



Retirement Estate Assets Protection Planning

We're not talking to our girls enough about money

Provided by Pat Baxter, Investment Advisor Representative

It's downright shameful that in 2020, despite advancements in education and career opportunities, women still earn around 80% of what men earn. And when you combine that smaller paycheck with the fact that women often take unpaid leave to care for children or other family members (leaving them with fewer working years to save for retirement), the situation can become dire for too many women. Lifetime earnings have important implications for building wealth, taking advantage of financial opportunities and improving retirement outcomes, including increasing the level of Social Security benefits.

The social issues behind the statistics are complicated and deep-rooted, but not unsolvable. And financial literacy — possessing the financial knowledge, skills and behavior to confidently and effectively manage financial resources for a lifetime of financial well-being — can be a big part of the solution, not just for ourselves but for future generations of women.

Recently, Charles Schwab conducted a survey that looked at the money attitudes and experiences of young Millennials (ages 21 to 25) and Generation Z (ages 16 to 20) — both men and women. Although studies of previous generations have shown that women dramatically trail men in both their confidence and knowledge of saving and investing, my hope was that the survey results would indicate that things had changed.

Unfortunately, this wasn't the case. While the survey did show that young women are interested in finance, want to be financially independent, and are taking on extra jobs and spending less than men, they still have less savings and were only about half as likely as young men to have an investment account.

This is why financial literacy is so important. With less of a financial head start and more hurdles to face, women simply cannot afford to make ill-informed financial decisions on buying, saving, investing and managing debt.

The evidence is mounting that financial education matters. In a national study by FINRA, individuals who have participated in a substantial amount of financial education were found to be more likely to save and less likely to overdraw their checking accounts. Additionally, nearly half of Americans (49%) who received more than 10 hours of financial education reported spending less than they earn, compared with 36% of those people who received less than 10 hours of financial education.

We can turn this around

As parents, we have the biggest opportunity of all. Our kids learn from everything we do, whether that's intentional or not. We need to set a good example. Talk to your girls in the same way you talk to your boys. Teach them equally about budgeting, saving and investing. Gender differences in financial literacy may be traced to a combination of socioeconomic factors, but also include differences in opportunities for learning. Confidence and competence increase when girls have more opportunities to learn.

Share your stories. Have open conversations with your daughters as you budget, make spending decisions, save and invest. Talk to them about the difference between stocks and bonds. Discuss the difference between a mutual fund and an ETF. Show them your 401(k) statements if you're comfortable doing so. Explain how a mortgage works, and why the interest rate matters. These everyday conversations add up and can have as much impact as a formal class or education.

Even before your daughter enters the workforce, talk to her about the wage gap and help her become confident in negotiating hiring terms and salary. Starting with her first job, encourage her to set aside a portion of her earnings for retirement and invest that long-term money in the stock market. Don't assume that she will learn about money in the workplace or at school.

As we celebrate International Women's Day, my greatest wish is for every young woman to appreciate her potential and her worth. Our daughters deserve to have the same professional opportunities and salaries as our sons, and the same financial know-how and security throughout their lives. We have a tremendous opportunity to make a lasting impact on the next generation by giving all our children the gift of financial literacy.

By Carrie Schwab-Pomerantz for CNN Business Perspectives

<https://amp.cnn.com/cnn/2020/03/07/perspectives/financial-literacy-pay-gap/index.html>

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