



The Other Economic Gap for Women to Close: **Financial Acumen**

While progress has been made, the gender wage gap isn't going away any time soon. According to the World Economic Forum,¹ gender parity will take more than 200 years from now to achieve. Not only are women challenged with the wage gap, they also face another economic gap: financial acumen.

This gap in financial literacy is holding many women back when it comes to taking charge of their finances. For women to achieve real empowerment and ensure their financial wellness, it's crucial to close this gap and master their finances now. Here are some fundamental reasons why.

Women in the United States are earning college degrees at a much higher rate than men, yet they continue to face greater economic hurdles than their male counterparts. Receiving lower pay regardless of educational or professional achievement² and carrying a higher percentage of the overall student debt³ than men puts women at a disadvantage. When women's longer lifespan is coupled with the fact that they will most likely be solely responsible for their finances at some point in their lives, improving financial acumen is not just a lofty goal, but a necessity.

Key takeaways



Build financial acumen with continuing education.



Goal setting is only one step to mastering your finances.



Leverage the help of a financial advisor to develop your plan.

Gender, education, and income

Studies have shown that women tend to hold fewer high-level, high-paying jobs than men and face greater challenges when climbing the career ladder. While they start at the same level, only 41% of women reach managerial or higher level while 57% of men reach higher career levels.² These statistics are contrary to the fact that the scale continues to tip toward women receiving more college degrees of all levels.

While great strides have been made in the last few decades, men and women in similar jobs with similar qualifications continue to be paid unequally. Part of the disparity can be attributed to the types of jobs men and women typically select in combination with a “time-off” penalty that hits anyone who spends time caring for family members. The highest income gap is between men and women who have achieved their MBA, JD, or MA, and the smallest wage gap is experienced by those at the doctorate level in healthcare.²

The links between education, debt, and financial literacy

Financial literacy is a global problem. Closer to home, little standardized effort has been made in the American education system. Currently, only five of our fifty states have personal finance education requirements for high schoolers. Additionally, of those without a degree in finance, 88% of male millennials reported taking personal or business courses while in college, compared to only 54% of female millennials.⁴

The importance of higher education continues to be stressed. However, as the student debt approaches \$1.6 trillion in the United States⁵ and students have no requirements to build their financial acumen, the debt poses a new financial crisis. Women are at particular risk due to their self-reported lack of financial acumen to address the higher levels of education-related debt in the framework of unequal career trajectories and earnings.

As you can see, financial literacy is especially important for women given their longer life spans, bigger gaps in employment as they take time to care for family members, and weaker earning power. Here are several ways you can improve your financial acumen and move confidently into your future.

Improving your financial acumen

Financial acumen is all about knowing the numbers and how they affect you and your business. Building your financial knowledge beyond the basics starts with deciding to educate yourself. In addition to online courses, here are several steps you should take to improve your financial future.

- Set and follow a budget. Your budget can be developed quickly via an Excel spreadsheet of your monthly expenses. Consider using online tools to schedule your monthly bill payments and categorize spending to make it easier to track.
- Build separate savings funds for retirement and emergencies. Savings should be part of your monthly budget and include separate funds for retirement and emergencies. Studies have shown that one-third of Americans do not have retirement savings, and nearly one-half do not have enough accessible cash to cover a \$400 emergency.⁶ Lack of planning can ruin your dream of a relaxing retirement and can move a \$1,000 medical bill into a long-term financial crisis.
- Develop specific financial goals. The more specific you can be with your goals, the easier it is to develop a plan to reach them. Pinpoint both short- and long-term milestones to help you take steps toward the big vacation, new home, or your retirement dream.
- Develop a professional relationship with a financial expert. An expert can help you understand the options available to you to help you reach your goals. Although only 40% of respondents to a Key4Women survey say they have worked with a financial advisor, most understand the benefits of doing so.⁷

Improving your financial acumen can go beyond the basics in a variety of directions. Additional skills you should build and can seek guidance from your financial advisor about include:

- Understanding interest rates. Interest rates affect both your monthly expenses and the total payments you make over the life of loans. Make sure you understand the rates you are currently paying and the changes you can make to reduce your overall debt.

- Recognizing credit traps. Secured versus unsecured debt, along with interest rates changes, can greatly impact your budget and credit score.
- Understanding refinancing and consolidating debt. Refinancing debt, including student debt, can help you secure a better rate and/or terms for the money owed.

Women today are more empowered and have more opportunities than ever before. With that success, they need to master the management of finances. Putting off improving your financial acumen can not only cause a long-term financial impact but can also impact other aspects of your life. Remember, you don't have to go it alone, and you don't have to tackle everything at once. Every step you take toward improving your knowledge and understanding brings you closer to your goals.

Steps to consider

- Seek expert advice from a financial planner or from someone you trust and respect to help you better understand your finances and to develop a plan to help you reach your goals.
- Take online or in-person personal and business finance courses. Learning new ways to look at money will help you better understand how to be nimble.
- Review your retirement savings to ensure the best fit. Set automatic annual increases to help you save more and be sure to take advantage of any contribution match your company offers.
- Keep your budget handy to review when you are tempted to make an impulse purchase. Take the time to review your current budget and consider if the purchase is worth the cost.
- Set milestones in your savings plan where you can reward yourself for staying on track.

The support you need

For more Key4Women resources to help you reach your goals, visit [key.com/women](https://www.key.com/women), or [email us](#) to learn more.

Would you like to weigh in on future topics? Please take our [survey](#).



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¹World Economic Forum, "The Global Gender Gap Report 2018," http://www3.weforum.org/docs/WEF_GGGR_2018.pdf

²"Educational Attainment in the United States," <https://statisticalatlas.com/United-States/Educational-Attainment#overview> and "The State of Gender Pay Gap in 2019," PayScale.com, The State of the Gender Pay Gap 2019: <https://www.payscale.com/data/gender-pay-gap>

³Abigail Hess, "American women hold two-thirds of all student debt – here's why," March 14, 2018, <https://www.cnbc.com/2018/03/13/american-women-hold-two-thirds-of-all-student-debt-heres-why.html>

⁴Key4Women/Laurel Road Podcast, "Helping close the gender gap through fiscal confidence and education," URL TBD

⁵Laurel Road, "Survey: Lacking Personal Finance Education Contributes to Fiscal Woes Later in Life; Millennials Seek Recourse," March 11, 2019, <https://www.laurelroad.com/blog/press-release/survey-lacking-personal-finance-education-contributes-to-fiscal-woes-later-in-life-millennials-seek-recourse>

⁶Dani Pascarella, "4 Stats That Reveal How Badly America is Failing at Financial Literacy," April 3, 2018, <https://www.forbes.com/sites/danipascarella/2018/04/03/4-stats-that-reveal-how-badly-america-is-failing-at-financial-literacy/#4266dfd32bb7>

⁷Key4Women, "2019 Financial Confidence Survey Report," <https://www.key.com/businesses-institutions/business-expertise/articles/2019-financial-confidence-survey.jsp>

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