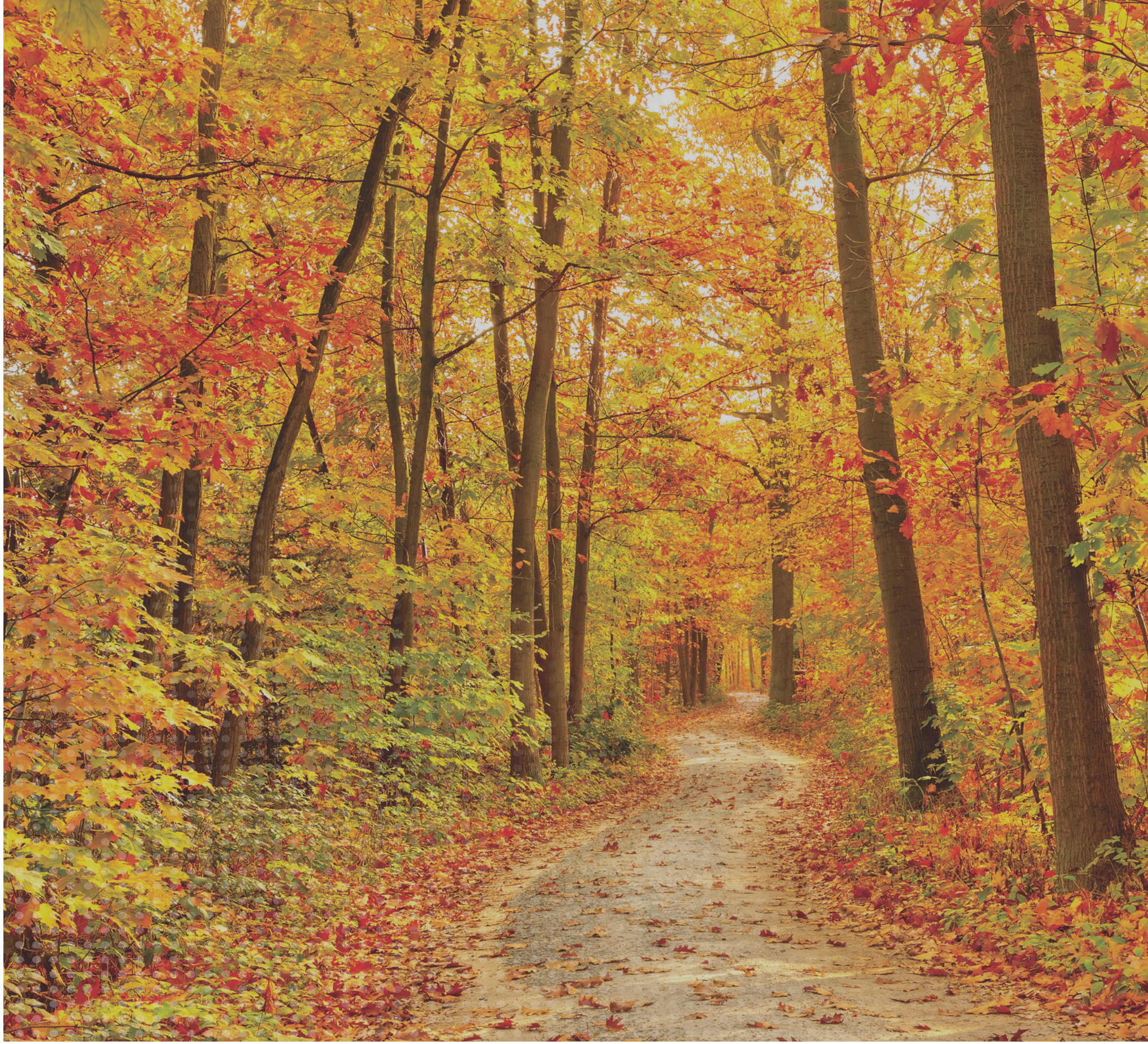
[4] Consumer Expenditure Survey, Bureau of Labor Statistics, 2010-2011
[5] Pound Foolish: Exposing the Dark Side of the Personal Finance Industry, Helaine Olen, Penguin Random House, 2012
[6] "The influence of college students' shopping orientations and gender differences on online information searches and purchase behaviors," Yoo-Kyoung Seock, Lauren R. Bailey, International Journal of Consumer Studies, November 2007
[7] "Survey: 3 in 4 Americans make impulse purchases," Martin Merzer, Creditcards.com, November 2014
[8] "Men Spend More Money and Time On Clothes Shopping Than Women," Slate, Cauterucci, C., February 2016.
[9] "Women and Credit 2020: How History Shaped Today's Credit Landscape," Brianna McGurran, Experian, Feb 2020
[10] "Poll: How Husbands and Wives Feel About Money," Money Magazine, June 2014

In Our Experience:

- **All too often, the effort involved in managing a household is discounted.** But tasks like grocery shopping and gift- giving comprise an endless amount of invisible labor that women put forth every day to maintain the structure and stability of their families' lives.
- **Women are more likely to use their resources to obtain food, health care, and education for their families.** In turn, these contributions benefit their community as a whole — there's nothing more responsible than that.
- **When women come up short financially, it can more often be attributed to underearning rather than overspending.** Women do more with less.

Our Advice to You:

- **Change the narrative.** Don't be afraid to share the data and your own experience the next time a man grumbles to you about his wife's shopping habits. And when you buy those outrageously expensive shoes, own it. Don't imply they were an impulse when you know you've been saving to get them!
- **Tracking your expenses is the single most important habit you can develop** when it comes to your financial strength and knowing how to live within your means. Helpful tools can include sites like YouNeedaBudget.com, an Excel spreadsheet, or paper and a pen. Approach the task with curiosity and banish any creeping self-judgement. Treat your spending as data with which to evaluate whether you're spending your hard-earned funds in the most meaningful way, as you have defined for yourself.
- **When you do treat yourself, you should do it with gladness in your heart,** knowing it is completely within your means. This can only happen if you are minding your budget and know your numbers. Studies show that women excel at this so keep up the good work!



MYTH:

09

Women Will Save Enough for Retirement if They Set Up a 401(k) and Play by the Rules

Myth 09

Women Will Save Enough for Retirement if They Set Up a 401(k) and Play by the Rules

In 1980, a benefits consultant named Ted Benna was tasked with redesigning his employer's cash bonus plan. He noticed an opportunity in Section 401(k) of the tax code and asked the IRS to revise it in a way that would allow employees to contribute pre-tax dollars while receiving matching contributions from their employer. In 1981, the IRS issued a rule based on his request — and voilà! The 401(k) was born.

Much to Benna's surprise, his idea quickly revolutionized the way Americans save for retirement. Although he intended for 401(k) plans to be offered as an extra benefit to employees, companies began using them to replace traditional pension plans, and assets held in 401(k) plans skyrocketed. Within five years, 401(k) plan assets totaled nearly $200 billion, and by 1996, they exceeded $1 trillion.[1] In 2004, President George W. Bush praised 401(k) plans as a feature of the "ownership society," a concept he coined to promote personal responsibility. And now, nearly 45 years after these plans began, 60 million American employees hold $6.3 trillion in 401(k) plans.[2]

Contributing to a 401(k) has become the primary way most of us save for retirement, and perhaps the most important rule of thumb in finance has become, "max out your 401(k) funding!"

All this fanfare has led many to believe that as long as you contribute 10% of your pre- tax salary to your 401(k), take advantage of your employer's matching contributions, and perhaps invest it in a target-date mutual fund, you can pat yourself on the back and happily plan a retirement party when you turn 65. But as some of those first 401(k) participants have begun to retire, we've realized these plans, on their own, are woefully inadequate for financially sustaining retirees throughout their lifetime. Worse yet, they're especially insufficient for women. We're sorry to say it, but *the conventional notion that a 401(k) plan will set up women for retirement success is a myth.*

[1] "401(k) Assets 1984-2012 ($US Trillions)," Sage Business Researcher, March 2015
[2] "ICI Resources on 401(k) Plans," Investment Company Institute, September 2022

When we say that 401(k) plans are inadequate, we're not kidding. Women are 80% more likely than men to be impoverished at age 65 and older, and three times more likely to be living in poverty between the ages of 75 and 79.[3] Women are typically retired for a longer period of time than men and start with fewer assets. Unfortunately, women aged 65 or older are about 43% more likely than their male counterparts to live below the poverty line.[4] And while common sense tells us we should counteract this by simply contributing more to our retirement accounts, well, we already are. A recent Vanguard study[5] found that women are 14% more likely to voluntarily participate in a 401(k) plan. We also save more than our male co-workers (7%–16%, depending on the income level), yet still end up with significantly less in our retirement because — no surprise here — we earn less than men. Because of the wage gap, on average men save more for retirement, in dollar terms, than women. Across all age levels, Vanguard's data shows that women have a median 401(k) account balance of about $10,000 less than that of men. A 2020 report from the Bureau of Labor Statistics shows that on average, women earn 82 cents for every dollar a man earns.[6] According to Vanguard, the gap in retirement savings essentially disappears after controlling for the income gap, but unfortunately, that won't happen anytime soon. Experts say we likely won't see wage equality until at least 2059.[7] The picture becomes more dire when children enter the picture. A 2022 Pew Research study on the gender pay gap shows that working mothers earn less while working fathers earn more.[8]

Even if we did live in a perfect world, where we receive equal pay, there are a host of other reasons why women are still more vulnerable to financial hardship in retirement. Most obviously, we live longer. Life expectancy for women is currently approximately 86 years, compared to 83 years for men.[9] That means we not only have to afford the cost of living for a longer period of time, but we must also be prepared to cover much higher health care expenses, which increase with age. A healthy 55-year-old woman can expect to pay an average of $79,000 more in health care expenses in retirement than a healthy man who is the same age.[10] And because health care costs still show no signs of slowing down, younger women will have an even steeper hurdle to jump.

[3] "Shortchanged in Retirement: Continuing Challenges to Women's Financial Future," Jennifer Brown, Nari Rhee, Joelle Saad-Lessler, Diane Oakley, National Institute on Retirement Security, March 2016
[4] "5 Things to Know About Women and Retirement," U.S.Dept of Labor Blog, Boiman, T., Khawar, A. August 30, 2021
[5] "Women versus men in DC plans," Jean A. Young, Vanguard Research, October 2015
[6] "Highlights of women's earnings in 2020" U.S. Bureau of Labor Statistics, Report 1094, September 2021
[7] "The Simple Truth about the Gender Pay Gap," American Association of University Women, 2017
[8] "The Enduring Grip of the Gender Pay Gap," Pew Research Center, Kochhar, R, March 2023
[9] "5 Things to Know About Women and Retirement" U.S. Dept of Labor Blog, Boiman, T., & Khawar, A., August 30, 2021.
[10] "The High Cost of Living Longer: Women and Retirement Health Care," HealthView Services, December 2016

A more insidious factor endangering women's retirement is our tendency to take on caregiving responsibilities for our families. Women still make up the vast majority of all caregivers,[11] and while some are able to balance this responsibility with maintaining their day jobs, they are often forced to take time out of the workforce. It is estimated that 59% of women provide 20 hours or less of unpaid care per week, compared to 41% of men who do so. Sixty-two percent of women provide more than 20 hours of weekly care, while 38% of men do so. "The net result is that women only work about 75% of the years that men work," says Diane Garnick, chief income strategist at TIAA. "If your retirement savings is a percentage of your pay, and you are not working, well, you're saving zero."[12] Women who quit their jobs to care for children or elderly family members lose an average of $324,000 in wages and benefits over their lifetime.[12] Even if they decide to work part- time instead, they don't do their retirement savings any favors — part-time employees are rarely eligible to participate in a 401(k) plan.

Given all this evidence, it's clear that even if women do "play by the rules" and diligently contribute to their 401(k) plans, the likelihood they'll enjoy a worry-free and comfortable retirement remains slim. But while it's easy to view women's retirement years in bleak terms, there are some small steps we can take today that will change our outcomes for the better.

[11] "The State of Women and Caregiving," Barger, A., & Best, C., Caregiving.com, March 25, 2021.
[12] "Why Aren't Women Saving Enough for Retirement?" Diane Garnick, Yale Insights, May 2017
[13] "Women and Caregiving: Facts and Figures," Family Caregiver Alliance, February 2015

In Our Experience:

- **If 401(k) savings won't be enough, is there room in your budget to do more?** Whether by paper- and-pen or Mint.com (or other apps), you need to take a clear-eyed, realistic look at your income and expenses. Are you underearning or overspending? Some of both? Tracking and categorizing your expenses can be tedious and daunting, so we encourage you to approach it with curiosity and the mindset that it's just data — data that is necessary to evaluate whether you should make spending shifts and how to make them. Remember you can't embark on a journey unless you've first located yourself on the map. You can't make choices about how to change your spending until you have insight into the choices you're making now. The payoff is huge: Clarifying your income and expenses will give you the information you need to evaluate trade-offs, make informed decisions, align your money with your values, and feel confident. There's no secret sauce, but it all adds up to better financial outcomes.
- **Making small course-corrections to spending and retirement contributions now will have far greater impact than large corrections you make later.** Try resisting the temptation of immediate gratification by thinking of these changes as advocacy for yourself at ages 70, 80, or older.
- **We know that women have a great capacity to be compassionate but often do not reserve compassion for themselves.** Start by giving yourself credit for having the courage to dive in.

Our Advice to You:

- **Spend some time really visualizing what you expect retirement to look like.** Where will you be living? How might your lifestyle change? What will a typical day look like? Answering these questions will inform what exactly you're saving for — and perhaps it will motivate you to increase your contributions to achieve your goals.
- **Invest in a reality check.** Work with a financial advisor to crunch the numbers to see if you are on track. Armed with your financial data and some well-considered assumptions, you can get a realistic idea of where you stand now and devise a plan to make the course-corrections that work best for you.
- **If you have access to a 401(k) plan, you should absolutely contribute,** at least enough to equal your employer's matching contributions. But it's never too soon to start supplementing your savings with a health savings account (HSA), a traditional IRA, or a Roth IRA. If you're self- employed, consider supplementing with a SEP IRA or a solo 401(k).
- Consider obtaining long-term care insurance, especially if you have a family history that indicates you may experience health challenges later in life. Such policies can be costly, yes, but they can make a world of difference.

MYTH: 10 We Should Focus Our Time on Fixing the Gender Income Gap, Not the Wealth Gap

Myth 10

We Should Focus Our Time on Fixing the Gender Income Gap, Not the Wealth Gap

It's safe to say that gender equality has never been more talked about than it is today. There is a lot to be hopeful about. Before the pandemic we were beginning to see change happen, between the #MeToo movement, the #TimesUp initiative, the wave of abusive men losing their influence, and strong women stepping into their power.

In addition to changing the way we view and handle sexual harassment and assault, these movements also prompted honest discussions about pay inequality, and for good reason: Despite a fair amount of progress, women still only earn about 83 cents for every dollar a man makes.[1] Countless advocates have dedicated their time to push for policies intended to close the gender income gap, and it's still worth fighting for — researchers say the gap likely won't close until at least 2059.[2]

During the pandemic, we all witnessed how gender equity issues were stretched even further, as women, whether working for pay or not, bore so much more of the brunt of dislocation, and the upset we experienced in nearly every aspect of our lives. After leaving the workforce in record numbers during the pandemic, women have returned to paid work, feeling the pressure to seize better opportunities. With the Great Resignation behind us, about two-thirds of women say they've stayed in their positions during the past 12 months. The remaining one-third say they've left their jobs or are considering an exit. The top reasons for doing so? Higher pay, less stress and better work-life balance.[3] This is further borne out of trailblazing research conducted by Nobel Memorial Prize in economics winner, Claudia Goldin, herself only the third woman to win the prize and the first female solo winner in 2023. Goldin's research focused on tracking the gender pay gap across decades. Her findings showed that the lack of equity within the family home left women with less time to dedicate to their careers. A need for better funding of childcare and high-paying jobs where duties can be shared can help narrow the gender pay gap according to Goldin.[4]

[1] "2023 Gender Pay Gap Report," Payscale 2023
[2] "The Simple Truth about the Gender Pay Gap," American Association of University Women, 2017
[3] "The No.1 reason women say they would quit their jobs in 2023," CNBC Make It, Boorstin, J., March 2023.
[4] "Nobel Prize-winning Harvard economist Claudia Goldin: The gender pay gap will 'never' close unless this happens," CNBC Make It, Smith, M. October 2023

But the income gap is not the only thing hampering women's financial mobility. Lurking beneath it is another disparity that, in some ways, is even more alarming: the wealth gap. We think tackling gender differences in wealth is just as important as tackling gender differences in pay, so we're taking the first step in doing just that. Allow us to explain *why it's a myth to think that closing the income gap is all women need to achieve economic equality.*

Okay, so the wealth gap exists, but what exactly are we talking about? The most recent data (2019) comes from the Federal Reserve, which revealed that in the United States, the median wealth for married couples is over $200,000, the median wealth for single women is $47,000, while single men have a median wealth of $57,000.[5] And just like the wage gap, the wealth gap is even worse for women of color. Black and Latina women own just pennies on the dollar compared to their white female peers.[6] The wealth gap mirrors the income gap – but is much wider.

This is important because, at the risk of stating the obvious, a person's wealth — their assets (cash, investments, and real estate) minus their liabilities (credit card debt, student loans, and mortgage debt) — determines how well they withstand a financial emergency. In fact, many economists believe that measuring wealth is a much more accurate picture of how one is doing financially because wages only indicate how much money is coming in; wealth measures how much has stayed in. When an unexpected medical bill or car repair arises, it's wealth that we tap into — and single men are able to tap into literally 21% more.

There's no doubt that the income gap contributes to this difference in wealth, but it is not the sole reason the disparity is so high. Another significant element is single parenthood. Women are more likely to shoulder the responsibility of raising children on their own. If you have kids, you know parenthood does not come cheap. Between 2000 and 2012, childcare costs increased by 24% and medical care costs increased by 21%. This happened during a time when the median income in the United States actually declined.[7]

[5] "More American women are single than ever before and it's costing them big money," Fortune, Leonhardt, M., March 2023
[6] "Women and Wealth: Insights for Grantmakers," Asset Funders Network, Mariko Chang, 2015
[7] "Women and Wealth: Insights for Grantmakers," Asset Funders Network, Mariko Chang, 2015

As a result of rising costs and lower incomes, women — particularly low-income women — are increasingly likely to take on debt to cover their expenses. JP Morgan Chase compared the accounts of men and women following a large, unexpected medical payment and found that one year after the payment was due, women experienced a 14% increase in their revolving credit card balance, while men experienced an increase of just 3%.[8] And that was just a credit card — when looking at women's liabilities overall, their median debt was 177% higher than the median debt for men. Mariko Chang, a leading researcher on the wealth gap, calls this the "debt anchor" because debt payments so clearly weigh down a person's ability to build a financial safety net.[9]

Lastly, the wealth gap is further exacerbated by the limited access women may have to employment benefits, government benefits, and tax breaks that facilitate wealth-building, due to their employment status. If you read Myth 09, you know women are more likely to work part-time jobs, which often inhibit them from participating in 401(k) plans and accessing health insurance. In addition, women are incredibly underrepresented among the wealthiest Americans, who receive the most generous tax credits, deductions, and exemptions. The top 1% receive $95 billion in federal tax benefits, which is more than 26 times the bottom 20%, who receive $3.6 billion[10] — and women are overrepresented in that bottom 20%.

It's easy to get discouraged by all of this evidence. We understand that creating positive change may seem daunting, as the causes for the wealth gap are systemic, societal, and largely beyond our control. But are there actions we can take, even on a small scale, that will help alleviate the wealth gap and give it the attention it deserves?

[8] "The Gender Gap in Financial Outcomes: The Impact of Medical Payments," JP Morgan Chase Institute, May 2017
[9] "Women and Wealth: Insights for Grantmakers," Asset Funders Network, Mariko Chang, 2015
[10] "Women and Wealth: Insights for Grantmakers," Asset Funders Network, Mariko Chang, 2015

In Our Experience:

- **In November 2017, Reese Witherspoon, a savvy and successful businesswoman, gave a speech in which she proudly owned her ambition.** She refused to label "ambition" as a dirty word, and further, she asked, "What if all women were encouraged to be a bit more ambitious?" We would add, "What if all women were encouraged to be a bit less apologetic?" Yes, we have all heard the word, "ambitious," used in the pejorative with regard to women, but we need to change the narrative. Women need to be more open and less apologetic about wanting to succeed financially, make a good living, and accrue assets.
- **In 2018, Jessica Knoll, a novelist in Los Angeles, headlined her New York Times op-ed, "I Want to be Rich and I'm Not Sorry."** Her words are music to our ears. She covers a lot of ground and points out the differences between how boys and girls are socialized. "I have always wrestled with what has been expected of me as a woman versus what I expect of myself. The conflicting messages of millennial womanhood: to be ambitious but never bossy, strong but skinny, honest but polite, supportive of my fellow sisters' success while the culture gets off on girl fights. Only in fiction have I been able to create women who aggressively seek money and power the way men seek money and power."

Our Advice to You:

- **Check out the Consumer Financial Protection Bureau (CFPB)!** The CFPB is a government agency that makes sure American banks, lenders, and other financial companies treat their customers fairly. The CFPB website offers a wealth of resources and information, including guides on securing different types of loans, understanding the ins and outs of student loans, and detecting financial frauds and scams: https://www.consumerfinance.gov/
- **If this strikes a chord and aligns with your values, consider supporting a community loan or nonprofit organization that is tackling the wealth gap,** such as the Northern California Community Loan Fund. This organization (and others like it) provides financial products, sound advice, and community involvement to create economic opportunities and revitalize low-income communities.
- **Support your local female entrepreneurs.** Use their services, buy their goods, and frequent their enterprises. In the big picture, this may seem insignificant, but it makes a world of difference to that business owner. Building a business is one of the quickest ways people accumulate wealth, and your financial support — at any dollar amount — will play a part in that.
- **See Robert Reich and a colleague walk through "the why's" of the wealth gap and** explore what can be done on a policy level to reduce it. Watch the four-minute video here: https://www.facebook.com/RBReich/videos/1611210998891490/

CONCLUSION:

What Women Want

Designing—and Updating—a New Blueprint

Our deep dive into the many research reports referenced in the preceding articles helps us distinguish myth from reality when it comes to women, money, and personal finance. It's not that women are better or worse, vis-a-vis men, but that we are different. More importantly, we should embrace those differences and leverage them to our advantage. Let's revisit some of our key findings:

- **When it comes to investing,** women gain a performance edge thanks to their patience, low-trading frequency, and goal driven strategies.
- **Our money and our emotions are inextricably intertwined.** The more we recognize and embrace this, the more our "elephants" (intrinsic motivations) can inspire our "riders" (rational actions), and the more we can harness our emotions for positive change.
- **Women aren't afraid of risk —** but their heightened risk awareness leads them to allocate their risk-budget prudently.
- **Women make financial decisions** in a measured and patient way.
- **Women often learn best in group settings** and are eager to benefit from the wisdom of their peers.
- **For women,** investing is less about bragging rights than it is about accomplishing goals and reaching life's milestones.
- **Keep it simple, sister —** women aren't seduced by unnecessary complexity.
- **Women are more engaged** in financial wellness programs that are well-paced, relevant to their daily lives, and presented in clear terms.

We pointed out in 2018 that our financial institutions are built and designed by and for men, so it's no surprise that the "norm" does little to reflect the strengths and preferences of women, as described above. Now, a few years later, little has changed, even with the many layers of change brought about by the global pandemic. What would happen if we flipped the narrative? That is, what if we redesigned the world of personal finance, using the strengths and preferences of women as our starting points? What if those strengths and preferences were seen as the advantage that they are, rather than something that the dominant culture needs to somehow accommodate or tolerate? If we were to create a financial services firm that was designed for and addressed the needs of women (and, by the way, would be great for everyone), what would it look like?

What if women were centered right from the start? Until very recently, the industry has kept women away from the table, or at least has rationed our access. Now that we have a seat, we don't necessarily have to do things the way men have all these years. Our ability to listen — truly listen — and engage in meaningful conversation is key. For too long, women have been asked to subvert or mask their femininity in the workplace, in the business world, and in financial conversations. Instead, let's value our insights, derived from our lived experiences, to develop viable business models that can benefit us all.

In a capitalist society, money is power — there's no getting around that. We deny it to our own detriment. How do we want to wield our financial power? To quote one of our heroes, Sallie Krawcheck, founder and CEO of Ellevest and veteran of Wall Street: "Financial feminism is about women doing four very important things with money: earning it, making more of it, saving and investing more of it, and using it to make our world better. And it's not just good for us — the more opportunities women have, the better off society is." What she said!

We do ourselves a disservice if we avoid getting smarter about, recognizing, embracing, or talking about money and how it shapes our lives. Instead, women can recognize and embrace their leadership roles, within their family or on a team at work. In many aspects of our lives — including the financial ones — we can operate in ways that are similar and dissimilar to men. What starts out feeling uncomfortable becomes easier and less fraught over time. While we build skills and confidence, step-by-step, we can lean on each other, collaborate, share wisdom, and ask for help. The point is to start.

Invest Like a Woman

In each of the myths we explored, we made some observations and provided some recommendations. What if we put it all together? What would it look like to "do money" like a woman? When it comes to managing their personal finances, what do women want? If we center women's unique strengths, concerns, and preferences, what would we see?

In developing a list of guiding principles, we would put these at the top:

- **Define successful financial outcomes in multiple ways,** not just in terms of financial metrics. That is, success is defined as the accomplishment of one's own goals — achieving one's heart's desire, living one's best life, not solely measuring success by rate of return or cultural expectations.
- **Collaborate and share wisdom.** By doing so we are all more effective, smart, and successful.
- **Approach money management from a relational standpoint,** rather than transactional. Investors are interesting, complex, and striving human beings — they are not their balance sheets. Talking about the values behind the numbers is crucial for positive financial outcomes. Harnessing our emotions can be a powerful tool for positive change.
- **Avoid unnecessary complexity** and speak to our clients in simple, straightforward terms, without condescension or presumption.
- **Talk about it!** Ask good questions, and then be quiet. Listen. Financial advisors are adept and able to focus on the analytics of investments and the number-crunching behind any long-term projection. They must work just as hard to learn about and acknowledge the values behind clients' financial decisions.
- **Place expertise and empathy on the agenda in equal measure.** Each has a role to play in money matters, and we believe that anyone who focuses on one at the expense of the other is presenting a false choice.
- **Remember that bringing empathy to the table doesn't mean Pollyanna will have a seat.** However, it does mean that as advisors, we are willing to tackle the tough stuff and ask

the important questions with kindness, compassion, realism, and candor. A willingness to engage in crucial conversations — be they difficult, awkward, or celebratory — is an essential ingredient to long-term financial success.

- **Give clients the education, patience, and support they need —** without judgement or condescension — when making financial decisions. An expanded knowledge base will help women feel empowered to make financial decisions affecting their future. Your mother was right; there is no such thing as a stupid question.
- **Financial planning for women should recognize and consider potential career interruptions and their impacts.** When women return to the workplace it is often to a less rewarding and lower paying job.
- **Vote with our dollars and direct our financial support** to enterprises, local and national alike, whose brands embrace our values, and whose products and services take women seriously and afford them the respect we all deserve.
- **Strive to make ambitious women more visible and prominent** and highlight ambition in positive terms as "the new normal" — something we aspire to be.

We must start talking about women and money in an unapologetic and unabashed way. For our part, we will continue to address the challenges our clients face, encourage them to venture outside their comfort zone, and empower them to recognize the strengths they already possess, in finance and beyond. We invite you to join us!

About the Authors

Diane Bourdo
President
The Humphreys Group

Diane is a CERTIFIED FINANCIAL PLANNER™ Professional with an MBA from the University of California, Berkeley, Haas Graduate School of Business and a BA from the University of Wisconsin, Madison. Diane joined The Humphreys Group in 1989, became a Principal in 1993, and has been President since 2005. During the last 25-plus years, Diane has been extensively involved in all aspects of The Humphreys Group's work with clients, tackling investment and financial planning issues.

She is particularly passionate about helping women get smarter about money – and to see the ways in which they already have money competence. She strongly believes in a culture of continuous learning – whether that applies to investment strategies, new financial planning opportunities or strengthening her team. As a member of the Financial Planning Association, Diane participates on the pro bono committee that provides financial planning to underserved communities in addition to the community service work The Humphreys Group does as a team.

Hallie Kraus
Financial Planner
The Humphreys Group

Hallie is a CERTIFIED FINANCIAL PLANNER™, CRPC® Chartered Retirement Planning Counselor, with a BA from the University of California, Santa Cruz. Hallie found herself working at a non-profit credit counseling agency shortly after graduating. Despite the challenging nature of speaking to people in difficult economic circumstances, she discovered she loved educating and empowering people to take small steps that would eventually improve their livelihoods. It was this experience that inspired her to provide more proactive advice to clients about increasing their financial stability and preserving their wealth.

In 2014, she began her career in wealth management at a corporate firm, and in 2017, she found a home at The Humphreys Group. Their mission to address the unique challenges that women face was one that profoundly resonated with her, and now she gets to spend every day developing financial plans and conducting research that ultimately helps women accomplish their ambitions and give back in ways that matter to them.

The Humphreys Group

We are a women-owned and -operated fee-only wealth management firm based in San Francisco. We provide comprehensive financial planning and investment management, with a focus on the unique needs, aspirations and strengths of women. We believe that wealth management is best delivered with equal doses of expertise (the technical, the number crunching, the investment strategies) and empathy (emotional intelligence and being guided always, by what matters most to our clients). We are a long-time champion of impact investing, with a track record of investing in ESG mutual funds and we heartily endorse the increased interest in using money to promote social good.

At The Humphreys Group we strive to walk the talk of our values and to show our commitment we have earned the prestigious B Corp certification. This involves a rigorous process where businesses meet the highest standards of putting people and the planet before profits; to redefine what it means to be successful in business.

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