

Women in the Workforce: Building a Financial Foundation



According to [Brookings](#), in the early 20th century, less than a quarter of women were considered "gainfully employed." That number skyrocketed during World War II, ultimately leading to significant workforce participation gains for women into the 21st century. Today, women are achieving greater representation at every level of corporate management. A recent McKinsey study found that women now make up 29 percent of C-suite positions, compared to just 17 percent in 2015.

While career success, and the income it generates, play a huge role in women's financial empowerment, one of the true pathways to economic equality lies in women's ability to transform active income into lasting wealth. As women develop their financial plans, it's essential they consider the challenges unique to them. Especially those shaped by systemic barriers that have historically restricted their access to financial institutions and building wealth.

Despite more women than ever participating in the job market, there are still disparities in how much they make and save, compared to men. According to an analysis from the Federal Reserve Bank of St. Louis, in 2022 never-married women had \$19,200 in inflation-adjusted median household wealth, compared to never-married men that had \$28,100. Single women also report smaller 401(k) and IRA nest eggs. On average, single women between 55 and 64 have about \$88,600 in retirement savings, compared with \$136,685 for single men and \$423,800 for married couples in the same age group, according to Boston College's Center for Retirement Research. This lack of retirement savings is further exacerbated by the fact women on average live longer, up to six years longer than the average man according to the Centers for Disease Control and Prevention.

As noted by [OliverWyman](#), women are also still underserved by financial institutions despite an estimated \$700 billion potential in women's participation as investors. Many women, working or not, do not seem to be choosing to make wealth building a priority. One reason for this may be a lack of confidence around financial topics. A 2021 financial literacy survey found that when women were asked financial questions, they were more likely to respond that they "do not know." However, when the option of "do not know" was removed, women surveyed answered correctly, revealing a lack of confidence may play a role in why women shy away from investing. This is also coupled with research covered by [Forbes](#) found women are more likely to be risk-averse, so when they do invest, they are more conservative in their strategy compared to men.



For women to get more comfortable in wealth building, they should start exercising the power of their active income. This begins with building a strong financial foundation, but it doesn't end there. Here are some considerations to implement when laying and building a financial foundation:

Laying a Strong Foundation

- **Establish a Clear Financial Vision and Set Goals**

Take the time to define their short-term and long-term financial goals. Whether it's buying a home, funding a child's education, starting a business, or retiring comfortably, goals are the first brick in the foundation of a financial plan.

- **Prioritize Retirement Savings**

Since women tend to live longer, preparing for retirement should be top of mind. Folks in the workforce should consider maximizing contributions to retirement accounts such as 401(k)s, Roth IRAs, and traditional IRAs. If an employer offers a matching contribution, contribute at least enough to receive the full match so no "free money" is left on the table. For those who are self-employed or own a small business, they may want to explore SEP IRAs or Solo 401(k) plans.

- **Plan for Healthcare Costs**

Part of a successful financial plan is one that factors in future healthcare needs. This can be especially imperative for women. As of 2023, a healthy 65-year-old woman could expect to spend up to \$38,000 more on healthcare over her lifetime than an average man, according to Milliman's Retiree Health Cost Index. Health Savings Accounts (HSAs) can assist with tax-advantaged savings, and considering long-term care insurance or life insurance with long-term care riders can help mitigate these expenses as well.

- **Implement Tax Planning Strategies**

Contributing to tax-advantaged accounts (401(k)s, IRAs, HSAs), implementing Roth conversions to manage future tax liabilities, and leveraging tax-loss harvesting can help women save more of their hard-earned income in the long run. Consulting with a tax professional can also help identify additional opportunities for savings and deductions.

Building on the Foundation

- **Gain Confidence in Investing**

As mentioned earlier, studies have shown that women tend to be more cautious in investing, but more conservative approaches can still result in returns over time. Working with a financial advisor can help assess risk tolerance for investing while also offering guidance in making informed investment decisions.

- **Utilize Annuities for Guaranteed Income***

Annuities can provide a guaranteed income stream in retirement to help offset the risks of outliving savings. Options such as fixed annuities offer stable payouts, while variable and indexed annuities provide opportunities for growth with some level of risk protection. Annuities should come with careful considerations on whether factors like fees, surrender charges, and payout structures align with someone's long-term financial plan.

*Guaranteed as long as the institution issuing them remains in business

- **Consider Delaying Social Security Benefits**

While reduced Social Security benefits are available starting at age 62, delaying benefits beyond full retirement age (between 66 and 67, depending on birth year) results in an 8% increase in monthly payments for each year delayed until age 70.

Considerations for Caregivers

- **Plan for Career Breaks and Income Gaps**

Many women at some point will take time of work to care for children or aging parents/in-laws, which can impact retirement savings and Social Security benefits. Spousal IRAs, catch-up contributions to retirement accounts, and maintaining part-time work with retirement benefits can help bridge employment gaps.

- **Utilize Life Insurance for Financial Protection**

Women with dependents may want to consider having life insurance that aligns with their situation and takes care of their loved ones should something happen to them. Some policies can even come with long-term care riders for nursing homes or in-home care expenses if needed.

- **Explore Estate Planning and Wealth Transfer Strategies**

Any woman with assets to her name should look at having an estate plan, whether that's a will, a trust, or both. Gifting strategies, charitable giving, and tax-efficient wealth transfer techniques can help to further optimize estate plans.



Practical Financial Tips

- **Build and Maintain an Emergency Fund**

Having an emergency fund with three to six months' worth of expenses (the amount will depend on someone's unique situation) can provide financial security during unexpected life events like a job loss, car repair, or medical emergency.

- **Reduce and Manage Debt**

High-interest debt, such as credit card balances, can erode financial security. Make it a goal to pay down any debt.

- **Regularly Review and Adjust Financial Plans**

Financial goals and circumstances change over time. Conducting annual financial checkups, revisiting budgets, and adjusting investment and insurance strategies as needed can help keep a financial plan up-to-date and adaptable.

Living life on their own financial terms is not something women have historically been able to do en masse, but by leveraging their active income, women now have the opportunity to build wealth that can potentially last for generations. For women who are uncertain about where to start or feel overwhelmed by financial planning, seeking professional guidance can help provide clarity and direction. Working with an advisor can help break down those big goals, like a comfortable retirement, into small actionable steps. If change of course is needed, they can help in refiguring a plan all while still keeping those big goals in mind.

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