

Gender Gap in Financial Literacy

Executive Summary

After watching the financial literacy gap widen steadily, in 2013 this trend started to reverse itself. From 2012 to 2013 the overall gap shrank from a 14 percentage point difference to just under a 13 percentage point difference. Although this seems like a small movement, it masks the overall advances women are making. While each gender regained their 2011 financial wellness levels and are moving even farther ahead in terms of engagement and proactivity, women appear to be taking larger strides than men.

Change in Wellness Scores from 2012 to 2013



Although women are moving ahead, they are still lagging behind men in most areas.

Where Gender Gap Is the Largest	Where Gender Gap Is the Smallest	Where There Is Virtually No Gender Gap
Investing and Money Management	Insurance and College Planning	Estate Planning and participating in 401(k) plans and IRAs

Key Trends:

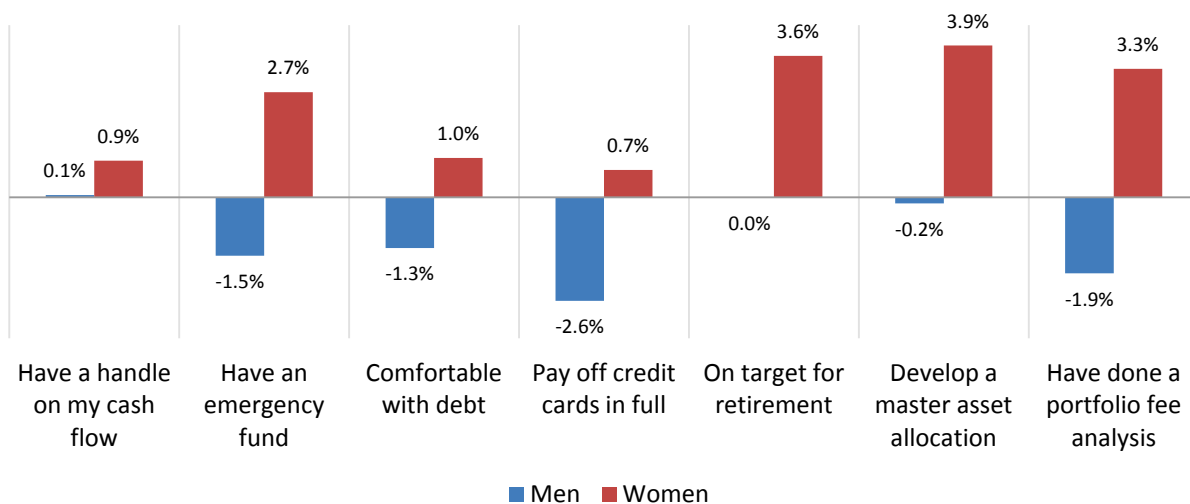
- Overall financial wellness is improving for both genders, but at a slower pace for men than women.
- Women are closing the gap in several key areas, including managing debt, saving for emergencies, and feeling like they are on track for retirement.
- The gap narrowed most notably for men and women with incomes between \$60,000 and \$100,000.

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Women are Making Strides and Reducing the Gap

Four areas where women are making progress—cash flow, debt management, retirement planning and investing—are not typically areas of strength, yet it is in these areas that women have gained the most ground. Comparing answers to a number of questions from 2012 to 2013 shows women moving forward where men are either holding constant or contracting.

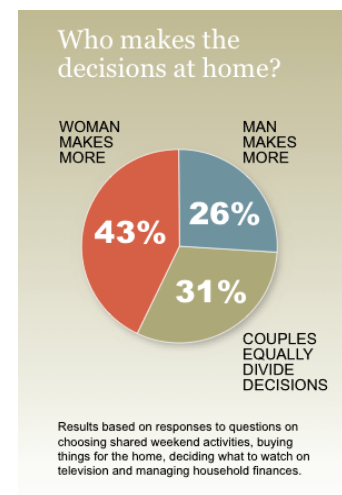
Percentage Point Change: 2012 to 2013



This trend is particularly encouraging since women are making more financial decisions in the home either on their own or with a spouse. In a study done by Pew Research around social and demographic trends, researchers looked at decision-making roles in households where a man and woman were married or living as a couple. They asked about decisions in four areas: determining what to watch on television, making weekend plans, managing finances, and making big purchase decisions. They found women either make or are involved in most household financial decisions¹.

- Forty-three percent of the couples surveyed said the woman makes decisions in more areas than the man.
- Thirty-one percent of the couples said decisions are divided equally.

With this backdrop of the influence women have on financial decisions, it is encouraging to see how their financial wellness has increased in core financial planning areas, particularly in areas where they have historically struggled.



Source: Pew Research Center, *Women Call the Shots at Home*; Public Mixed on Gender Roles in Jobs, September 25, 2008

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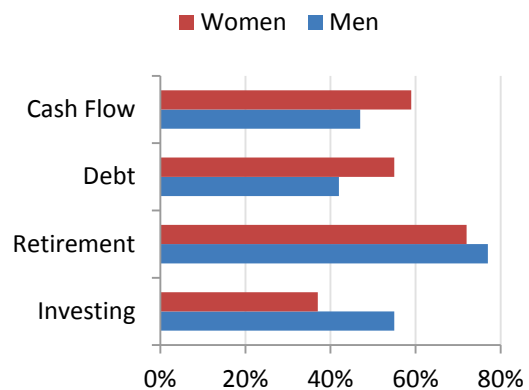
There is Still a Gap

While the trend is encouraging, there is still much work to be done in these areas and a distance to go until men and women show parity in terms of financial literacy.

Priorities:

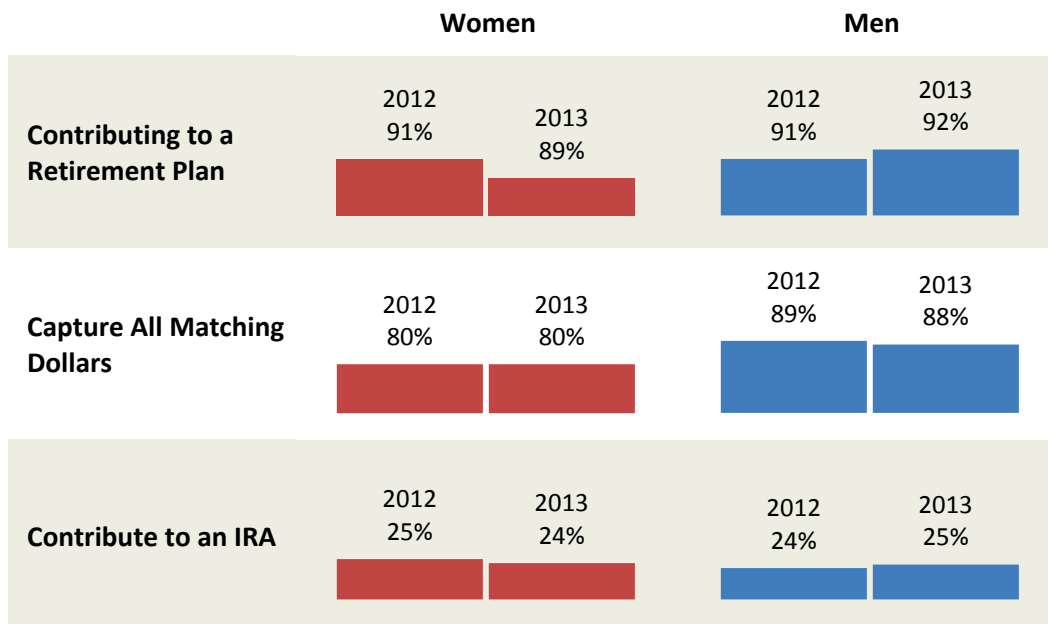
- Both genders consider retirement planning a top priority, which is a good sign since the vast majority of employees lack confidence in being on track to achieve retirement goals.
- For women, their second and third priorities continue to be managing cash flow and getting out of debt. As in the past, women tend to focus more on immediate financial needs than men.
- By contrast, men indicated investing as a second priority, followed by managing cash flow.

Frequency of Top Priorities



Retirement:

- Saving for retirement is a key vulnerability for men and women, yet the numbers around saving for retirement are stagnating. If this continues, it would be particularly concerning for women since they tend to outlive men and may need a larger nest egg to retire.



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Ways to Close the Gap

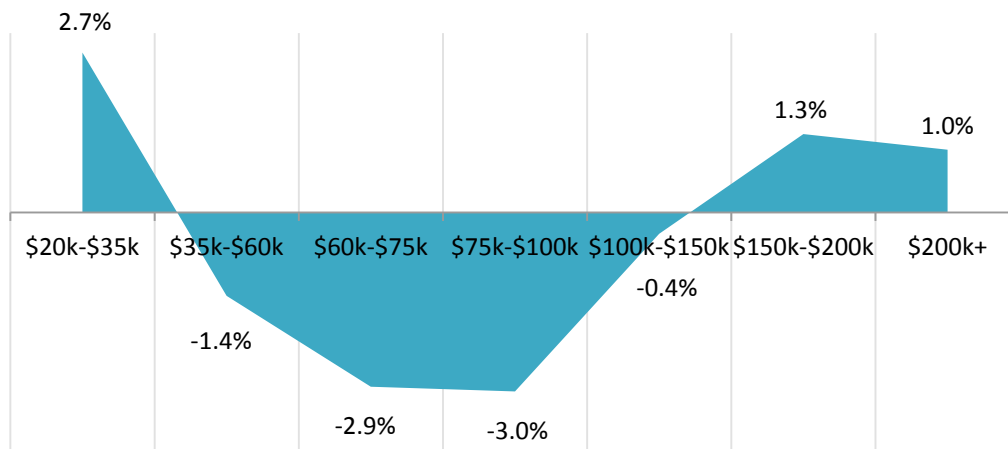
Many scholars feel there are distinct ways to address the gender gap as it relates to finances:

- Education at all levels
- Advancing careers and creation of role models
- Bridging the pay gap between men and women

Based on data from the Bureau of Labor Statistics we as a society have done much to equalize the pay between men and women, however the progress made between 1970 and 2000 seems to have halted around 2000 and continues to stagnate. In recently released numbers, women are estimated to earn about 23% less than men based on median earnings of full-time, year-round workersⁱⁱ.

In general, the gender gap in financial literacy tends to shrink as household incomes go up, but in 2013 we saw an increase in the gap between men and women with annual household incomes above \$150,000. At the same time, the greatest narrowing of the gap occurred between men and women with annual household incomes above \$60,000 and below \$100,000.

Change in Gender Gap



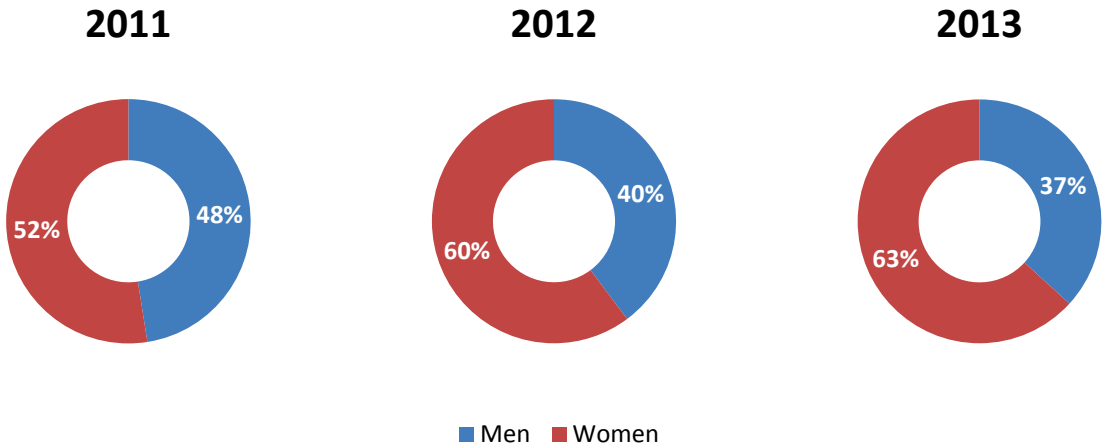
This had the effect of flattening the income curve (see page 6), making income less of a determinant in the size of the gap. While we'd like to see the gaps narrow across all income levels, the good news is that the majority of men (68%) and women (75%) included in this study fell within the ranges where improvement occurred.

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When considering gender specific education, there has been a movement in terms of leveling the field for career advancement. Career advancement is vital to overcoming the gender gap as it produces positive role models for women of all ages. In the financial services industry alone, a PricewaterhouseCoopers study found that women hold only 19% of senior level roles, 14% of board seats, and 2% of CEO rolesⁱⁱⁱ. Girls Inc, a nonprofit organization devoted to girls, has used mentoring as a successful means to inspire life-changing results for a very long time. They feel so strongly about mentoring that it is the cornerstone of their education program, thus supporting the need for role models.

For the last three years, the percentage of women engaging in financial wellness education has been increasing, with female employees making up more than six out of every ten users in 2013. We believe this may account for much of the narrowing of the gender gap.

Percentage of Employees Engaged in Financial Wellness by Gender

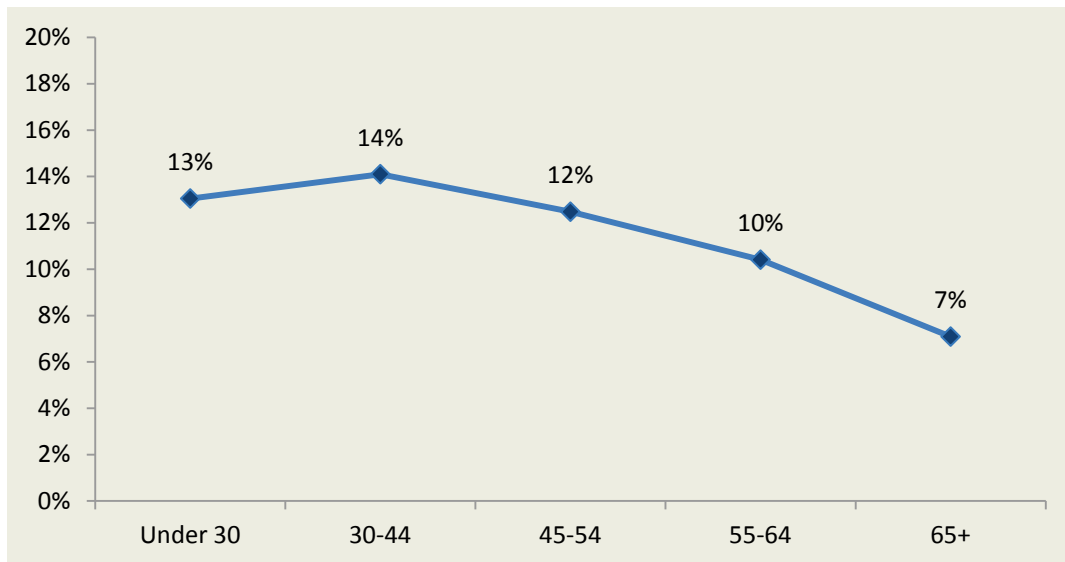


Although women have made much progress in terms of closing the gap and the data we have collected indicates they are making better progress each year, we still see a significant gap in terms of knowledge, habits, and confidence and feel that continued work must be done to further the narrowing of this gap.

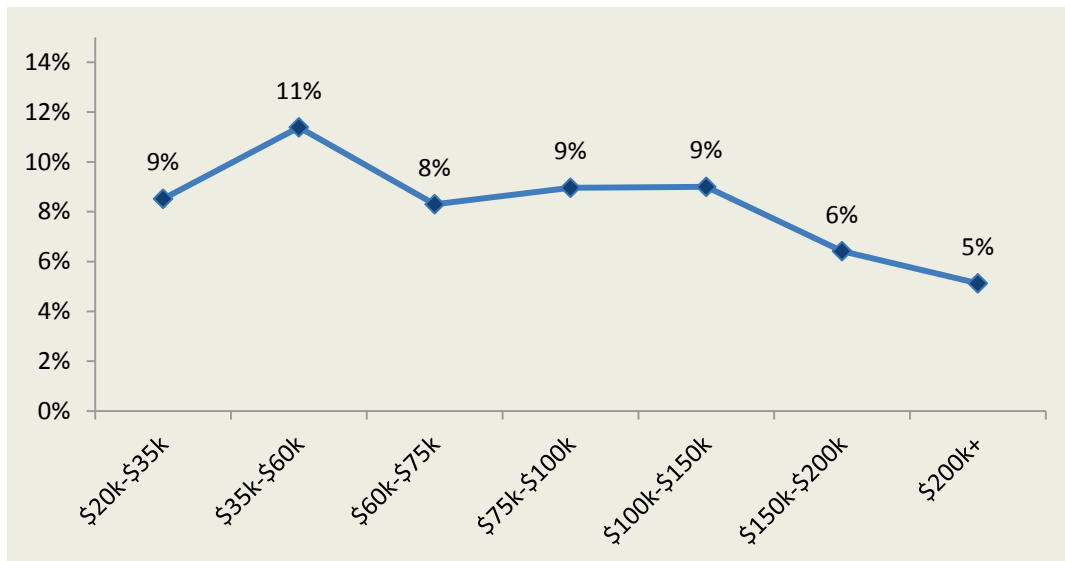
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Impact of Age and Income on the Gender Gap

Average Gap in Financial Wellness between Women and Men by Age¹



Average Gap in Financial Wellness between Women and Men by Income



¹ All figures are rounded to the nearest whole percentage.

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Responses to Online Financial Planning Questionnaire

2013 Breakdown by Gender

The charts below show how men and women responded to financial planning questions on a personal financial wellness assessment². 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.



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



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



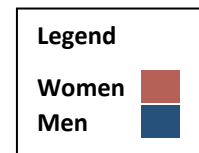
I rebalance my accounts to keep my asset allocation plans on track.



I have reviewed my combined assets and developed a master asset allocation plan.



I have done a fee analysis of my portfolio.



² Users who assessed their own financial situation: January 1, 2013 through December 31, 2013. All figures are rounded to the nearest whole percentage.

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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 pay my bills on time each month.



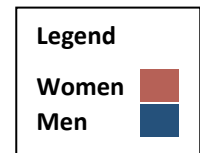
I am comfortable with the amount of non-mortgage debt I have.



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 know my marginal tax bracket.



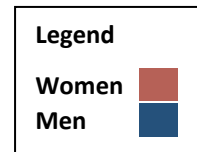
I adjust my withholding each year so I neither owe nor receive a large refund.



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



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



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4. 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/homeowner's policies.



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



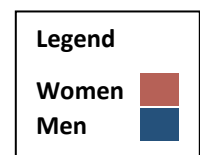
I have long-term disability insurance in place to replace my salary in case I am ill or have an accident and am unable to work at my current job.



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



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



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5. COLLEGE PLANNING

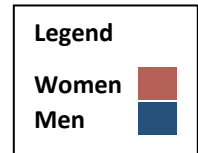
I know how much I need to save for college costs and am on track to meet that need.



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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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

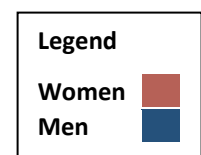
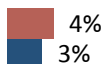
I have made sure beneficiary designations on my insurance and retirement plans are up to date.



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.



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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 Score

The Financial Wellness Score is measured on a scale of 0 to 10, with 0 indicating minimal financial wellness and 10 indicating optimal financial wellness. Scores are adjusted to consider age and income and determine how well employees are managing their finances based on these factors and the needs associated with different life stages and income levels. Employees who achieve a Financial Wellness Score within a specified range exhibit financial behavior as outlined in the following chart:

Wellness Score	Financial Behavior
9.0 or above	Employees have excellent financial skills and habits, and have achieved an optimal level of financial wellness. They are on track to meet their goals and fully prepared to weather unexpected challenges that arise.
7.0 to 8.9	Employees have good financial skills and habits, and are in a fairly good position to reach their goals, but there are additional actions they need to take to fully prepare for their goals and protect themselves from challenges that may arise.
5.0 to 6.9	Employees are demonstrating some personal financial skills, but have significant gaps in their overall financial planning and behaviors, and really need education and guidance to make decisions and develop financial habits that will allow them to achieve their goals.
3.0 to 4.9	Employees may be sabotaging their own goals through poor personal financial skills and are in need of more basic information.
Below 3.0	Employees are in dire need of guidance around basic personal financial skills to help keep them from experiencing serious financial consequences.

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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 1,000,000 employees at more than 500 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.

Contributors

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ⁱ PewResearch Center (2008). *Women Call the Shots at Home; Public Mixed on Gender Roles in Jobs*.

ⁱⁱ Zumbun, Josh (2014). *Is the Gender Pay Gap Closing or Has Progress Stalled?*

ⁱⁱⁱ PricewaterhouseCoopers (2013). *Mending the Gender Gap, Advancing Tomorrow's Women Leaders in Financial Services*.