

## Investing for Women: Take control of your financial future



Although the same principles of smart money management apply regardless of gender, women have some additional barriers to overcome and different needs to consider when planning for the future. Understanding these unique challenges will make it clear why building an investment portfolio is a crucial step toward long-term financial security, and will empower you to invest confidently.

This publication is intended to be a companion to the full-length guide “Investing Basics: Get started putting your money to work for you” ([https://consumer-action.org/english/articles/Investing\\_Basics](https://consumer-action.org/english/articles/Investing_Basics)), which covers everything from types of investments and how to manage risk to opening an account and choosing investments. It is also loaded with resources where you can continue your investing education.

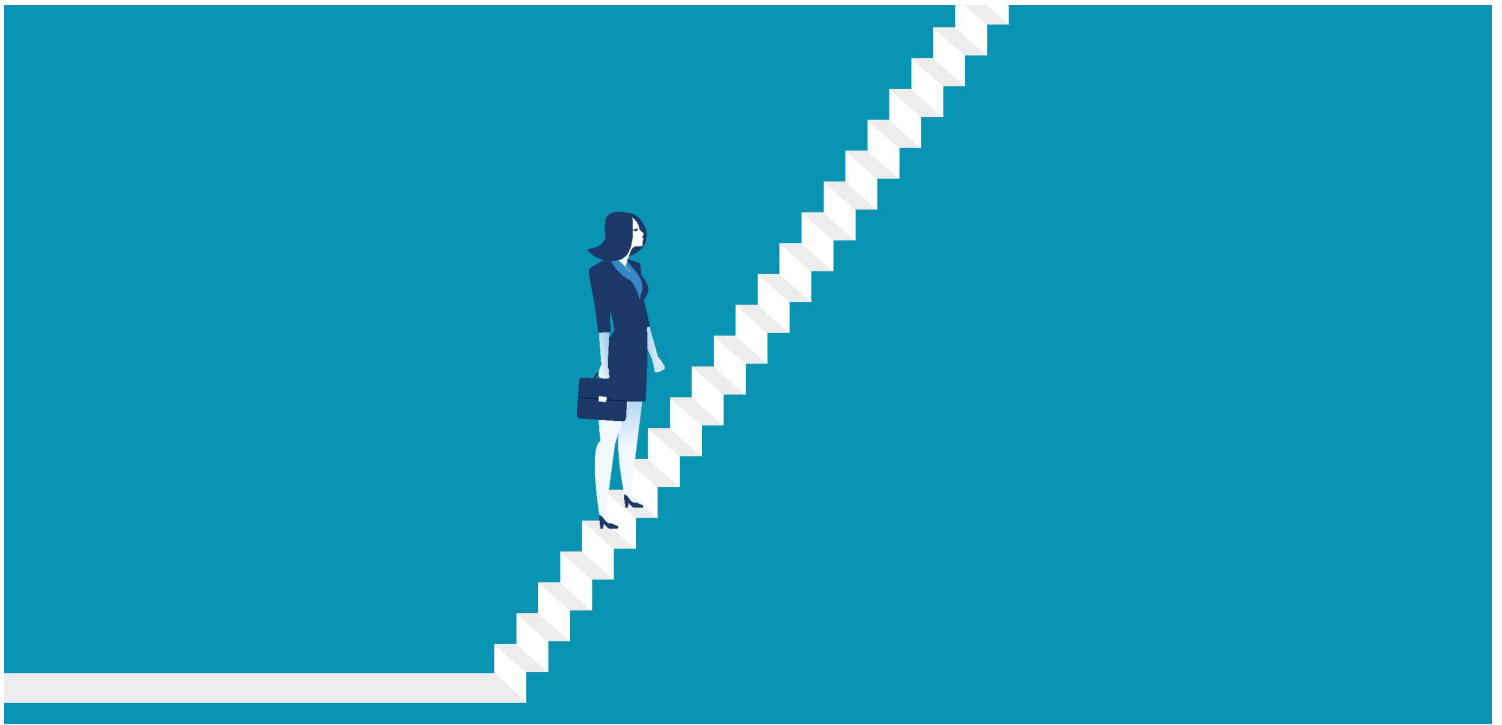
### The gender investing gap

There are several reasons women do not invest as widely as men do. First, women earn less than men (<https://www.census.gov/library/stories/2022/01/gender-pay-gap-widens-as-women-age.html>) and may be under the

misapprehension that they need large amounts of cash to start investing. This belief may contribute to the sense that investing is out of reach for them.

Society also conditions women to believe they are not good with money. As a result, fewer feel confident about investing. (In Fidelity Investments’ 2021 Women and Investing Study [[https://www.fidelity.com/bin-public/060\\_www\\_fidelity\\_com/documents/about-fidelity/FidelityInvestmentsWomen&InvestingStudy2021.pdf](https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/about-fidelity/FidelityInvestmentsWomen&InvestingStudy2021.pdf)], only 33% of women said they felt confident in their ability to make investment decisions.)

And women tend to be more risk-averse, making them more comfortable saving (putting their money into low-interest-bearing products, such



as savings accounts) than investing (buying assets that have the potential to increase in value over the long term).

The gender investing gap is even greater for non-white women. A 2021 CNBC survey (<https://www.cnbc.com/2021/08/23/as-interest-in-investing-grows-people-of-color-still-lag-behind-cnbc-survey-finds.html>) found that 59% of Black women do not own any investments, compared to 48% of Hispanic women and 34% of white women. Only 23% of white men reported not being invested.

## Why women must invest

While investing is a crucial component of any long-term financial plan, there are reasons why investing is particularly critical for women.

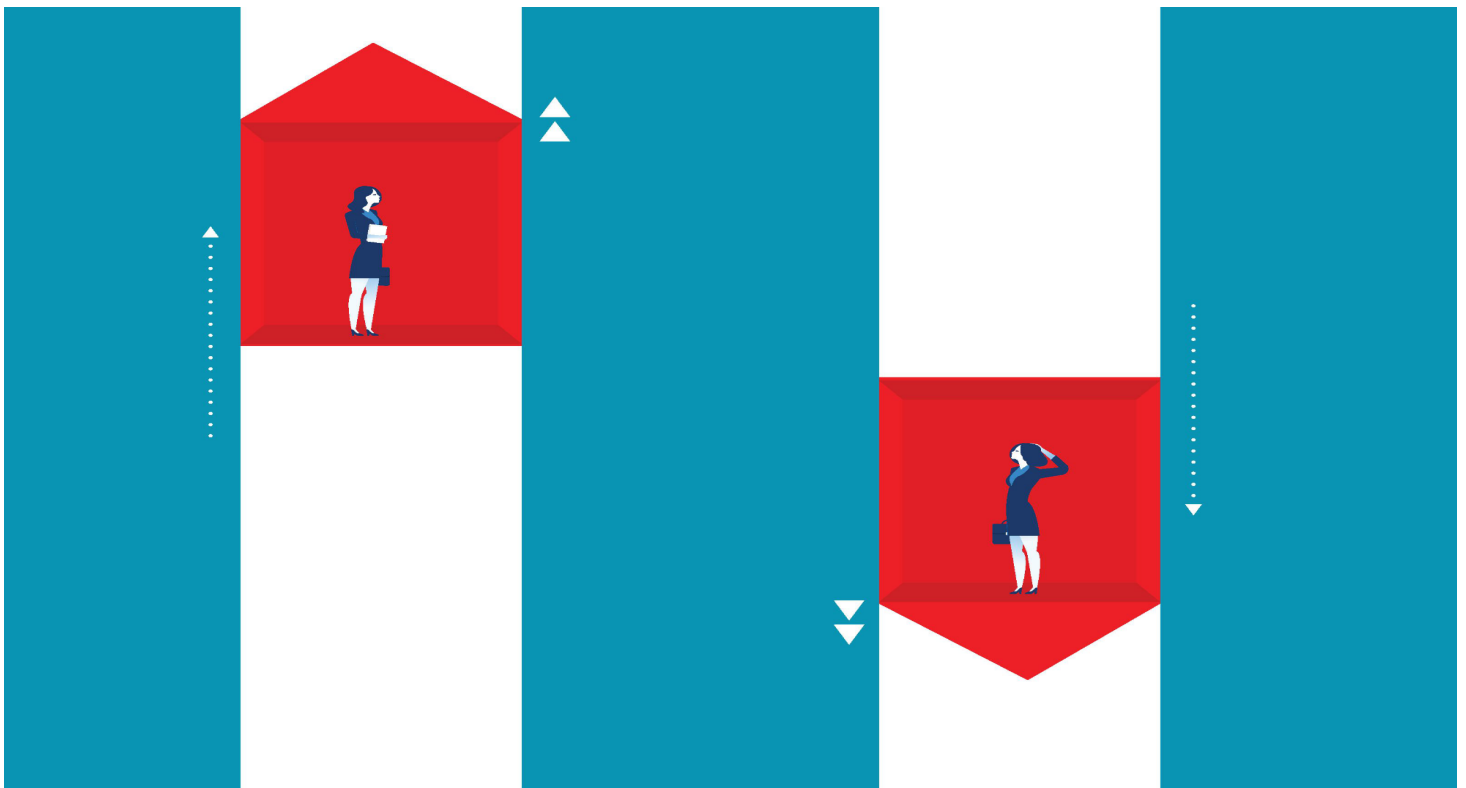
**Women need to overcome income disparity and unemployment.** Women, on average, earn less than men (<https://www.pewresearch.org/fact-tank/2021/05/25/gender-pay-gap-facts/>). They also are more likely to work in low-wage jobs and to have periods of unemployment, when they leave the workforce to raise a family or care for others (or are disproportionately affected by a crisis, such as the COVID pandemic) (<https://www.brookings.edu/essay/why-has-covid-19-been-especially-harmful-for-working-women/>). For these reasons, they can fall behind financially. For many women, investing becomes one

of the only real paths to wealth and financial stability.

**Women need to fund a longer lifespan.** Women tend to live longer than men—by around six years, in the U.S. (<https://www.cdc.gov/nchs/data/vsrr/vsrr023.pdf>)—and to be healthier in those extra years, so they need to build a larger nest egg to last through their retirement years.

**Women need to be prepared for divorce or widowhood.** Almost 50% of all marriages in the U.S. will end in divorce or separation, and the financial impact of divorce is more severe for women than men (<https://aacfl.org/impact-of-divorce-on-the-finances-of-men-women-and-children>). A 2017 government report found that men's household income fell by just 23% when divorcing after age 50, while women's income fell by 41%. Likewise, while men's income fell 22% after becoming widowers, women's income fell 37% (<https://www.gao.gov/assets/gao-18-111sp.pdf>). Because widowhood is particularly common among older women compared to older men due to differences in life expectancies, nearly 8 in 10 women will become solely responsible for their finances, often for two decades or more (<https://www.cnbc.com/2022/04/27/op-ed-recent-widows-need-guidance-with-money-issues.html>).

Despite the additional challenges women face, there is good reason to believe you can be a successful investor. In Fidelity's study, women who



do invest outperformed men by an average of 0.4% over the previous 10 years. Also, women's wealth, overall, has increased, which means more women have more of their own money to invest.

## Tips for women investors

For the most part, the fundamentals of investing and the steps to build and manage a portfolio are the same regardless of gender (see "Investing Basics: Get started putting your money to work for you" [[https://consumer-action.org/english/articles/Investing\\_Basics](https://consumer-action.org/english/articles/Investing_Basics)]). However, there are some tips that can help women—or anyone—who may lack investing experience or confidence in their investing ability.

**Educate yourself.** Male or female, everyone has to learn. You can be self-taught (see the many resources in the Investing Basics guide: [https://consumer-action.org/english/articles/Investing\\_Basics](https://consumer-action.org/english/articles/Investing_Basics)), you can take a course (but beware of invitations to investment seminars, which are sales pitches—not unbiased education), or you can learn from an experienced investor or a professional advisor. The point is, you should make learning about investing a priority. Even if you have a spouse or partner who is happy to take the reins in handling

the household finances, be an active participant. Don't let your money management and investing education wait until you are forced to be the sole financial decision maker.

**Start investing early in life.** Starting early is good advice for everyone, since time is the critical element in compounding (reaping earnings on your earnings). But an early start is particularly important for women, who may encounter barriers to investing at later stages of life, such as higher expenses and unemployment as a result of raising a family. If your budget is tight, choose easy-entry investment options (<https://www.investopedia.com/financial-edge/0312/how-to-invest-if-youre-broke.aspx>), and find small amounts of money that can be put toward investing (<https://www.citizens-bank.com/learning/how-to-find-extra-money-to-invest.aspx>).

**Don't be overly conservative.** Despite proving their ability to make wise investment decisions, women still tend to be more conservative investors, keeping more of their portfolio in slower-growing assets (like cash and bonds) rather than equities (stocks). That aversion to risk could result in a major shortfall, because an overly conservative approach doesn't allow real capital growth over time. The key is not to *avoid* risk, but to manage it (<https://www.schwab.com/learn/story/ways-to-help-reduce-risk-your-portfolio>).

**Make use of tools and resources that keep you on track.** It's easy for anyone's investing plan to get derailed because other life responsibilities take priority, but this is particularly true for women, who may work outside the home and also bear greater responsibility for children and the household.

Doing things like automating your investments (<https://www.fool.com/investing/how-to-invest/automated-investing/>), investing in lifecycle—or target-date—funds (<https://www.investopedia.com/target-date-funds-vs-lifecycle-funds-5409267>) and using an advisor (or a robo-advisor) ([https://www.consumer-action.org/english/articles/Investing\\_Basics#Topic\\_09](https://www.consumer-action.org/english/articles/Investing_Basics#Topic_09)) are ways of ensuring your investing plan stays on track even when you don't have time to be as actively engaged as you might like.

**Take advantage of workplace investing options.** If your employer (or your state) offers a retirement plan, don't ignore it, especially if there is the opportunity to receive matching contributions. Doing so is, essentially, throwing money away.

## Learn more

**A financial advisor's advice to women investors: 'You don't have to become an expert'** (encourages women to get started investing sooner rather later, and offers guidance on identifying and overcoming their fears) (<https://www.cnn.com/select/advice-to-women-investors-you-dont-have-to-become-an-expert/>)

**10 Tips for Women Who Want to Invest** (advice ranges from how to gain confidence to staying the course through market fluctuations) (<https://finance.yahoo.com/news/10-tips-women-want-invest-110030193.html>)

**Women and investing in 2022: Here's everything you need to know** (includes positive news about a surge in the number of women investors and evidence that women may even be better investors than men) (<https://www.bankrate.com/investing/women-and-investing/>) ■

## About Consumer Action

[www.consumer-action.org](http://www.consumer-action.org)

Through education and advocacy, Consumer Action fights for strong consumer rights and policies that promote fairness and financial prosperity for underrepresented consumers nationwide.

## About this guide

This guide was created with funding provided by the Nasdaq Foundation.