



Women's financial futures: New financial philosophies taking shape post COVID-19

- Many women are prioritizing financial security and resiliency as a result of the pandemic.
- Where women seek financial guidance hinges on their existing networks and resources.
- Women of color and millennial women have been most financially affected by the pandemic.

Personal financial philosophies are often shaped by adversity. The Great Depression of the 1930s and the Great Recession that arose out of the financial crisis of 2007-2009 both led to fundamental changes in how generations of Americans felt about money, financial security and how to prepare for the future.

New research from Capital Group suggests that the COVID-19 pandemic and the severe financial disruptions it has caused will ultimately become similarly momentous. Yet it is clear from this survey of approximately 2,000 American women and 500 men that the impact of the pandemic's upheaval has fallen unevenly across these two groups. Since the early phase of the pandemic, women have been more likely than men to lose their jobs – and, many months later, to still be out of work. In these ways and many others, this has been a financial crisis for women.

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Sources of financial guidance and support.

System-connected women are those who are more likely to turn to financial professionals, financial tools through work, and other systemic resources for financial guidance. Socially connected women are those who are more likely to turn to established social networks and online and public sources for financial guidance.

However, even with those challenges, 2020 has emerged as a defining moment for many women. Capital Group's research finds that women are adapting their financial philosophies in response to their COVID-19 experiences and cementing the resources and support systems they need to take control of their financial futures. Many women are moving decisively toward financial empowerment and freedom.

Yet just as the financial impact of 2020 has differed for men and women, it has also varied dramatically for different groups of women, depending on age, wealth, race and other factors – similarly impacting how their financial philosophies are forming.

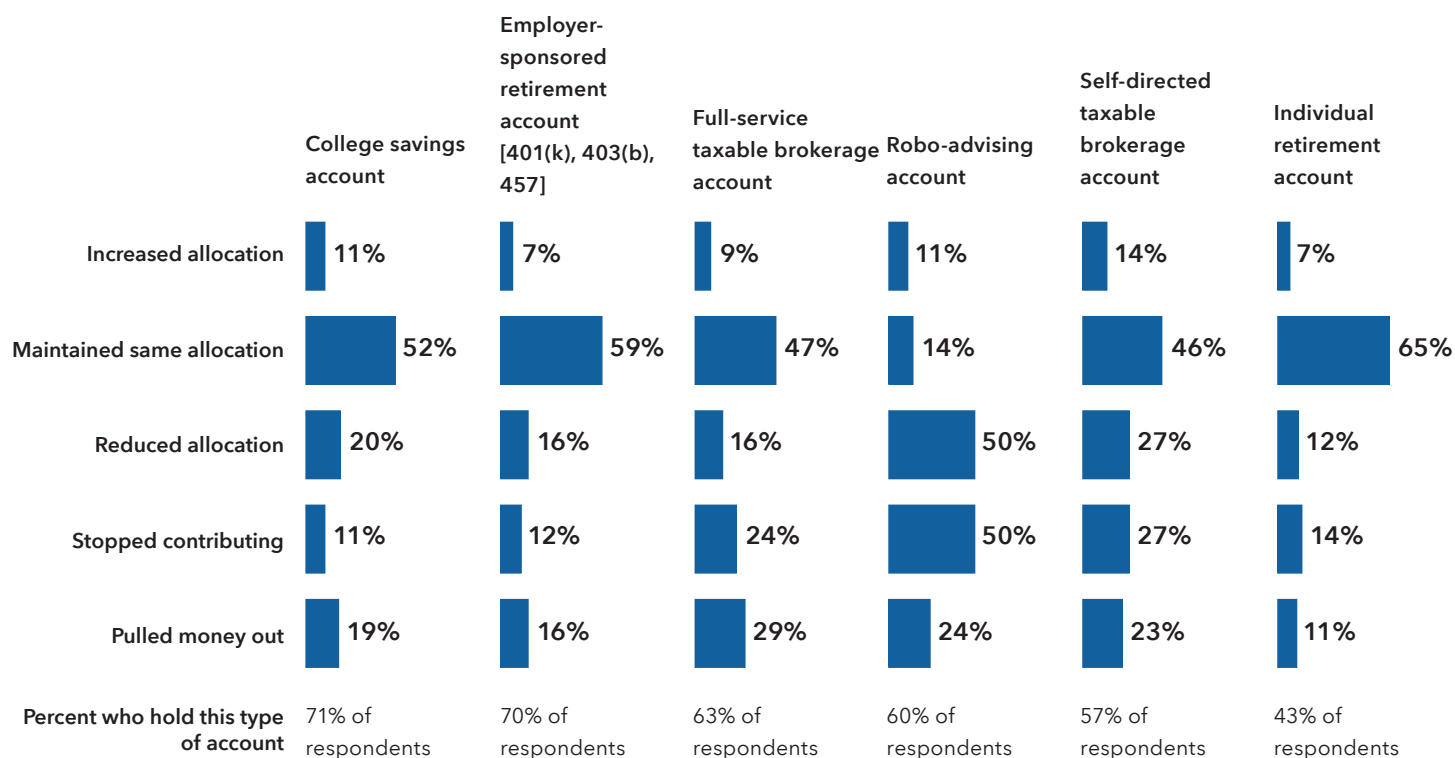
This report examines women's divergent financial experiences, perceptions and behaviors, tracing the pandemic's outsized financial impacts on women as well as on "system-connected" and "socially connected" women. It also considers the ways in which socially connected women are developing and expanding their own networks and resources as they seek greater financial resilience.

Part I: Many women are working toward increased financial security and resiliency post COVID-19

Women's behaviors toward money have changed markedly since the COVID-19 pandemic erupted. In our survey, more than a quarter of the women (28%) say they reduced or stopped contributions to employer-sponsored retirement plans during the pandemic, and an equal number expect the events of the past year to delay their retirement. Nearly 2 in 3 women (64%) would have done something differently to prepare for 2020 if they had known what was coming, while 4 in 10 women (40%) expect the year to have a long-term impact on their finances. That's in sharp contrast to men, a quarter of whom say they are not concerned about personal finances and who overall were also more likely to feel confident, knowledgeable, satisfied and calm toward their finances over the course of 2020.

A quarter of women reduced or stopped contributing to employer-sponsored and/or individual retirement accounts, and those who have brokerage accounts were even more likely to reduce contributions

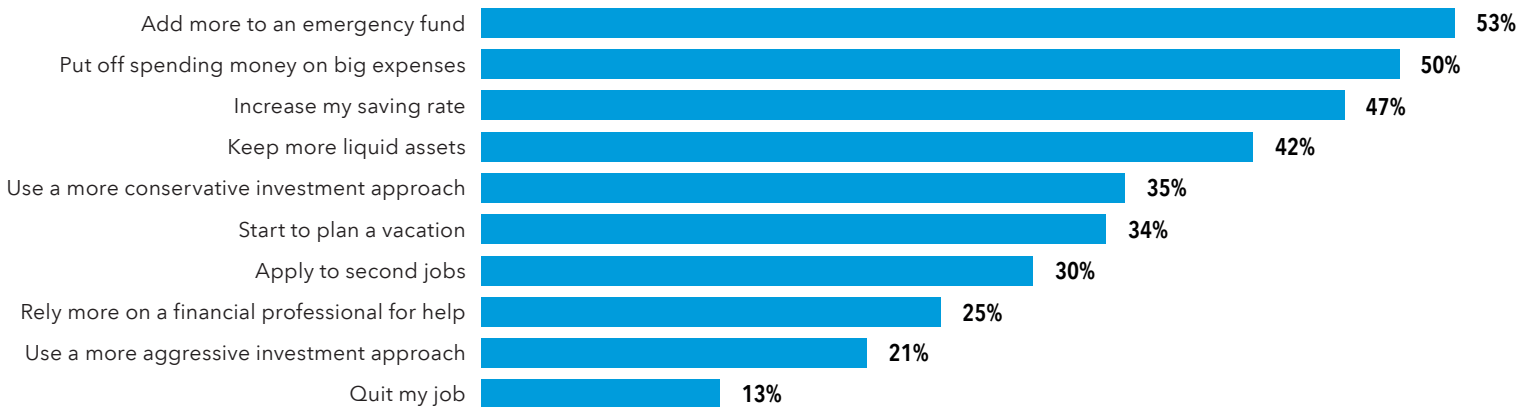
In the past nine months, have you made any changes to your investment accounts?



Attitudes toward finances are changing as a result of the disruption brought on by the COVID-19 pandemic. Approximately one-third of women (32%) who responded to our survey say they are spending more time than before the pandemic thinking about their finances. If the disruptions they experienced during 2020 continue into the summer of 2021, almost half of women (47%) indicate they expect to increase their savings rate, while a third (31%) will spend more time thinking about their investment strategies. In addition, 43% of women say they now place more importance than before on saving for retirement. The increased emphasis on retirement savings may stem in part from the impact that COVID-19 has had on women's retirement savings and plans.

If this coming summer is the same as last, over half of women say they will save more or put off big purchases; only a quarter will look to rely more on a financial professional

If next summer is anything like this past summer, what will you do?



Other stark differences between women's and men's experiences of the pandemic and their approaches to their finances also emerged from the survey:

- Women are more likely than men to feel concerned about their personal finances.
- Women are more likely than men to express that their finances incite anxiety and have an effect on their physical well-being.
- Women are more likely than men to delay big purchases, while men tend to be quite confident about money and expect to adopt more aggressive investment approaches.
- Women are less likely than men to have pulled money out of retirement plans, but are more likely than men to have plans to repay those shortfalls.
- Women are less likely than men to anticipate pushing back their retirement dates.

These contrasts between men and women may be explained by larger demographic tendencies. Before the pandemic, men may have been more attuned to their finances and were more confident in their financial knowledge. Overall, men are more likely than women to have previously settled into a financial philosophy – and therefore may have responded to the events of 2020 by making relatively minor adjustments rather than wholesale changes.

Amid these differences, the increasing willingness of women to break the taboo of talking about money, especially among networks of family and friends, stands out. While men say that the pandemic has generally not changed their likelihood to discuss finances with others, more than half of women (51%) have discovered that when they communicate with other women about their personal finances, they find that others are going through similar situations. This is one more sign of how women's desire for financial resilience, and for forming a philosophy anchored in security, is motivating them not only to gather new knowledge but also to share it openly.

Part II: Where and to whom women turn for financial resources and guidance varies widely

One clear finding from the survey is that women in different demographic groups have had vastly different experiences over the past year. Those differences are particularly apparent in terms of where each group has gone for financial guidance and support. Importantly, while these differences are underscored by preferences about the most helpful places to seek financial information, they are by no means mutually exclusive.

Some women are system connected – they more often turn to financial professionals, financial advice at work and other traditional financial resources. For example, baby boomer women, who say they have relied on professionals to help them navigate the pandemic’s financial disruptions, tend to be system connected.

Socially connected is defined as engaging with posts or conversations on Instagram, Facebook, Twitter or Reddit.

Other groups of women who are less likely to work with financial professionals, such as millennial women, have turned to their established social networks and to both online and other public sources of information. They are socially connected.

While many of the surveyed women said they turn to family first for financial guidance, where they turn to next differentiates whether they tend to be more system versus socially connected. White women, who are more likely than women of color to be system connected, say their most trusted sources for financial guidance after family members are financial professionals, followed by finance websites, friends and other news sources.

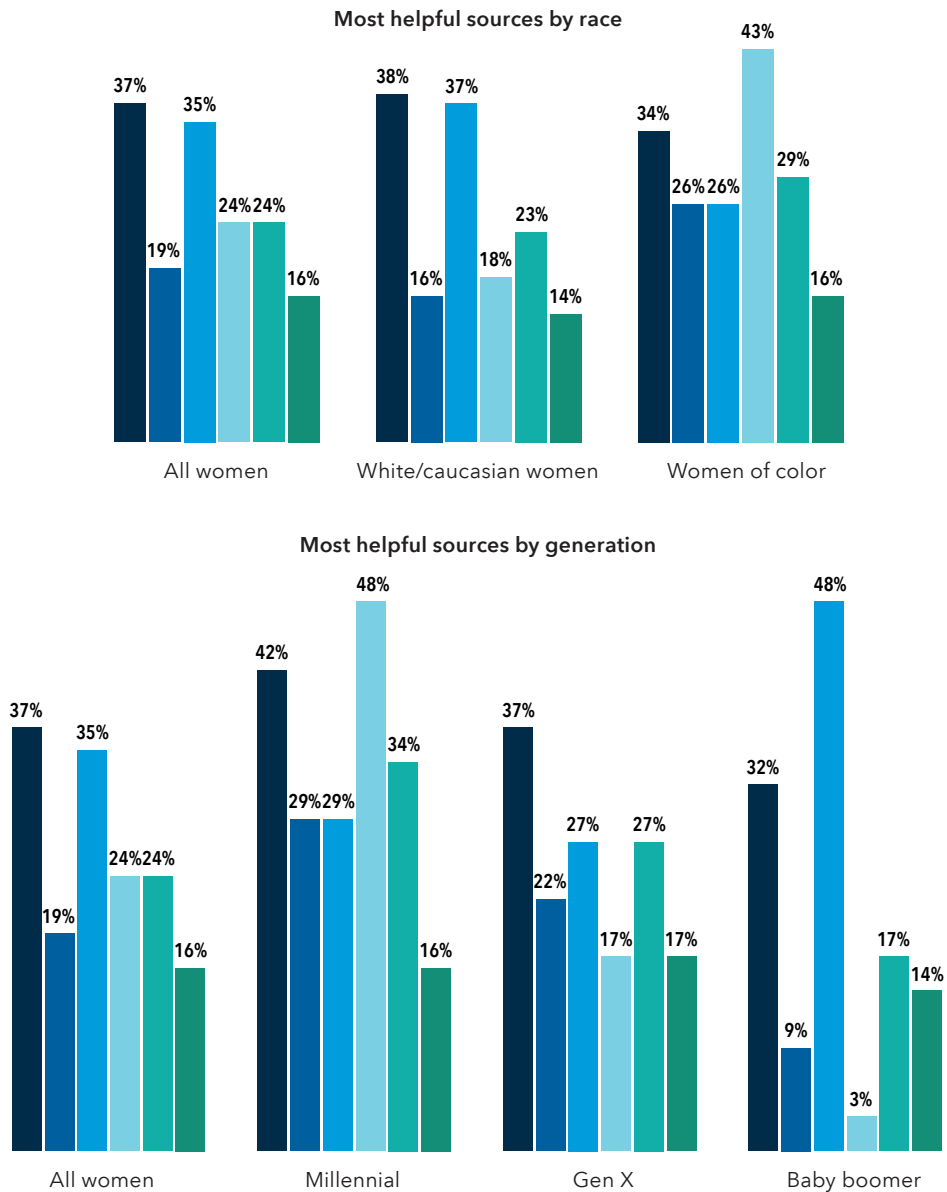
Women of color, who tend to be socially connected, usually turn to social media first, followed by family, financial websites and then friends and financial professionals. For Black women, financial resources are most likely to come first from social media, followed by friends, financial professionals, family and finance websites. This was the only group to rank friends above family as a preferred source of financial information.

Millennial women, too, tend to be socially connected, but their preferred sources of financial help differ between older and younger members of that generation. Almost a third of older millennials (31%), now in their 30s, list financial professionals as a top-five source, whereas only 22% of millennials under 30 say they use that resource.

Where women turn for financial guidance varies vastly

What sources do you find the most helpful when navigating finances?

■ Family ■ Friends ■ Financial professionals (such as advisors) ■ Social media ■ Finance websites ■ News sources



Affluent women defined as: under the age of 35 with asset levels of at least \$500,000; between the ages of 35-45 with asset levels of at least \$1 million; or over the age of 45 with asset levels of at least \$2 million.

Women who are socially connected also show a greater willingness to share financial concerns and plans with friends. A third of women of color (33%) say they are now at least “a bit more” inclined to do that compared with their pre-pandemic tendencies. For Black women, that number rises to 40%. While 39% of millennial women between the ages of 25 and 32 are more likely to talk to friends about their finances than before, millennials between the ages of 33 and 40 are 43% more inclined to do so.

The survey shows being system connected correlates with increased financial stability. Affluent women, defined as any woman with between \$500,000 and at least \$2 million in assets relative to age, tend to be system connected and are likely to have a wider range of financial accounts and better access to financial professionals, employers and federal programs.

Many women who are affluent say they received funds from government stimulus programs or got temporary relief from payment deadlines for their income taxes, credit cards, mortgages or rent. While a large portion of their COVID-19 relief money went straight to savings, affluent women were much more likely than other groups of women to invest those funds. Many increased their allocations to full-service taxable brokerage accounts and individual retirement accounts, and saved more for retirement and for their children's college education compared to non-affluent women.

Probably as a result, affluent women say they felt confident, optimistic, knowledgeable, satisfied and calm about their finances in 2020, despite the turmoil around them. Overall, they feel confident about what to do with their finances and their ability to handle the unknown.

In comparison, women who largely use social connections for financial guidance and information often did not or could not tap institutional financial resources. Among the cohort of women, women of color and millennial women were more likely than other survey respondents to have applied for and received unemployment or Supplemental Nutrition Assistance Program (SNAP) funds in 2020, yet they were less likely among those surveyed to have received stimulus checks.

Among all women, millennial women and women of color were more likely to spend the stimulus checks they received on financial necessities, such as food, utilities, rent or mortgage payments. Among women of color who received a government stimulus check, 12% say they put the money in a taxable brokerage account, compared with just 7% of white women who invested their stimulus payment.

Women of color, although they are less likely than white women to be connected to institutional sources of financial information and support, are feeling motivated to become more financially savvy. For instance, women of color say that they have consciously tried to reduce daily spending. They also say that with hindsight they would change their investment strategies – for example, women of color were more likely than white women to say they would have invested more into equities and bonds. If they could revisit 2020, almost a third (31%) would save more in an emergency fund.

Yet the survey results suggest that it would be shortsighted to confuse access to traditional systems with a guarantee of better financial outcomes or more progress toward future goals.

Part III: Women of color and millennial women have been most affected by COVID-19 and the other events of 2020

Among all of the respondents to our survey, women in these two groups are most likely to report having their financial lives upended by the COVID-19 pandemic.

Women of color and millennial women are more likely than white women and women in other age groups to have had someone close to them lose a job or be forced into working fewer hours or having pay reduced. These women also tend to feel they are earning less than their peers.

With insight, women of color and millennial women wished they would have saved more, paid off debts and invested more to prepare for 2020

If you could have predicted everything that would happen in 2020, what would you have done differently in 2019 to prepare, if anything?

	Generation			All women	Race	
	Millennial	Gen X	Baby boomer		White/caucasian women	Women of color
I would not have done anything differently	15%	23%	65%	36%	41%	20%
Saved more in an emergency fund	36%	37%	16%	29%	27%	31%
Spent less on day-to-day items	28%	31%	10%	23%	21%	26%
Paid off more debt	22%	23%	10%	18%	17%	20%
Held off on big purchases [e.g., going on vacation, buying a car]	22%	20%	6%	17%	15%	18%
Invested more into my retirement account[s]	15%	11%	4%	9%	8%	12%
Made big purchases [e.g., going on vacation, buying a car]	15%	8%	5%	9%	8%	11%
Invested more into equities	14%	5%	2%	7%	6%	13%
Spent more on day-to-day items	12%	10%	3%	7%	7%	11%
Held off on paying off debt	11%	6%	1%	6%	5%	10%
Invested more into bonds	14%	6%	1%	6%	5%	9%
Chosen a different health care plan	9%	5%	2%	5%	3%	8%
Not had a wedding / spent as much on a wedding	7%	5%	0%	4%	3%	5%

Millennial women have the most nuanced and divergent experiences of all surveyed women. While many millennial women report feeling nervous and anxious about their finances in 2020, 45% say they feel confident about the future. Notably, millennials are the generation of women most likely not only to receive financial assistance from families and friends but also to give financial assistance to those in their networks:

- More than 3 in 10 millennial women (36%) feel financially anxious about what may happen in the future.
- Millennial women are more likely than all other women surveyed to believe they'll have to postpone retirement.
- Almost 45% of millennial women stopped or reduced contributions to their employer-sponsored retirement plans or withdrew money from those accounts in 2020. Similarly, 30% of millennial women stopped or reduced contributions to their individual retirement accounts. In both cases, about one quarter say they have no plans to restore lost funds to their retirement savings.
- Millennial women are more likely than all other women surveyed to say they have now accelerated their timelines for saving as well as for life events such as adopting a pet or moving to a new place. But there is a divergence within millennial women, with this group also more likely to say that the events of 2020 have caused delays in their savings and life plans.

Millennial women are more likely to say their life has become more complex, and both millennial women and women of color say they are financially anxious about the future

Please indicate which statements describe you more, thinking about yourself personally.

	Generation			All women	Race	
	Millennial	Gen X	Baby boomer		White/caucasian women	Women of color
My relationship with my partner has grown stronger	50%	46%	58%	52%	52%	52%
I save more to protect against economic uncertainty	48%	52%	43%	48%	47%	49%
I spend more at big box stores either online or in person, i.e., Walmart, Amazon or Target	42%	45%	32%	39%	37%	46%
I feel financially anxious about what may happen in the future	41%	49%	24%	36%	34%	42%
Home is easier to manage	33%	35%	33%	35%	36%	28%
I have increased my flexibility more	40%	33%	23%	32%	30%	34%
My life has become more complex	42%	36%	15%	31%	29%	35%
I find myself struggling	37%	34%	14%	28%	27%	34%
I have come to realize my child[ren] need[s] a lot more attention than I thought	39%	22%	7%	22%	20%	30%
I am confused about what is the best way to budget	25%	25%	8%	20%	19%	24%
I hold more trust in the federal government	26%	16%	8%	16%	14%	21%

Women of color and millennial women will look to increase their savings and put off big expenses if this summer is anything like the last

If next summer is anything like this past summer, I will ...

	Generation			All women	Race	
	Millennial	Gen X	Baby boomer		White/caucasian women	Women of color
Add more to an emergency fund	66%	59%	40%	53%	50%	62%
Put off spending money on big expenses	59%	59%	38%	50%	49%	55%
Increase my savings rate	63%	48%	34%	47%	43%	58%
Keep more liquid assets [cash or other easily accessible funds]	53%	43%	34%	42%	39%	50%
Use a more conservative investment approach	46%	40%	20%	35%	32%	42%
Start to plan a vacation	40%	32%	32%	34%	33%	37%
Apply to second jobs	38%	29%	6%	30%	30%	28%
Rely more on a financial professional for help	35%	26%	18%	25%	24%	28%
Use a more aggressive investment approach	39%	25%	7%	21%	19%	31%
Quit my job	18%	9%	7%	13%	12%	14%

Conclusion: Women are connecting by sharing financial experiences, advice and support. Traditional and nontraditional providers of financial resources need to meet them where they are

Capital Group’s research shows how the extraordinary events of 2020 have led an increasing number of women to confront the financial realities of their lives – to evaluate their standing, to educate themselves, and to consider or begin making necessary changes. At this defining moment, women have become more willing to think about and talk about money.

Many women say the COVID-19 pandemic has led them to be more open about their financial situations. In particular, women of color and millennial women both note they are now more likely to feel they can talk to siblings, parents, friends on social media and others about financial changes and are not just talking about money but are also giving or receiving financial support to and from family and friends.

<p>Many women are prioritizing financial security and resilience as a result of the pandemic</p>	<p>Where women seek financial guidance hinges on their existing networks and resources</p>	<p>Women of color and millennial women have been most financially affected by the pandemic</p>
<ul style="list-style-type: none"> • Around a third of women are spending more time thinking about their finances than they were prior to the pandemic, and 43% of women say they now place more importance than before on saving for retirement. • Nearly 2 in 3 women would have done something differently to prepare for 2020 if they had known what was coming, while men overall are more likely to have felt confident, knowledgeable, satisfied and calm toward their finances over the course of 2020. 	<ul style="list-style-type: none"> • Women overall are more likely than men to communicate about finances with parents, siblings and partners. • Women of color and millennial women are most likely to turn to social media for financial guidance, and are more likely than other groups surveyed to give and receive financial assistance to and from family and friends. 	<ul style="list-style-type: none"> • Women of color and millennial women are the groups most likely to have had someone close to them lose a job, be forced into working fewer hours, or have pay reduced. • Millennial women are more likely than other groups of women to believe they’ll have to postpone retirement. Almost 45% have stopped or reduced contributions to their employer-sponsored retirement plans or withdrew money from those accounts in 2020, and about one quarter say they have no plans to restore lost funds to their retirement savings.

Whether women are more system or socially connected, women appear to be more deeply engaged with their long-term financial well-being. As they internalize, apply and evolve the financial lessons of COVID-19 over the coming years and decades, they will make changes that, while perhaps not always dramatic or immediate, will nevertheless emerge as pivotal and essential.

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As women find their own financial paths forward, many could benefit from employers, financial companies, educators and others meeting them where they are:

- Financial professionals can build programs and tailor communications to reach women who are currently more socially connected rather than system connected.
- Employers can foster greater investor inclusion and consider increased use of automatic enrollment/opt-outs and defaults to encourage participation.
- Investment firms can offer lower minimum opening deposit requirements, encourage participation by small investors, and promote financial education in schools and workplaces and at crucial financial life moments.
- Investment firms and employers can support more inclusive system networks and communicate their benefits and value to those who may not be currently included.
- Governments and educators can seek better ways to encourage and provide financial education and participation while considering ways to ease the student debt burden.
- These stakeholders can accept and adopt the information channels – from social media and community classes to engaging content such as videos and podcasts – that these women choose.

How the survey was conducted

Capital Group, partnering with behavior and analytics firm Escalent, conducted an online survey of 2,597 U.S. consumers from January 11, 2021, through January 27, 2021. Survey participants were required to be 22 years or older and have at least one of the listed account types: full-service taxable brokerage account, self-directed taxable brokerage account, robo-advising account, employer-sponsored retirement account, individual retirement account, or college savings account. The data among females have a margin of error of $\pm 2.19\%$ at the 95% confidence level. The data among males have a margin of error of $\pm 4.08\%$ at the 95% confidence level.

Demographics					
Generation		Race		Other	
Millennial (aged 22-39)	495	Caucasian women	1,201	Affluent women	328*
Gen X (aged 40-55)	367	Women of color	457	Men	577
Baby boomer (aged 56-74)	487	Black women	218		

*approx. 25% are women of color

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