Thornburg
INVESTMENT MANAGEMENT

#NowMe Episode 16: Millennial Women's Finances

Hollis Walker: This is #NowMe, a podcast for financial advisors and their clients. So, Jan, we meet again, but at a safe social distance, of course. When you and I talked the other day, you said you had an important subject you wanted to discuss. What's on your mind?

Jan Blakeley Holman: Well, Hollis, this is a subject I didn't think I was going to need to discuss. I have some concerns, and they revolve around a subject that we discussed in the past: women's finances; and particularly, young women's finances. In this case, my concerns relate to two surveys. The first was published by UBS, and it disclosed that high-achieving millennial women in traditional/heterosexual marriages were not as involved as their husbands in the long-term financial decision making. They may be involved in the paying-the-bills decision making, but they're not involved in the investment, risk management, et cetera type of decision making. The second has to do with career decisions that women are making in light of the pandemic, and given the career decisions, I think we can also say it's the millennial generation.

Ms. Walker: Okay. So wait. Let's go back. In the past, I thought you said that millennial women were thought to be less restrained by traditional gender roles, and they were more likely to share in financial decision making with their husbands.

Ms. Holman: Well, you're absolutely right. The majority of previous surveys on wealthy millennial women had indicated that they were more likely than previous generations of women to be involved in their family finances. But now all of that progress seems to have gone by the wayside. When you're talking about surveys, it's important to remember that survey results are based on the information they get from respondents, and the respondents are limited in number. That said, survey results, if they're survey results on anything except elections, they're generally often going to provide insight into trends for the larger population. Let's talk about the UBS study first. That study found that 76% of millennial women, and those are people who are 24 to 39 years old, were likely to participate in financial decisions, long-term financial decisions, compared to 89% of baby boomer women, who are 56 to 74. UBS also found that while women, as I said, are involved in, you know, day-to-day financial decisions, 60% of them are not involved in longer-term decisions. Why is that happening? Well, their response is because they don't feel as knowledgeable as their male spouses.

Ms. Walker: I just want to break in here and say what I'm hearing you say, or what I'm interpreting here is that while my mother may not have been involved in the big financial decisions of our family, she did do the daily accounting. She paid the bills, and she bought the groceries and those kinds of things. She wasn't involved in those major investment decisions probably because, at that time, women were not thought to know enough about it to be able to do that, and it wasn't their role. The man of the family was supposed to make those decisions. But now with these millennial women, it's very different it seems because I don't think they have those same attitudes that my mother had, but they're making similar decisions. They're passing off the decision making of major investments to their husbands. Am I on the right track here?

Ms. Holman: You're totally on the right track, but remember, your mother wasn't a baby boomer.

Ms. Walker: Right.

Ms. Holman: Your mother is actually part of the World War II generation.

Ms. Walker: Right. And yet our generation, yours and mine, the baby boomers, we were part of that feminist wave, and we took more action on our own behalf in our families than these millennials seem to be doing.

Ms. Holman: Well, yeah, but, you know, the results we'd heard to this point was that baby boomers had deferred to their male partners and that, in fact, millennials were changing the tradition of women backing out of those long-term financial decisions but still being involved in the day-to-day things like, you know, how am I paying for the electricity. Another thing that I saw recently was a study from the National Women's Law Center that found that 80%, almost 80% of the 1.1 million people who left the workforce during August and September were women. McKinsey supports that with information that says they found that a third of mothers, and those are typically millennials, you know, younger Gen X or millennial women, considered leaving the workforce or slowing their careers because of the demands of childcare during this pandemic.

Ms. Walker: So not only are these millennial women less involved in the long-term or the larger investment decisions in their families, but they're also continuing to bear the greatest responsibility, perhaps, for childcare or elder care.

Ms. Holman: I know. It seems like we're going backwards, doesn't it?

Ms. Walker: It does. It does. So given this new information, Jan, how do you suggest advisors use it to help their clients, their, especially their women clients?

Ms. Holman: First of all, I think advisors should help their clients become financially literate. If an advisor gets the impression that both parties in a relationship or marriage are not equally involved in financial decision making, that advisor needs to ask why and provide them with some easy-to-read financial information without insulting them. You know, it's walking a fine line, right?

Ms. Walker: Right.

Ms. Holman: Second, I'd tell clients that, if I was an advisor, that participation by both parties in financial decision making actually creates happier couples. Third, and this is really important, discuss career decisions with your clients. Suggest that if they're thinking of changing their career that you and they, and I mean the two individuals in the couple, have a discussion about it. In the past, one of the things that has been identified as the reason that women's retirement accounts fall behind male retirement account values is because they, women, tend to move in and out of the job market. So if one spouse is considering leaving the job market, explain to your clients that they may need to step back and strategically look at those kind of decisions. I'll give you an example, Hollis. One of my daughter's friends who worked at a very solid company in Minnesota where she was essentially assured that she would have a job that would carry her through this pandemic, made the decision after the coronavirus lockdown started because she and her fiancé, now husband, had been talking about her leaving that safe, secure company and going to work with him. So she left that safe, secure company, went to him, and he had to fire her because they didn't have enough money to cover the cost of her income and benefits, et cetera. Now that they're married, she can, of course, get her benefits under his plan, but that seems like a really shortsighted decision that was made and especially given the fact that the virus was already happening and the lockdown had happened and now she's not working. So discussing career decisions is really important. Finally, I'd say remind clients that statistics tell us that women are likely to outlive their male counterparts, and if they lose their spouses, they need to know what was going on in their financial life. They need to know where the money is, who the advisor is. They need to have a relationship with that person. They need to know why things are structured the way they were because if they don't, what happens is you lose a spouse, you're grieving for a spouse, and you don't have a clue what's going on with the money. That is not a good scenario for being able to, you know, weather the storm of losing a significant other. If they do those things, if they're involved in joint decision making, they're going to be more prepared to make well-informed decisions going forward in their lives, and they're not going to need their children or somebody's husband in the family or her brother-in-law, which it always seems the poor brother-in-law always seems to come in and make rather specious investment recommendations for the widow, right? They can make those decisions themselves.

Ms. Walker: So, Jan, I have one more question. All of the surveys we've been talking about here address traditional marriages; husbands and wives in traditional marriages. Have you seen any surveys that look at married couples who are gay or lesbian and whether they have any more equity in the way that they handle their investments?

Ms. Holman: No. And I think that's a good thing for us to talk about. I can go digging. I think the thing to understand is that the big companies, UBS, McKinsey, you know, whether it's Morgan Stanley, all those names are giving us information on traditional couples. Typically, an organization like Pew will have information on gay and lesbian couples, but let me go be, do my research because I think that's a great question.

Ms. Walker: Thanks, Jan. That's all the time we have today. You've been listening to #NowMe with me, your host, Hollis Walker, and Jan Blakeley Holman, director of advisor education at Thornburg Investment Management. If you want to suggest a topic for us, email us at NowMe@thornburg.com. If you'd like to hear more episodes of #NowMe, you can find us on Apple, Spotify, Google Podcast, or your favorite audio provider, or by visiting us at Thornburg.com/podcast. Jan can also be found on LinkedIn. If you like us, subscribe, share us on social media and leave us a review. Until next time, thanks for listening.