



RETIREMENT SERVICES

Women and investing study

METHODOLOGY

The research for this white paper was conducted on behalf of ADP Retirement Services by Retirement Insights, LLC. An online survey collected data from a national sample of 1,000 women employed full-time with a minimum annual income of \$30,000. Demographic data such as household income, gender, race, ethnicity, and geography was considered to reflect the US population of working women. The research was completed in June 2024.

Objective

Gain insight into how women manage their money, invest and save for retirement.

See back cover for disclosure notes.



How women save for the future

We last conducted a Women and Investing Study in August 2020. It was the first year of the COVID-19 pandemic, and the U.S. inflation rate was just 1.4 percent. Pandemic conditions, supply chain disruptions, and the war in Ukraine all contributed to the U.S. inflation skyrocketing in 2022. Over the quarters that followed, the Federal Reserve raised interest rates to control inflation, and although it fell steadily, inflation remained stubbornly high until beginning to recede this year.

These economic conditions have made everyday living expenses less affordable, which has stretched budgets and raised financial anxiety among working women. They're spending more on living expenses and saving less for financial goals, like retirement. While a fair amount take steps to manage and adjust their spending, many do not — and it's putting their financial well-being at stake. For example:

- Financial stress has increased. Fifty-five percent of survey respondents report feeling overwhelmed, anxious or fearful about their financial situation. In 2020, 30 percent expressed these concerns.
- Over half are unprepared for financial shocks — 58 percent lack an emergency savings account with 3 to 6 months of income.
- Women have less in retirement savings. In 2020, 48 percent of women had under \$100,000 saved for retirement. Today, 76 percent have retirement savings in this range.



FINANCIAL STRESS HAS RISEN SUBSTANTIALLY

Women's financial anxiety is high — 55 percent of survey respondents report feeling overwhelmed, anxious or fearful about their financial situation. That is a big change since just four years ago when 30 percent described their finances in this way. On-going inflation and perceived economic uncertainty are driving the sentiment — 36 percent rank the economy as their top concern. Personal debt (22%) and habitual overspending (20%) are other noted areas of concern.

FINANCIAL STRESS EFFECTS MORE WOMEN TODAY

2024
55%

2020
30%

How women make financial planning decisions and manage money

Parents or guardians are considered the most influential in how women approach financial decisions. Despite financial concerns, most women (56%) don't track their monthly expenses to manage spending. Just 40 percent monitor their expenses and make adjustments to their spending as needed. While available mobile apps for budgeting and expense tracking could make the process easier, women are more likely to opt to use a spreadsheet instead.

In the next year, 73 percent expect to spend the same (38%) or more (35%). Just 1 in 4 will strive to spend less by cutting non-essential (45%), entertainment (34%), travel (24%), and credit card (23%) spending.

Current expenses prevent women from saving money

The economic conditions of the last few years have clearly shaped how women spend and save their money. Daily expenses (59%), housing costs (53%), and credit card debt (23%) have limited their ability to save. And, women are more likely to put spending on day-to-day living expenses before saving money by nearly half (46%) — slightly more than the overall population (42%).

Nearly 60 percent don't have an emergency fund with three-to-six-months of income available for unexpected expenses. Twenty-eight percent view building an emergency fund as a greater priority than saving for their retirement (20%).

On a positive note, 75 percent plan to save at least the same amount over the next year, including 42 percent that aspire to increase their savings rate. Women say that if they earned more, they would bump up savings (56%), and reduce credit card debt (26%). Just 7 percent would use the money to pay student loans.

Seventy-eight percent pay health insurance premiums of \$6,000 or less per year, with out of pocket medical expenses of \$1,000 or less per year.

THREE BARRIERS TO SAVING





DEBT SNAPSHOT

Women highly value their education (79%), and just 1 in 3 have an outstanding student loan that most estimate to total at \$30,000 or less. Sixty-seven percent have \$1,000 or less per month on their credit cards, and they are more likely than men to pay their balance in full monthly.

Financial wellness resources

Access to financial wellness resources in the workplaces has improved. In the 2020 survey, a third had no financial wellness resources. Today, 27 percent are without. However, about the same amount are unsure if financial wellness is available to them. Many don't use these resources though — 32 percent can't recall their last use, and 22 percent use it only about once a year.

Women make their own investing decisions

Most women surveyed took charge of making their own investment decisions early in their careers — 37 percent began in their 20's, and 37 percent started in their 30's. Fifteen percent took on making investing decisions later — in their 40's and 50's. Almost half rely on themselves for investing information, and 17 percent rely on a partner or friend.

Few get professional investment assistance

Although they're making investing decisions, over half aren't checking in on their retirement accounts. Fifty-four percent haven't checked their account in a year, or they don't remember when they last reviewed their account.

The majority of women surveyed have not used fee-based investment guidance or advice services (69%), nor used online guidance or advice tools (85%). These types of assistance are overlooked mainly because they are believed to be unaffordable (35%), however 24 percent never considered these resources as an option. In contrast, 31 percent of survey respondents have used such services and tools and 18 percent believe their returns were better as a result.



74% of women **started investing**
in their **20's or 30's**

Many save in their workplace retirement plan but there are exceptions

It is encouraging that more women today are enrolled in their employer retirement plan but there are exceptions. Some don't participate because they can't afford to save (26%), or because there is no employer matching contributions (15%). Others prefer to invest outside the plan (25%). And finally, thirteen percent choose not to enroll because they don't plan to stay with their employer long-term.

During the retirement plan open enrollment period, most automatically renew their current plan elections (37%), but a significant number take the time to review and make changes to their plan (27%) or review their elections but make no changes (20%).

Top retirement planning challenges

Women name the same retirement planning challenges as others, including calculating their retirement savings needs (37%) and making their retirement savings last for their lifetime (24%). Fortunately, these are concerns that can be resolved with retirement planning calculators, educational workshops, and advice and guidance that is likely currently available through their employer retirement plans.

WHY WOMEN DON'T SAVE IN THE WORKPLACE RETIREMENT PLAN

 26%

Can't afford to save

 15%

No employer match

25% 

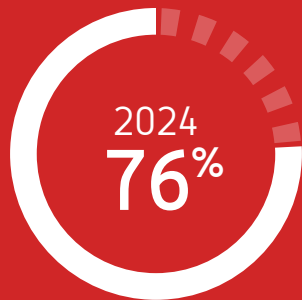
Prefer to invest outside the plan

13% 

Not staying with the employer long-term



WOMEN TODAY ARE MORE
LIKELY TO **HAVE UNDER \$100,000**
IN RETIREMENT SAVINGS



Few have a personalized retirement plan

Just 12 percent of women surveyed have a personalized retirement plan that details their estimated retirement expenses, where they will live, and expected healthcare costs with goals and timelines — even those with advanced degrees and higher incomes have not taken steps to draft a plan. Instead, it's more typical that they have general future financial goals (37%) or they manage finances one day at a time (25%).

Some big areas of uncertainty include how much savings is needed for a comfortable retirement (36%), including what factor is best to consider when setting a savings goal — a certain dollar amount or estimated retirement expenses. Knowledge about Social Security could also be improved — 26 percent are unsure how much to expect in monthly income. Sixty percent believe Social Security will provide half or less of their monthly retirement income — which is slightly lower than the Social Security expectations expressed in 2020 (66%).

Retirement account balances are going in the wrong direction

Seventy-six percent of respondents report that they have \$100,000 or less in retirement plan savings. Assets outside employer plans isn't making up for low balances — 86 percent have \$100,000 or less in other accounts, including 62 percent with under \$25,000.

Women over 50 and nearing retirement age are potentially significantly underprepared:

- Sixty-three percent of women ages 50 to 59 and 56 percent of women ages 60 to 65 have \$100,000 or less in retirement plan savings.
- Seventy-five percent of women over age 50 have under \$100,000 in outside savings.

Working part-time is part of most women's retirement picture — either because the income is necessary to afford essential and non-essential expenses (61%) or because they like the sense of purpose working provides (15%).

Plan enhancements that could improve savings rates

Survey respondents would like workplace retirement plans to offer better investment education, assistance with developing a personalized retirement plan, personalized advice, and provide expense management tools to help women navigate their financial security. The 2020 survey reflected the same priorities, but there is a greater urgency today for managing expenses.

Women prefer to learn about financial topics through websites (23%), email (28%) and workshops (27%). Mobile apps (13%) are slightly more interesting to women than men.

They're also highly interested (84%) in a product that provides a guaranteed income in retirement, such as an annuity. In fact, nearly 9 in 10 would forgo the potential upside opportunity that investing in the stock market may provide for a guaranteed investment.

Conclusion

Women's financial wellness has declined over the last few years. Their finances are stretched and it's affecting their ability to save money for their financial goals. But as the study reveals, there is a clear opportunity to help women improve their financial outlook through education. Employers can help women improve their finances with:

- Financial wellness and retirement education resources that can empower women to make smart decisions about their money and overcome their financial challenges. Mastering expense management, budgeting and saving for emergencies are all critical to building financial security.
- Personalized retirement planning assistance from an investment professional or online service — especially for women nearing retirement age — can help them calculate their retirement savings needs and estimate Social Security benefits.

Providing access to these tools and resources is essential — and so is driving awareness and usage among employees.



84% of women are interested in a guaranteed income product for retirement.



Let's Talk

For more information about ADP retirement plans and how we design them to be engaging and easier to manage, visit us at adp.com/401k.

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