



## **GENDER INEQUALITY: A focus on finances and the wealth gap**

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*Gender inequality is one of the oldest and most pervasive forms of inequality in the world.*

### **Wealth gap**

The pay disparity between women and men, more widely known as the gender pay gap, exploits more than half the population and stunts economic growth. The gender pay gap accumulates over time creating a significant *wealth gap* between women and men, impacting women's finances throughout their lifetime.

- One explanation for the wealth gap is that women are more likely to take career breaks, such as time off to care for family, which leads to less wealth. Data from the Survey of Consumer Finances, reveals that white women have just \$0.32 cents for each dollar of wealth a white man has. Black and Latina women have just pennies on the dollar.
- Like the gender pay gap, the wealth gap is most severe for people of color. The average white family has a median net worth nearly ten times greater than the average Black family and nearly seven times greater than the average Latinx family.
- In joint households, women are more likely to delegate the financial decision making to their male partners. This aspect of the financial gender gap is likely to have adverse consequences for women over time, as they typically outlive their male partners.
- By earning less throughout their lifetime, women and people of color contribute less to their retirement accounts and receive less in employer contributions to their retirement.
- Women, in comparison to men, appear to be at a distinct disadvantage in their financial behaviors related to paying their credit cards in full, having an emergency fund, having non-retirement investments, and a retirement account independent of their employer.
- Women are more risk averse than men in managing finances and in making financial decisions. While some might view risk aversion as a positive financial attribute, it actually leads women to make more conservative investments, which in turn often results in less accumulation of wealth and funding for retirement, compared to men.
- Being able to make sound financial decisions is of paramount importance in closing the wealth gap. According to some studies, however, financial literacy among women is low, and even worse among single women and widows.



- In one study (Bucher-Koenen, et. al, 2017), when quizzed on their financial literacy, women respondents were less likely to answer the questions correctly and they were also more likely to state that they do not know the answers to the questions, in comparison to men. In spite of younger women having higher levels of education, the gender gap in financial literacy persisted even amongst younger generations.
- One aspect of financial literacy is an understanding of interest rates. Women pay higher interest rates when they borrow money, in comparison to men, which adds up over a lifetime. For example, women have 0.04% higher mortgage rates than men on average and may pay up to \$5,100 more than men over a 30-year fixed interest loan period. Further, women pay up to \$7,800 more than men during the length of car ownership.

## **Advancing gender equality**

The gender wealth gap is a result of the gender pay gap as women, on average, make \$0.82 cents for every dollar that men make. The wealth gap can also be linked with many other financial indicators, such as gender differences in financial decision making. The wealth gap has significant lifelong consequences on women and their finances. In order to achieve gender equality, it must be acknowledged that deep and pervasive systems of oppression exist that must be addressed through aggressive changes in laws, policies, and practices.

## **REFERENCES**

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