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VIEWPOINT

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CREATING MORE IMPACTFUL FINANCIAL WELLNESS PROGRAMS- FOR WOMEN

Confident individuals are more productive employees

That's why one of the most valuable resources you can provide to your workforce is a Financial Wellness program. The fundamental principle of a Financial Wellness program is the recognition that employee's overall well-being is impacted by whether or not they feel their finances are headed in the right direction. Feeling confident and secure can make them happier and more productive.

THE MESSAGE MATTERS!

Whether you are already offering a Financial Wellness program or are considering doing so, success can be measured in part by the number of employees who take advantage of the benefit. Positive feedback and outcome are additional metrics. As with any outreach program — whether it's to employees or to customers — the messaging, design, features and benefits must be tailored so that they are relevant to the individuals you wish to reach. For instance, workshops on paying down debt or saving for a first home are likely to get the attention of younger employees. Retirement-related topics such as how and when to file for Social Security tend to attract older workers. It's also important to not overlook gender differences as women and men often have very different career paths and experiences. This paper will:

- Explain the unique financial challenges women face, and
- Identify strategies to create a more attractive and inclusive Financial Wellness program

Financial Wellness programs are designed to help employees manage their finances, budget for life events and reduce financial stress that impacts absenteeism, productivity, and job performance. Ask your advisor about financial tools and educational programs available for your employees.

This VIEWPOINT is one of a series* on Financial Wellness programs and is designed to help you equally meet the needs of women and men in your workforce.

*See the Retirement Advisor Council VIEWPOINT: What Do You Mean When You Say Financial Wellness for an overview of Financial Wellness and best practices in the design and offering of Financial Wellness programs.

Financial Stress of Employees is Real:

How Much is Financial Stress Costing Your Business?

Employee Financial Stress Impacts Profits

35%
of
employees
are distracted by their finances

49%
of those distracted spend
3 or more
work hours each week dealing with issues related to their personal finances

The 2020 PWC survey

Employers incur an estimated

$2,000/employee

annually due to lost productivity and absenteeism

"2019 Hot Topics in Retirement and Financial Well-being", Alight Solutions, LLC, 201

Different Work Experience = Different Financial Experience

Compared to men, women often have a very different pattern of workforce participation. Some women do not have a continuous career path marked by steady advancement. Instead, a woman sometimes will hold a part-time job or completely step away from the paid workplace in order to care for a family member-or other adult age 18 and older. This is more common than you might think as roughly 40 million Americans are caregivers. Seventy-five percent of caregivers are women and the average age is just 49.[1] Sixty percent of caregivers continue to hold full-time or part-time jobs *in addition to* providing care. This takes a toll as caregivers report physical, financial and emotional stress and 61% of them have experienced at least one work-related impact. [2]

Longer Life = Greater Expense

Compounding the problem is the fact that, on average, women tend to live longer than men. A woman age 65 in the United States is expected to live another 20.6 years while a man is expected to live another 18 years.[3] Because it's likely that she will have to finance a longer and *more expensive* retirement, a female employee actually needs to accumulate a larger retirement nest egg than her male counterpart. In reality, however, just the opposite occurs. For reasons explained below, a woman often retires with smaller balances in both her bank account and company retirement plan.

IT'S LIKELY THAT SHE WILL HAVE TO FINANCE A LONGER AND MORE EXPENSIVE RETIREMENT

95%

of employers who offer Financial Wellness programs agree...

that it's effective in reaching its company's goals:

greater employee satisfaction and lower stress	potentially lower healthcare costs	less employee turnover	improvement in employee productivity and performance

2018 Workplace Benefits Report, Bank of America Merrill Lynch

Worker Financial Stress Costs Employers $500 Billion Annually

Financially stressed employees **lose nearly thirty productive work days per year**

and are **2.2 times more likely to seek a new job opportunity**

Lost productivity, turnover & other factors directly related to poor Financial Wellness **cost the average company between 11-14% of their total payroll expense**

Salary Finance, The Employers Guide to Financial Stress (2019)

Gender differences along the retirement planning journey

THE FINANCIAL PART OF THE EQUATION

In its annual report on the 500 largest corporations, Fortune magazine proclaimed "the number of female CEOs in the Fortune 500 hits an all-time record" ...of 39.[4] This represents less than 8% of the total. Clearly, parity at the pinnacle of corporate America has a long way to go. There are also persistent gender differences at all levels of organizations. Persistent gender gaps exist in employment status, pay, wealth accumulation and college debt. These factors can significantly hinder the ability to accumulate sufficient retirement assets.

- **Employment status:** More men hold full time jobs compared to women (87.6% vs 75.1%). On the other hand, women make up the majority (64%) of part-time workers.[5] Employment status does not merely impact the size of one's paycheck. Part-time workers are less likely to be offered benefits such as a job-related retirement plan or health insurance. The SECURE Act[6] is a step in the right direction. However, it does not provide a way for all part-time workers to participate in a company-sponsored retirement plan.

- **Pay gap:** While the gender pay gap is narrowing, overall, the median earnings for women working full time are approximately 82% of the median earnings of men.[7] And the gap is substantially wider for women of color, with Black women earning 62% and Hispanic women earning 64%.[8]

- **Wealth gap:** Wealth is the total amount of assets an individual owns - bank accounts, investments, retirement savings, artwork/collectibles and real estate - minus outstanding debt. An individual's ability to adequately fund their retirement is highly dependent on their ability to accumulate wealth. However, the average single woman has accumulated three times less wealth than the average single man.[9] This contributes to the fact that women over the age of 65 are 80% more likely to have an annual income that is below the poverty threshold.[10]

- **Debt burden:** More women are earning college degrees - and carrying a greater share of the burden. While females represent approximately 57% of college graduates, they hold nearly two thirds of total college debt.[11] When it comes to overall debt, 42% of women say they are stressed about their ability to pay their monthly bills,[12] and women are significantly (20%) more likely than men (12%) to say that their biggest financial priority is being able to cover their basic living expenses.[13]

- **Social Security gap:** Due to gaps in employment throughout their work-life, older women are much more reliant on this federal program. In 2017 nearly half (48%) of unmarried elderly women who received a benefit said Social Security made up 90% or more of their income.[14] Despite this, only 44% of women are highly confident that they know how much of their current income will be replaced by Social Security.[15]

These factors indicate women would find benefit from additional emphasis on:

- ✓ The importance of having an emergency savings account
- ✓ Strategies for saving and investing while paying down debt
- ✓ Financial planning worksheets
- ✓ Alternate approaches to save for retirement including IRAs

THE LIFE EXPECTANCY PART OF THE EQUATION

Because of her longer life expectancy and the health-related issues that accompany it, retirement is simply more expensive for a woman.

- **Funding retirement:** A woman age 65 today should expect to finance more than twenty years of retirement.[16] Moreover, 81% of centenarians are female, meaning some women may have to fund a retirement that could last nearly four decades.[17]
- **Increased healthcare costs:** It's no secret that in the later stages of life, healthcare costs tend to escalate. Even if she is able to live in her own home, an elderly woman might still need some help. In-home health services averaged more than $51,000 in 2019.[18] Care in an assisted living facility is also expensive: in 2019 the average annual cost of a private room was nearly $49,000 and this is expected to top $65,000 by 2029.[19] This impacts more women because female residents of assisted living facilities outnumber men 7-to-1.[20]
- **Likelihood of outliving a spouse:** Marriage generally provides more financial security until one spouse dies. Once again, gender matters: a woman is four times more likely to be widowed than a man.[21] At the death of her spouse, the widow's income usually drops. This is because if both spouses had been receiving Social Security benefits, one of the monthly checks will stop; the surviving spouse will receive either her own benefit or the amount her deceased husband had been getting - whichever is higher.[22]

These factors indicate women have a greater need for educational materials on:

✓ Increased life expectancy and longer retirement

✓ Healthcare costs - including long-term care and assisted living

✓ The best strategy for filing for Social Security benefits

✓ The likelihood of outliving her spouse and the financial implications

✓ The benefits of working longer

Working past the traditional retirement age of 65 can benefit a woman in several ways:

1) More time to save, especially if she has access to a company-sponsored retirement account.

2) Employer-based health insurance reduces her out-of-pocket health care costs.

3) Working longer may increase her Social Security benefit by replacing earlier years of lower or zero earnings when perhaps she was out of the workforce for caregiving responsibilities.

THE CULTURAL PART OF THE EQUATION

Ingrained factors often keep women and men in traditional gender roles and have a significant impact on a woman's ability to earn and save:

- Women are twice as likely as men to work part-time to accommodate family needs.[23]
- The majority (80.4%) of custodial parents are women.[24]
- Women are much less likely (38%) to use a professional financial advisor to help them manage their retirement savings and investments than men (50%). [25]

Taking time off, switching to part-time work, or passing up career advancement due to caregiving not only results in lost income, it also translates into lost opportunity.

In fact, a mother is 40% more likely than a father to say that childcare issues have had a negative impact on her career.[26] Time out of the workforce and lost opportunities for advancement are key reasons women tend to have smaller retirement accounts - a deficit that is generally never made up.

These factors suggest a greater need for:

✓ Information regarding maternity (and paternity) leave

✓ Potential programs to assist with caregiving responsibilities

✓ Access to retirement calculators that allow for gaps in one's work life

A Financial Wellness program can address the concerns of men and women and have a positive impact on your business

Regardless of gender, employees say that access to a work-based Financial Wellness program would reduce their financial stress, increase their loyalty to their employer and boost their job performance. In fact, women are even more enthusiastic than men.[27]

John Hancock's sixth annual financial stress survey. John Hancock and Greenwald and Associates, June 2019

Studies indicate that women feel they need a lot of information to make the "right" decision. Women also observe that some financial representatives/ educators are more focused on promoting products than on addressing clients' personal needs.

Many women feel that financial courses should be tailored to the knowledge level or topics of interest that apply to the specific audience. In addition to the issues addressed throughout this paper, consider the following when implementing or enhancing a Financial Wellness program:

- Focus on a single, digestible topic at each session
- Allow time for in-depth questions
- Make it convenient, be flexible in scheduling educational sessions for your employees

Like men, women can benefit from the *general* components of a Financial Wellness program, such as debt management, budgeting, creating an emergency fund, options to for pay for college and managing income in retirement. However, to be effective, educational material should also incorporate the unique challenges women face. As an employer, it may be beneficial to work with a financial advisor and retirement plan provider with access to a robust Financial Wellness program that can address the unique situation of each individual.

COVID-19 Impact on Women:

In recent years, strong economic growth and tight labor markets began to close the earnings gap between women and men. However, shutdowns and lay-offs triggered by the COVID-19 crisis threaten to reverse this trend.[28] That is because many jobs held by women are in sectors of the economy hardest-hit by the pandemic. Women represented 46% of the workers in the United States prior to the COVID outbreak, but 54% of job losses[29] In addition, the pandemic is having a greater impact on women who are responsible for caregiving. As a result, women are far more likely than men to report high levels of stress (40% vs. 22%, respectively) and financial stress in particular (33% vs. 18%, respectively).

Endnotes:

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29 McKinsey Global Institute: COVID-19 and gender equality: Countering the regressive effects, July 2020

About The Council

The Council advocates for successful qualified plan and participant retirement outcomes through the collaborative efforts of experienced, qualified retirement plan advisors, investment firms and asset managers, and defined contribution plan service providers.

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