Understanding Women’s Financial Needs & Behavior

Executive Summary

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For
AARP

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Introduction

Women have come to control over 60 percent of the nation’s wealth\(^1\). They control or influence over half of family investments. As women play a larger role in making financial decisions, it is important for AARP to understand their financial attitudes, behaviors and needs so they can offer information, assistance, products and services tailored to women’s needs and ultimately develop membership among women. This executive summary briefly describes the Women’s Financial Needs and Behaviors Study conducted for AARP in December 2006, a survey of 2,017 women ages 18-65+

The results of this research show women’s financial attitudes, behaviors and needs vary greatly. Additionally, there are many factors influence women’s behavior and attitudes towards finances. However, there are two consistently overarching factors that play the most significant roles in affecting women’s financial situation and attitudes: 1) Socio-economic status and 2) life stage.

Socio-economic factors include income and other measures of affluence including whether they have investments or own their own home. Ethnicity is also a dimension that we include among the socio-economic factors as African American and Hispanic women often show different financial attitudes or needs, but these differences were primarily driven by their lower levels of affluence.

Life stage is defined in this research based on age, marital status and presence of children in the household, and it is also a very influential factor determining women’s financial understanding, attitudes, behaviors and needs. For example, women who are married are more likely to be dependent on others for assistance with financial decision making. Additionally, older women have had more time to learn about money and financing and therefore tend to be more knowledgeable. Sometimes these factors are interrelated as women who are young and single make less money and single mothers also have more dependents so they also struggle to make ends meet.

FINDINGS

Financial Situation, Attitudes & Behaviors Of Women

Most women describe themselves as comfortable with their financial situation (35%) or having enough to get by (39%). However, one-in-five women struggles to make ends meet and half of women say it would be a challenge to deal with an

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unexpected thousand dollar expense. Single moms, young (18-34), less affluent (annual household income less than $50K) and African American women are all much more likely to struggle financially.

In addition to struggling financially today, many women struggle preparing for the future. More than half of women feel they are behind on preparing for the future. However, most women are unwilling to make riskier financial decisions for their money to grow faster, preferring to protect their savings with more conservative decisions.

While women in general are conservative with their money, many are not doing as much as they could to create a solid financial situation for themselves. Only two-thirds of women use a savings account and over half (57%) do not pay off balances on their credit cards each month. Single women are even less likely than coupled women to maintain a savings account. Younger women and Single Moms especially, are much more likely than other women to be carrying balances on credit cards from month to month. Understanding the motivators for this behavior may be an area for future research.

Women in general admit they are not entirely prepared for the future with only one third knowing how much money they will need for their retirement years. This percentage is much less for women in the lower socio-economic groups. Knowing how to properly budget themselves is another area that women admit to needing to do a better job of.

Life-changing events also have an impact on women’s financial needs, with over one in three women experiencing something in the past 12 months that had a significant financial impact on their lives. Most significant events effecting women in the past twelve months have had a negative impact on finances. The most common events experienced by women that have an impact on their finances are marriage, loss of a job, birth of a child and purchasing a residence. The most common change women have to make as a result of these events is to go on a tighter budget in order to spend less money.

Financial Decision Making Process

Consistent with other research findings, the results from this survey indicate that women play a large role in the decision making process with about ninety percent reporting that they are either the primary decision maker or equally sharing in the decision. About two-thirds of women also say that they manage their money entirely on their own.

As key decision makers in households, women use several criteria for selecting a financial product or service. While the criteria for selecting a service changes for each financial category, women tend to state on an unaided basis that convenience, cost and trust in company are the most important factors. Single Moms
are the most concerned with cost and affordability and older married women rely on the trust they have in their agents they work through.

In terms of sources of information for making financial decisions, women rely heavily on friends and family (33%). They also trust advisors, internet sites and brokers but not to the same extent as the people in their lives they know and trust. Women with higher incomes are more likely to rely on professional resources while Single Moms and Young & Single women are particularly reliant on their personal relations for advice.