

# Gender Gap in Financial Literacy

## Executive Summary

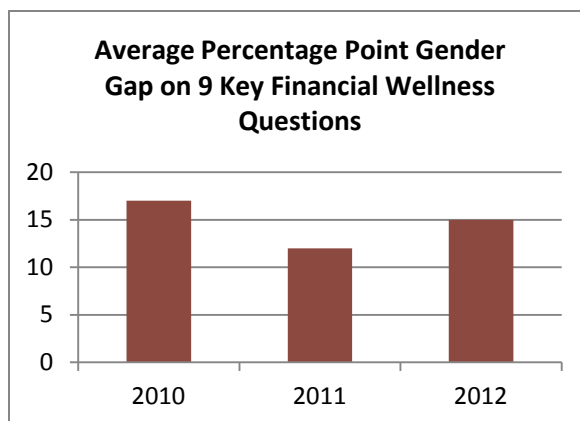
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Even though women make up the majority of college graduates and are increasingly making strides in the workforce, there is still a significant and growing gender gap when it comes to financial wellness. Women lag men in many areas of financial planning, and they are significantly behind in two of the most critical areas—basic money management, which is the foundation for financial planning, and investing, which is a necessary skill to grow wealth over time.

This is particularly concerning given the fact that women actually have more financial challenges than men—namely, living on average 5 years longer and having to make retirement savings last over their longer life spans, higher healthcare expenses than men over the course of their lives, and lower average monthly Social Security payments due to less time in the workforce. Ninety percent of women will be solely responsible for their finances at some point in their lives due to the death of a spouse or divorce, yet women report much lower levels of financial knowledge and confidence than men.

Below are key trends around the gender gap in financial planning and financial literacy:

- **Overall, the gender gap is widening**, with women falling further behind in many key areas of financial planning, most notably money management and investing.
- **Women’s confidence in their retirement preparedness has slipped and they are still behind men in terms of how much they are saving for retirement**, but the gender gap in retirement planning is smaller than most other areas, with virtually no gap between men and women with respect to participating in 401(k) plans or IRAs.
- **In general, women are doing a better job at planning for longer term goals** and protecting their wealth, but having a harder time with basic money management skills and investing, both of which are more transactional in nature and often entail more hands-on management and quick decision making.



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## Responses to Online Financial Planning Questionnaire

### Q1 2012 Breakdown by Gender

The charts below show how men and women responded to financial planning questions on a personal financial wellness assessment. The questions are grouped into 7 key financial planning topics, which are labeled 1-7 and are represented in descending order from the topic with the largest gender gap to the one with the smallest.

#### 1. INVESTING

I have general investment knowledge regarding stocks, bonds and mutual funds.

89%

66%

Legend

Men

Women

I feel confident that my investments are allocated appropriately between cash, bonds and stocks.

45%

29%

I have taken a risk tolerance assessment and am aware of my conservative, moderate, or aggressive investment strategy.

57%

37%

I rebalance my accounts to keep my asset allocation plans on track.

49%

25%

I have reviewed my combined assets and developed a master asset allocation plan to avoid overlapping of investments or overweighting of certain asset classes.

38%

16%

I have done a fee analysis on my portfolio.

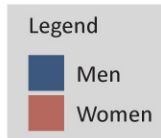
28%

10%

Users who assessed their own financial situation: January 1, 2012 through March 31, 2012.

# Gender Gap in Financial Literacy

## 2. MONEY MANAGEMENT



I have a handle on my cash flow so I spend less than I make each month.



I have an emergency fund to cover unexpected expenses or to pay bills for a few months if I lose my job.



I am comfortable with the amount of non-mortgage debt I have.



I pay my bills on time each month.



I regularly pay off my credit card balances in full.



I check my credit report on an annual basis.

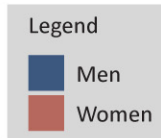


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## 3. TAX PLANNING

I understand the tax implications of my investment and retirement accounts.



I adjust my withholding each year so I neither owe nor receive a large refund.



To my knowledge, I maximize all available federal tax credits and deductions to reduce my tax liability.



## 4. COLLEGE PLANNING

I know how much I need to save for college costs and am on track to meet that need.



I currently contribute to a 529 College Savings Plan, a Coverdell Savings Account, or other tax-advantaged account to save for college expenses.



I understand the financial aid options that may be available, including grants, scholarships, student loans, etc.

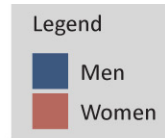


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## 5. INSURANCE

I review my insurance coverage on an annual basis and I am confident that I am adequately covered by my health insurance and auto/homeowners policies.



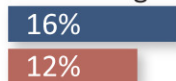
I carry enough life insurance to replace my income, pay for college expenses, and create an emergency fund for my beneficiaries.



I have long-term disability insurance in place to replace my salary in case I am ill or have an accident and am unable to work at my current job.



I have long-term care insurance in place to protect against the costs of a nursing home stay.



I have an umbrella insurance policy to protect my assets from lawsuits.

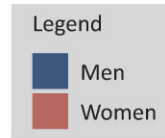
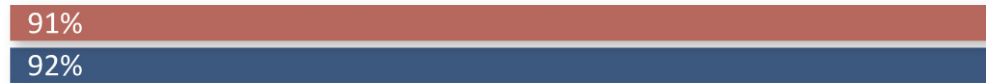


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## 6. RETIREMENT PLANNING

I participate in my company's retirement plan.



I capture the company matching funds in my 401(k), 457, or 403(b) plan by saving up to the matching percentage.



I contribute to a Traditional or Roth IRA.



I know I am on target to replace 80% of my income or my goal in retirement.



## 7. ESTATE PLANNING

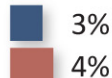
I have made sure beneficiary designations on my insurance and retirement plans are up to date.



I have written up legal documents such as a will or trust and made decisions about who should receive my assets and who should raise my children.



I have met with an estate planning attorney or financial planner to create an estate plan.



Users who assessed their own financial situation: January 1, 2012 through March 31, 2012.

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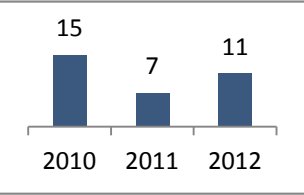
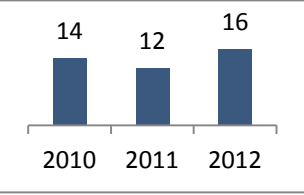
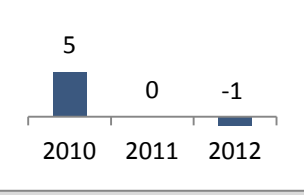
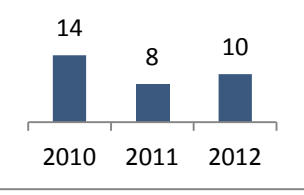
## Analysis of the Gender Gap

Where Gender Gap Is the Largest	Where Gender Gap Is the Smallest	Where There Is No Gender Gap
Money management and investing	Estate planning and retirement planning	Participating in 401(k) plans and IRAs

### Financial Wellness Gap between Men and Women from 2010 to Q1 2012

Question	Gap between men and women	Change in Gap								
I have a handle on my cash flow so I spend less than I make each month.	<table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>23</td><td>16</td><td>16</td></tr> </table>	Year	2010	2011	2012	Gap	23	16	16	Essentially No Change
Year	2010	2011	2012							
Gap	23	16	16							
I regularly pay off my credit card balances in full.	<table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>29</td><td>17</td><td>23</td></tr> </table>	Year	2010	2011	2012	Gap	29	17	23	Is Noticeably Growing
Year	2010	2011	2012							
Gap	29	17	23							
I have an emergency fund to pay bills for a few months if I lose my job.	<table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>24</td><td>14</td><td>20</td></tr> </table>	Year	2010	2011	2012	Gap	24	14	20	Is Noticeably Growing
Year	2010	2011	2012							
Gap	24	14	20							
I have a general knowledge of stocks, bonds and mutual funds.	<table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>33</td><td>15</td><td>23</td></tr> </table>	Year	2010	2011	2012	Gap	33	15	23	Is Noticeably Growing
Year	2010	2011	2012							
Gap	33	15	23							

# Gender Gap in Financial Literacy

Question	Gap between men and women	Change in Gap								
I pay my bills on time each month.	 <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>15</td><td>7</td><td>11</td></tr> </table>	Year	2010	2011	2012	Gap	15	7	11	Is Marginally Growing
Year	2010	2011	2012							
Gap	15	7	11							
I feel confident that my investments are allocated appropriately.	 <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>14</td><td>12</td><td>16</td></tr> </table>	Year	2010	2011	2012	Gap	14	12	16	Is Marginally Growing
Year	2010	2011	2012							
Gap	14	12	16							
I contribute to my retirement plan, such as a 401(k), 457 or 403(b), at work.	 <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>5</td><td>0</td><td>-1</td></tr> </table>	Year	2010	2011	2012	Gap	5	0	-1	Essentially No Change
Year	2010	2011	2012							
Gap	5	0	-1							
I know I am on target to replace at least 80% of my income in retirement.	 <table border="1"> <tr><th>Year</th><td>2010</td><td>2011</td><td>2012</td></tr> <tr><th>Gap</th><td>14</td><td>8</td><td>10</td></tr> </table>	Year	2010	2011	2012	Gap	14	8	10	Is Marginally Growing
Year	2010	2011	2012							
Gap	14	8	10							



# Gender Gap in Financial Literacy



## Key Areas to Watch

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### *Are we witnessing heightened awareness or growing susceptibility to economic changes?*

#### **Key Areas:**

**Basic Money Management:** Collectively, the gap between men and women in the areas of monthly cash flow, paying off debt, and saving for emergencies are the most alarming.

#### **Key Danger Signs:**

**Debt:** From 2009 through 2011, women made steady progress in terms of those who reported paying off credit card debt in full, but in Q1 2012 things changed course and now the percentage of women that are reporting paying off their credit card debt in full appears to be on the decline. This, coupled with the steady decline in the percentage of women that report feeling comfortable with their level of non-mortgage debt, may be cause for concern and is something worth watching in the future.

**Insufficient savings:** After several years of improvement, the percentage of women that reported having money set aside to pay bills in case of a job loss or financial emergency took a significant step backward—much more so than for men. In general, the women in this study tend to report incomes lower than the men, which could make them more sensitive to changes in the economy and cause them more overall worry about income and savings. It is interesting, though, that while saving for emergencies seems to have less importance, saving for retirement has equal importance, as the data shows women participating in 401(k) plans and IRAs at the same rate as men.

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## About this Research

All of Financial Finesse's research is primary—based on tracking employees' most pressing financial concerns through their usage of our financial education services.

Trend analysis research is compiled by tracking questions received by planners through Financial Finesse's Financial Helpline and Ask-a-Planner services. Financial Wellness data is compiled by tracking employees' usage of Financial Finesse's Online Financial Wellness Assessment and Learning Center, which provides employees with a personalized financial education plan and analysis of their current financial wellness. Employers and employees are located across the country—in similar proportion to the demographics of the national population.

## About the Financial Wellness Assessment

The Financial Wellness Assessment is a proprietary tool designed and developed by our Think Tank of CERTIFIED FINANCIAL PLANNER™ professionals used to measure employees' financial wellness. To get a realistic assessment of wellness in each category, planners determined the most important criteria for achieving financial success in that specific category. By asking key questions that determine employees' progress on these different actions, we are able to approximate their financial wellness in those areas.

## About Financial Finesse

Financial Finesse is an unbiased financial education company providing personalized and innovative financial education and counseling programs to over 500,000 employees at over 400 organizations. Financial Finesse partners with organizations to reach goals such as reducing fiduciary liability, increasing plan participation, decreasing stress, and increasing productivity through its unique approach to financial education. Financial Finesse does not sell products nor manage assets. For more information, visit [www.financialfinesse.com](http://www.financialfinesse.com).

## Contributors

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