The Gender Investing Gap – What Is It Actually Costing You?

When it comes to the earnings gap between men and women, wage disparity isn't the only thing that keeps women lagging behind. There is also a gender investing gap, and while it's often overlooked in the battle for equal pay, it's just as valuable as any paycheck. How valuable?

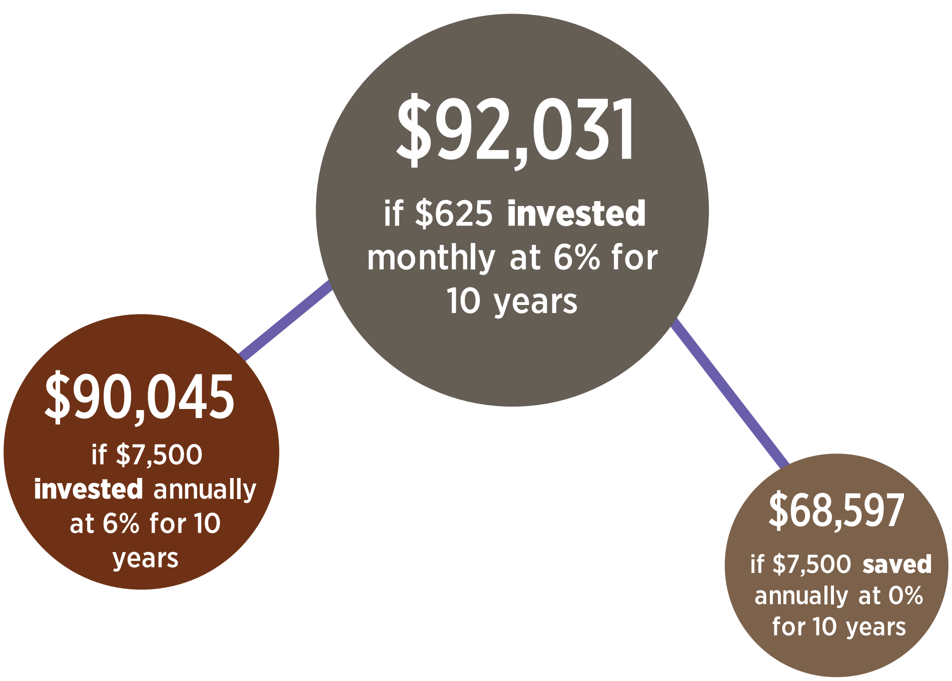
1. What Is The Gender Investing Gap?

Women—while good savers of money—do not actively invest those savings at the same rate as their male counterparts, which results in a lost opportunity of compound earning potential (money that is invested and grows through a sequence of compounding interest). While it's always good to have a savings plan for creating cash assets, just saving money can make you vulnerable to another culprit of earnings loss—inflation—which can erode future purchasing power dramatically.

On average, the gender investing gap can end up costing women more than $700,000 if they earn $75,000 annually and choose to save their earnings instead of investing 10% of their income for a 35-year period at a moderate 6% rate of return.

How Saving vs. Investing Creates The Gender Investing Gap

Purchasing power remaining after 10 years at annual 2% inflation:



2. The Key To Financial Planning: Goals-Based Investing, Understanding Risk

You have unique financial goals, and a sound investment plan should seek to circumvent losses and stay focused on your financial objectives through market cycles using both conventional and alternative investment choices with the best value. Goals-based investing puts emphasis on attaining certain life goals, such as funding a child's education, staying financially aligned during a job transition, or preparing for retirement. These things should take priority over just trying to beat the market.

Simply put, goals-based investing is having a goal and creating a financial plan towards achieving that goal. Generally, where women sometimes fall short is by not leveraging the aggregate earnings power of risk-managed investments. Starting out with these three basic steps can help put you on the path to getting more out of your hard-earned savings:

- Establish defined risk thresholds to create financial guardrails that keep you aligned with your goals
- Understand your time horizons to leverage inflation and longevity risk
- Create a personal investment statement to help guide you
- Work with a CFP® to put your plan in motion and close the gender investing gap

3. How Can Women Close The Gap?

This disparity highlights the importance of leveraging investment opportunities over time to help close the gender investment gap. We recommend working with a Certified Financial Professional (CFP®) to build out a financial plan that includes:

- Systematic investing that enhances your potential for compounded earnings
- Utilizing tax deferred or tax-free earnings to help maximize earnings growth
- Investing in certain types of investment accounts to enhance your portfolio, such as Roth IRAs and health savings accounts (HSA)
- Utilizing risk-managed, tactical investing strategies with a holistic investment perspective

We suggest coordinating your financial planning with a CFP® because they are required to meet rigorous education and experience requirements, and they are held to the highest ethical and professional standards in the industry.

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