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Women and Money—A Path to Gender Equality

This article is first in a series that will explore specific goals and challenges faced by women and methods to help them move toward actionable solutions.

"The best protection any woman can have…is courage."

American suffragette Elizabeth Cady Stanton read those powerful words from the Declaration of Sentiments at the 1848 Women's Rights Convention in Seneca Falls, New York, signaling the beginning of the organized women's rights movement. Now, as the fourth wave of feminism surges—as exemplified by the #MeToo and Time's Up movements—the link between money and self-empowerment can be seen as a critical factor in achieving gender parity. This empowerment of women will come from both collective societal efforts and the individual choices women make for themselves.

Making Strides

Women have made much progress in their pursuit of gender parity since that first Seneca Falls convention. Women now control 51% of the total wealth in the United States. They earn the majority of college degrees, including 57% of bachelor's degrees, 60% of master's degrees, and 52% of doctoral degrees.[1] Also, 44% of women are the primary breadwinners for their families.[2] Even at this year's Winter Olympics, women had record representation, accounting for almost 50% of the athletes, which is up from 40% in 2014.[3]

Throughout their lives, many women will probably face a number of circumstances unique to their gender, and each with financial implications. We believe it is essential for women to find a trusted advisor who understands their distinct needs and to whom they can relate.

Stewarding Wealth

Women tend to take a holistic approach in how they view money. In our experience, we have found they often look at money in terms of how it can be used to help achieve the things that are important to them.[4] This can include material possessions and experiences but can also extend to providing support to their communities, causes, organizations, and families.

At higher wealth levels, women are often concerned about the potential

[1] National Center for Education Statistics, "Table 318.30: Bachelor's, Master's, and Doctor's Degrees Conferred by Postsecondary Institutions, by Sex of Student and Discipline Division: 2013-14," *2015 Digest of Education Statistics*.

[2] 2014-2015 Prudential Research Study "Financial Experience & Behaviors Among Women."

[3] "Women at the Olympic Games," https://www.olympic.org/women-in-sport/background/statistics.

[4] "The New Wealth Paradigm: How Affluent Women Are Taking Control of Their Futures," 2009 Campden Research/Relative Solutions.

Focus on What Matters Most

"Take the time to ask the questions around what matters most to you," says Robin Petty, Wealth Strategy Managing Director at Hawthorn. "Typically those questions are not related to performance, market returns or asset allocation." Below are some questions you may wish to discuss with your advisor:

- My children will inherit a significant amount of wealth. When do I start educating them about what it means to be good stewards of their wealth so it benefits future generations?
- Philanthropy has been important to my family for generations. What can I do so that my family's values, mission, and vision are communicated to the next generations?
- With divorce rates so high, how do I protect the wealth my children will inherit if they divorce?
- Distributions from a trust my grandfather established for me helps support most of my and my spouse's lifestyle expenses. How will I provide for my spouse when I'm gone?
- If my spouse and I become incapacitated, how will our assets support us?

negative impacts of their wealth on their children. These women may seek ways to provide their children with the benefits that come with wealth without being demotivated by it.

There are many flexible planning strategies that can be used to pass wealth to children in a manner that protects assets but does not give too much too soon. For example, trusts can be created that provide modest income streams for a set period. They can then make more substantial distributions when the children are at an age when they may be able to handle such wealth. Features can be included to provide for various life events, such as education, the purchase of a home, or unexpected medical expenses.

When to Tell and How Much?

Implementing strategies is only part of the equation. It is just as important to raise children in a manner that helps them understand not only the practical aspects of managing wealth and working with advisors but also the meaning of wealth to the family.

That may sound overwhelming. Children have different personalities and needs, and there is no guarantee that if you take certain steps, they will have healthy relationships with wealth. There are, however, some steps you can take to create an environment that increases the likelihood for the most successful outcomes.

When it comes to learning how to manage wealth, there are informal and formal ways to teach the younger generation. You can start when they are quite young with simple exercises around saving, giving to charity, and spending that will help lay the foundation for understanding the role of wealth in the family and practical budgeting and management when they are older. Introductions to your advisors and letting your children know what your advisors do for the family can be quite helpful in setting a base from which to build. Your advisors may be able to suggest appropriate educational exercises and programs for all age levels.

Transferring Values through Philanthropy

Values start at home. The way you live your life will likely have the greatest impact on how your children respond to wealth.

Engaging your children in philanthropy can be a strong way to supplement what you do day to day and help transfer your values to your children. There are a number of different strategic approaches that can be employed to transfer wealth and meet philanthropic and socially responsible goals. For example, donor advised funds, private foundations, and certain trusts can be used to work with multiple generations of a family to build values, gain greater understanding of each other and give back to the community.[5]

When Happily Ever After Isn't

Unfortunately, life is too often not a happily-ever-after fairy tale. With just over half of all marriages in the United States ending in divorce, it is crucial for women to be as financially independent as possible. They need to understand how any joint wealth is managed.

In the event of divorce, we believe it is important to:

- keep long-term goals in mind during and after divorce. More assets may be needed than initially thought;
- recognize the difference between the emotional versus the financial value of assets. Maintaining large illiquid assets, such as a house, art, etc., can be significant. In particular, too often women seek to keep the home, particularly if they have custody of children. A home with a mortgage brings debt obligations in addition to upkeep costs; and
- find an advisor, preferably with experience and training working with divorce, to help navigate this often challenging process.

Additionally, remarriage and blended families can complicate planning. Prenuptial agreements and estate planning for children from a current or previous marriage may need to be addressed.

To protect children from loss of their inheritance due to divorce, families can use certain asset planning strategies, such as trusts. They can also create a culture starting well before their children are of marrying age that clarifies the expectation that prenuptial agreements are to be used and why they can benefit both their child and their intended. When premarital agreements are brought up after it is clear a child is serious with a partner or planning to marry, they can face strong resistance from the marrying child, who may view the agreement as a reflection of their family's feelings toward their intended. They can also damage the marriage before it starts if the intended spouse feels the prenuptial agreement is personal.

Planning for a Longer Life

People are living longer lives in general,[6] and women are living longer

[5] For more information, please see the article "*Sharing Values through Philanthropy*," produced by the PNC Center for Financial Insight.

[6] For more information on the impact of longevity on planning, please see the article "*Planning for a Longer Life*," produced by the PNC Center for Financial Insight.

lives than men.[7] Statistics tell us that women outlive men by five to six years, and by age 85 there are about six women to every four men.[8] When budgeting, we believe it is important to factor in the cost of caregiving, both for children and parents, who are also living longer lives.

Given their longer life expectancy, we believe women should also look into addressing future health care costs. This includes both the emotional and dollars-and-cents aspects of long-term care for themselves, their partners, and their parents. Knowing when to ask for help and when to step in with assistance for loved ones is difficult. Having a plan that fits your lifestyle as well as professionals on board who can help care for the incapacitated will make difficult situations easier.

Married women should have a wealth plan—and understand their spouse's wealth plan—to know how both plans in total may affect their families. This will help you plan in a coordinated fashion. For married women, it is likely that at some point they will need to oversee any plans because they may outlive their husbands.

For couples where one is a beneficiary from one or more existing trusts that fund the bulk of their lifestyle, planning for support in the event of the beneficiary's death is an important consideration. There are many strategies to do this, which we believe are worth exploring with your advisor.

Investing for the Long Run

For many women, getting out of their investment comfort zone is essential to achieving the wealth they, and possible future generations, may need. Women generally invest more conservatively than men and may need to learn how to improve their investment returns, according to the Department of Labor.[9] "For women in finance, I think of courage as being brave enough to listen to your intuition. So many times women have said, if I would have listened to my gut, I never would have made the investment in that fund or purchased that property or dated that person," says Robin Petty, Wealth Strategy Managing Director at Hawthorn. "Sometimes the easiest thing to do is acquiesce to another person's opinion, recommendation or preference. It takes courage to stand behind your beliefs and trust your own choices." When managing multigenerational wealth, there needs to be an alignment of investment strategy, spending, and inflation with the growth of the family and the presence, or not, of new entrepreneurial wealth creation.

By planning for the future, actively managing, growing, and stewarding their wealth, women can become more empowered. Money often equals power, and as women become more in control of their wealth, they can raise not only themselves but also other women with them. As Ms. Stanton said, "A woman will always be dependent until she holds a purse of her own."

Now, let's get to work.

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[7] Life Tables for the United States Social Security, Actuarial Study No. 120. https://www.ssa.gov/OACT/NOTES/as120/LifeTables_Tbl_10.html.

[8] https://www.scientificamerican.com/article/why-women-live-longer/.

[9] https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/women-and-retirement-savings.pdf.

For more information, please contact your Hawthorn advisor.