Understanding the Women’s Wealth Gap

CFPB FinEx Webinar | Wednesday, March 31, 2021, 2-3:30 pm ET

Presenters:
Sonya Passi, FreeFrom
Cindy Hounsell, WISER
Annamarie Lusardi, George Washington University

Facilitator: Heather Brown, Ed.D, PMP
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Speakers

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- Use the arrows in the right corner of your picture to change your view.
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The Consumer Financial Protection Bureau (CFPB) is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.
Resources for financial educators

Find it at consumerfinance.gov/adult-financial-education/
Key links for you

- Protecting Your Finances During the Coronavirus Pandemic: consumerfinance.gov/coronavirus

- To order free, bulk copies of CFPB publications: http://promotions.usa.gov/cfpbpubs.html

- To sign up for the CFPB Financial Education Exchange: CFPB_FinEx@cfpb.gov

- To sign up for the CFPB Financial Education Discussion Group: linkedin.com/groups/5056623

Rapid response – Financial protection during the coronavirus pandemic

Protecting your finances during the coronavirus pandemic
The CFPB is committed to providing consumers with up-to-date information and resources to protect and manage their finances during this difficult time.

Resources to help you make financial decisions

- Mortgage and housing assistance
  If you’re concerned about how to pay your mortgage or rent, we have information on what to do now, and what your options are for mortgage and rental relief.
  Learn about mortgage and housing assistance

- Student loans
  Student loan borrowers now have more benefits to consider when planning for the potential financial impact from coronavirus.
  Find resources for student loan borrowers

- Managing your finances
  We have resources to help you protect and manage your finances if you are facing financial difficulties as a result of the pandemic.
  See resources to help manage your finances

- Avoiding scams
  Scammers are taking advantage of the coronavirus pandemic to con people into giving up their money.
  Learn how to protect yourself from scams

Featured videos

consumerfinance.gov/coronavirus
FreeFrom’s Survivor Safety Banking Guidelines
1 in 4 women and 1 in 2 trans people will experience domestic violence in their lifetime.

- **#1** financial insecurity
- **$104k** is the CDC’s estimate of how much DV costs female survivors
- **99%** of survivors experience economic abuse

- **$1.3k** is the average amount stolen from individual survivors each month
- **$15.9k** is the average amount of coerced or fraudulent debt a survivor is saddled with each year
“We had a savings account, a checking account, and a business checking account. And I had opened all three accounts. He went to the bank to sign the paperwork, but I opened the accounts and I did all the admin stuff for our business. I never signed any papers that I would be removed from the accounts, but somehow, he had taken me off. In the midst of the divorce and trying to hide and find somewhere to live, I didn’t have time to deal with it.”

- Tammy
Data based on responses from over 1300 survivors published in FreeFrom’s report, “Survivors Know Best: How to Disrupt Intimate Partner Violence during COVID-19 and Beyond.”
Survivors Don’t Have a Safe Way to Save and Access Money

- Only 52% of survivors have access to a safe bank account
- 30% had money stolen from their account by a harm-doer
  - 17% didn’t receive / couldn’t access their stimulus checks due to economic abuse
- 29% had their bank account monitored by a harm-doer
- 23% say a harm-doer controlled their access to their bank account
- 13% say a harm-doer has prevented them from having their own bank account
- BIPOC survivors are 3 times more likely than white survivors to report that they do not have a bank account that is protected from a harm-doer

Data based on responses from 1000 survivors published in FreeFrom’s report, “Trust Survivors: Building an Effective and Inclusive Cash Assistance Program.”
There are approximately 28.4MM survivors banked and underserved in the U.S.

Source: https://globalfindex.worldbank.org/
The Impact of Abuse on Survivors’ Banking Experience

1. Survivors can’t safely save the money they need to get to safety and don’t have access to the cash they need to support themselves and their children.

2. The financial devastation of abuse makes banking products unaffordable for survivors.

3. Harm-doers are using banks to locate survivors after they leave and to access and monitor their online bank accounts.

4. Survivors must repeat their story to multiple bank employees and often get inconsistent information.

5. Economic abuse is happening every day in branches across the US and bank employees aren’t trained on how to detect and respond to it.

6. Survivors often leave abuse without their ID or a permanent address.

7. Harm-doers are incurring debts in survivors’ names without their knowledge or consent.

8. Survivors need time to financially recover without enduring further credit damage.
The Opportunity

Banks have the opportunity to implement supportive systems, products and training to help millions of customers across the U.S. build the assets they need to keep themselves and their families safe.

- 75% of survivors have never sought support from banks as a survivor
- Of the 25% who have sought support from banks as a survivor, only 16% found the support they received “very helpful,” while 64% reported that they received no help or the assistance provided was unhelpful
- 51% of survivors would seek support from banks if they knew banks offered services for survivors
- Survivors consistently ranked banks in their top 2 choices for services

Data based on responses from over 1300 survivors and 1000 survivors published in FreeFrom’s reports, “Survivors Know Best: How to Disrupt Intimate Partner Violence during COVID-19 and Beyond” and “Trust Survivors: Building an Effective and Inclusive Cash Assistance Program,” respectively.
The Guidelines

1. Offer accounts that meet BankOn’s National Standards
2. Keep survivors’ contact information confidential and secure
3. Implement enhanced fraud protections on survivors’ accounts
4. Offer Safety Accounts for survivors
5. Designate internal team to handle survivor accounts
6. Hire FreeFrom to train bank staff to detect, prevent and respond to economic abuse

% of survivors reporting that the Guideline will help their financial security:

- Offer accounts that meet BankOn’s National Standards: 75%
- Keep survivors’ contact information confidential and secure: 73%
- Implement enhanced fraud protections on survivors’ accounts: 77%
- Offer Safety Accounts for survivors: 76%
- Designate internal team to handle survivor accounts: 77%
- Hire FreeFrom to train bank staff to detect, prevent and respond to economic abuse: 81%
The Guidelines cont’d

7. Allow survivors to open accounts with ID and address alternatives 77%

8. Offer interest-free deferred payment emergency loans to survivors 87%

9. Refrain from reporting defaults on coerced / fraudulent debt to credit reporting agencies 79%

10. Offer flexible repayment plans for survivors in default 79%

11. Provide survivor paid leave and other resources to employees N/A

% of survivors reporting that the Guideline will help their financial security
Following the Example of Elder Abuse Prevention Efforts

- 88% require training for all frontline and customer service staff on how to detect and report elder financial abuse
- 80% place holds on suspicious transactions in elder customer’s accounts
- 62% have dedicated staff to manage elder customer programs
- 53% of banks offer products for elders with favorable terms like low or no minimum balance requirements, reduced monthly maintenance fees, and discounted safety deposit boxes.
- 43% have procedures in place to help elder customers control who can access their accounts

Source: https://www.aba.com/news-research/research-analysis/older-americans-benchmarking-report
Following the Examples of Other Countries

**Australia**
- The National Australia Bank offers a support package for survivors, including $2500 emergency grants and hiding survivor information in internet banking.

**New Zealand**
- The Australia and New Zealand Banking Group allows survivors to open accounts with ID and address alternatives, as well as offers domestic violence leave and support to staff.

**UK**
- The Hongkong and Shanghai Banking Corporation (HSBC)-UK uses an untraceable national code that hides the location of the bank branch and, by extension, hides the location of the survivor.
- HSBC-UK also offers staff training to detect and respond to economic abuse and a specialist team specifically taking calls from survivors.
For more information, please contact:

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(770) 826-9140

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facebook /freefromorg
twitter @freefromorg
linkedin /company/freefrom
Understanding the Women’s Wealth Gap

Cindy Hounsell
President, Women’s Institute for a Secure Retirement

March 2021 ∙ CFPB FinEx Webinar
About WISER contact–info@wiserwomen.org

○ Nonprofit founded in 1996

○ Provides women with basic tools and financial information aimed at helping them take financial control of their lives

○ Topics include:

Saving & Investing  Widowhood
Social Security  Divorce
Caregiving  Health and Long-Term Care
Retirement Planning  Financial Fraud & Abuse
National Resource Center on Women and Retirement

- WISER operates in partnership with the ACL’s Administration on Aging (AoA)

- “One-Stop Gateway” to provide basic retirement information and resources

- Partners include a diverse group of organizations working with older adults, low-income women, women of color, and women with limited English-speaking proficiency.

Visit the Center at wiserwomen.org
Why Women?

- There are many more older women than men!
- At age 65+, there are 5.8 million more women than men.
- Women make up 67% of the 85+ population.
  - This age group expected to double, even triple over the next 3 decades.
  - This is the group most likely to end up in poverty.
- Many women who have never been poor end up in poverty in old age.
The Pandemic & Women

• In February 2021, the U.S. unemployment rate was 6.2%, for Black & Latina women it was over 8% compared with 5.2% of white women

• 77% of women are in occupations that require close contact & cannot be done remotely, such as food preparation, health care support and person service

• In 2021, 1 in 4 women have considered “downshifting” careers or leaving the workforce due to lack of flexibility at work
  ◦ Employment gap of 1 year can lead to 39% reduction in annual earnings. Employment gap of 4 years can lead to 65% reduction in annual earnings.
The Pandemic & Mothers

• The unemployment rate for mothers living with school-age children was 13.9% in April 2020. It was cut more than half to 6.0% in January 2021.

• Percentage of unemployed single mothers by race and ethnicity: 9.5% Asian, 9.3% Black, 8.8% Latina, and 5% White in January 2021.

• Many moms have left the workforce: nearly three-quarters of a million (705,000) have given up on work entirely.

• By leaving the workforce over the last 12 months, many have lost out on job benefits: healthcare, retirement contributions, promotions, and raises.

Sources: Korn Ferry, “Moms Return to Work-Any Work”, March 2021
US Census Bureau, “Tracking Job Losses for Mothers of School Age Children During a Health Crisis”, March 2021
7 Life-Defining Financial Decisions That Can Improve Your Future

- Plan Early for Short-term Goals
- Be Involved in Financial Decisions with Partner/Spouse
- Avoid Credit Card Debt/Keep Good Credit Rating
- Make the Most of Job-Related Benefits
- Carefully Select Options for Saving For Retirement
- Learn about Social Security and how long your savings can last
- Future Shocks – Caregiving, Death, Divorce, Economic Crisis – learn how to protect yourself and family
Women’s Unique Challenges

- Earn less
- Time away from work
- Part-time work
- Live longer
- Live alone in retirement
- Less in savings and pensions
Need for long-term planning

- Women need to recognize what old-age looks like in 21st Century; living to 100+

- Need to start saving early and know basic rules to succeed—sign up at workplace

- Where will the income come from?
  - Social Security, Workplace & Savings

- Working 2-4 years longer than the full—retirement age helps

- Women will need more income to pay for extra retirement years

- At age 65 women on average can expect to live 22 more years

- Improved policy options can help such as the Saver’s Tax Credit.

- Portability is key— and not cashing out -
Women & Pay Equity

Women earn 82 cents for every dollar men earn.

Hispanic Women: 58 cents
Black Women: 63 cents
Asian Women: 95 cents
Women may reach pay equality in 2059
White women: 2055
Black women: 2119
Hispanic women: 2224

Full-time working women earn less than their male counterparts

Median Annual Earnings for Full-Time Year-Round Workers Age 15 Years and Older by Gender, Race, and Ethnicity, 2019

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>$47,299</td>
<td>$57,456</td>
</tr>
<tr>
<td>White</td>
<td>$51,324</td>
<td>$65,208</td>
</tr>
<tr>
<td>Black</td>
<td>$41,098</td>
<td>$45,644</td>
</tr>
<tr>
<td>Asian</td>
<td>$56,807</td>
<td>$75,671</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>$36,110</td>
<td>$41,519</td>
</tr>
</tbody>
</table>

Sources:
Women & Emergency Savings

- 47% of women can’t afford a $400 emergency expense, compared with 35% of men.
- More than one-fifth of women (21%) use a credit card for emergency expenses and pay it over time.
- Women turn to payday loans, bank loans, or lines of credit more frequently than men.
- Women carry more credit card debt than men: 43% of women compared with 39% of men. For Latinx women, credit card debt is at 51%.

Source: Blackrock Emergency Savings Initiative, Lack of Savings Has High Cost for Women Blog, March 2021
Emergency Savings Accounts

- Cash is easily accessible but use only for emergencies, such as economic crisis, job loss/pay cut, medical emergency or unexpected repairs

- Recommended 3 to 6 months worth of living expenses – start small, build over time

- Set up at bank or credit union with automatic deposit from paycheck or from checking account

- Helps you avoid using a credit card or high interest loan, such as payday loans, to help pay for expenses

- Continue to contribute to the emergency fund while paying down debt
Your Stimulus Check: Get Organized

• Make a list of all expenses, including essentials to be paid

• Prioritize: food, shelter, medicine and utilities should come first – stock up on non-perishable food items

• Contact: Creditors & Lenders to set up payment plans if necessary

• Prepay a utility bill and get a credit

• Start an emergency savings account or add to the one you have

Source: Pemberton, Carolyn, “4 Steps to Spending Your Stimulus Check Wisely When You Don’t Have an Emergency Fund”
Sources of Retirement Income
Workplace, Social Security, Savings or Earnings

Make a list of each source of income you (and your spouse) have and be able to answer these basic questions for each:

• Where is the account based (bank, financial company, etc.)?
• How much is in the account now?
• How are contributions to the account being made and for how much?
• How is it invested – look at all accounts together
• If married, what happens to the account if one spouse dies?
Know what your retirement will cost - What is Your annual or monthly Number?

Figure out how much income you will need in retirement
Even a best guess estimate is helpful
Lots of great tools and online calculators make this easy

But – you may have an unplanned workforce break

Examples:
• RetireOnYourTerms.org – Calculators Tab
• Social Security Planning Calculators – www.ssa.gov
• Your Future Paycheck calculator – wiserwomen.org
Max out tax-deductible retirement contributions
Use tax refund to start an emergency fund
Beware of tax scams that commonly target older adults
Check out WISER’s Tax Update Fact Sheet
Eligible? Earned income Tax Credit or the Child and Dependent Care Tax Credit?
Learn about the **Saver’s Tax Credit:**
The Saver’s Tax Credit is available to eligible individuals who save for retirement
It works like a federal match for retirement contributions. Eligible individuals should seriously consider taking advantage of this tax credit.
Yearly IRA contribution limits – per person

<table>
<thead>
<tr>
<th></th>
<th>If you are under 50</th>
<th>If you are 50 or older</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$6,000</td>
<td>$7,000</td>
</tr>
</tbody>
</table>
Social Security Benefit Types

- Retirement
- Spousal
- Survivor
- Disability Insurance
- Supplemental Income
Social Security Retirement Benefit

- Retired worker benefit
- Full benefit replaces about 40% of your pay on average
- Full Retirement Age (FRA) – get benefit with NO reduction

*Age 66
  if born between 1943-1954

*Age 66+ 2 months
  if born between 1955-1959 add 2 months each year until 1960

*Age 67
  if born in 1960 or later
At full retirement age of 66: receive full benefit amount
Claim at 62 (earliest): − 25% reduction in benefit
Claim at age 70 (latest): + 32% increase (8% each additional year)

<table>
<thead>
<tr>
<th>Retirement Age</th>
<th>Monthly benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>62 (early retirement)</td>
<td>$758</td>
</tr>
<tr>
<td>66 (full retirement)</td>
<td>$1,000</td>
</tr>
<tr>
<td>70 (latest)</td>
<td>$1,320</td>
</tr>
</tbody>
</table>
What if You Need To Take Time Off/Work Part-Time?

These are financial consequences to consider if you have to provide Childcare and Elder care for parents or a spouse:

• Losing out on income/benefits/savings opportunities. Try not to leave just before earning a legal right to a benefit – know what you have

• Consider a Spousal IRA

• Lower Social Security benefits

• Caregivers have out-of-pocket costs

• How to protect your own financial retirement security
Thank you!
Contact WISER

Info@wiserwomen.org
202-393-5452

Learn more at:

wiserwomen.org

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Twitter.com/WISERwomen
Women’s Financial Well-being and Literacy

Annamaria Lusardi
The George Washington University
Global Financial Literacy Excellence Center (GFLEC)

Women’s Wealth Gap Webinar
March 30, 2021
Our data: The P-Fin Index

- The TIAA-Institute-GFLEC Personal Finance Index (P-Fin Index for short) is an annual barometer of knowledge and understanding which enable sound financial decision-making and effective management of personal finances.
- The focus is on financial well-being indicators.
Unequal financial literacy

% of P-Fin questions answered correctly

Men: 56%
Women: 49%

% of P-Fin questions answered correctly

Among women...

African American and Hispanic women: 38%
White women: 54%

Financial literacy among African American and Hispanic women lags that of their White peers.

Source: TIAA Institute-GFLEC Personal Finance Index (2020).
Unequal financial literacy in critical areas

% of P-Fin questions answered correctly

<table>
<thead>
<tr>
<th>Category</th>
<th>African American &amp; Hispanic women</th>
<th>White women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>49%</td>
<td>67%</td>
</tr>
<tr>
<td>Consuming</td>
<td>48%</td>
<td>59%</td>
</tr>
<tr>
<td>Saving</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Earning</td>
<td>40%</td>
<td>58%</td>
</tr>
<tr>
<td>Go-to info sources</td>
<td>35%</td>
<td>53%</td>
</tr>
<tr>
<td>Comprehending risk</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Investing</td>
<td>32%</td>
<td>46%</td>
</tr>
<tr>
<td>Insuring</td>
<td>28%</td>
<td>50%</td>
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</tbody>
</table>

Financial literacy among African American and Hispanic women lags that of their White peers across functional areas.

Source: TIAA Institute-GFLEC Personal Finance Index (2020).
Lower financial well-being

Financial well-being among African American and Hispanic women lags that of their White peers.

- Not difficult to make ends meet: African American and Hispanic women (50%) vs. White women (70%)
- Not constrained by debt: African American and Hispanic women (28%) vs. White women (56%)
- Could likely come up with $2,000 for an unexpected need: African American and Hispanic women (55%) vs. White women (77%)
- Saving for retirement on a regular basis: African American and Hispanic women (43%) vs. White women (64%)
- Planning for retirement: African American and Hispanic women (15%) vs. White women (41%)

Source: TIAA Institute-GFLEC Personal Finance Index (2020).
Financial knowledge matters: Evidence for African American and Hispanic women

<table>
<thead>
<tr>
<th>Activity</th>
<th>Correctly answer 50% or less of P-Fin Index questions</th>
<th>Correctly answer over 50% of P-Fin Index questions</th>
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<tbody>
<tr>
<td>Not difficult to make ends meet</td>
<td>46%</td>
<td>59%</td>
</tr>
<tr>
<td>Not constrained by debt</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Could likely come up with $2,000 for an unexpected need</td>
<td>49%</td>
<td>70%</td>
</tr>
<tr>
<td>Saving for retirement on a regular basis</td>
<td>39%</td>
<td>56%</td>
</tr>
<tr>
<td>Planning for retirement</td>
<td>12%</td>
<td>26%</td>
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Among **African American** and **Hispanic** women, financial well-being is higher with greater financial literacy. The same holds for White women and men.

Source: TIAA Institute-GFLEC Personal Finance Index (2020).
Investing in financial wellness (1)

Average hours per week spent thinking about and dealing with issues and problems related to personal finances

<table>
<thead>
<tr>
<th>% of P-Fin questions answered correctly</th>
<th>25% or less</th>
<th>26% to 50%</th>
<th>51% to 75%</th>
<th>76% to 100%</th>
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<tbody>
<tr>
<td>All women</td>
<td>7</td>
<td>8</td>
<td>5</td>
<td>2</td>
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Women with greater financial literacy spend less time on financial issues and problems.

Source: TIAA Institute-GFLEC Personal Finance Index (2020).
Investing in financial wellness (2)

Average hours per week spent thinking about and dealing with issues and problems related to personal finances

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Hours per Week</th>
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</thead>
<tbody>
<tr>
<td>All women</td>
<td>5</td>
</tr>
<tr>
<td>African American and Hispanic</td>
<td>13</td>
</tr>
<tr>
<td>White women</td>
<td>8</td>
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</tbody>
</table>

% of P-Fin questions answered correctly

<table>
<thead>
<tr>
<th>Category</th>
<th>50% or less</th>
<th>51% to 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>All women</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>African American and Hispanic women</td>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>

African American and Hispanic women spend an average of 13 hours per week dealing with personal finance issues.

Source: TIAA Institute-GFLEC Personal Finance Index (2020).
Boosting financial wellness

• Many areas of concerns
• Need to focus beyond investment and retirement savings
• One size does not fit all
• Importance of prevention
Living well

- Financial literacy is like water in an eco-system
- We need it to grow and flourish
Financial wellness for all

- Best practices and knowledge to be financially healthy
- Benefits can easily be greater than costs
New data and report release

Date of the release:

Monday April 5\textsuperscript{th}, 2021

Title:

Financial Wellbeing and Literacy in the Midst of a Pandemic

\textit{The 2021 TIAA Institute-GFLEC Personal Finance Index}

Published at:

https://gflec.org/initiatives/personal-finance-index/
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