The gender confidence gap

The state of women's financial and emotional confidence

Financial confidence differs among demographic groups

Guardian's Study of Financial and Emotional Confidence™ explores how financial behaviors and habits affect one's overall life satisfaction and well-being.[1] Among other results, Guardian learned that income is not the sole driver of financial confidence and success. In fact, proactive financial habits and knowledge of financial concepts and products are more closely tied to higher levels of financial and emotional confidence than simply how much one earns.

The report, Path to prosperity identified four types of financial behavior profiles: Day-to-Day Decision-Makers, Retirement Realists, Ambitious Spenders, and the most financially savvy and optimistic, Confident Planners. Women were most highly concentrated within the Day-to-Day Decision-Makers profile. This profile tends to lack a strong financial strategy and focuses instead on keeping up with day-to-day financial demands.

In addition to the four profiles, the study revealed further differences regarding finances and confidence among other demographic groups, particularly women, millennials, and business owners. This brief explores the financial behaviors and habits of women, as well as model behaviors to help put them on their own path to prosperity.

Women identify as less financially and emotionally confident than men

Financial confidence allows an individual to take control of their financial situation and gives them a much stronger chance of fulfilling the goals that matter to them. Emotional confidence impacts one's overall well-being, happiness, and life satisfaction.

> **Financial confidence and emotional confidence are inextricably linked and critical to how women feel overall about their sense of financial wellness.**

Confidence doesn't necessarily come from a high paycheck or a hefty nest egg. For instance, while women perceive themselves to be equally as financially independent as men, they are still 40% more likely to experience financial stress than their male counterparts.[2] Almost 30% of women over age 65 report feeling very or somewhat worried about their current financial situations, compared with 20% of men that age.[3]

Retirement confidence varies by gender

(Percentage of men and women who agree)

"I am very confident that I know how much money I will need for retirement."

Men: 27%

Women: 16%

"I am very confident that I know how much money I will need for health care expenses in retirement."

Men: 24%

Women: 13%

It's still true: Women earn less than men

While strides in pay equity are being made, women reported earning approximately 22% less per year than men's average annual income of $116K (based on a national survey of workers with household incomes of $50K or more).

More than one-third of working women earn less than $50K per year, which is more than double the proportion of men in this income bracket.

The average annual Social Security income received by women 65 years and older is, on average, 80% of the Social Security income men receive.[4] But it's being a mother that mostly influences a woman's income. A woman with one child earns 28% less on average over her career than a woman without children, partially as a result of time out of the workforce. Each additional child reduces a woman's average earnings by another 3%.[5] In contrast, becoming a father typically does not reduce a man's earnings. Women are also more likely than men to care for their aging parents, a responsibility that Guardian has explored in related studies such as **Workforce 2020** and **Mind, Body, and Wallet**.

Among this study's four financial profiles, 3 in 5 women were in the two least confident segments, indicating a significantly lower level of financial and emotional confidence. Nearly 60% of female respondents fell into the Day-to-Day Decision-Makers and Retirement Realists profiles, compared to 33% of male respondents.

Not only do women earn less, they tend to own less protection

Over the past five years, the life insurance ownership rate for US women has dropped from 57% to 47%. Additionally, 56 million women (43%) say they don't have — or don't have enough — coverage.[6] In a related study, Guardian found that women own slightly less or are less likely to have protection than men in life insurance, disability insurance, accident insurance, pension plans, a last will and testament, long-term care insurance, hospital indemnity insurance, and cancer and critical illness insurance.[7]

Marriage is a major consideration when it comes to women's financial health

Partnered and single women report similar levels of personal income — around $90K average for either relationship status. However, there is still a gap in confidence. Single women report lower confidence, with 33% categorized as Day-to-Day Decision-Makers; this is likely due to them being the sole breadwinner without a second income in the household.

Divorced women also experience lower financial confidence. Gray divorce (divorce over age 50) now accounts for 1 in 3 US divorces and is growing.[8] Women often initiate these late middle divorces, which may improve their emotional well-being, but as a result it frequently devastates their financial health and confidence.

Women dominate in the two least confident financial profiles

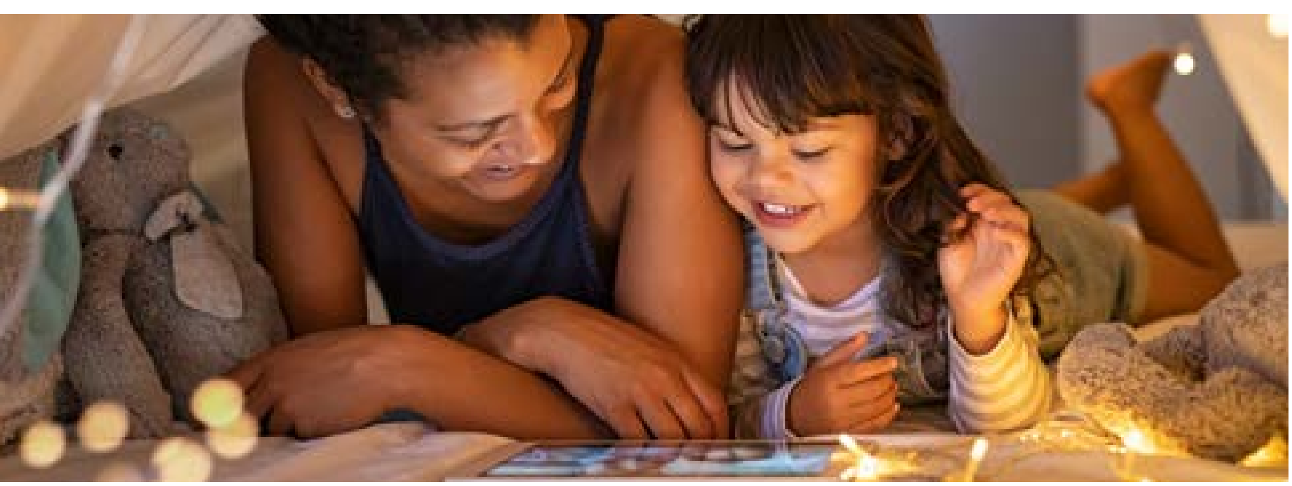
(Percentage of study respondents in each financial profile)

Day-to-Day Decision-Makers:

28% of women **versus 13%** of men

Retirement Realists:

29% of women **versus 20%** of men



Women are less likely to have a financial strategy

More than a quarter (26%) of women are not confident about meeting their financial goals, versus 17% of men. That may be because more than one-third (37%) of women report that they do not have a financial strategy, compared to 24% of men.

Lack of professional financial guidance is one of the reasons for this lack of confidence. Forty-one percent of women do not use paid financial guidance because they consider it to be too expensive, and one-third believe they have insufficient funds to justify the expense. Women are also more likely to claim that a lack of knowledge about how best to support their family's needs is the main reason they are discouraged from working with a financial services organization (38% of women versus 28% of men). Essentially, they feel that they don't know what to ask for.

Women's financial goal setting can improve

- More than ¼ of American women are not confident about meeting their financial goals.
- More than ⅓ of women report they do not have a financial strategy at all, and 41% do not use a paid financial professional due to cost.

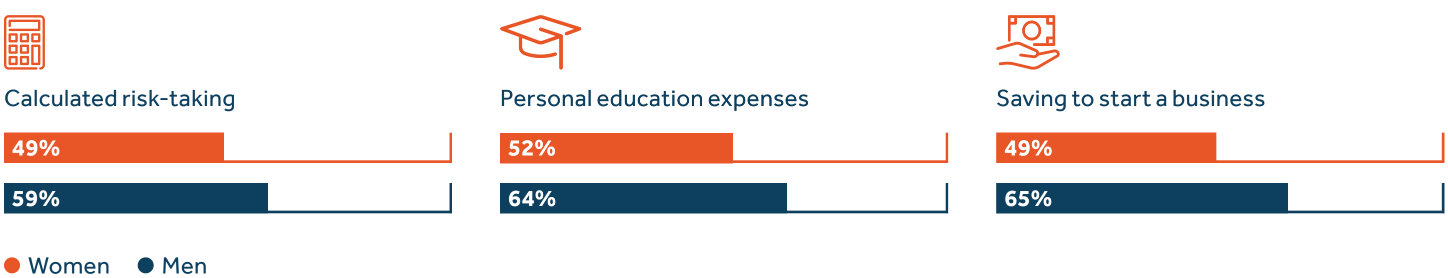
Among women who do seek out financial guidance, word-of-mouth matters.

Women are slightly more likely than men to find financial guidance through a referral made by a family member (26% of women versus 24% of men), friend, or co-worker (27% of women versus 22% of men), and are less likely than men to have found their advisor by conducting their own research (12% of women versus 19% of men). They are not concerned about seeking out guidance from a professional who has had similar life experiences and is at the same life stage as their own, as is common with men (23% of women versus 45% of men). Instead, they express more interest in professional guidance that follows insurance and protection trends (79% of women versus 70% of men).

Within written financial strategies, both genders have similar objectives, though women are less likely to focus on calculated risk-taking, funding their own educational expenses, and saving to start a business.

Gender differences in financial objectives

(Percentage of men versus women who are likely to focus on certain objectives)

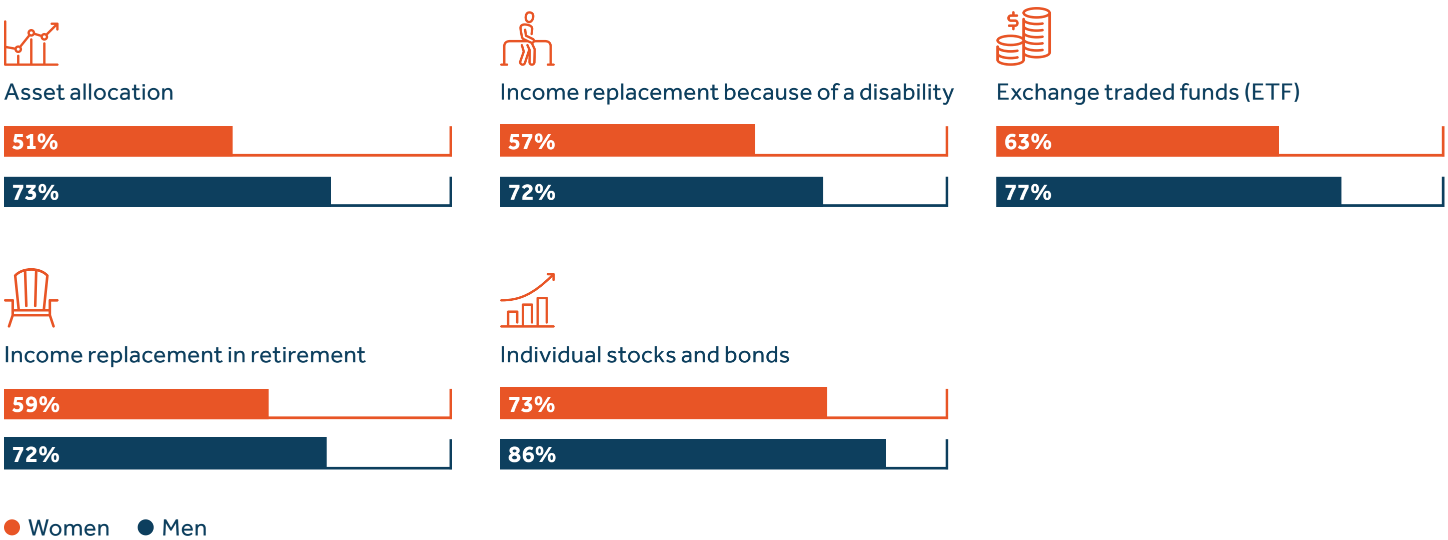


Women are more likely to underestimate the importance of financial literacy

When it comes to financial concepts, women are less likely to indicate understanding of whether a topic is important for financial success and they also report lower levels of understanding of those topics. Women generally express less confidence than men in every financial factor; the widest gaps in confidence between genders are related to asset allocation and feeling financially ready for retirement.

Gender differences in understanding of financial concepts

(Percentage of men versus women who say they understand the following financial concepts "pretty well")



Education level is irrelevant when it comes to women's financial confidence.[9] While men's comfort with making investment decisions is determined by education (60% of men with at least a bachelor's degree are very comfortable making investment decisions, while only 43% of men with a high school degree express that same confidence), women with any level of education are less comfortable making investment decisions than men.

Women know more than they think they know

When quizzed on financial literacy, women were more likely to select "don't know" than men (38% of women versus 25% of men).[10] As a result, women, on average, had lower levels of financial literacy. When the "don't know" option was not made available, however, women were much more likely to select the correct answer. In other words, women have lower financial literacy than men, but they know more than they think they know.

What can financial professionals do?

Three out of 5 women fall into to the least confident profiles in this study, meaning that women in particular have lower financial and emotional confidence. As a result, there are unique considerations for financial professionals to be aware of in order to address the needs of their female clients.

Recognize which type of woman you serve

- Before discussing investment and protection needs, recognize the individual woman and her unique circumstances: a small business owner, a family caregiver, a corporate executive, or a person going through a divorce, for instance. This will help to offer targeted guidance.

Place emphasis on financial literacy and developing a written strategy

- **Start simple.** Because ⅓ of women do not have a financial strategy, they often don't know whether they're on track to achieve their financial goals — or even what those goals are.
- **Virtual financial services** during off-hours or in recorded sessions can increase access to financial literacy education at a convenient schedule.
- **Focus on women's widest gaps in confidence:** asset allocation and feeling financially ready for retirement.

Remember that family comes first

- Support not only your client, but **their entire family's needs**. Increasingly, working women over the age of 50 are carrying the financial burden for caregiving, as they are more likely to leave their jobs in order to provide the necessary care of their children, grandchildren, or parents — sometimes all at once.[11]

Focus on protection over risk

- Possibly due to a lower level of understanding of financial accounts and investments, women are less likely than men to focus on risk taking and instead prefer financial professionals who **follow insurance and protection trends**.

What can employers do?

Nearly half of workers say that access to the benefits they have through their employer are more important than ever and they would face financial hardship without them.[12] Of those workers, women in particular are more likely to act as caregivers for children or family members in addition to their full-time work. As a result, there are unique opportunities for employers to address the needs of their female workforce through their benefits strategies.

Ask your female workforce what benefits they care about

- **Survey your employees** to learn about their financial concerns, and break out the survey via men and women. You may find that your women employees have very specific financial needs which you can help support.

Access to financial guidance and financial literacy resources

- Employers should consider **offering both group and one-on-one sessions** with financial professionals, since some women may find a group setting to be prohibitive.
- **Virtual financial services** during off-hours or in recorded sessions can increase access to financial literacy education at a convenient schedule.
- **Offer targeted guidance** for a financially diverse workforce. Women in different stages of life may need different financial guidance.
- Around annual open enrollment, **leverage the relationship you have with your benefits provider** to bring in a professional and go through available options, so you can highlight where there's value relative to your employees' specific circumstances.
- **Purchase a corporate partnership** with an app or a financial services firm, many of which specialize in financial literacy for women.

Provide flexibility

- **Allow flexible work schedules** if a 9-5 schedule won't always line up with the competing demands of caretaking, health, or transportation. This will allow more women to work more hours, thereby bringing home a larger paycheck.

Customize communication

- **Spread the word** about the financial benefits to which your female workforce has access. They can't take advantage of them if they don't know that they exist.
- Customize financial benefits awareness campaigns to your employees **using multiple platforms** in order to appeal to a wide range of generational communication needs.

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Report — FEC Women's brief