

Investing In Women

How to save more, worry less

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Objectives

1. DoBS Investing in Women Background
2. Awareness: Understanding the Gender Gap
 - Financial Capability and Capacity
3. Challenges: Understanding Financial Basics
 - Basics of Personal Finance
 - Role of Credit
 - Saving and Investing
 - Avoiding Red Flags
4. Potential Solutions and Opportunities
 - Building financial capability

Investing in Women

- DoBS launched the Investing in Women initiative in January 2020 to assess the financial wellbeing of women in the commonwealth.
- DoBS Focus Groups
- Survey Results
- Financial Capability Study Comprehensive Report
dobs.pa.gov - Under Publications and Reports

Highlights: Need for Improvement

- 36% of women are confident in their ability to manage and invest money
- 56% of women said thinking about their personal finances makes them anxious
- 59% of women feel it's difficult to cover monthly bills and expenses
- 42% think they have too much debt
- Less than half of PA women feel they could come up with \$1,000 in an emergency
- 63% of women do not have a will

Highlights: Good News

- 59% of women feel satisfied with their current financial situation
- 81% of women feel comfortable walking into a bank or credit union for help
- 53% of women have an emergency fund
- Women are willing to learn via webinars, presentations, online, etc.

Investing In Women: Observations on Gender Gap in Personal Finance

Awareness: Women in Leadership

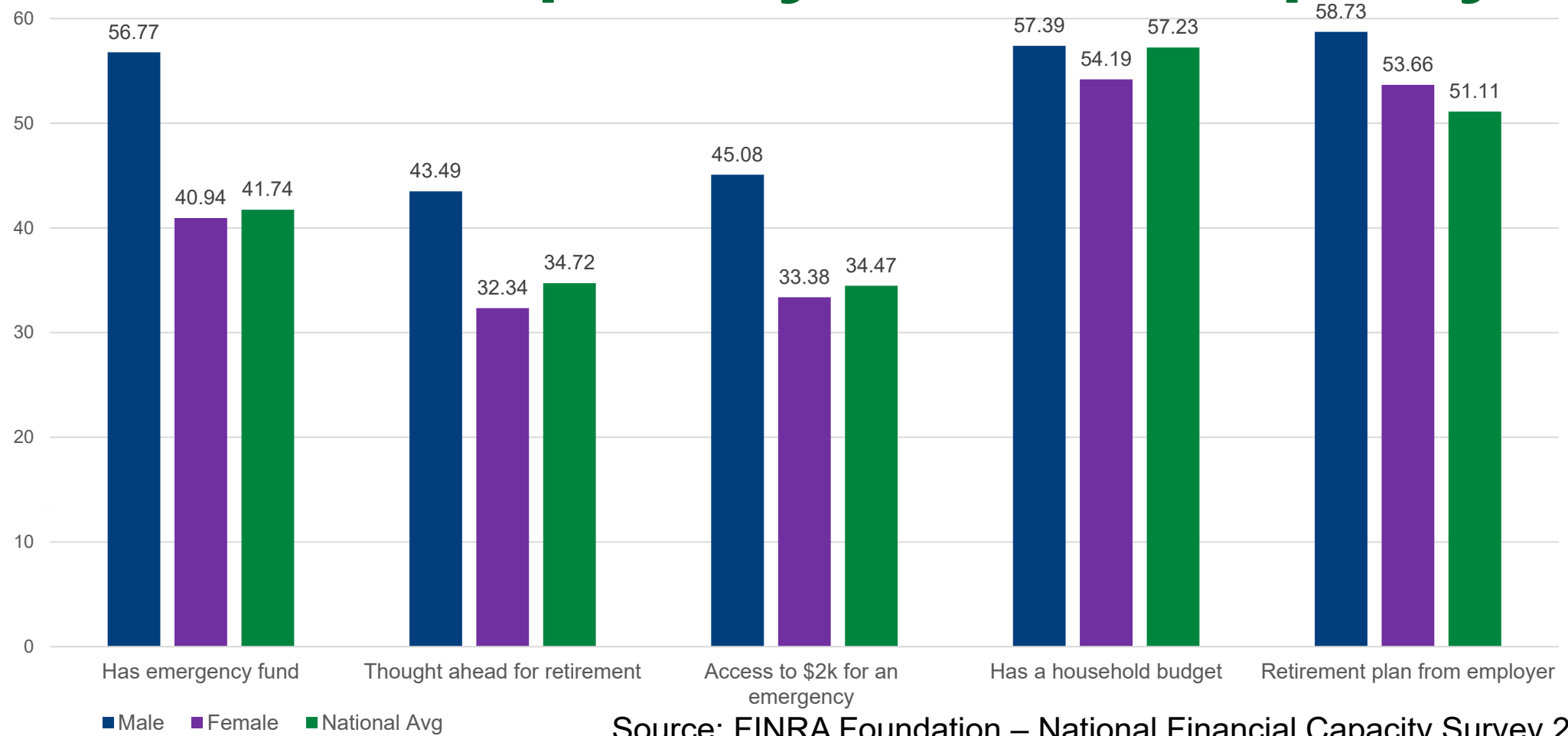
Women remain significantly underrepresented

Companies need to make changes to hiring and promoting procedures

Women of color lag behind all other groups in underrepresentation

If current practices continue, women in management will increase by only 1% in the next TEN years

Financial Capability Gender Disparity – PA



Source: FINRA Foundation – National Financial Capacity Survey 2016

Why is there a gap?

- Cultural Expectations and Stereotypes
 - Men take care of finance; Women take care of the home
 - Daughters are less likely to be taught financial skills by parents
- Opportunities for Financial Education
 - Disproportionate number of men compared to women in academic courses of study that involve finances
 - Lack of structured financial literacy programs in many states
- Wage and Investing Gap
 - Women earn 78 cents for every dollar a man earns.
 - At the current rate, women will not receive equal pay until 2068.

Financial Capability – Gender Differences

- The combination between the pay gap and the investment gap directly impact the financial independence of women throughout their life.
- Other contributing factors:
 - Longer life spans
 - Increased healthcare expenses
 - Shorter work experiences (childcare, caregiving)
 - Less contributions to Social Security
 - Impact on earnings and career progression

The Role of Financial Literacy: RAND Labor and Population

- Many women are unfamiliar with even the most basic economic concepts needed to make saving and investment decisions
- Differences in the demographic characteristics of women and men did not explain much of the financial literacy gap, whereas education, income and current and past marital status reduced the observed gap by around 25%.
- Unmarried, particularly divorced, women near retirement age have substantially lower wealth levels than married couples and unmarried men

The Role of Financial Literacy FINRA: Gender, Generation and Financial Knowledge

- **Takeaways:**
 - Despite efforts to close the gender gap in financial literacy, women - regardless of generation - have consistently trailed men over a 6-year period
 - Women more likely to answer “Don’t know” than their male peers - which can be a potential confidence issue
 - For every generation, men were more likely than women to report having been offered financial education- and financial education is associated with higher financial literacy
 - Millennial women more than any other generation identify as being “financially literate”- which is a promising trend

Investing In Women: Understanding Financial Basics

Scenario Questions

- What's the best \$25 you've ever spent?
- What's the worst \$25 you've ever spent?

Building a Solid Financial Foundation

- Benefits of a bank account (bank or credit union) (*younger women not as trusting of financial institutions or investment companies)
 - Safety
 - Lower costs
 - Build a relationship
 - Help you save
- Creating a Budget
- Emergency Fund
- Setting Savings Goals

1-800-PA-BANKS

Savings & Banking Basics

- What comes in and where does it go?
- (a.k.a. Cash flow)
- $\text{Income} - \text{Expenses} = \text{Cash Flow}$

Spending Plans - Income

- Pay from job(s)
- Military retirement pay
- Investment income
- Social Security
- Child support/alimony – regular and dependable.
- SNAP/Food stamps/TANF

Spending Plans - Expenses

Fixed

- Mortgage/Rent
- Car payment
- Personal loans
- Insurance
- *Childcare
- Savings

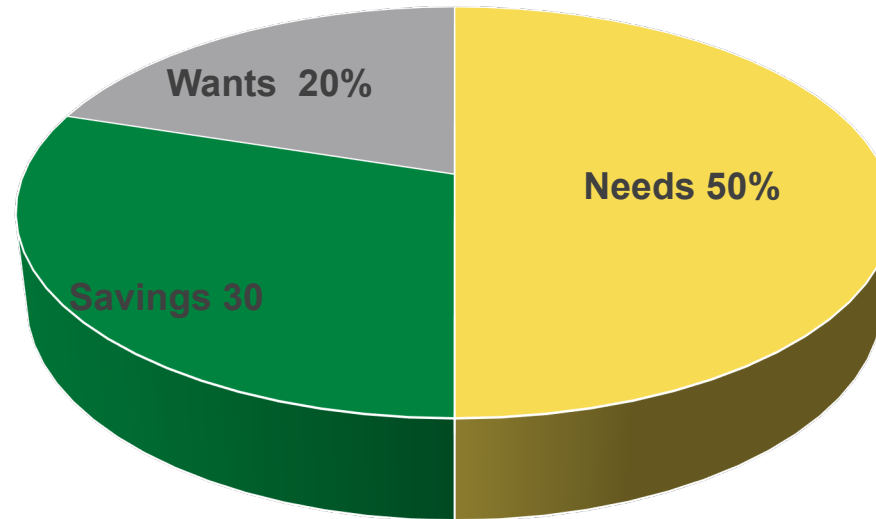
Variable

- *Utilities
- Groceries
- Credit cards
- Entertainment
- Emergencies

Setting a Budget

“Data Limits” for Your Money

NEEDS / WANTS / SAVINGS & DEBT BUDGET



■ Needs ■ Wants ■ Savings and Debt

Setting a budget

Needs (50% of income)

- Healthcare
- Rent/Mortgage
- Groceries
- Utilities
- Transportation

Wants (20% of income)

- Newest Cell Phone
- Eating Out
- Entertainment

Savings and Debt (30% of income)

- Credit Cards
- Student Loans
- Emergency Fund*

Emergency Fund

- Financial professionals recommend 3-6 months of expenses saved for:
 - Job loss
 - Unexpected bills
 - Illness

*53% of women have an emergency fund, with 30% of those having \$10,000 or more.

Getting out of Debt

- Hard to save for future when you have current debt
 - 42% of women feel they have too much debt
- Credit cards
- Medical debt
- Student loans (*30% of women have student loans)

PHEAA

WWW.PHEAA.ORG

1-800-692-7392

What is a credit score?

- If a credit report is your financial report card, the credit score is your grade. Your credit score is a number that falls between 300 and 850.
- The higher your score the lower risk you are to a lender, insurance company, or potential employer
- *The majority of women check their credit scores at least yearly, if not more frequently



What do you think is the biggest contributing factor for a credit score?

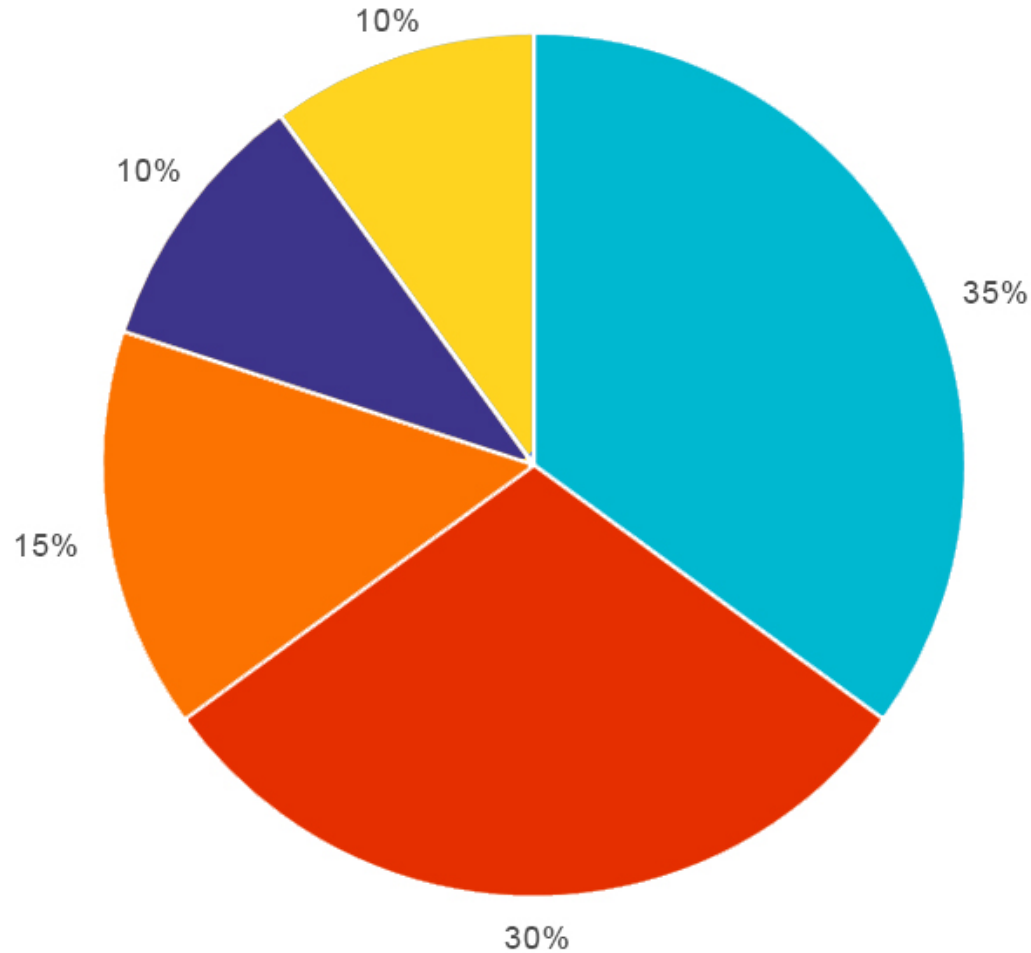
- A. You have been denied credit
- B. Number of credit cards
- C. Your age
- D. Payment History

Composition of Credit Score

FICO

FORMULA TO RAISE YOUR
FICO SCORE

- Payment History
- Credit Utilization
- Credit Age
- Different Types of Credit
- Number of Inquiries

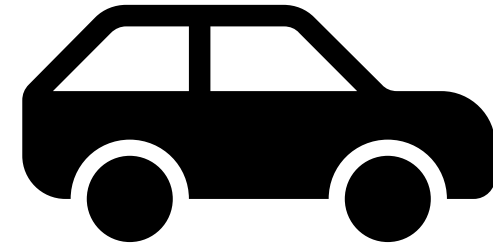
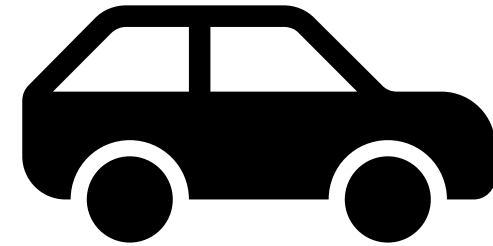


D. Payment History

Implications of Credit Score: Purchasing a Car

Assume a car costs \$15,000 (48-month loan term)

	Person A	Person B
Credit Score	580 (poor)	700 (good)
Interest Rate	8%	3.9%
Finance Cost (cost to borrow money)	\$2,577	\$1,225
Total Car Cost	\$17,577	\$16,225
Monthly Cost	\$366.19	\$338.02



Building and Rebuilding Your Credit

- Maintaining a good credit score can save you money
- 5 Steps to Improve Your Credit Score
 1. Make Timely Payments
 2. Avoid Maxing Out Lines of Credit
 3. Open a Secured Credit Card
 4. Know Your Credit Score (www.AnnualCreditReport.com)
 5. Dispute Any Errors on Credit report

WARNING: Don't fall for scams of offers to erase or fix bad credit history

Saving and Investing

- **Short Term (less than 10 years away)**
 - Save for emergencies
 - Save for short term goals
- **Long Term (10 years away or longer)**
 - Invest money that you can afford to risk in the short term.
 - Invest for long term goals

Types of Investments

high    low

Cash - CDs, savings accounts, etc., at banks and credit unions

Bonds/Bond Funds/Fixed Income - you loan the government or a company your money and then receive your principal back plus interest

Mutual Funds - You own many stocks, all in one “basket.” Can also include fixed income and cash products.

Exchange Traded Funds (ETFs) - Contain many holdings like mutual funds, but price changes throughout the day and can be traded all day like a stock. Fixed income and cash oriented ETFs also exist.

Stocks/Equities - you buy and own a small part (share) of publicly traded companies

Understand your Risk Tolerance

high    low

Long Term View (Dow 30)



Dollar Cost Averaging

- Investing a set amount on a regular basis.
- For example:
 - \$50.00 per paycheck
 - \$100.00 per month



Compound Interest

1. Principal – your money that you put into banking accounts and investment accounts.
2. When you receive the interest and dividend payments keep or put the interest and dividend payments back into the respective bank accounts and investments.
3. If you continue this process from a young age to or through retirement, you will see a return!

Awareness of Financial Red Flags

- Not being on the deed of a house, but you are on the mortgage
- Not actively participating in household finances and investments
- Co-signing for loans/cars/etc. with someone who is not a spouse/child
- Not taking advantage of investment opportunities such as a 401(k), deferred compensation
- Not reviewing beneficiaries on investments, insurance, pensions etc. (Do this with every major life change: birth of children, divorce, marriage)

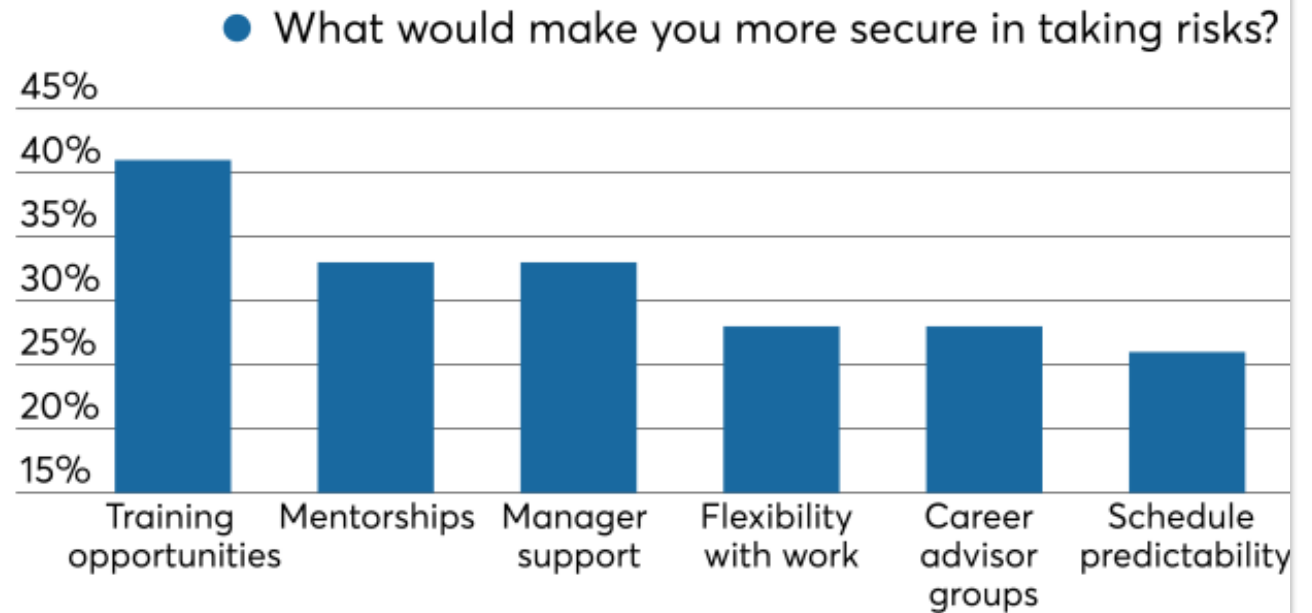
Investing In Women:

Building financial capability

Raising Confidence

- While 69% of women feel comfortable taking small risks in the workplace, less than half, 43%, are willing to take larger ones

Confidence booster



Note: Women's answers on how firms can raise confidence levels in risk taking
Source: 2019 KPMG Women's Leadership Study

Education

- Advocate for Financial Literacy Training in the Workplace
 - Budgeting
 - Banking Basics
 - Understanding Credit
 - Investing
 - Protecting your Money (ID Theft and Scam Prevention)
- Look for opportunities from your financial institution or other community groups

- Women are hesitant to ask questions of an investment firm or broker (27%)
- Respondents indicated the least knowledge in areas of investing and stocks.
- Over half indicating they were not very knowledgeable or not at all knowledgeable about:
 - Choosing/managing investments (63%),
 - Investing in stocks and bonds (66%),
 - Investing in an IRA (55%), and;
 - Certificates of deposit (50%).

How to Find an Investment Advisor

- Ask friends/family
- Ask at work (401(k) providers)
- Ask at your bank or credit union
- Follow your gut
 - Ask questions
 - Don't be bullied

What to Ask About

- Fee structures
- Stocks, bonds, mutual funds, etc.
- Risk tolerance
- Allocation
- Goals

Four questions you should ask before investing:



1. Is the salesperson **licensed** to sell securities in your state?
2. Is the investment opportunity **registered** with a securities regulator?
3. Is there a **history** of complaints or violations against the salesperson or company?
4. Do you fully **understand** the investment and the risks?



Where to Start

Before you spend your time and money on a financial service, product, or company, we urge you to **investigate** before you **invest**.



Trying to find information on financial services can be confusing, so if you are not sure where to start, call us today at **1.800.PA.BANKS** or **1.800.600.0007**.

Researching People



FINRA: It can be hard to understand the letters that investment professionals sometimes use after their name as a professional designation (e.g. CFA or CAS).

The *Financial Industry Regulatory Authority* (FINRA) has a tool to help: Search "Professional Designations" at www.finra.org or call the FINRA Hotline at **1.800.289.9999**.

BrokerCheck: FINRA maintains an online database called BrokerCheck that you can use to research people and firms that sell stocks, bonds, mutual funds, and other securities. Go to brokercheck.finra.org or call the FINRA Hotline at **1.800.289.9999**.

IAPD: To research investment advisory firms and their representatives who provide investment advice, you can use the *Investment Adviser Public Disclosure* (IAPD) from the Securities and Exchange Commission (SEC): www.adviserinfo.sec.gov or call the SEC's Investor Information Service phone number: **1.800.732.0330**.

SmartCheck: To research financial professionals who trade futures, options on futures, and foreign currency (Forex), visit SmartCheck, an online database at the *Commodities Futures Trading Commission* (CFTC): www.smartcheck.gov/check or call **1.866.366.2382**.

Insurance: Research insurance professionals who offer annuities and other insurance products at www.insurance.pa.gov (search "Find a Professional") or call the PA Insurance Department at **1.877.881.6388**.



Researching Investments



Crowdfunding: Research securities offered via registered funding portals at www.finra.org (search "Crowdfunding") or call the FINRA Hotline at **1.800.289.9999**.

Pennsylvania Registered Securities: Research securities offerings registered by the PA Department of Banking and Securities at www.dobs.pa.gov (search "Registered Securities") or call **1.800.PA.BANKS** or **1.800.600.0007**.



Researching Companies



SIPC Members: *Securities Investor Protection Corporation* (SIPC) works to restore customer cash and securities left in the hands of bankrupt or otherwise financially troubled brokerage firms. www.sipc.org/list-of-members or **202.371.8300**

NMLS: Research mortgage companies and other consumer lenders at: www.nmlsConsumerAccess.org.

BankFind: Research banks and ensure they are federally insured at www.fdic.gov (click the "BankFind" link) or call the Federal Deposit Insurance Corporation (FDIC) at **1.877.275.3342**.

Credit Union Locator: Research credit unions and ensure they are federally insured at www.mycreditunion.gov (search "Share Insurance Estimator") or call the National Credit Union Administration (NCUA) at **1.800.755.1030**.

Insurance: Research insurance companies before purchasing annuities or other insurance products at www.naic.org/cis or call the National Association of Insurance Commissioners (NAIC) at **816.783.8200**.

Pennsylvania Financial Institutions Search: Find PA chartered or licensed banks, credit unions, and other consumer lenders at www.instsearch.pa.gov or call the PA Department of Banking and Securities at **1.800.PA.BANKS** or **1.800.600.0007**.

Preventative Steps for Everyone

- Freeze credit – FREE
- Limit phone calls:
- Make sure you are on the National Do Not Call registry
 - 1-888-382-1222, www.donotcall.gov
 - Do not accept calls from numbers you don't know, use caller ID

Prevention Steps

- NEVER give out personal information
- Never wire money to strangers
- Review financial statements
- Enlist help from trusted family member or reputable bill-paying service
- Never pay for anything with gift cards

Prevention Steps

- Be careful with joint accounts
- Power of Attorney - CAUTION
- Never convey or quitclaim an interest in real estate without consulting an attorney
- Use a document shredder

Beware of Scams

- Romance Scam
- Advanced Fee Scam
- Grandparent Scam (still, unfortunately)
- PayPal “Friends and Family” Scam (Tickets, Purchases, etc...)
- Fake Charity Scams
- Check all card skimmers

Questions?

Share with us your experience:
Informed@pa.gov



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