REPORT

The Gender Gap: Troubling Financial Capability Findings among Women

Carlo de Bassa Scheresberg, Senior Research Associate
Global Financial Literacy Excellence Center, George Washington University

Annamaria Lusardi, Denit Trust Distinguished Scholar and Academic Director
Global Financial Literacy Excellence Center, George Washington University
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Overview

While American women are actively assuming greater responsibility for their financial futures, they face unique challenges that threaten their economic stability. Credit unions must develop strategies that enable women to become better planners, savers, and spenders.

The tide is coming in. As women work, earn, save, spend, and invest, they are becoming a more powerful driver of the US economy. Fully 58% of women in America were working at the end of 2012, up from 44% in 1972 (US Department of Labor 2015). And one estimate puts private wealth in the United States at $22 trillion by 2020, with half of that in the hands of women (Silverstein and Sayre 2009). More work and more assets are coming at a time when men and women alike are required to assume greater responsibility for their own financial futures.

While more women are participating in the economy than ever before, there are still many who are unemployed or who choose to stay at home. The responsibility of raising children often falls to women, by choice or necessity, which takes them out of the workplace at the height of their earning potential. Women also live longer than men, making them more likely to manage finances alone after the death of a spouse. Financial service providers must respond to the specific challenges women face, so that women—employed, unemployed, and homemakers alike—can gain and then maintain economic stability.

What Is the Research About?

The data paint a worrisome picture of women’s personal finances. Pulling together information on assets, liabilities, knowledge, and advice seeking, the report constructs a telling profile of American women. Among the worrisome trends the authors find that many women are not planning for retirement, often engage in expensive credit card behaviors, feel burdened by debt, and are financially fragile, particularly the young and unemployed. All of these issues are exacerbated by low financial literacy and a reluctance to seek advice. Too often, women don’t know what they don’t know. Some of the most pressing challenges:

→ Retirement gap. Even among women aged 51–61, only two-thirds report that they (or their spouse) have a retirement account.

→ Costly college. More women than men are earning bachelor’s degrees, but that advance also means women are more likely than men to carry education debt.
→ **The card trap.** Women are more likely than men to make only the minimum payment on their credit cards and to be charged late fees. Younger women have significantly more trouble managing their cards.

→ **No umbrellas.** Only 31% of women indicate that they have sufficient funds to cover expenses for three months in the event of sickness, job loss, or another emergency.

→ **Financial literacy.** Like many groups, women overestimate their financial ability. Among survey respondents taking a five-question financial literacy test, only one-quarter of women are able to correctly answer the three simplest questions—about interest, inflation, and risk diversification (indicating a basic level of financial literacy)—compared to 47% of men. Only 9% of women answer all five questions correctly (indicating a high level of financial literacy), compared to 21% of men.

**What Are the Credit Union Implications?**

This report also points out areas in which credit unions can better help women save, invest, and manage debt throughout their lives. To achieve this, credit unions should cater to the specific needs of women. No one approach or product will cure all ills, but specific services should be targeted to different groups of women, all of which exhibit characteristics that differ from those of the population as a whole. Here are some highlights:

→ In light of women’s low levels of financial literacy and the unique challenges they face, channels and counseling should be directed at women.

→ Women differ broadly over demographic categories, like age and marital status. For this reason, customized advice through counselors or remote channels should be provided.

→ Women who stay at home form a distinct group whose characteristics and traits differ from those of the employed or the unemployed. Many report high levels of concern and dissatisfaction regarding their financial security and debt. New approaches are needed to address their financial positions.
Women would benefit from specific debt-related counseling services, particularly for credit card debt and mortgages.

Programs should be implemented to help women, especially young women, build a $2,000 emergency fund.

Offering women unique, targeted services, particularly for debt management, will help them take control of their financial futures.
The Gender Gap: Troubling Financial Capability Findings among Women

CHAPTER 1

Background

US economic history has been marked by long, undisputed, and persisting gaps between men and women. Reductions in cultural, educational, and legal barriers that separated the sexes have narrowed these gaps in recent years. Since the 1970s, for example, women’s educational attainment, labor participation, and earnings—relative to those of men—have increased significantly.

One of the most significant changes among women in recent years is the jump in educational attainment. As avenues of higher education have opened, women have taken advantage of these opportunities. In 2010, 55% of all college graduates aged 25–29 were women (Wang and Parker 2011). Today, the percentage of women aged 25–32 with a college degree has surpassed that of men (Pew Research Center 2013). Additionally, women are more likely to benefit from their college experience and to cite it as helping them foster their intellectual growth.
Parallel to achievements in education, women have expanded their labor force participation. In 2012, the female labor force participation rate was 58%—still well below the 70% rate for men but on a path to continued expansion. Within the workforce, women are twice as likely as men to work part-time (26% versus 13%; US Department of Labor 2011).

Women have also seen gains in the face of long-standing pay disparity. In 2010, the average ratio of women’s earnings to those of men for all Americans over 16 was 81% (US Bureau of Labor Statistics 2011). This number has improved for younger cohorts. In 2012, among those aged 25–34, women earned $14.96/hour to men’s $16.00/hour (Pew Research Center 2013), corresponding to 93.5% of men’s average salary.

Despite these improvements, however, large disparities persist between women and men, particularly when it comes to financial confidence levels and retirement preparation. A Prudential Research report found that while a majority of women (55%) are optimistic about their financial future, they are less likely than men to be confident about their financial goals and, on average, feel less prepared for retirement (Prudential Research 2013). This gap has been partly attributed to a lack of financial literacy, which makes women less likely to plan and less likely to be successful when they do plan, thereby threatening their financial security later in life (Lusardi and Mitchell 2008).

This research report adds to the literature by providing a summary of women’s personal financial characteristics and challenges in the wake of the Great Recession. In addition to giving an overview of women’s ownership of assets and liabilities, the analysis details critical aspects of women’s financial capability, such as asset and debt management, retirement planning, confidence in personal financial knowledge, and financial literacy. The report concludes with a list of recommendations on how to better serve women’s financial needs.

**Challenges with Measurement and Interpretation of Results**

Using the National Financial Capability Study (NFCS) to assess women’s financial capability presents a few challenges. Some questions are asked at the household rather than the individual level, which sometimes makes it difficult to draw conclusions that pertain solely to women. For many women, especially those who are married, financial decisions may be made jointly (e.g., with a spouse). Similarly, some assets, such as a home or a car, are owned jointly while others are owned individually.

Imperfect knowledge may affect the quality of responses. For example, questions about the household’s use of retirement or bank accounts may be hindered by a lack of knowledge about a partner’s habits.

In order to ease some of these concerns, this analysis reports, whenever necessary, separate descriptive statistics for married and single women.
The analysis shows that women are financially active. Most women are banked, with 91% reporting having a checking or savings account. The majority of women report that they or their spouse/partner own their home (56%), consistent with the homeownership rate among the overall population (57%). Finally, 29% of women indicate that they or their household own other types of financial investments, such as stocks, bonds, or mutual funds (see Figure 1).

While these measures show that most women are financially active and own a variety of assets, the rates of ownership differ by age, marital status, and employment. Older women and married women (or women living with a partner) report owning their home or having financial investments at higher rates than younger women and single women. And while bank account ownership is widespread, unemployed women are much less likely to hold such accounts than women generally (82% versus 91%). Since such differences are key in characterizing women’s financial challenges, our report provides breakdowns by these demographics whenever relevant.

In addition to information about assets, the 2012 NFCS collected data on various measures of retirement security, such as ownership of employer-based or independent retirement accounts. Fifty-four percent of female respondents have retirement accounts through either their or their spouse’s employer and 23% have independent retirement accounts such as IRA, Keogh, and SEP. When combining these indicators, the analysis reveals that more than a third of women (36%) do not have any type of retirement account, directly or indirectly (see Figures 2 and 3). Therefore, a sizable number of women may end up lacking retirement security later in life, a troubling finding given that women tend to live longer than men. Data on older women confirm this concern. Even among women aged 51–61, only two-thirds report that they (or their spouses) have retirement accounts. This is consistent with findings from another Filene report (de Bassa Scheresberg and Lusardi 2014), which shows pre-retirees increasingly demonstrate a lack of retirement security when nearing the end of their working lives.

Note: Percentages are calculated over the total sample of 9,698 observations.
Women and Debt

To gain further insight into the financial state of respondents, it is useful to examine sources of long-term debt. Questions in the NFCS specifically ask about long-term liabilities, such as mortgages, auto loans, student loans, and home equity loans. They also probe for information on credit card and alternative financial service (AFS) loans like payday and title loans.

Long-Term Debt

On average, women tend to have significant holdings of all forms of long-term liabilities and live in indebted households. Among all women in the sample, 40% have mortgages, 36% have auto loans, 26% have student loans, and 9% have home equity loans. Combining the different measures of long-term debt into a single indicator provides a better understanding of overall indebtedness. Accordingly, 68% of women have at least one of the above four sources of long-term debt, and 32% have at least two (see Figure 4).

Since the questions on mortgages, auto loans, and home equity lines are asked at a household level, we cannot compare women’s housing debt to that of men. However, the data on student loans show that women are four percentage points more likely than men to have student loans (26% vs. 22%).

Note: Percentages are calculated over the total sample of 9,698 observations.
Sources of debt vary considerably when demographic breakdowns are examined. For example, the youngest age bracket is much more likely to have student loan debt (40%) than the oldest group (13%). The oldest group, meanwhile, is much more likely to have home equity loans (13%) than the youngest (4%). Married and middle-aged women (46% each) are more likely to have mortgages, and employed women are significantly more likely to have mortgages than homemakers or the unemployed (46% versus 38% and 21%, respectively; see Figure 5). In other words, even if the components of debt change with age, employment, and marital status, long-term debt follows most women for their entire lives.

Financial Distress

Given that most women deal (directly or indirectly) with multiple sources of long-term debt, it is important to examine the extent to which this debt generates financial distress.

Note: Percentages are calculated over the total sample of 9,698 observations. The percentage of respondents with mortgages and home equity loans is calculated on the whole sample, not just the homeowners.
The analysis shows that most women are concerned about their ability to repay long-term debt (see Figure 6). Twenty-three percent of female respondents indicate that they are underwater on their mortgages—meaning they currently owe more than they think their home is worth. Furthermore, when asked if they have been late on a mortgage payment in the last two years, 24% of women respond that they have been late at least once.

More than half of women with student loans (57%) are concerned about paying them off, especially women who are single or no longer married (62%). Concern about paying off student debt is also higher among women than men (57% and 49%, respectively); this variance is partially due to different career choices and to the wage gap between the sexes that makes it harder for women to pay down student debt (Corbett and Hill 2012).

Finally, more than a third of women report having unpaid medical bills, a troubling finding because it shows, as discussed later, that many women lack funds to weather unexpected shocks. The National Health Interview Survey asked a similar question about whether respondents had trouble paying medical bills. Although the question was slightly different, it found that 21% of women had problems paying medical bills in 2012 (Cohen, Kirzinger, and Gindi 2013). Moreover, the data show that 22% of women lack health insurance coverage. Young women are the most exposed: 26% lack health insurance and nearly 40% have unpaid medical bills.

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**Short-Term Debt**

Short-term debt is a more serious challenge. To discover how much women use short-term credit, we analyze credit card behavior, use of AFS, and other means of short-term borrowing, such as borrowing from retirement accounts and overdrawing from checking accounts. These behaviors are associated with fees and high interest that can drag down a household.

Credit cards are very common. Nearly 7 in 10 women report having one or more credit cards; among these cardholders, only 39% report always paying their credit card bill in full. Compared with men, women are 6 percentage points less likely to have a credit card
and nearly 10 percentage points less likely to pay off their credit cards in full. Most importantly, many women display “expensive” credit card behaviors, using credit cards in ways that are likely to generate fees and other costs. More than half of cardholding women (57%) report carrying over a balance and being charged interest in the year preceding the survey. Forty-three percent made only the minimum payments against their credit card bills over the same period, and that proportion rises to nearly half for women aged 23–35. Furthermore, 21% of female credit cardholders were charged a fee for late payments, 10% were charged an over-the-limit fee in some months, and 10% used the card for a cash advance. When assessed collectively, nearly half (48%) of female cardholders engaged in some form of expensive credit card behavior in the 12 months prior to the survey (see Figure 7).

Compared with men, women are 6 percentage points less likely to have a credit card and nearly 10 percentage points less likely to pay off their credit cards in full.

Compared with men, women are—on average—more likely to engage in expensive credit card behavior. Men are, for example, six percentage points less likely to make the minimum payment only (37% vs. 42%) and four percentage points less likely to be charged fees for late payments (17% vs. 21%). Overall, men are five percentage points less likely to be charged fees associated with credit card behavior (43% vs. 48%).

Younger women have, on average, significantly more trouble managing their credit cards. More than half (54%) engage in expensive behaviors compared with 34% of female cardholders aged 51–65. As highlighted in other sections of this report, younger women seem
to be the subgroup experiencing the greatest financial challenges. They may benefit from financial services specifically designed for their needs.

Many women also use AFS. Thirty-four percent of female respondents report having used at least one type of AFS (pawnshop, payday loan, auto title loan, advance on a tax refund, or rent-to-own store) in the five years prior to the survey. Again, young women are more likely to use these methods of borrowing than other age groups (42% versus 35% and 23% for the middle and upper cohorts, respectively).

Many women or their households have also tapped into their bank and retirement accounts. Among those with a bank account, 27% report that their households occasionally overdraw their checking accounts. Young women are more likely to do so (30%) and older women less likely (21%). Additionally, 16% of women with a retirement account report taking either loans or hardship withdrawals from such accounts.

### In Focus: Financial Satisfaction and Perceptions of Debt

Given that most women deal with multiple debt sources, it is important to assess the extent to which they feel burdened by these obligations. The NFCS includes two questions that measure respondents’ perceived level of overindebtedness and satisfaction with their current personal financial condition.

The first question asks how strongly the respondents agree, on a scale of 1 to 7, 7 designating a response of “strongly agree,” with the following statement: “I have too much debt right now.” When asked this question, more than half of the women choose a number between 5 and 7, indicating that they feel they have too much debt.

Women who are not working are slightly more likely to feel overly indebted than those who are employed (54% versus 50%), while homemakers are slightly less likely to feel so (48%). Young women are more likely to feel overindebted compared with older age groups (55% versus 44% for the oldest cohort).

The second question asks respondents, on a scale of 1 to 10, “Overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition?” Thirty-eight percent of women report not being satisfied (i.e., answer 1–3), in comparison with 34% of the general population. Moreover, women are less likely than the general public to indicate satisfaction (17% versus 21%).

Note: Percentages are calculated over the total sample of 9,698 observations.
Financial Fragility

Analysis of assets and liabilities is necessary to draw a picture of women’s financial profile, but is not sufficient to assess their overall financial situation. On the one hand, the analysis shows that many women own a variety of assets and financial instruments. Furthermore, we know from the literature that the income gap between men and women is shrinking. On the other hand, the data show that women deal, directly or indirectly, with multiple sources of debt and often report being concerned about their ability to repay debt obligations. To better understand women’s net financial position, this report provides an analysis of women’s degree of financial fragility, which is defined as the ability to come up with sufficient resources to weather unexpected, midsize income shocks. To assess financial fragility, the NFCS includes several measures pertaining to emergency funds, liquidity, and the ability to prepare for future expenses. Women’s responses offer insight into their overall financial position.

Most women are vulnerable to income shocks and lack the funds necessary to cover unexpected expenses. When asked if they (or their households) have experienced a large unexpected drop in income during the 12 months preceding the survey, more than a third of women answer affirmatively. Despite (or perhaps because of) this recurrence of income shocks, very few women report having rainy-day funds. Only 31% of women in the sample indicate that they have set aside sufficient rainy-day funds to cover expenses for three months in the event of sickness, job loss, economic downturn, or other emergencies.

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An additional question to assess the degree of respondents’ financial fragility asks: “How confident are you that you could come up with $2,000 if an unexpected need arose within the next month?” This question assesses respondents’ ability to face an unexpected midsize expense such as a car repair; it was first fielded in a survey specifically addressing the issue of financial fragility among American households (Lusardi, Schneider, and Tufano 2011). When asked this question in the NFCS, nearly half of the women (47%) respond that
they probably or certainly could not come up with such a sum in a month (see Figure 9). Among the unemployed, the percentage increases to a whopping 67%, far above the 49% for homemakers and 40% for the employed. Young women are also very financially fragile. More than half (53%) state that they probably could not or are certain they could not come up with $2,000 in 30 days, while only 47% of the middle-aged and 40% of the older respondents did so. The young and unemployed are not well prepared for emergency needs.

In Focus: How Are Women Planning for Retirement?

Short-term saving behavior is intrinsically influenced by resource availability and existing debt obligations. However, to understand how and whether short-term financial challenges impact long-term saving behavior, it is important to look at retirement planning behavior. One question included in the survey is: “Have you ever tried to figure out how much you need to save for retirement?” This is important in light of prior research showing that planners accumulate far more retirement wealth than nonplanners (Lusardi 1999; Lusardi and Beeler 2007; Lusardi and Mitchell 2007a, 2007b, 2011a). It is also particularly significant for women, given that they have longer life expectancies than men.

The data here confirm other research on the topic (e.g., Lusardi and Mitchell 2008) showing that the majority of women do not plan for retirement. Only 36% of women have tried to figure out how much they should save for retirement, and this finding is consistent across demographic groups. The young are far less likely than middle-aged and older respondents to report retirement planning (29% versus 37% and 44%, respectively). The unemployed are the least likely to plan, with just more than one in five women having tried to plan (23%). That compares with nearly double that rate for the employed (43%) and a higher rate for homemakers (30%).
Financial Literacy

Financial literacy and the ability to make informed financial decisions are central aspects of financial capability. Financial literacy has been shown to be related to higher wealth holdings and higher rates of retirement planning and success (Lusardi and Mitchell 2007b) as well as lower use of high-cost borrowing methods (Lusardi and de Bassa Scheresberg 2013). In short, financial literacy is a necessary component of successful personal financial management.

Before delving into the results of the financial literacy assessment, it is useful to examine how women view their own financial literacy. Gaps between perceived and actual financial literacy are problematic: Many people exhibit high degrees of overconfidence (Lusardi and Mitchell 2014). Women, like most other groups, show high levels of confidence in their financial knowledge. When asked to state how good they are at dealing with day-to-day financial matters, more than three-quarters of women give themselves high ratings. Likewise, 72% agree that they are “pretty good” at math and 68% rate their financial knowledge as high (see Figure 10).

While these numbers are high, they are somewhat lower than the averages among the total population. In the overall population, 78% say they are good at dealing with day-to-day financial matters, 77% agree that they are pretty good at math, and 74% assess their financial knowledge as high.

Having noted women’s relatively high confidence in their financial knowledge and management abilities, it is important to look at their financial literacy, as measured by the 2012 NFCS. The NFCS asks five questions that assess respondents’ understanding of fundamental concepts: numeracy and the capacity to do calculations related to interest rates, inflation, risk diversification, interest payments on a mortgage, and the relationship between interest rates and bond prices. These questions have been used in numerous surveys in the United States and abroad (Lusardi and Mitchell 2014).

The data show that women are, on average, less financially literate than men. With the exception of the question on mortgages, women have lower rates of correct responses on all of the financial literacy questions. Only one-quarter of women answer the interest rate,
inflation, and risk diversification questions correctly (a measure that is regarded as indicating a basic level of financial literacy). This is far below the rate for men (47%). Likewise, only 9% of women answer all five questions correctly (which indicates a high level of financial literacy), as opposed to 21% of men (see Figure 11).

**FIGURE 11**

**FINANCIAL LITERACY QUESTIONS ANSWERED CORRECTLY AMONG WOMEN**

<table>
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<th>Percent</th>
<th>Answered first three questions correctly</th>
<th>Answered all five questions correctly</th>
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<td>25</td>
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<td>9</td>
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*Note: Percentages are calculated over the total sample of 9,698 observations.*

**Suppose you had $100 in a savings account and the interest rate was 2% per year. After five years, how much do you think you would have in the account if you left the money to grow?**

a) More than $102  
b) Exactly $102  
c) Less than $102  
d) Don’t know  
e) Prefer not to say

**Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account?**

a) More than today  
b) Exactly the same  
c) Less than today  
d) Don’t know  
e) Prefer not to say

**Buying a single company’s stock usually provides a safer return than a stock mutual fund.**

a) True  
b) False  
c) Don’t know  
d) Prefer not to say

**A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.**

a) True  
b) False  
c) Don’t know  
d) Prefer not to say

**If interest rates rise, what will typically happen to bond prices?**

a) They will rise  
b) They will fall  
c) They will stay the same  
d) There is no relationship between bond prices and the interest rate  
e) Don’t know  
f) Prefer not to say
The data show that women are, on average, less financially literate than men.

It is important to note one unusual feature of the responses to the financial literacy questions: Women are much more likely than men to respond “Don’t know.” Indeed, 70% of women answer “Don’t know” to at least one of the five questions, compared to only 48% of men. This pattern holds across all of the questions. The question asking respondents to choose “true” or “false” for the statement “Buying a single company’s stock usually provides a safer return than a stock mutual fund” is noteworthy in that more than half (52%) of women responded with “Don’t know,” compared with 31% of men. The tendency for women to answer “Don’t know” has been observed in other countries as well, including the Netherlands, Germany, Sweden, Italy, New Zealand, and Japan (Lusardi and Mitchell 2011b, 2014), indicating a sharp gender difference in financial literacy. The higher rate of “Don’t know” responses among women could stem from lesser financial confidence, or it could reflect a greater willingness among women to admit they do not know the answer rather than attempting a guess. This difference provides additional evidence that financial literacy is important for this group.

CHAPTER 6

Financial Advice

Despite more “Don’t know” responses and lower financial literacy rates, overall women are no more likely than men to ask for financial advice. Ten percent of women and a similar percentage of men have received debt counseling from a financial professional. Likewise, some 1 in 4 women have sought advice on savings or investment and 22% have received professional guidance on taking out a mortgage or a loan; both rates are lower than the corresponding figures for men (30% and 25%, respectively). Furthermore, the rate for women asking for advice on any of these three subjects is 40%, slightly lower than the rate for men (44%).

Looking at breakdowns by employment, interesting patterns emerge. Employed women have higher rates for debt counseling (10%), savings and investment advice (32%), and mortgage and loan advice (26%). Homemakers and the unemployed generally have lower rates, particularly in the areas of savings and investment (20% and 17%, respectively). Thus, especially among women with weaker finances, there is ample opportunity for
financial counseling. Homemakers in particular may represent an important target. They exhibit a different pattern of financial knowledge, assets, debt holdings, and rates of advice seeking than either the employed or the unemployed.

CHAPTER 7

Key Findings

In examining and documenting a set of statistics and findings on women’s financial capability, this report paints a troubling picture. Many women are burdened with short- and long-term debt, lack short-term savings, and have done little financial planning. Key findings include:

→ Many women lack retirement assets and fail to plan. More than a third of women do not have any type of retirement account. Even 30% of women close to retirement lack such accounts. Moreover, many women have not taken steps to figure out how much to save for retirement, with 60% of women reporting that they have never done so.

→ Women, especially the young and unemployed, show high rates of financial fragility. Most report lacking emergency funds, and nearly half could not raise $2,000 in the next month for an unexpected need. Among the unemployed, the rate goes up to nearly 70%. It is also high among the young, at 53%.

→ Women feel more burdened by debt and less satisfied with their financial condition than the general population. Over half of women agree that they have too much debt, and women are four percentage points more likely to report being dissatisfied with their financial condition compared with the general population (38% versus 34%).

→ Women exhibit high rates of expensive credit card behavior. Nearly half have engaged in some form of behavior generating fees or other costs in the 12 months preceding the survey. These rates are higher for women aged 23–35.

→ Women demonstrate lower levels of financial literacy than men. Nine percent of women demonstrate high levels of financial literacy and 25% demonstrate basic levels, compared with 21% and 47%, respectively, of men. Women are, however, far more likely than men to respond “Don’t know” to a question, with 70% answering that way to at least one question while only 48% of men did so.
Women feel more burdened by debt and less satisfied with their financial condition than the general population.

Implications for Credit Unions

The results of this report offer insight into where credit unions and other financial institutions could target services. Among the implications:

→ **In light of women’s low levels of financial literacy and the unique challenges they face, there is a need for counseling directed at women.** Women show consistently lower levels of financial literacy than men and are disproportionately more likely to state that they don’t know the answers to financial literacy questions. These findings, combined with both long- and short-term financial challenges, point to women having distinct needs. Moreover, women, by and large, do not frequently seek financial advice. Specifically designed programs are required to address these challenges. The workplace offers a good venue for this, although reaching unemployed women and homemakers would require a different, broader approach.

→ **Women differ broadly over demographic categories like age and marital status. For this reason, specific personalized advice is necessary.** Because the financial situations of women vary across demographics, it is ineffective to provide broad advice. Younger women are often more financially fragile and more burdened by debt than older women; the same is true of single women. The most successful programs and interventions promise to be those built around a recognition that women’s economic circumstances differ across age, marital status, and employment characteristics.

→ **Women who stay at home form a distinct group with characteristics and traits that differ from those of the employed or the unemployed. New approaches are needed to address their financial positions.** Homemakers are an often neglected segment of the female population, in part because they are hard to define. They resemble neither the employed nor the unemployed but are often in between the two or coinciding with one or the other. Many report high levels of concern and dissatisfaction with their financial state, as well as financial insecurity and debt. But because they are not traditionally targeted as recipients of financial advice, their specific needs often go unaddressed. There are unexploited opportunities to fill this gap.

→ **Women would benefit from specific debt-related counseling services, particularly for credit card debt and mortgages.** When compared with the general population, women demonstrate higher overall levels of debt, both short- and long-term. Many exhibit expensive credit card behaviors, and many report being underwater on their mortgages or otherwise having trouble with them. Despite
this, only 10% have sought advice on debt counseling. This is an area of advice that many women need and few are getting.

When compared with the general population, women demonstrate higher overall levels of debt, both short- and long-term.

CHAPTER 8

Conclusion

This report has examined the financial capability of women in the United States using data from the 2012 NFCS. Pulling together information on assets, liabilities, knowledge, and advice seeking, we construct a full profile of women. We find that many women are not planning for retirement, often engage in expensive credit card behaviors, feel burdened by debt, and are financially fragile, particularly the young and unemployed. All of these issues are exacerbated by low levels of financial literacy and limited advice seeking.

To address these problems, actions must be taken to cater to the specific needs of women. Specific services should be targeted to different groups of women, all of which exhibit characteristics that differ from those of the whole population. Offering these women unique, targeted services, particularly on debt, will help them take control of their financial futures.

APPENDIX

Demographics of the Sample

Our report uses data from the National Financial Capability Study (NFCS) to study the financial capability of women. The most recent NFCS, administered in 2012, polled more than 25,000 people on various matters relating to financial well-being, including asset ownership, retirement planning, and financial fragility. The 2012 NFCS also included a five-question quiz to assess respondents’ financial literacy. The NFCS is consistent with surveys on financial capability conducted in other countries as it aims to examine multiple indicators of financial knowledge and capability (Atkinson et al. 2007).
Our analysis focuses specifically on women aged 23–61 who have yet to retire. Our final sample is composed of 9,698 observations.

The sample under consideration is evenly spread across age groups: 33% are between the ages of 23 and 35, 38% are between 36 and 50, and 29% are between 51 and 61. More than half (58%) of the respondents are currently married, another fourth are single, and 17% report being divorced, separated, or widowed. Fifty-five percent of female respondents report having at least one financially dependent child, while 20% report no financially dependent children and 25% claim no children at all. Employed women make up the majority of the sample, with 59% reporting that they are either self-employed, employed full-time, or employed part-time. Twenty-two percent report being homemakers, while 19% are unemployed, have been temporarily laid off, are full-time students, or are disabled or unable to work, which for the purposes of this report are all referred to as “unemployed.” Thirty percent of female respondents have some college, and 35% have a college or advanced degree (see Figure 12).

**FIGURE 12**

**DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE**

| Age 23–35  | 33% |
| Age 36–50  | 38% |
| Age 51–61  | 29% |

**Ethnicity**
- White: 66%
- African American: 14%
- Hispanic: 11%
- Asian American: 4%
- Other ethnicity: 4%

**Marital status**
- Married: 58%
- Single: 25%
- Separated, divorced, or widowed: 17%

**Number of financially dependent children**
- 1: 22%
- 2 or more: 33%
- No financially dependent children: 45%

**Living arrangements**
- I am the only adult in the household: 20%
- I live with my spouse/partner/significant other: 66%
- I live with my parents, other family, friends, or roommates: 14%

**Employment status**
- Self-employed: 7%
- Work full-time for an employer: 40%
- Work part-time for an employer: 12%
- Homemaker: 22%
- Full-time student: 3%
- Permanently sick, disabled, or unable to work: 7%
- Unemployed or temporarily laid off: 9%

**Income**
- Less than $35K: 39%
- $35K–$50K: 15%
- $50K–$75K: 18%
- More than $75K: 27%

**Education**
- High school or less: 35%
- Some college: 30%
- College graduate: 24%
- Postgraduate education: 11%

**Who in the household is most knowledgeable about savings, investment, and debt?**
- The respondent: 41%
- The respondent and someone else equally: 40%
- Someone else: 13%

Note: The sample is restricted to 9,698 respondents, all female, aged 23–61, who were not retired at the time of the survey.
Endnotes

1 The NFCS tracks multiple indicators of asset ownership. For example, the survey collects information on respondents’ ownership of retirement accounts, bank accounts, financial investments, and real estate holdings.

2 Among female homeowners only, it is 70%.

3 The statistic on auto loans is collected at a household level.

4 Among female homeowners only, the rate is 16%.

5 Respondents were defined as satisfied when they indicated a number between 7 and 10.
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About the Authors

**Carlo de Bassa Scheresberg**

Senior Research Associate, Global Financial Literacy Excellence Center, George Washington University

Carlo de Bassa Scheresberg is a senior research associate at the Global Financial Literacy Excellence Center. At the Center, Carlo is responsible for the design, development, and delivery of research projects in financial literacy and financial capability for major stakeholders, such as government organizations, regulatory agencies, and financial corporations. He has developed projects for key organizations, including the Organisation for Economic Co-operation and Development and the European Investment Bank. Prior to his work at the Center, Carlo worked at Jesa Investment and Management in Shanghai, China. He holds an MS in economics from Bocconi University in Milan, Italy.

**Annamaria Lusardi**

Denit Trust Distinguished Scholar and Academic Director, Global Financial Literacy Excellence Center, George Washington University

Annamaria Lusardi is the Denit Trust Chair of Economics and Accountancy at the George Washington University School of Business. Previously, she was the Joel Z. and Susan Hyatt Professor of Economics at Dartmouth College, where she taught for 20 years. She has also taught at Princeton University, the University of Chicago Harris School of Public Policy, the University of Chicago Booth School of Business, and Columbia Business School. From January to June 2008, she was a visiting scholar at Harvard Business School. Moreover, she is the founder and academic director of the GW Global Financial Literacy Excellence Center. She holds a PhD in economics from Princeton University and a BA in economics from Bocconi University.

Dr. Lusardi has won numerous research awards. Among them are a research fellowship from the University of Chicago Harris School of Public Policy, a faculty fellowship from the John M. Olin Foundation, and a junior and senior faculty fellowship from Dartmouth College. She was also awarded the 2014 William A. Forbes Public Awareness Award from the Council for Economic Education, the 2013 William E. Odom Visionary Leadership Award from the Jump$tart Coalition.
for Personal Financial Literacy, and the National Numeracy Network’s inaugural 2012 Steen Award. Moreover, she is the recipient of the 2007 Fidelity Pyramid Prize, an award to authors of published applied research that best helps to address the goal of improving lifelong financial well-being for Americans.
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