Investing in Women

Investing for women, and by women, can have many key differences from investing for and by men. In our opinion, in older generations, the female spouse often was (and sometimes still is) completely left out of the investment and financial conversations and decisions.

Fortunately, we are experiencing a shift in this culture, and women are approaching this very important relationship with their advisor with more autonomy and power than in decades past.

Even with some of the gender bias being removed, there are some key differences affecting the investment landscape for men and women. Some of these differences are as follows:

1) Women live longer

One of the most important facts to note is that women live longer than men. In fact, as of 2020, the life expectancy for women was 79.9 years vs. 74.2 years for men. On top of this, researchers estimate that the gap in longevity will continue. According to the U.S. Census Bureau, women's life expectancy is projected to reach 87.3 years by 2060, compared with 83.9 years for men.

Translated, the gap in longevity means that women must account for additional years of income than men. This data also indicates that it is statistically likely that women will, at some point, take charge of her family's finances due to the death of a male partner (if applicable).

2) Lower median earnings (on average)

Women are also statistically more likely to be paid less than men throughout their careers. According to data from the Organization for Economic Cooperation and Development (OECD), in 2020, women in the U.S. earned 82.3% of what men earned. Interestingly, this compares to 83.9% in Canada, 77.5% in Japan, and 87.72% in the United Kingdom.

The peak of a woman's median income in the U.S. also tends to occur earlier than a man's. As can be seen in Chart 1 (below) from The U.S. Bureau of Labor Statistics, a woman's median earnings peak between 35-44 years of age, whereas a male's median earnings continue to increase until they are between 45-54 years old.

We conclude that this earlier peak in earnings combined with living longer and lower earnings, sets women up for a higher chance of outliving their retirement savings and also puts them at risk for a diminished standard of living in their later years if not properly accounted for from a planning perspective.

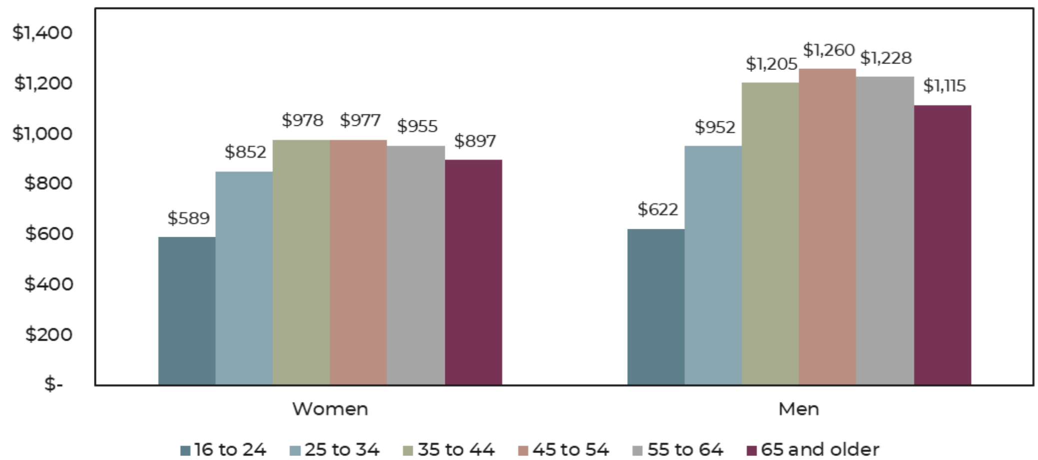
3) Family life and traditional responsibilities

Women are much more likely to take a period of leave from work for the care of children or parents, which means that those that do take leave have a much smaller average nest-egg for retirement. In fact, according to a study published by the U.S. Department of Labor in 2021, compared to men, more women need leave (24% versus 17%) and take leave (18% versus 14%).

4) Healthcare costs

The Affordable Care Act was enacted partly to correct the differences women were paying for healthcare over men. Gender either directly or indirectly affects insurance premiums, whether regulators allow gender-based pricing or not.

Chart 1. Median usual weekly earnings of women and men who are full-time wage and salary workers, by age, 2020 annual averages



Source: U.S. Bureau of Labor Statistics, Current Population Survey.

Affordable Care Act–compliant plans sold through the state exchanges and the federal marketplace can't use gender as a factor in setting premiums. However, short-term health insurance plans can and often do charge women significantly higher premiums than they do men.

5) Investment strategy

We believe women face a myriad of inherent societal challenges in saving and investing for retirement. While progress has been made in terms of facilitating greater access to and use of financial services among underserved populations, barriers to financial inclusion remain. Indeed, some of the aforementioned gender-gaps we see are beginning to change, but we believe that women have to continue to prepare for their retirement taking all of them into account and translating that into actionable investing behavior.

Because women on average work from a lower base pay with earlier peak earnings, they are usually working with a smaller portfolio to attempt to grow for retirement. Female investors also generally do more research before investing, trade less often, and are more likely to accept advice from a professional. Additionally, women are more concerned than men about the social values of companies that they invest in and are beginning to consider the impact of their investing on other women around the world.

This combination of a more conservative approach, doing the research, and less emphasis on trading in and out of hot stocks we believe has the opportunity to put the female investor on track to be able to withstand a longer retirement with a smaller nest-egg.

The Verdict?

The traditional societal roles of women and men are blending more now than ever before, and we view women as having much more power regarding their investments, whether single or married.

While women face many challenges that are different from men's, preparing for and being aware of these challenges makes it easier to conquer them and makes women very different investors.

For other Karpus insights, please see our website.

Sources: Bloomberg, Consumer Reports, Forbes, Healthcare.gov, Investment News, National Center for Health Statistics, Payscale, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Department of Labor, and Vanguard.

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